Editorial

INTRODUCTION

I have the great pleasure of being the Guest Editor of this special issue of the Journal, which presents papers based on presentations from the last IATA Revenue Management and Pricing Conference, which is reviewed later in the issue. The conference was held in Toronto in October 2002 and was attended by more than 200 delegates from the world of revenue and pricing management from the travel and hospitality industries. I designed the programme for this event on behalf of IATA and chaired the three-day conference.

In this special issue of the Journal, we have selected several of speakers from this event who have very kindly developed their presentations into papers in order to share their experiences with you. Three years ago, the topics of pricing and e-commerce were integrated into the conference content, as it was apparent that both are intrinsically linked to revenue management (RM).

PRACTICE PAPERS

The first of the practice papers featured in this edition is by Warren Lieberman of Veritec Solutions, and provides an overview of how to reap the rewards from RM, no matter which industry you are involved in. Many people consider RM as a technical issue and therefore approach it from a technical angle. Warren examines organisational and managerial issues and key success factors, implementation and performance measurement, as these are fundamental building blocks to the successful implementation of RM as a business practice.

Mike Mooney of Midwest Express Airlines supplies a case study, looking back at the implementation of a leading-edge

pricing solution into his airline. Pricing is an area that has been neglected for many years in many airlines, as there has been more focus and investment into RM systems or inventory system enhancements. Yet without optimal pricing, RM is unlikely ever to produce the optimal benefits desired. It is also true to say that, while RM deliver benefits on flights operating with high demand, good pricing strategies deliver benefits on all flights. Mike relates the quantum leap that has been achieved at Midwest Express in this area since implementing a public pricing solution.

Klaus Weber of Lufthansa Systems Berlin, writing with an international team of co-authors, provides a very thought-provoking paper, considering the integration of otherwise independently-run business processes to improve an airline's revenue. Given that fleet assignment, pricing and RM are strongly interrelated, and with the need to provide maximum payback in the current cost-conscious climate, the paper reviews recent developments in this area and looks to the future as to how airlines might exploit this relatively untouched area.

Gary Parker of Air Canada considers the infrastructure required to support and drive forward a successful RM department. He pays particular attention to the training and development needs of RM personnel, with a view to retaining them and ensuring that they are highly motivated in attaining the best possible results for their company. Gary also examines how best to measure the success of RM by looking at prime indicators such as spill, stifle, spoilage and denied boardings. He also discusses overbooking revenues, business and leisure spill, discount allocation control and the gains

related to adjusting levers within an RM system.

From British Airways, Jerry Foran looks at how much complexity the industry has needlessly imposed upon itself over the last 30 years, and the ramifications of this for RM and pricing departments in airlines. The UK has seen the huge growth of the 'low-cost' carriers, whose success in part is down to their incredibly simple business model. Traditional carriers are attempting to adopt some of their new practices, but is the current pace of change fast enough? Jerry considers the current environment and attempts to answer this question.

Tammy Farley of The Rainmaker Group focuses on an often neglected area: the evaluation and handling of group bookings. Airlines have invested heavily in traditional RM solutions, yet a large percentage of many airlines' inventory is occupied by group traffic passengers. Are airlines maximising this opportunity? Traditionally many airlines have viewed groups as less desirable, price-conscious travellers, who simply displace higher-paying passengers. Tammy argues that, with the proper processes and systems in place to manage group negotiations, airlines can move groups to the right flights at the right times with the right price and substantially enhance their bottom-line profits. This paper focuses on the challenges groups can present for RM and how they can be addressed from a process and automation perspective.

John Lancaster of Tulip Holdings suggests that, with profit margins at an all-time high for most companies, there is little margin for error. This makes it vitally important for travel and hospitality suppliers to understand the risk incurred when they use RM

to enhance yield. Incorporating corporate risk management techniques and value at risk measurements into RM and pricing decision-making is becoming increasingly necessary to achieve profitability during these volatile and uncertain years. John uncovers a new approach to solving an old problem.

Finally in this section, Ted Esse of Revenue Technology Services Corporation discusses how the integration of customer value management and RM solutions can secure the objective of optimising the customer relationship and increase profitability. The long acceptance of customer relationship management concepts in the travel industry is evolving into a growing focus on customer value management as the true 'holy grail' of optimising the customer relationship.

FUTURE OF REVENUE MANAGEMENT

We conclude our papers with the Journal's regular Futures feature, which in this issue offers a thought-provoking contribution from Eric Orkin. Examining the emerging role of function space optimisation in hotel RM, Eric argues convincingly that the considerable opportunities for revenue growth offered by function space enhancement will lead to the automated reshuffling of function space assignments becoming a fundamental component of the hotel RM systems of the future.

I hope you enjoy reading our special issue, and I should like to thank all the contributors for their hard work in producing these papers.

Paul Rose
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