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Decision Making in Competitive Market

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Abstract—In this paper we have suggested a dynamic pricing policy with price sensitive demand. The reducing of price strategy not only maximizes the retailer's profit but also improves the service towards the product. In declining market, retailers may 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.