EDITORIAL

Pricing

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Easyjet, South West and Ryanair are the brand names that have changed the Revenue Management models. Today's consumer lives in a low-cost world even with rising energy prices. They fly to a destination with a low-cost carrier but stay in a five-star hotel. The consumer considers air travel a commodity and is four times more price sensitive than a decade ago. The emergence of cheap travel to serve price-conscious market segments has prompted many brands to rethink their marketing and product proposition. In the airline business, many carriers have introduced second brands firmly positioned within this low cost model. For example, British Midland (BMI) has positioned *bmbaby* this way. *Bmbaby* is positioned heavily drawing upon the strengths of the first brand British Midland. From a revenue management point of view, it is the pricing level of budget carrier that is significantly below the first brand. It is like shopping at Tesco's for Christmas crackers, you have the choice of luxury crackers or the value range. The distinction between the products is price and quality. The problem for the airlines is the perception of quality by consumers, as they do not see any added value in paying a higher price for a quality product, and where they do, the market is small. Welcome to the world of low-cost pricing. Ian Yeoman and Una McMahon-Beattie explore the low-cost phenomena that have reshaped the practices of revenue management. The authors discuss the market forces in this economy and how it has changed the consumer's attitudes towards product purchasing.

Richard Klophaus and Stefan Poelt analyse the revenue potential of incorporating passengers' willingness to pay into airline overbooking. The paper examines the time-dependent spoilage costs as an extension of the static overbooking model. Lu Ji and Joseph Mazarella of Travel Sciences Inc. consider the importance of revenue management in the cruise industry, how the practices are applied, in particular drawing upon examples of nested class allocation and dynamic class inventory control application. Zheng Gu of the University of Nevada provides an insightful analysis of gaming revenue approaches in Macau, drawing several comparisons with Las Vegas.

Carmen Salvador and colleagues of the University of Almeria examine the service price components as an indicator of quality, hypothesising that the higher the price, the better the service quality is believed to be. Ahmed Ahbdelghany and Khaled Ahbdelghany examine how the air carrier's model is different in business travel propositions and tariffs.

Scott Nason of American Airlines propositions the future of revenue management driven by price transparency, computing power, and understanding consumer behaviour and consumer tolerance for pricing.

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