

THE DE-BUNDLING OF U.S. AIRLINE BAG FEES AND FARES: AN EXPLORATORY STUDY

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ABSTRACT

Most, but not all, major US Airlines began charging extra for passengers to check bags in 2008. Prior to this, airlines had traditionally allowed for two free checked bags per passenger. Regardless of their bag fee choice, all airline executives claimed to have made the intelligent marketing decision. The purpose of this exploratory research was to look at market data to determine how the changing baggage pricing paradigm has affected competition, and which set of executives' claims were correct. Our data analysis shows that the firms that refrained from implementing separate baggage fees seem to have gained market share as well as an increase in base price and market revenue.

Keywords: