EDITORIAL

Conference review: Editorial on Special Issue based on the INFORMS Conference, June 2006, New York City

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This special issue showcases some of the papers that were presented as part of the conference sponsored annually by the Revenue Management and Pricing INFORMS Section in June 2006. We were all very excited by the increased level of participation as well as the level of discussions by all participants at the conference. The conference took place at Columbia University in New York City and was a great success. The co-chairs of this conference were Costis Maglaras from Columbia University and Georgia Perakis from MIT. The organising committee also included Dimitris Bertsimas, Nelson Fraiman, Guillermo Gallego, Jeremie Gallien and Garrett van Ryzin. Special thanks to all of them for putting together an impressive number of very high-quality talks. This issue represents a sample of the research in the field that was presented at the conference.

In particular, this special issue includes several papers that illustrate the interesting new directions and areas towards which the field of revenue management and pricing is expanding. Below I briefly discuss these papers. The issue starts with the paper entitled 'Joint forecasting and optimisation for hotel revenue management', by C. Chen and S. Kachani. The paper studies an important application of revenue management in the hotel industry. The paper focusses more on the forecasting aspect rather than the optimisation aspect as the latter has been tackled more in the literature. The second paper in this issue is entitled: 'Managing the complexity of air cargo revenue

management', by B. Becker and N. Dill. This paper considers another interesting and more recent application of revenue management in air cargo. It analyses the major complexity drivers in air cargo revenue management compared to other industries and suggests approaches to handle this complexity. The third paper is entitled: 'A statistical modeling approach to airline revenue management', by S. Siddappa, D. Gunther, J. Rosenberger and V. Chen. The paper investigates an approximate dynamic programming solution method to network revenue management. The network revenue management problem is a complex problem. In particular, when formulated as a Markov Decision Process, it cannot be solved optimally because of the curse of dimensionality. The paper proposes an interesting heuristic solution method relying on discretising the state space based on an Orthogonal Array projection method as well as an approximation of the value function using multivariate adaptive regression splines. The next paper by R. Yan is entitled: 'Market information strategies for online retailers'. This paper examines how the effect of market information on a firm's profit is moderated by product characteristics. The results of the paper suggest that accurate market information is always more valuable to the firm's profit when the product quality is higher and the web-product fit is larger. As a result, the paper proposes optimal marketing strategies that could be useful to online retailers in practice. Finally, this issue includes the paper entitled:

‘Developing bid-response models for customized pricing’, by V. Agrawal and M. Ferguson. The paper explores various pricing situations where a firm provides a price quote in the presence of uncertainty in terms of the preferences of the buyer and competition. It introduces two customised-pricing bid-response models used in practice, which can be developed from the historical information available to the firm based on previous bidding opportunities. The paper illustrates how these models can be used to exploit the differences in the market segments in order to generate optimal price quotes given the characteristics of the current bid opportunity. The paper evaluates several competing models using an industry data set as a test bed.

Finally, the issue concludes with a paper entitled ‘Reverse auctions: How much total supply chain cost savings are there? — a business simulation model’ by S. Kumar and C.W. Chang, which provides a decision

modelling framework for managers to determine if participation in online reserve auctions will result in cost savings for their procurement function. In addition, G. Skugge presents a short paper on the future of revenue management and a conference review of AGIFORS meeting in South Korea.

These are only a few examples of the interesting research that was presented at the 6th Annual INFORMS Revenue Management and Pricing Conference held at Columbia University in New York City. These papers are just an indication of how the field of revenue management and pricing has grown and evolved as well as of the exciting new applications that our field is taking.

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