A Quantity Discount Pricing Model to Increase Vendor Profits

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Abstract

In this paper, we analyze how a supplier can structure the terms of an optimal quantity discount schedule. The vendor's challenge is to adjust his present pricing schedule to entice his major customer to increase his present order size by a factor of "*K*." Optimal levels for "*K*" and the corresponding price discount are determined in order to maximize the supplier's incremental net profit and cash flow. Implementation issues are discussed and future research needs identified.

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