Editorial

Revenue and pricing management has had to face the continuing challenges of evolutionary change, as new models and theories are developed and existing practices adapt to new business situations. Since 11th September, the need for more rapid than expected change has shaken the industries of transport, hospitality and many others. The concepts of revenue and pricing management have become even more important in the face of shifting demands and increased pricing pressures, although, in many cases, models, systems and practices have had to be modified in order to be robust enough for a different economic environment.

An important objective of this journal is to promote the evolution of revenue and pricing management by expanding the published knowledge base through constructive debate and presentation of the most recent research and practice in the field. We expect that the editorial team and board of the Journal will contribute to this objective by providing a multidisciplinary set of perspectives from the revenue and pricing management community. The success of the Journal will depend on contributions from not only its editorial board, but also from what we hope will be a much broader representation of students, researchers and practitioners. Our goal is to generate a deeper understanding of the many facets of revenue and pricing management in an effort to overcome some of its myths and resulting boundaries and to promote its acceptance as a mainstay of business strategy.

The road to publication of the first issue has not been an easy one. We should like to thank Warren Lieberman, Una McMahon-Beattie, Eric Orkin, Larry Weather-

ford, Paul Rose and Montgomery Blair for championing the cause of the Journal, along with many others who have reviewed and contributed articles in support of this publication. Additionally, Daryn Moody must be thanked for his endless encouragement and support from Henry Stewart Publications.

Each issue of the Journal will bring together a range of papers that present the depths and diversity of revenue management and pricing. Research papers will provide illustrations of the most recent theoretical work by both practitioners and academics, after being rigorously reviewed by members of the Editorial Board. Practice papers will demonstrate creative applications and insights into more specific business problems. In each issue, we shall also invite a revenue management 'guru' to speculate on the future of revenue and pricing management, with the hope that thought-provoking ideas emerge to challenge our understanding. Finally, reviews of recent conferences and books of interest to our community will also be included.

RESEARCH PAPERS

In this inaugural issue of the Journal, Warren Lieberman and Tamara Dieck show how revenue management can be applied to a company's purchase of services. The authors focus on the cruise line industry, where the purchase of airfare for cruise passengers can exceed 20 per cent of revenues. An outline for an optimal air planning programme is proposed, with emphasis on decision support for routing passengers on flights and negotiating contract fares with the airlines.

McMahon-Beattie and colleagues raise the point of trust and its effect on variable

pricing decisions. Their paper sets out to discuss customer perceptions of pricing and the concept of trust by examining the interactions of revenue, pricing and trust within the context of ongoing buyer—seller relationships. It is suggested that revenue management concepts may be at variance with the principles of relationship marketing.

Most revenue management allocation models require inputs of the revenue value associated with the bookings expected in each price class. Larry Weatherford examines the impacts of more realistic fare value assumptions on the revenue performance of a commonly used unit allocation optimisation model (EMSR) and a new heuristic decision rule, called Leg Bid Price. The paper shows that a new decision rule can take advantage of the variability of actual price values around the mean price values and fare inversions to generate a significant revenue improvement over EMSR (10—15 per cent).

PRACTICE PAPERS

Montgomery Blair and Chris Anderson state that the continued success of revenue management hinges upon the ability to link organisational performance to the pricing and capacity decisions of revenue management systems. Within the context of Dollar Rent A Car, the case study reinforces the financial gains attributable to revenue management and indicates opportunities for future improvement. The authors outline Performance Monitor, a phased approach to performance measurement designed and implemented at Dollar Rent A Car.

Peter Jarvis draws upon his experience of implementing yield management into a new industry sector. At the same time, the scale of the change required and the lack of any industry blueprint can make the prospect daunting.

Steve Pinchuk shows us how revenue

management should be used to control marketing, pricing and product development. Revenue management's full potential will not be realised until this happens. Decision makers do not seem to know how to apply revenue management optimally to their product development, pricing and marketing.

Paul Rose demonstrates how revenue integrity provides robustness of reservations by ensuring that travel is undertaken within the conditions of the sale, by removing those reservations that create unnecessary additional costs and which reduce saleable inventory space to our customers. The paper goes on to discuss the variables that influence revenue integrity.

FUTURE OF REVENUE MANAGEMENT

In his contribution to the first 'futures' section, Peter Belobaba explores the past mistakes of revenue management implementation, providing a potentially controversial illustration of how the practices of revenue management might affect future developments.

REVIEWS AND EVENTS

Two revenue management and pricing books are reviewed, demonstrating the growing interest in the subject. Deborah Vollmer Dahlke reviews *The Experience Economy: Work is Theatre & Every Business a Stage*, by B. Joseph Pine II and James Gilmore, and Zheng Gu reviews *Yield Management: Strategies for the Service Industries* by Anthony Ingold, Una McMahon-Beattie and Ian Yeoman.

Finally, two conferences are reviewed, providing further evidence of the breadth and diversity of revenue management practices and research. Ian Yeoman and Larry Weatherford comment on IATA's 13th Revenue Management and Pricing Management Conference, and Montgomery Blair reviews relevant sessions of recent INFORMS conferences.

We certainly hope you enjoy this first issue of the Journal and find it useful. More important, we hope to have your continuing support. We welcome your comments and (especially) your contribu-

tions in the form of papers submitted for publication.

**Ian Yeoman and Peter Belobaba on
behalf of the Editorial Team and Board**