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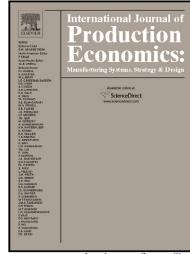
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A Two Period Pricing Model for New Fashion Style Launching Strategy

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Abstract

There is a trend in fashion product industry that firms launch new styles of their products more frequently. To investigate the optimal style launching strategy for a fashion firm, we propose a two-period pricing model for a fashion product firm. The firm sells a style of products in the first period as well as that he may utilize three different strategies in the second period, i.e., (i) the *N-Strategy*: the firm does not launch a new style; (ii) the *S-Strategy*: the firm launches a new style and stops selling the previous one immediately; and (iii) the *D-Strategy*: the firm sells the new and old style simultaneously in the second period. Different from previous literatures, we incorporate the satiation effect of consumers in our model and try to analyze its impacts on the fashion firm's new product launching strategy. Specifically, we assume that a consumer occurs a certain mental book value cost x if he/she has already purchased a previous style of the same brand.

Our main work is to illustrate in what condition and which one of the three strategies mentioned above is the firm's best choice, as well as the firm's best optimal retail prices over the two periods under them. Results show that a fashion firm's optimal launching strategy is mainly determined by the production cost and the consumer's mental book value. In detail, (i) when the consumer's mental book value and/or the production cost are relatively high, N-Strategy is the firm's optimal choice; (ii) when the consumer's mental book value is low and the production cost is high, S-strategy is the best strategy; and (iii) when both the consumer's mental book value and the production