

Abstract

We consider a revenue management model for pricing a product line with several customer segments under the assumption that customers' product choices are determined entirely by their reservation prices. We highlight key mathematical properties of the maximum utility model and formulate it as a mixed-integer programming problem, design heuristics and valid cuts. We further present extensions of the models to deal with various practical issues arising in applications. Our computational experiments with real data from the tourism sector as well as with the randomly generated data show the effectiveness of our approach.