

Abstract

This thesis examines the plane tickets price development using both descriptive evidence and econometric analysis. The observed phenomenon of rising and falling fares in period close to departure is described and compared with the extensively developed theories, such as demand utilization and stochastic peak load pricing. Studying the fares observed on European routes using descriptive evidence revealed that the airlines accommodate fast to the uncertain demand. In the econometric part, the key factors influencing the price dispersion are determined. The contribution of this thesis is mainly in the econometric approach, as the price fluctuations are measured weekly using the coefficient of variation. This made it possible to compare how the different flight or market characteristics affect price dispersion in different week to departure. It was shown that number of sold seats, the load factor, is the crucial factor.