
Editorial

Special issue on distribution and revenue management

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When I met Ian Yeoman in March 2008 at the Glasgow Tourism Innovation Day event, he asked if I would be interested in guest editing a special issue on Distribution and Revenue Management. I did not have to ponder long. Having been at Sabre Holdings for over 18 years, I was fortunate to have worked closely with some of the best minds in the travel and transportation industry across the entire spectrum, from enterprise-centric solutions such as revenue management and reservations to distribution-centric solutions for the traditional brick and mortar travel agencies and the online travel agencies.

In this special issue, for the general audience, I wanted to ensure that we went beyond traditional revenue management and made a bold attempt at covering a range of current business problems that are relevant to revenue management and which are influenced by product distribution. Product distribution is the end result of the revenue management process – the channels through which an airline's products are distributed for sale. This is based on the fundamental premise that an airline's revenue management process is only as good as the screen position and accuracy of its product displays through the various distribution channels. With a focus on distribution and revenue management, all the papers have followed a double blind refereeing process to produce high quality articles based on current trends that are most relevant to practitioners, researchers and industry.

The special issue begins with an historical perspective on the origins of distribution and

revenue management, the changing technological and competitive landscape, and the associated value proposition. Although articles and chapters in books have covered aspects of the genesis of distribution and revenue management, this is the first time that Sabre has provided its perspective.

At Sabre, much research is dedicated to performance measurement and enhancements to our Online Travel Agency (OTA) channels – Travelocity, lastminute.com and Zuji. Hai Jiang evaluates air shopping screen quality and develops a consumer choice model for predicting market share for an air travel website.

Faker Zouaoui and Beju Rao review the practice of selling opaque products to price-sensitive customers and propose a dynamic pricing framework that fits prevailing market conditions by studying customer purchase behavior and exploiting the interactive nature of the Internet.

Paid search spend for travel has increased with the percentage of bookings originating from search engine queries. John Blankenbaker and Shankar Mishra examine optimal strategies for search keywords from an online travel agency's perspective.

Sergey Shebalov discusses how MIDT data from GDSs can be used to arrive at a profitable schedule and the value proposition of close-in re-fleeting to optimally match capacity to demand by leveraging tactical demand forecasts from revenue management in the fleet assignment model.

Branded fare products and ancillary services are foremost on the minds of airline executives

as they attempt to generate incremental revenues by creating brand awareness to promote upsell and ancillary services. The paper with Kyle Moore articulates the multi-million dollar investment that is underway at Sabre to support the end-to-end business process across the travel value chain.

The Internet has had a profound impact on consumer purchase behavior for air travel. Bill Brunger studied the behavioral changes caused by the Internet as it relates to low fare search. The findings also provide insights to display of itineraries on a website.

Media is an attractive business adjacency for the OTA transaction business. With OTA's and new media-centric companies aggressively pursuing travel media opportunities, the paper by Professor Kenneth Fjell offers new insights and strategies into the choice for pay-per-view (PPV) versus pay-per-click (PPC) as a function of the prices and the click through rate for a web publisher.

Restriction-free pricing promoted by the low cost carriers (LCC) and since adopted by network carriers on routes overlapping with LCC's has had a major impact on the science of revenue management, because the assumption of independent demands for the fare products is no longer valid. Guillermo Gallego, Lin Li and Richard Ratliff present the generalized expected marginal seat revenue (EMSR) model for airlines that operate in a hybrid environment where restriction free tariffs and regular tariffs co-exist. They estimate dependent demands and interactions between fare classes, including competition, using a customer choice model, a major enhancement to the traditional EMSR-b algorithm for independent demands.

Social networking and user generated content is an increasingly important part of the booking process. Professors Anindya Ghose and Panagiotis Ipeirotis from New York University evaluate the economic value of user generated content in the online environment.

This area of research is new and holds much potential on how this new data source should be leveraged to better understand consumer behavior and improve conversion rates.

Professor Laurie Garrow focuses on the value of the Internet as a source of new data that was previously not available. The paper discusses the tremendous potential for choice-based revenue management, made possible by using data that tracks a customer's purchase decisions based on the choices they viewed prior to the purchase.

Karl Isler and Elton D'Souza provide an overview of the capabilities of Global Distribution Systems and discuss enhancements required to support advances in revenue management such as dynamic pricing. When I first read this paper, it brought back memories of Sabre's discussions with several airlines on the deployment of dynamic pricing for air travel in 2001, hoping to drive forward industry-standard approaches that can be applied across the GDS industry. At that time, uniformity of travel agency adoption was one of the major business process hurdles that had to be addressed and which remain to be overcome. The authors propose ways to address this issue.

Gordon Locke looks into the future of airline distribution from a traveler's perspective. The paper discusses consumer behavior trends, their impacts on product distribution and provides insights into how an airline can start preparing for the future.

In closing, I am grateful to all the individuals I called upon to review the papers. I might hasten to add that they still keep in touch! Special thanks to Ross Darrow, Richard Ratliff and Wassim Char, who provided constructive feedback with some of the submissions.

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