Editorial

Welcome to 2011

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The 10th year of the *Journal of Revenue and Pricing Management* continues with a new editorial board. First of all I would like to thank retiring board members for their service over the past two years, including Stephen Harewood (University of the West Indies), Itir Karaesmen-Aydin (American University), Costis Maglaras (Columbia University), Mondher Sahli (Victoria University of Wellington), Garret Van Ryzin (Columbia University), Robert Shumsky (Dartmouth College), Stowe Shoemaker (University of Houston) and Dieter Westermann (Qatar Airways). In addition, Georgia Perakis (MIT) is standing down as Associate Editor but remaining on the board. Each of the above individuals has made a significant contribution to the journal driving its continued success. I salute you and thank you with gracious kindness.

As those retire, new members are born. These include Cameron Davies (Walt Disney), Goran Skugge (PriceGain), Tony Ruggiero (SAS), Dana Popescu (INSEAD), Thomas Gorin (PROS), Ahmet Kuyumcu (Prorize), Kate Varini (Oxford Brookes University), Larry Weatherford (University of Wyoming), Pilar Talon (Universidad Rey Juan Carlos), Nick Yip (University of East Anglia), Esther Chavez-Miranda (Universidad de Sevilla), Pavithra Hasha (MIT) and Sharan Jagpal (Rutgers University).

The journal's relationship with INFORMS Revenue Management and Pricing section continues with the appointment of Bill Cooper who will serve as the Associate Editor during his term as chair of the section. The journal is glad to announce a partnership with the Revenue Management Society with Steve Marchant joining the board. Una McMahon-Beattie (Ulster University) will serve in a new role as

Deputy Editor looking after practice papers and assisting me with the day-to-day running of the journal.

PRACTICE PAPERS

Today, many industries including airlines, car rentals and hotels consider the revenue management (RM) system as a critical determinant of their future success. One new area of application is golf. Golf course tee-time assignment is a typical RM problem. Golf course operations are identified with perishable inventory, predictable demand, limited capacity and varying consumer price sensitivity. Rasekh and Yihua paper is based on an analysis of golf course tee-time reservation practice. Specifically, this article presents a unique linear model that can be used to assign the demand to the available tee-times, and thus, maximize their utilization and the total revenue. The model is solved by using the SAS-OR built-in branch-and-bound algorithm.

Raskin and colleagues present an interesting way to analyze and predict customer behaviour. Fundamentally, the authors suggest that multiple routes (sets of influences and decisions) leading to any outcome and their effects can be measured in terms of change in an outcome's probabilities. Rather than attempt to capture central tendencies or capitalize on dominant patterns, *Disjunctive Mapping* obtains its power by focusing on the multiple ways events occur.

The US health-care industry is faced with barriers like insurance reimbursement rates, government reimbursement rates and non-paying patients. This makes RM more challenging in health care in the United States than in many other industries. Kumar and Bauer suggest one

way to catch up is through the widespread adoption of electronic health records (EHRs) – personal medical records stored in digital format that can be accessed by authorized users from personal computers, handheld devices or over a computer network. This study analyses the costs and benefits of EHR systems and presents a cost-benefit model for making the business case for their implementation in primary care settings in the United States for increased revenues and quality services.

RESEARCH PAPERS

Airlines distinguish between price-sensitive leisure customers who can book early versus late-booking but less price-sensitive business customers by making available for a limited time (well ahead of departure) discounted tickets with travel restrictions and then reverting to full prices close to departure. However, Gallego and colleagues argue that studies have presented models in which demand uncertainty without differences in price sensitivity can lead to price dispersion and advance purchase discounts. The second assumption usually made in the RM literature is that the seller seeks to maximize return without regard to competitive response. Therefore, Gallego and colleagues present a model in which a market with two capacity providers – an entrant and an incumbent – each with fixed capacity, who compete to sell in a spot market and a forward market. Prices are fixed and the providers make strategic capacity allocation decisions. The model is designed to study the competitive interactions between a low-cost entrant, who sells at a lower price in both the forward and the spot market, and an established incumbent. The results show how competitive considerations can motivate capacity providers to offer capacity in a forward market even in the absence of market segmentation.

Most RM models in the literature rely on the concept of marginal seat revenue (or opportunity cost) and the assumption of risk neutrality to develop an expected-revenue maximization policy, which the airlines use to

implement the seat control system to handle the stochastic demands. However, is this kind of policy truly ‘optimal’ for all airlines? Should revenue variation be taken into consideration? Huang and Chang research has developed a modified seat control policy to take risk into consideration by discounting the marginal seat revenue and relaxing the optimality condition in the dynamic programming model.

Queenan and colleagues identify nine drivers which contribute to effective RM and develop a survey instrument tailored to the hotel industry to measure constructs on performance. The authors find that forecasting ability and organizational focus on RM both significantly and positively impact RM performance, whether we measure RM performance objectively or perceptually, providing evidence that both technical and social processes and structure impact RM.

FUTURES AND REVIEWS

Sinh reviews Michael Calogridis book *Practical Pricing* noting that the most valuable lesson is that pricing is a part of the puzzle, and that a number of different elements and factors need to come together for a successful implementation of a pricing strategy. Kimes’ futures article reflects the changing restaurant distribution is via third-party reservation sites such as OpenTable.com and UrbanspoonRez.com. In the future, the use of mobile reservations applications and third-party sites will continue to grow as restaurant IT systems begin to become more integrated. This trend has considerable implications for the way in which restaurants will manage their distressed inventory through both allocations and coupon promotions and in how they manage their revenue.

2011 is the Year of the Rabbit, my friends tell me. A belated Happy New Year to all readers.

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