## Idaho Falls Regional Airport Fare and Pricing Analysis
### May 2015

Airline pricing is multi-dimensional. If only it were as simple as buying paper towels. But think again, how many types of paper towels are available, considering different roll sizes, package sizes, quality of paper, etc. There are many prices for paper towels based on the value of the package to the consumer. The pricing of very few products and services is one dimensional.

Airline seats are no different, which causes the same seat to be available at many different prices, depending on when the consumer purchases the seat, the ultimate destination of the consumer, and the value of the seat to the consumer – i.e.: the last-minute business traveler versus the flexible leisure traveler. This is the reasoning behind the wide array of fare classes available in each market, and the differing fare classes in Idaho Falls versus Pocatello and Salt Lake City.

It appears pricing changes every day. This is not actually the case. Fare structures are often long term – in place for many months at a time. Fares change as fare classes sell out. The lowest fare class at Idaho Falls might only have nine seats available for purchase each day of travel. As soon as those nine seats are sold, the next fare class becomes the lowest available, and so on. If Idaho Falls demand for travel is more robust than, say, Pocatello demand, Idaho Falls will sell out lower fare classes more quickly – and even if the lowest published fare is the same, the lowest available fare at Idaho Falls could be much higher.

While Idaho Falls lowest available fares tend to be the same as the lowest available fare at Pocatello, once the lowest fare class has sold out, Idaho Falls travelers find higher fares, in the same fare classes, than Pocatello. In mid-level fare classes – outside the ultra-deep discount coach class – Idaho Falls fares run between $50 and $200 more than the same fare class at Pocatello. Even United's Idaho Falls pricing tends to run higher than Delta's pricing at Pocatello.

It appears Delta and United have found demand for air service much stronger in Idaho Falls, and little need to discount fares to fill flights. The opposite is true at Pocatello, where weak demand necessitates lower fares in order to run flights with a reasonable percentage of seats filled. Essentially, Idaho Falls is a victim of its own economic success, with air carriers serving the market leveraging its strong economy and demand for a higher profit margin.

The resiliency of airline demand in Idaho Falls might mean higher fares, but it also means that service is profitable, and much more likely to be retained over the long term. Pocatello's fares are so low the profitability of its flights would be in question.

Small community air service is expensive. The economic cost to the airline of transporting regional passengers to a hub is an important airline pricing consideration. While regional carriers such as SkyWest provide service into Idaho Falls on behalf of Delta and United, the major carriers, not the operating carriers such as SkyWest, control the pricing of virtually all service in all markets. The extra cost of operation of connecting service, on relatively expensive regional jets which burn more fuel per seat than mainline aircraft, means that Idaho Falls and Pocatello fares will almost always be higher than the published fares at Salt Lake City.

Subsequently, Salt Lake City's published fares in virtually all markets analyzed for this report are lower than those published in either Idaho Falls or Pocatello. This has more to do with the economical cost of the operation or service, however, than an airline strategy to push passengers to Salt Lake City.

In regional markets such as Idaho Falls, major carriers do not always file complete fare structures for purchase in all connect markets. While Idaho Falls has a full range of fares available for purchase depending upon available capacity and time of purchase, its fares do not match Pocatello's in many fare classes.

Generally, Pocatello's average fares are higher than the fares found in Idaho Falls. In six of Idaho Falls' top ten passenger markets, the average fare in Pocatello is higher than the average at either Idaho Falls or Salt Lake City. In only three of the top ten markets is the average fare at Pocatello lower than the average at Idaho Falls.

Salt Lake City has lower fares than either Idaho Falls or Pocatello in six of the top ten markets. This is due to the sheer volume of capacity available in Salt Lake City, and the competition of air service in a much larger metro area. Still, in markets where Idaho Falls has non-stop Allegiant service, such as Phoenix and Las Vegas, its fares are lower than all other airports in the region.

Airlines spend little time working on their regional fare structures – and much more time ensuring they are competitive with other carriers on fare in major markets. It is possible that the airline, Delta in this case, has failed to realize the wide gap in all but the lowest discount fare classes between Idaho Falls and Pocatello.

Delta could choose to tie Idaho Falls pricing to its structure in Pocatello in some way, to ensure each fare class filed is similar. Delta could also tie pricing in both Idaho Falls and Pocatello more closely to its fare structure in Salt Lake City.

Even with the exact same fare classes filed in both Idaho Falls and Pocatello, fares in Pocatello will often appear to be cheaper, because the lower fare classes will continue to sell out more quickly in Idaho Falls. This is a consequence of airline pricing, and with strong demand in Idaho Falls, there is little the airport can do to change it.