Editorial

It is the diversity and variety of applications of revenue management (RM) which are highlighted in this the second issue of *Journal of Revenue and Pricing Management*. In a commercial world where knowledge is paramount, RM shows how developing the right mix of customers at the right time can result in significant improvements in business performance. And with the trend of companies integrating pricing and inventory decisions now gathering pace in a range of industries, the benefits and applications of RM are becoming increasingly apparent and important. This issue outlines a number of examples and applications of RM in different industries which will enable readers to derive insights and benchmarks for their own environments.

RESEARCH PAPERS

Sheryl E. Kimes and Lee W. Schruben explore the concepts of duration control and demand-based pricing as a revenue management strategy for golf courses. Kimes and Schruben clearly set out an innovative application through a simulation study to define and manage capacity. The most controllable factor for golf courses is the tee time interval and, intuitively, reducing the interval between parties and increasing throughput would seem to lead to increased revenue. However, Kimes shows that interval reductions may in fact have the opposite result by amplifying the effects of variations in pace of play and reducing the revenue per available tee time (RevPATT).

Liu and colleagues start with the proposition that for the hotel industry, revenue management critically depends upon accurately forecasting unconstrained demand based on historical booking data. Unconstrained demand is only observable in the

absence of any constraints such as rate controls, stay pattern controls and capacity limitations. This paper develops parametric regression models that consider not only the demand distribution, but also the conditions under which the data are collected.

Within the retail sector, Heching and colleagues report their study of women's apparel. Fashion stores are faced with the problem of apparently ever-increasing demand uncertainty caused by the growing variety of fashions in a wide range of merchandise categories. Heching and colleagues employ a demand model to analyse revenues using various pricing policies. The analysis suggests that if a firm makes a smaller markdown earlier in the sales season, it will increase its revenues significantly.

PRACTICE PAPERS

Focusing on the gaming industry, Ahmet Kuyumcu highlights how RM can help to manage room revenues at a gaming resort. Managing gaming resorts offers a different challenge from other types of resort. For most resorts, the value of guests who stay many nights in a hotel is generally proportional to their length of stay. In contrast, at gaming resorts most players wager larger sums and gamble more frequently during their first day at a resort, and their nightly gaming value usually diminishes each day during their stay. The paper explores this and other challenges facing gaming resorts, including customer segmentation, special events and promotions.

Aubrey Swift describes the implementation and development of an origin and development (O&D) system at British Airways. Realising that O&D is more than systems development, Swift highlights the major impacts that O&D has on processes,

technologies and the way people work. Lessons learned from the project include the importance of clear vision, proper investment, enthusiasts, staff involvement and organisation.

In the second part of his two-part paper, Steve Pinchuk sets out how RM should be used to control marketing and product development. Pinchuk argues that the technologies of RM allow us to focus on market segmentation in order to integrate business decisions in a more holistic manner. Examples include stimulating demand, maintaining price integrity in higher priced market segments during typical low demand periods and boosting revenue during high demand periods.

Revenue management has, traditionally, been used most in a variety of service industries. In an interesting development, Robert Oberwetter explains how the characteristics of RM are appropriate for labour servicing of large capital equipment, such as semiconductor production equipment. Servicing is perishable, can be segmented, sold in advance, has variable demand and high fixed costs with low variable costs. These are the classic characteristics of RM.

FUTURE OF REVENUE MANAGEMENT

In the second paper in our regular feature assessing the future of RM, Warren Lieber-

man speculates that the discipline is now well-positioned to expand and make innovations into new areas. This involves efforts to broaden the base of RM applications through simple decision-making rules, performance measures and marketing opportunities. The paper makes interesting reading and stimulates thought on how RM can move forward.

REVIEWS AND EVENTS

Anthony Ingold reviews Robert Cross's book, 'Revenue Management: Hard Core Tactics for Profit-Making and Market Domination', reminding us of the core principles of RM and how Robert Cross has championed the cause of RM. Finally, to conclude the issue, Paul McCafferty reviews Scotland's first ever RM conference organised by Scottish Enterprise.

This, then, is our second issue and we hope you enjoy it and find the papers both worthy and stimulating. Perhaps above all this issue represents the breadth and diversity of RM applications, showing just how widely RM has grown and become accepted as a core management function of business.

Ian Yeoman
Editor