

Pricing Strategy in Diminishing Market

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Abstract—*With effect of pricing strategy considered, an order level inventory model is proposed. The reducing of price strategy not only maximizes the retailer's profit but also improves the service towards the product. In diminishing market retailer could reduce the selling price and generate the excess demand to increase more revenue. A numerical example is demonstrated and which showed that in every business setup, there will be an optimal number of price settings obtained. It is found that the price reducing strategy outperform the static pricing policy.*

Keywords: *Inventory, holding cost, price sensitive demand, revenue.*