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Optimal inventory decisions when offering layaway

Pages 1161-1175 | Received 08 Jun 2017, Accepted 12 Jul 2018, Published online: 25 Sep 2018

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This paper presents an inventory management policy for a retailer offering a layaway programme. Layaway is a service provided by retailers that allows budget constrained consumers who have sufficiently high valuations to pay for a product in several instalments rather than at once and obtain the product that has been reserved for them at the end of the payment period. If a consumer defaults on payments, then the reserved item is released back into store inventory. In this paper, we first determine the retailer's optimal order decisions when layaway is offered. We find that the order

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Disclosure statement

No potential conflict of interest was reported by the authors.

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Funding

This work was supported by Natural Sciences and Engineering Research Council of Canada.

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