

DYNAMIC PRICING SYSTEM

The dynamic pricing system is a multifactor pricing tool that combines most approaches previously used as marketing promotion tools: pricing depending on seat/berth category (upper or lower berth), day of the week, booking window², etc. Unlike static marketing promotions which offer the rates set in advance for an extended period of time, the dynamic pricing system implies flexible ticketing reflecting internal dynamics and various external trends as at the sale date.

The system covers the entire commercial segment of FPC's domestic services, in particular, the deregulated segment of trains outside socially necessary train services.

The system helps identify the balance between the demand for, and cost of, services, ultimately driving the demand for rail services.

MARKETING PROMOTIONS AND THEIR RESULTS

An attractive price offer has always been a powerful tool to win more passengers for railway services.

The Company's Marketing Policy puts a special focus on retaining existing and acquiring new customers. We developed and successfully implemented a set of marketing initiatives aimed to boost passenger traffic. We estimated that in 2018 the flexible pricing policy and marketing initiatives increased the flow of passengers to FPC's deregulated segment by approximately 7.8%.

In 2018, 15 global marketing initiatives were delivered in the deregulated segment. In addition to the discounts offered for some destinations and seat categories (upper berths), we also offered special fares for certain passenger categories:

- Travel First Class: special fares for first-class sleeping carriages (approximately 122 trains).
- A 50% discount for upper berths in second-class sleeping carriages during the February and March holidays.
- A 50% discount for travelling in second-class sleeping carriages for children aged from 10 to 17 during the spring and autumn holidays and before summer school holidays.
- Free travel for Great Patriotic War (WWII) veterans, including disabled veterans, between 1 May and 31 May.
- Hero City: special fares for second-class sleeping carriages and carriages with seats in higher-speed trains (a separate list of trains departing between 7 May and 12 May).
- A 60% discount for upper berths in second-class sleeping carriages in certain trains departing from the Black Sea coast between 27 May and 14 June.

In 2018, approximately 72% of tickets covered by dynamic pricing were sold at prices below or comparable to basic fares (fares that would have been applied without dynamic pricing).

To reinforce its positions in the passenger services market, FPC has been running various marketing promotions to stimulate consumer demand in both the deregulated and regulated segments, and boost the Company's revenue.

- A 30% discount for second-class sleeping carriages during the 2018 FIFA World Cup (a separate list of trains).
- Indian Summer: special fares (RUB 1 = 1 km) for trains to the Black Sea coast departing between 1 October and 21 December, when booked 90 to 30 days before departure.
- The Day of Older Persons: on 29–30 September and 1 October, passengers aged over 60 were entitled to a 50% discount for second-class sleeping carriages in trains departing between 1 October and 31 October.
- New Year Night: a 50% discount for upper berths in second-class sleeping carriages in trains departing on 31 December 2018 (a separate list of trains).
- A 2%–10% discount, valid throughout the year, for second-class sleeping carriages not equipped with environmentally friendly toilet facilities and air conditioning units.

In the regulated segment, we delivered 11 global marketing initiatives grouped by the following periods:

- A 40% discount for side upper berths and upper berths at the end of third-class open sleeping carriages of trains departing between 10 January and 27 April (excluding the February and March holidays).

In addition, in 2018 we delivered

>2,000

one-time

marketing initiatives

A total of

7.1

million passengers

benefited from our special offers

² In this case, a booking window is the starting date of advance train ticket sales.