Conference Review

Editorial on Special Issue based on the INFORMS Conference, Autumn 2003, Atlanta — Part I

This is Part I of a two-part issue dedicated to some of the papers presented at the INFORMS Conference in Atlanta, Autumn 2003, as part of the cluster of sessions sponsored by the Revenue Management and Pricing INFORMS Section. We were all very excited by the increased level of participation, as well as the level of discussion by all participants in the section. The co-chairs at this conference were Rene Caldentey from New York University and Mark Ferguson from Georgia Tech. We owe them special thanks for putting together 11 sessions with an impressive number of very high-quality talks. This Journal issue represents a sample of the research related to the talks presented at that conference.

The papers in this issue attempt to illustrate the interesting new areas into which revenue management and pricing ideas are expanding. The issue starts with a paper entitled 'Dynamic Pricing and Inventory Control for Multiple Products' by Dimitris Bertsimas and Sanne de Boer. The paper studies a multi-period pricing and inventory control model for multiple products and proposes a variety of interesting solution heuristics which make its solution tractable. The paper on: 'Learning and Pricing in an Internet Environment with Binomial Demands' by Alexandre Carvalho and Martin Puterman studies a pricing problem when demand is unknown and is learnt as the manager observes the consumer response over time. It adds the

interesting component of how the manager can learn about demand and, as a result, makes the setting more realistic. Clients are charged based on the quality of service rather than on the amount of information stored as is traditionally done in the literature. The final paper in this issue is entitled 'Bidding Strategies and their Impact on the Auctioneer's Revenue in Combinatorial Auctions' by Na An Wedad Elmaghraby and Pinar Keskinocak. This paper studies how bidders should bid in combinatorial auctions. The paper takes a practical approach, studying questions such as what constitutes a 'good bidding strategy'.

These are a few examples of the interesting research that was presented at the INFORMS conference in Atlanta. These papers highlight the exciting new applications that the field of revenue management and pricing is addressing. In the next issue of the Journal, further examples of these are illustrated.

PRACTICE PAPERS

Ben Vinod's paper illustrates the growth of revenue management in the retail business. The paper presents a new paradigm for merchandise optimisation through integrated planning, through which financial targets can be met with a combination of price and merchandise life cycle. Emmett Steed and Zheng Gu examine the challenges of hotel room pricing from perishability to heterogeneous guests, overviewing major pricing methods, ana-

lysing their advantages and disadvantages and providing recommendations for their use and improvement. Hugh Dunleavy and Dieter Westermann's futures article focuses on the airline sector, pointing out how revenue management will change, with a stronger focus on pricing driven by the low fares carriers' segmentation of customer demand.

Warren Lieberman reviews the new book by Talluri and van Ryzin, which is a comprehensive account of the theory and practice of revenue management. This

book is a must for everyone, one of the best (or even the best) account of revenue management to date. Finally, Steven Pinchuk reviews the Revenue, Price & Merchandise Optimisation for Retailers Summit in Las Vegas.

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