MGSC 778

Revenue Management

Syllabus – Spring 2013

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Office hours: Tuesdays, 5:00pm-6:00pm
(or email me to make an appointment)

Classroom: BA 203

Class Time: Tuesdays, Jan 15 – April 2, 6:00-9:30pm

This class covers the concepts of forecasting demand, segmenting customers and allocating capacity or customizing price offers to each distinct customer segment such that the firm's profits are maximized.

LEARNING OUTCOMES

At the successful completion of this course, a student will be able to evaluate and analyze revenue improvement opportunities where capacity or prices can be changed to better match supply with demand.

At the successful completion of this course, a student will be able to evaluate historical price/demand data using statistical and analytical methods so as to identify distinct customer segments and target them with the right product at the right time and at the right price.

REQUIRED MATERIAL

All required readings and assignments for the course are available on Blackboard

SUPPLEMENTAL MATERIAL

- Pricing Segmentation and Analytics by Bodea and Ferguson
- Pricing and Revenue Optimization by Phillips
- Data Analysis and Decision Making with Microsoft Excel by Albright et al.
- Revenue Management: Hard-Core Tactics for Market Domination by Robert G. Cross
- Business Forecasting with Accompanying Excel-Based ForecastX Software by Wilson

All readings listed in the course outline are included on the class web page.
RECOMMENDED PRE-COURSE SKILL SET

This course makes extensive use of modeling using MS Excel and, for advanced students, the open source statistical language R. Students who are not familiar with building analytical models in Excel should take the following online course offered through the Harvard Business School Publishing web site (www.hbsp.com): Spreadsheet Modeling Online Course by Winston and Sherry

ACADEMIC INTEGRITY

Assignments and examination work are expected to be the sole effort of the student (or group for group assignments) submitting the work. Students are expected to follow the University of South Carolina Honor Code and should expect that every instance of a suspected violation will be reported. Students found responsible for violations of the Code will be subject to academic penalties under the Code in addition to whatever disciplinary sanctions are applied. Cheating on a course deliverable or copying someone else’s work, will result in a 0 for the work, possibly a grade of F in the course, and, in accordance with University policy, be referred to the University Committee for Academic Responsibility and may result in expulsion from the University.

GRADING

Evaluations will be based upon the following components weighted by the given percentages.

- Class Participation and HWs 25%
- Forecasting Assignment 15%
- Rev Mgt Assignment 15%
- Pricing Assignment 15%
- Revenue Management Project 30%

The stated weights will apply for students who perform adequately along each dimension. That is, acceptable performance in each area is a necessary condition for successfully completing the course. Final course grades are determined using the total points accumulated (there are no individual extra credit assignments in this course).

Grading scale

<table>
<thead>
<tr>
<th>Grade</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>90 to 100</td>
</tr>
<tr>
<td>B+</td>
<td>87 to 90</td>
</tr>
<tr>
<td>B</td>
<td>80 to 87</td>
</tr>
<tr>
<td>C+</td>
<td>77 to 80</td>
</tr>
<tr>
<td>C</td>
<td>70 to 77</td>
</tr>
<tr>
<td>D+</td>
<td>67 to 70</td>
</tr>
<tr>
<td>D</td>
<td>60 to 67</td>
</tr>
<tr>
<td>F</td>
<td>less than 60</td>
</tr>
</tbody>
</table>

CLASS PARTICIPATION AND ATTENDANCE

Contribution to class discussion will require that you prepare for the class lesson ahead of time by both reading the material to be covered and working out any problems or home works.
assignments that are provided on the class webpage. There will be random checking to see if you are spending an acceptable amount of effort on the homework assignments. The following outlines the basic rules of respectful behavior that must be followed to permit the classroom to be a positive learning experience for all who have chosen to attend. Please turn off cell phones, do not talk to your neighbors, or do not read anything other than the class material currently being discussed. Students should make every effort to be at class on time and, if late, find a seat quickly and disturb the class as little as possible. Please bring your name tent with you to every class.

**CLASS PARTICIPATION – 20%**

This course itself is an example of service operations where co-production is required among the students and the instructor for a high quality service delivery. Therefore, to stimulate a rich-class environment, it is important to come prepared for the class. Active participation is expected throughout the entire class with thoughtful contributions to advance the quality of the discussion. Please note that the frequency (i.e., the quantity) of your interventions in class is not a key criterion for effective class participation. Meaningful contributions to class discussion include any comments, questions or analyses which advance the general class understanding of the case concept or issue.

Contribution to class discussion will require that you prepare for the class lesson ahead of time by both reading the material to be covered and working out any problems or homework assignments that are provided on the class webpage. There will be random checking to see if you are spending an acceptable amount of effort on the homework assignments.

Attendance is a *sine qua non* to participation. Thus, please ensure that you attend all classes. If you cannot attend, please obtain notes from your fellow students.

Class contribution will be assessed (on a 0 to 4 scale) by the instructor and a randomly selected student for each class. Also noted are absences and students who had their hands up but were not called on. Students who say nothing get 0; those who make valuable, insightful, in-depth contributions get a 4. At the end of the course, the daily points are summed and the class will be ranked by these totals. These scores will be used as a first cut to assign the class participation component of the grade.

Criteria that are useful in measuring effective class participation include:

1. Is the participant a good listener?
2. Are the points that are made relevant to the discussion? Are they linked to the comments of others?
3. Do comments show evidence of applying the concepts from the readings to the analysis of the case or topic of discussion?
4. Is there willingness to test new ideas, or are all comments "safe" (e.g., repetition of facts without analysis and conclusions?)
5. Do comments clarify or build upon the important aspects of earlier comments and lead to a clearer statement of the concepts being covered and the problems being addressed?

**CLASS BEHAVIOR - GROUP AND INDIVIDUAL NORMS**
Because every faculty member has somewhat different expectations as to class behavior and individual norms, I'd like to outline a few of mine at the outset.

1. If you do miss a class, please find out from a classmate what additional assignments might have been made, and what handouts you may have missed.
2. To help us all become acquainted as quickly as possible, please bring your name card to class. If you do not remember your name card, you may receive a zero for the class participation component of that class.
3. For purposes of general class preparation, group work is strongly encouraged.
4. Class time is a perishable commodity, please be considerate by not arriving late for class. We will start and end promptly as scheduled.
5. Be considerate of others and turn off all cell-phones before class begins. Please do not use laptops or tablet pcs during class unless instructed to do so. Any activity deemed distracting to other students will result in a zero score for class participation and may result in dismissal from the class.

ATTENDANCE

Class attendance and participation are direct factors in determining the course grade. There is a NO MAKEUP policy for all work described in this syllabus. Points can be earned only by your presence and participation in class, which accounts for 20% of your grade. If the university is closed for any reason on a scheduled class day, you should be prepared to adjust the schedule accordingly including taking an exam during that next class session. In the next class meeting, the instructor will provide direction as to potential changes in course. (Also check the class web site for changes)

GROUP PROJECTS

You are to form groups to undertake some of the exercises involving the application of the main concepts introduced in class. The exercises involve an analysis of the problem, a presentation of the findings, and a report (written from the perspective of a profit analytics consultant who is writing for an audience that is familiar with the principles, concepts, problem areas, systems, and techniques discussed in class). Specific details of the projects will be passed out during the term. Projects should be done in groups of three to five members. If you are taking the course on a pass/fail basis, you do not need to participate in the group projects.
### Tentative Schedule

The following is a tentative schedule. In general, even if the specific date of coverage may change slightly, the order of coverage should remain as presented below. Modifications may be made as the semester progresses and the appropriate changes will be announced in class.

<table>
<thead>
<tr>
<th>CLASS</th>
<th>DATE</th>
<th>READINGS AND CASES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1/15</td>
<td><strong>Introduction to Revenue Management</strong>&lt;br&gt;Overview of the course and introduction to the topic</td>
</tr>
<tr>
<td>2</td>
<td>1/22</td>
<td><strong>Seven Core Concepts of Revenue Management</strong>&lt;br&gt;Revenue Management Golf Game – Intro to Forecasting</td>
</tr>
<tr>
<td>3</td>
<td>1/29</td>
<td><strong>Forecasting</strong>&lt;br&gt;Forecasting with Trend and Seasonality - Prediction Intervals</td>
</tr>
<tr>
<td>4</td>
<td>2/5</td>
<td><strong>Forecasting Project Presentations</strong></td>
</tr>
<tr>
<td>5</td>
<td>2/12</td>
<td><strong>Revenue Management</strong>&lt;br&gt;Overbooking and Booking Limits: Critical Fractile Methods</td>
</tr>
<tr>
<td>6</td>
<td>2/19</td>
<td><strong>Revenue Management</strong>&lt;br&gt;Booking Limits: EMSR-b and Bid-Price Models</td>
</tr>
<tr>
<td>7</td>
<td>2/26</td>
<td><strong>Revenue Management</strong>&lt;br&gt;Unconstraining of Demand Data</td>
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<tr>
<td>8</td>
<td>3/5</td>
<td><strong>Revenue Management – Intro to Pricing</strong>&lt;br&gt;Revenue Management Assignment Presentations</td>
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<tr>
<td>9</td>
<td>3/19</td>
<td><strong>Pricing Analytics</strong>&lt;br&gt;Economics Theory of Pricing - Markdown Pricing</td>
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<tr>
<td>10</td>
<td>3/26</td>
<td><strong>Pricing Analytics</strong>&lt;br&gt;Customized Pricing - Ethical and Legal Issues in Pricing</td>
</tr>
<tr>
<td>11</td>
<td>4/2</td>
<td><strong>Project Presentations</strong></td>
</tr>
</tbody>
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