Isenberg School Dean’s Lecture Series Seminar by

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“Frenemies: Price Competition between Codesharing Airlines”

Joint work with Sandra Transchel, Kühne Logistics University

Abstract: A codeshare agreement allows a flight operated by one airline to be marketed under another airline’s name and flight number. Codesharing and other interline agreements allow airlines to expand their networks without additional capacity investments. This seminar presents ongoing work in which we model two codesharing airlines that operate parallel flights, flight legs between the same origin and destination that operate at roughly the same time. Because the flights are close substitutes the airlines are competing for many of the same customers. The airlines, however, are also cooperating by selling (codeshared) tickets on each others’ flights. We formulate a closed-loop dynamic game under which each codeshare partner dynamically adjusts the prices for seats on its own flight as well as seats on its partner’s flight. The rules for sharing the revenue generated by codeshared flights vary widely among airline partnerships, and we use our model to examine the effectiveness of particular transfer fee schemes as well as the effects of those schemes on pricing behavior.

Biography: Robert Shumsky is a Professor of Operations Management at the Tuck School of Business at Dartmouth. His research focuses on the improvement of service operations, with particular emphasis on the coordination of service supply chains in which service provision is split among multiple firms. He has conducted research on the U.S. air traffic management system and studied transportation operations for state agencies and the Federal Aviation Administration. He has also served as a consultant for both manufacturing and service operations, including call centers and health care providers. Professor Shumsky has published recent articles in Manufacturing and Service Operations Management, Operations Research, and Management Science, among others. He currently serves in various editorial positions for several academic journals.