

CASE STUDY: Purchase Point Optimization (Pricing)

Client:



Challenge:

Increase Revenue per Passenger

Solution:

Optimize the Sale of Specific Ancillary Products in the Flight Booking Path

Results:

Seats Pricing Test:

+13% impact to overall ancillary revenue
+2.4 million USD estimated annual incremental revenue

Baggage Pricing Test:

+8% impact to overall ancillary revenue
+1.3 million USD estimated annual incremental revenue



The Challenge

Define a strategy to maximize revenue per passenger within VivaAerobus' ancillary booking path. Fusion controlled 10 different ancillary products.

Fusion's challenge:

Increase revenue per passenger.

The Approach

Fusion identified the largest impact to ancillary revenue to be within the seats and baggage offers. Fusion performed a deep exploration of data into the strong predictors of price and a new pricing framework for each product was created.

Fusion's approach:

Optimize the sale of specific ancillary products through a series of A/B and multivariate tests within the booking path.

Market testing was to be performed through targeted pricing tests on VivaAerobus' website.

The Solution

Through Purchase Point Optimization, Fusion was able to control and test price for both seats and baggage offers.

Fusion's solution:

Deliver product offers to the right customer at the right time — increasing consideration and propensity to purchase.

Performance of these tests were measured. The data was then re-analyzed, positive variables isolated, data re-constructed, and a new projection of revenue impact was created.

Once final analysis was complete, the pricing eligibility logic was implemented to the targeted population of VivaAerobus customers.

Pricing Tests

Fusion performed a deep exploration of data into the strong predictors of price for Seats and Baggage. Booking Window was identified as a predictor for Seats and Route (Distance)/Season for Baggage. A new pricing framework for each product was created for their respective offers.

Once VivaAerobus' pricing model was fully developed, multivariate tests were executed and an initial analysis of the results were available immediately upon completion.

Seats Pricing Test - Initial Analysis

ANCILLARY REVENUE CHANGE	POPULATION GIVEN VARIABLE
+1.7%	100%

Baggage Pricing Test - Initial Analysis

ANCILLARY REVENUE CHANGE	POPULATION GIVEN VARIABLE
-1.4%	100%

After all the data had been collected, a second, comprehensive post-test analysis was completed within 48 hours. During this process, Fusion measured the overall performance of each experiment at a high level.

While the initial results of the experiment were determined to be fairly neutral, Fusion was then able to dive further into the data and identify variables of success to be isolated at a granular level. The targeted populations were then grouped within the test and control populations, to be analyzed as if the multivariate tests had only been executed within those groups.

The results were then measured against the established KPI's and the potential incremental revenue impact for VivaAerobus was calculated.

Seats Pricing Test - Refined Analysis

ANCILLARY REVENUE CHANGE	POPULATION GIVEN VARIABLE
+80%	16.3%

Baggage Pricing Test - Refined Analysis

ANCILLARY REVENUE CHANGE	POPULATION GIVEN VARIABLE
+71%	11.3%

OVERALL ANCILLARY REVENUE CHANGE +13%

OVERALL ANCILLARY REVENUE CHANGE +8%

The pricing eligibility logic was then implemented to ensure that only the population of VivaAerobus' customers that exhibited positive responses would receive the pricing from the test. This process continued to repeat indefinitely as Fusion's pricing models only gained intelligence.

Who is Fusion?

Fusion equips digital retailers with the power to turn a single interaction into an extremely profitable longstanding relationship. Building on proven results in global merchandising optimization, Fusion delivers the right offer at the right moment, creating more online opportunities. The result: increased conversions, increased average transaction values, increased retention, increased lifetime value, increased profit.

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