TimeWarp Travel

Your client is an Airplane service provider. A new service has been introduced that enables you to travel from New Delhi to New York in just one hour, and they are promoting their brand based on the time-saving aspect of this service. How would you price this service?

CASE TYPE	COMPANY NAME	DIFFICULTY LEVEL
Pricing	Kearney	★ ★ ☆

TimeWarp Travel

Velocity Voyage: Strategic Pricing Model

Case Type	Company Name	Round	Difficulty Level
Pricing Case	Kearney	Partner	

Problem Statement

Your client is an Airplane service provider. A new service has been introduced that enables you to travel from New Delhi to New York in just one hour, and they are promoting their brand based on the time-saving aspect of this service. How would you price this service?

What are the customer segments we are looking for in that particular flight?

Let's discuss it out. What do you think are the customer segments?

Customer segments could be consulting CXOs of companies, people, government embassies, and people in general who would like to travel a lot to New York, especially. Additional about the fashion industry, since a lot of fashion shows take place there

Focus on just management consulting and assume that all of the customers are management consultants. Then how would you calculate through a value-based model?

We can probably assume an average salary for consultants. Since this time I'm reducing travel time by almost 20-24 hours is something that I can now work with. So if I can have the per-hour salary of a consultant, you can assume that the flight usually takes 24 hours and now it's taking one hour. So the 23 hours that you are saving is something that I can calculate for with a per-hour salary.

Consider that usually, companies book flights for the clients in an entire project, not a single sort of consultant booking for themselves. How would you approach this now?

First, we can consider what is the average number of people that the company would be sending out for a project. And then instead of salary, we can shift to billable hours. So the per-hour revenue that the company is getting from a consultant's work, is something that the company is saving instead of the per-consultant salary

Assume there is a project, with two consultants, calculate the per hour billable and what amount we are saving.

Suppose, a consultant earns $1LPA. At an average, a consultant works 12 hours a day, which makes it 4,320 hours in a year. So the per-hour salary of a consultant would be $25.
Thus, the per-hour salary of 2 consultants will add up to $50. Assuming, that the company generates $100 revenue per hour from a client, Company's total savings would turn out to be $50.

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Alright. We can end the case here. Thank you

HERE'S A TIP!

One key factor here is not considering the entire 23 hours as time saved, but recognizing that a consultant typically works only 12 to 14 hours. This means that, on average, we consider 12 hours as the actual working time for a consultant, even though the total available hours maybe 23.

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Velocity Voyage: Strategic Pricing Model

CASE FLOW

CASE FACTS

1. Calculation using Value Based Model.
2. No of prople sent for a project: 2

Pricing (Airplane Service)

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Customer Segments

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Management Consultants

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Billable Hours (Value Based Model)

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Company Cost (No of people company sends for a project)

Salary: $1LPA
Billable Hours: 12 hr (Day), 4320 hr (Year)
Per Hour Salary of 2 Consultants: $25
Company per/hr revenue from a client: $100
Company Savings: $50