Using Revenue Management to set Orlando Magic Ticket Prices

Name

University

Date

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Difference between the Magic System and other Air Carriers

Indeed, the Magic system is substantially different in revenue yields from that utilized by airline companies. The Orlando Magic applied dynamic pricing where prices changes in alignment with the changing circumstances. On the other hand, the system enforced by airlines is completely pre-set, and seats on the same flight may have differing prices. Strategies such as the EMSR (Expected Marginal Seat Revenue) consider the best methods to adjust prices in real time, not only on an exact route but considering opportunities that generate revenue for the entire airline network (Morris, 2016).

For instance, a flight from London to Dubai could have the same price as a longer flight to Manila, through Dubai, as the company is increasing the price of the first option to dishearten those preferring the shorter trip, and reserving the seats for clients that can pay more. Moreover, there exist airlines that are ready to deny seats to lower value customers with tickets to create room for high-value passengers. Furthermore, there is a guideline produced by Caravelo, a company in Barcelona, to assist airlines in establishing the passengers that are most likely to approve a flight interchange in return for reimbursement of busy routes, thereby allowing free seats to be valued at a higher price (Morris, 2016).

How the Profit Contribution would change

Original System

230 spaces × $68 per game × 45 spaces = $703800

Dynamic System

230 places × {(3 games × $187 per game) + (3 games × $170 per game) + (4 games × $85 per game) + (6 games × $75 per game) + (14 games × 60 per game) + (9 games × $44 per game) + (6 games × $40 per game)} = $767,510

In a nutshell, yield management has improved net profit-contributions to 767510 with a difference in profit that totals to $63710.

Concerns the team need to consider. These are some of the issues that the team should consider when employing dynamic pricing with regular price changes:

1. Dynamic pricing moderately consumes a lot of time.
2. There may be delays in the buying of tickets.
3. Ultimately, both basketball fans and airline passengers fail to purchase the tickets.

There are various advantages and disadvantages of the Magic System. There various benefits that arise from the dynamic pricing structure utilizes by the Orlando Magic. To start with, price increases are occasionally vital and can usually enhance poor sales to achieve revenue objectives. Dynamic pricing does this by reducing prices to advance at the same rate with competitor data, market trends, and internal stock levels (Bishop, 2016). This makes it possible to maintain a competitive edge in the market and ensures that there are no unsold tickets.

The reverse is much more amiable since it is known that dynamic pricing structures are not just about price reductions. Most prices may frequently require an improvement in price, for instance, if the closest competitor has a substantially higher price. Therefore, this pricing structure is a means of increasing revenues and profits despite the circumstances.

Moreover, vendors that apply dynamic pricing software have the capacity to be informed on pricing trends, and competitor pricing. Although it is not an easy task, vendors have the ability of manually adjusting the prices of tickets while others prefer pricing automation software.

Most vendors fear that buyers will not accept their new pricing structures and opt to purchase elsewhere. Still, it is important to consider the fact that dynamic pricing allows vendors to establish re-pricing policies to ensure that their price match with their brand.

Even though it is possible for the seller and the consumer to benefit simultaneously, buyers could be deterred by constant price fluctuations. Furthermore, with discounts and sales, clients consequently purchase the same goods for different prices.

Some vendors are afraid that adjusting prices in alignment with competitor pricing and other elements will coerce them into a price contest of margin depletion (Bishop, 2016). Fortunately, dynamic pricing automation needs the vendors to fix low prices to ensure that their prices do not drop below a certain price. This goes into ensuring that suppliers will never sell tickets below their actual cost.

Public Perception of the Disparity in Ticket Prices. When conversing on the disparity of ticket prices, the use of the term “reprehensible” appropriately depicts the attitude of most witnesses to the illegitimate price surges. Many buyers articulate moral indignation blaming vendors for making a profit from the pockets of the vulnerable. Due to the intense negative response, even the vendors themselves are hesitant to increase the price as it looks unethical. Thereby, most perceive this behavior as a real illustration of free market failure. Interestingly, policy makers that supporters of the free market usually back laws against surge pricing and price gouging.

An explanation for the indifference could be that there is a moral or ethical rationalization for free market behavior in such scenarios. There are those that contend that irrespective of the aftereffects of permitting escalated prices in an emergency, the action is simply integrally immoral. Perhaps the surging of pricing feels unjust since people have the desire for a world

where individuals are selfless and willing to assist those in a crisis. Still, vendors have a responsibility of generosity to preserve regular prices and not to exploit buyers that are in misfortune.

A Fan's Response

Indeed, a fan would react offensively if he/she discovered that someone bought a similar ticket for another game at half the price. When buyers respond poorly to price surges and the resultant profiteering by communicating resentment and rage towards the vendors, then public feedback shall prompt a bad result where almost every market participant, excluding a few fortunate ones, shall experience massive losses. In this scenario, the market does have a flaw, but the flaw that needs rectification is not the morality of the racketeering sellers but instead the public perception on the efficiency of markets in these cases.

The instant buyers have a genuine grievance regarding the operation of a market; it is logical to consider the wishes of consumers by initiating price controls or regulations. This is sensible when buyers lose heart as a result if negative externality effects commonly attributed to a polluting sector. Moreover, it is rational when clients complain about increasing prices in a concentrated market. Nonetheless, in this case, when viewing price adjustments and reactions to emergency situations, the opinion of market imperfection can be blamed on the public's misapprehension of market efficiency. The best way to solve this issue would be first to try to amend the perceptions of the general public.

The Fairness of the Ticket Pricing System

Nonetheless, regarding ticket pricing system, it would be fair to state that people are significantly influenced by flawed logic. First of all, it is a fact that most people denounce exploitation on its own. Racketeering means gluttony and voracity are regarded as unprincipled,

corrupt, and wicked. The second explanation would be the mere fact that windfall profit results from consumers that are afflicted with an emergency or unforeseen situation. It is prejudiced to charge those in suffering more than normal because that seems only to increase their woes.

Lastly, permitting high prices implies that affluent people could continue to buy the limited tickets but less-affluent people suffer more since most cannot manage to pay the higher prices. It appears unequal to many if the rich have better access to essentials than the underprivileged.

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