WEAI Discussion of Escobari (2010):

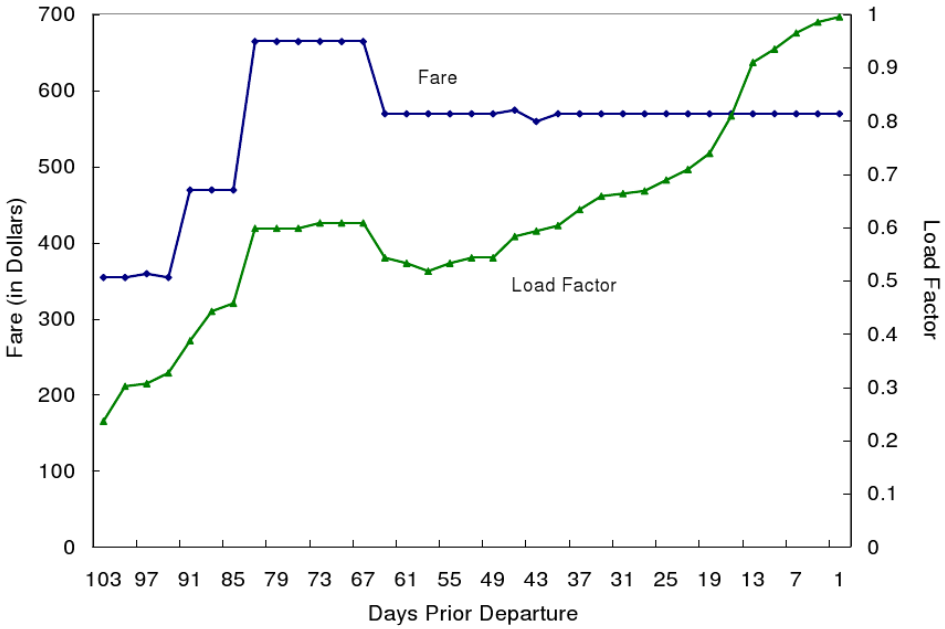
Stochastic Peak-Load Pricing and Aggregate Demand Learning in Airlines

James Murray
Department of Economics
University of Wisconsin - La Crosse

July 1, 2010

- Provide a great overview of the literature that motivates the present work.
- Explain well the complexity surrounding airline pricing.
- Econometric methodology:
  - Seems to be well motivated by literature - current practices.
  - I like the threshold model.
  - Identify a signal, S_{ijt}, that informs whether a flight is likely to be "peak" or "off-peak".
  - Take care to account for endogeneity in days in advance, and load.
- Paper seems to be well polished, ready for submission.

- No "booking curve" yet.
- It's not obvious what this should be.
- Keep the figure, but admit it isn't obvious. This motivates your work.



- Econometric modeling:
  - Why does the signal only impact the coefficient on load?
  - What dynamics are you explaining over-and-above a simple model?
  - Is there a priori evidence of switching coefficients in these regressions?
- Why is this learning?
  - With learning, uncertainty decreases as time progresses (flight time approaches).
  - With learning, expectations (booking curve?) react to past signals.
  - You might capture some of these dynamics with interaction of signal on load.

- Motivation for someone not familiar with the literature is not convincing.
- I don't get a sense as to whether airlines are behaving optimally.
- Statistical evidence that signal causes switches in coefficients on price discrimination characteristics?