Editorial

AGIFORS Revenue Management Conference — New Zealand

This issue is dedicated to the best papers from the AGIFORS Revenue Management Conference, hosted by Air New Zealand in the city of Auckland.

The conference attracted a diverse audience from Canada to Germany and covered a range of subjects from low-cost carrier competition to demand unconstraining. Thanks are due to the sponsors of the conference, PROS Revenue Management and Sabre Airline Solutions. This issue, guest-edited by Gina Morello, brings together some of the best papers from the conference. Thomas Gorin and Peter Belobaba discuss revenue management performance in a low-fare airline environment and how the Passenger Origin–Destination Simulator (PODS) is used to evaluate the changes in airline revenue management system performance. The researchers' experiment shows that, while incumbent network carrier revenues are indisputably reduced by low-fare entry, substantial gains arise from using a revenue management system and network application — gains that are probably much greater than typically quoted. Laurie Garrow and Frank Koppelman model airline passengers' no-show and standby behaviour using passenger and outbound and inbound itinerary information. The study considers forecasting models which offer a comprehensive analysis of airline passengers' rescheduling

behaviour. Additionally it confirms the benefit of incorporating passenger and flight/itinerary variables in no-show models and the importance of ticketing information. R. Scott Chandler, Shau-Shiang Ja and Tim Jacobs at American Airlines show that through re-optimising inventory controls more frequently, the revenue management process can compensate for the variability associated with passenger bookings. Andris Möller, Werner Römisch and Klaus Weber at Humboldt University and Lufthansa Systems propose a new approach to origin and destination revenue management based upon scenario trees, where no assumptions are made from demand distributions or correlations of the booking process. Using a multi-stage stochastic program, where its stages correspond to data collection points, a passenger demand process is approximated by a scenario tree generated from historical data by a recursive scenario reduction procedure. Experience indicates that this approach offers potential for solving origin and destination network models in reasonable time.

This issue is supplemented by a research paper from Larry Weatherford on EMSR versus EMSU. Larry analyses how an assumption of risk-neutrality lies at the heart of the standard algorithm for leg inventory optimisation (EMSR) and, through modification to account for risk

preferences, proposes a new approach called expected marginal seat utility (EMSU). In his futures paper, Bruce Mainzer discusses the new environments for hotel revenue management advances. Warren Lieberman, Chairman of the INFORMS Revenue Management and Pricing section, reviews the 4th Annual Conference at MIT.

All in all, another issue of high-quality papers from both industry and academia.

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