Improving Airline Revenues with Variable Opaque Products: “Blind Booking” at Germanwings

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Airlines often confront the challenge of determining how to profitably sell their distressed inventory (i.e., seats that their revenue management systems forecast will remain unsold). One solution to this problem is to sell this distressed inventory as opaque products via either the airline’s own channels or a third party. An extension of the opaque product is the variable opaque product (VOP), whereby the customer can vary the amount of opaqueness in one or more attributes. Germany’s leading low-cost airline, Germanwings, tested this concept during a period of more than three years with very encouraging results; the airline experienced a significant increase in revenues. Furthermore, competing airlines have not reacted to this new initiative; thus, it appears that Germanwings has generated a new set of customers. In this paper, we describe the significant results achieved by combining revenue management and marketing insights in the development of a VOP at Germanwings, present business metrics generated by the VOP, and offer insights on the use of VOPs in other industries.

Key words: variable opaque product; pricing; airline; revenue management; marketing; OR.

History: This paper was refereed. Published online in Articles in Advance.