

## Quarterly Newsletter of the INFORMS Revenue Management and Pricing Section

**April 2008**

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### **Message from the Chair**

Earlier this month Professor Sherri Kimes, of Cornell University and the Cornell-Nanyang Institute of Hospitality Management in Singapore, solicited responses from our listserv for a survey on the future of Revenue Management. It's not too late to respond – just follow the link, <http://surveys.cit.cornell.edu/>. Professor Kimes plans to analyze the responses and publish the results, but she has made the preliminary data available to anyone who participates in the survey (contact Professor Kimes at [sek6@cornell.edu](mailto:sek6@cornell.edu)). Here I will describe what I learned from reading the survey results. I recommend that you fill out the survey before reading the rest of this message, so that the following comments do not bias you.

There are currently over 200 written responses to each open-ended question, and they make for fascinating reading. The respondents are heavily weighted towards industry – only 5 percent of respondents are in academia (which is itself interesting, for approximately 40 percent of the members of our Section are in academia). The responses thus far are primarily from the Hotel/Hospitality industry (71 percent).

Answers to the question, “What do you see as the major trends in Revenue Management?” can be grouped into three rough categories: (i) improvements to existing applications, (ii) extending the scope of RM in existing industries and (iii) application to entirely new industries. Examples of (i) include the incorporation of discrete choice models of customer behavior into optimization systems and the improvement of dynamic pricing algorithms. Responses in category (ii) often describe extensions of RM systems to consider profits across the entire organization; e.g., when making booking decisions for a resort, the RM system should consider revenues and costs from all parts of the facility, not just revenues generated by rooms. New industries mentioned under category (iii) include media, advertising, conferences, financial markets, spas, catering, movie theatres, sports events, web advertising, and parking facilities. In fact, many of these industries practice some form of revenue management (although that term may not be used within the particular industry), but 38 percent of respondents felt that extensions to other industries “need major improvements.”

The comments also highlighted the many challenges facing revenue management practitioners. These include difficulties recruiting and retaining good people for revenue management positions, a lack of understanding and acceptance of revenue management techniques by managers, and turf wars among RM departments and related functions. One comment described “directors of catering who may see pricing as their realm but are reluctant to raise price because ‘this is what we always charged.’” This particular comment also highlights another theme that is threaded throughout the survey responses – that revenue managers must be aware of the human element, both the effects of RM decisions on customers (thus the need for a more sophisticated understanding of customer satisfaction) as well as the effects of RM policies on the firm as a whole.

Overall, the respondents see an increasing role for RM throughout the organization. One comment puts it this way: “Revenue management will become much more mainstream and will be integrated in all decision making.” Some see revenue management being “commoditized” – imbedded in software that is executed automatically and used widely. Many others, however, believe that substantial human input in both the design and execution of RM systems will always be necessary. Whatever the case, the survey results imply a bright future for revenue management.

I would like to sincerely thank Professor Kimes for creating and administering the survey and for making the results available.

Sincerely,  
Rob Shumsky  
Section Chair

### **8th Annual INFORMS Revenue Management and Pricing Conference in Montreal**

The 8th Annual INFORMS Revenue Management and Pricing Section Conference will be held in Montreal, June 18-20, following the Montreal Formula 1 Grand Prix and preceding Québec's national holiday. In keeping with its distinguished history, the conference will offer a variety of presentations representing the forefront of theory and practice. The presentations will cover all aspects of the field, ranging from the theoretical and conceptual to real-life applications. Information concerning registration, accommodations, and the meeting schedule are available at <https://symposia.cirrelt.ca/Informs-RMP2008/en/>. For further information concerning the conference, contact either of the co-organizers Patrice Marcotte or Gilles Savard at [rmp2008@cirrelt.ca](mailto:rmp2008@cirrelt.ca).

### **Reduced Fee Subscriptions to the Journal of Revenue and Pricing Management**

The Journal of Revenue and Pricing Management carries timely, relevant articles drawn from both industry applications and academic research. Members of the RM&P Section are entitled to significantly reduced subscription rates – an individual annual rate of \$98 rather than the standard \$216. The Journal’s publisher has recently streamlined the process for receiving the reduced rate. To receive the reduced rate, download and mail the [subscription form \(PDF\)](#). To learn more about the journal, visit [www.palgrave-journals.com/rpm/](http://www.palgrave-journals.com/rpm/).

## **Call for Abstracts for INFORMS Annual Conference**

There is still time to participate in the Revenue Management and Pricing Section cluster of sponsored presentations at the INFORMS Annual Meeting this November in Washington DC, but you need to hurry! Contact cluster organizer Victor Araman ([varaman@stern.nyu.edu](mailto:varaman@stern.nyu.edu)) or Gustavo Vulcano ([gvulcano@stern.nyu.edu](mailto:gvulcano@stern.nyu.edu)) for more information by May 8.

## **Call for Nominations for Section Officer and Board Positions**

Nominations are now being sought for Vice Chair/Chair Elect, Secretary/Treasurer, and one open board position. The Vice Chair/Chair Elect will serve three years, one as Vice Chair, one as Chair, and one as a board member. The Secretary/Treasurer will serve a term of one year. The board member will serve a term of two consecutive years. Duties will commence at the 2008 INFORMS Annual Meeting, and the elected individuals must be members of INFORMS and the RM&P Section at that time. Nominations are being accepted now through August 1, 2008. To submit a nomination, contact one of the nomination committee members, Costis Maglaras at [c.maglaras@gsb.columbia.edu](mailto:c.maglaras@gsb.columbia.edu) or John Quillinan at [John.Quillinan@disney.com](mailto:John.Quillinan@disney.com).

## **4th Annual Revenue Management and Price Optimization Conference in Atlanta**

Georgia Tech and Revenue Analytics will host the Fourth Annual Revenue Management and Price Optimization Conference. This year's conference, Staying Ahead of the Curve, will take place November 11 - 12 in Midtown Atlanta at the Georgia Tech Global Learning Center.

The Revenue Management and Price Optimization conference provides a unique opportunity for business leaders, researchers and service providers to exchange ideas about the latest developments in Revenue Management business practice and technology. The carefully constructed agenda features three keynote addresses, panel discussions, breakout sessions, and numerous networking opportunities, as well as a full day of educational workshops.

For more information, visit [www.revenuemanagementconference.com](http://www.revenuemanagementconference.com).

## **Corporate Sponsorship Opportunities**

Your organization can help sponsor Section activities and have its name prominently associated with the premier organization for quantitative pricing and revenue management. To learn more, contact John Quillinan at [John.Quillinan@disney.com](mailto:John.Quillinan@disney.com).