## Editorial

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**Biographical notes:** Frederick H. deB. Harris is the John B. McKinnon Professor of Managerial Economics and Finance at the Babcock Graduate School of Management, Wake Forest University. His research specialty is pricing under capacity constraints. He has served as an Associate Editor of the *Journal of Industrial Economics* and of *IJRM* and has consulted with numerous companies in the USA, Europe and Australia. His management research benchmarks pricing, order processing and capacity planning against state-of-the-art techniques in revenue management. He is the co-author of *Managerial Economics: Applications, Strategy and Tactics*, 11th ed., Thomson/South-Western (2008). He holds an AB with distinction in Economics from Dartmouth College and a 1981 UVa PhD in Economics.

The general theme of this Special Issue of the IJRM is to emphasis those advances in management science, economics, operations management, marketing, strategic analysis and IT implementation required to support the effective execution of optimal revenue management solutions. The implementation challenges that arise with differential pricing and capacity controls both domestically and across international borders are addressed.

New capabilities to implement differential pricing and inventory control for specific segments at the product line level (for example, the origin-destination level in airlines) have triggered additional requirements for subtle analyses of target customer segments. The first paper 'Share shift and airport substitution in origin-destination markets with low-cost entrants', by R.M. Emrich and myself explores the linkage between proactive strategic planning about the entry of Low-Cost Competitors (LCCs) and revenue management solutions for complex consumer decision environments. Detailed internal analyses of sales data are used to characterise target customer segments in markets that LCCs may enter or have already entered. The objective is to better predict market shares in various types of markets with airport substitution effects using more accurate relative price elasticity and service quality elasticity estimates. Reducing this 'share gap' is a critical input in the implementation of optimal revenue management solutions for airlines.

The second paper 'Application of fuzzy AHP method in measuring and prioritising perceived value in hospital ERs', by J. Jlassi, A. El Mhamedi and H. Chabchoub proposes to measure the value of emergency service outcomes as perceived by self-admitted hospital patients. The authors' amalgam of fuzzy set theory and an analytical hierarchy process is especially applicable to the imprecise judgements of

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non-expert patients about medical outcomes. The growing interest in revenue management of elective health care suggests that resolving how to prioritise resources that meet patients' perceived needs will prove critical to the design of effective copayment plans. This application highlights the difficulty of pinpointing customer value in a complex operations environment with multiple objectives and no direct monetary measure of customer satisfaction. To be effective, RM must always understand fully the value proposition in order to pose value-based price premiums and capacity controls that will have the intended effects.

The third paper 'Evolutionary multiobjective decision making in supply chain revenue management: a literature review', by R. Kadadevaramath takes first steps towards the thorough-going integration of RM with supply chain management. The take-off point is management science advances in Evolutionary Multiobjective Optimisation (EMOO) techniques. Some implications about the possible or proposed changes in pricing processes and patterns are developed. The author shows that one useful direction of analysis is to think more carefully than RM optimisation frameworks normally do about just what aspect of capacity is fixed. Is inventory perishable with long lead times, perishable but replenishable, purchasable from outsource suppliers at particular cost increases, or simply fixed with no alternative in the decision time frame? These and other complicating factors substantially change the analytical structure of many pricing under capacity constraint models and highlight the role of advanced iterative solution methods in implementing RM.

The fourth paper 'Global airline alliances, value propositions, and strategic misdirection at Swissair: a clinical study 1994–2001', by R. Baliga, T. Santalainen and D. Lottenbach characterises the global airline alliances from which many carriers now derive their value proposition for business travellers. It then provides a clinical study of the misalignment between this value proposition and the strategic direction taken by Swissair 1994–2001. Since revenue management solutions must be executed in a business model that correctly identifies the value derived by the company's high-margin customers, this clinical study poses a wonderful illustration of how pricing policy must align with correct strategic direction in order for revenue management to achieve its goals. Otherwise, price premiums may be asked for the wrong service features, and discount pricing may trigger price wars where there was substantial sustainable value added. In such circumstances, intricate revenue management may substantively worsen financial performance.

The fifth paper 'When does a grey market occur? A Cournot duopoly model of intra-brand competition', by Bruce C.Y. Lee and C-T. Hsiao analyses the decision of branded product distributors with lower-priced exclusive territories to divert unit sales to unauthorised territories. The diversion motive of the independent distributors is to do business where prices by nondiverting distributors are set higher. The characterisation of these diverting distributors who choose to assist parallel importers is insightful. Branded product manufactures can use this model to understand more fully under what circumstances their differential pricing schemes among authorised distributors will be threatened by extensive grey market activity, despite the branding, despite the exclusive territories and despite parallel importing regulations.