

<p>New Course in Fall'09 OPRE 6377 Demand and Revenue Management</p>
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**Professor: Metin Çakanyıldırım , [metin@utdallas.edu](mailto:metin@utdallas.edu) , SM3.408 , [www.utdallas.edu/metin](http://www.utdallas.edu/metin)**

### Course Description

**Conceptual:** Management is about matching demand and supply. This course focuses on the demand without attempting to manage the supply. But it does take the amount, location, condition, or vintage of the supplies into account. Demand must be understood first to be managed. This understanding comes partly from statistical forecasting but more importantly from the identification of the demand drivers. These drivers are specific to industries but some are common and easily obtainable such as general macroeconomic indicators, demographic data, housing inventories, and temperatures. Unlike these demand drivers, prices can be managed over time, customer classes, locations. A good portion of the course is dedicated to determining good prices depending on inventory, capacity, input costs, and previous prices.

**Practical:** Revenue management (RM) first emerged in US airline industry after the deregulation in 1980s. It has successfully implemented by companies in air transportation, hospitality (hotels, cruises, theme parks, casinos), car rental, media, broadcasting, natural-gas storage and transmission, electricity generation and transmission, show business (concerts, theaters, sport events), universities. Most applications are recent and made possible by the advances in technology, information systems, and data mining. However, there are issues of legality and customer backlash for charging different prices for virtually the same product. The course will touch upon these issues as well.

### Course Objectives

- To list and relate demand drivers to demands in specific industries.
- To derive and compute price-demand relationship, optimal prices and revenues.
- To be aware of revenue management practices.

### What the others said?

- We had great people, tremendous value, terrific growth. We did a lot of things right. But we didn't get our hands around the yield [revenue] management ...

Donald Burr, CEO of PeopleExpress, after bankruptcy

- What is a cynic? ... A man who knows the price of everything and the value of nothing.

Oscar Wilde

- The price of anything is the amount of life you exchange for it.

Henry David Thoreau

- The bitterness of poor quality is remembered long after the sweetness of low price has faded from memory.

Aldo Gucci

- It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price.

Warren Buffett

- Managing a company whose demand is known would be akin to driving on a straight road. The ups and downs, the twists and turns, make it whole a lot more interesting.