

## Accepted Manuscript

Channel and Pricing Decisions in a Supply Chain with Advance Selling of Gift Cards

Moutaz Khouja, Jing Zhou

PII: S0377-2217(15)00065-X  
DOI: [10.1016/j.ejor.2015.01.045](https://doi.org/10.1016/j.ejor.2015.01.045)  
Reference: EOR 12755

To appear in: *European Journal of Operational Research*

Received date: 25 April 2014  
Revised date: 25 November 2014  
Accepted date: 21 January 2015

Please cite this article as: Moutaz Khouja, Jing Zhou, Channel and Pricing Decisions in a Supply Chain with Advance Selling of Gift Cards, *European Journal of Operational Research* (2015), doi: [10.1016/j.ejor.2015.01.045](https://doi.org/10.1016/j.ejor.2015.01.045)



This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

# Channel and Pricing Decisions in a Supply Chain with Advance Selling of Gift Cards

Moutaz Khouja<sup>1</sup> Jing Zhou<sup>2</sup>

The Belk College of Business, The University of North Carolina at Charlotte, NC 28224, USA

## Highlights

- We analyze a service provider selling gift cards through a retailer.
- Consumers may buy gift cards from the service provider or the retailer.
- We identify the redemption rate at which it is optimal to sell gift cards.
- Under certain conditions, the service provider's profit increases with the redemption rate.

**Abstract:** Many service providers, such as restaurants, are selling their gift cards through independent retailers. We analyze a supply chain of a service provider who sells products and gift cards at face value at its locations. The service provider also sells its gift cards through a retailer. Consumers may buy gift cards from the service provider or the retailer for their own use and/or to use as gifts. Consumers may be customers of both the service provider and retailer (Dual), only the service provide (SP-only), or only the retailer (retailer-only). We find that under a large enough gift cards' redemption rate and no gift-givers, it is sub-optimal for a service provider to sell gift cards through a retailer. When there are some Retailer-only gift-givers, it is optimal for the service provider to sell gift cards through a retailer. We identify threshold redemption rates at which it is optimal for a service provider to sell gift cards through an independent retailer to different consumer segments. We also find that the SP may not always prefer a low redemption rate and for some service providers with large additional spending rates above redeemed gift cards' value, profit may increase with the redemption rate. Also, centralization in the SP-retailer supply chain in this paper may lead to only a small increase in profits. Numerical analysis indicate that the redemption rate needed to make it optimal for the service provider to sell gift cards to all consumers through a retailer is unlikely to occur in practice.

**Key words:** pricing, analytical modeling, channel management

## 1 Introduction and Literature Review

Service providers (SP) and retailers use various promotions to increase sales and profits; these include discounts, coupons, and rebates (Anderson and Song 2004). Another strategy becoming popular is selling gift cards. Gift card sales grew to \$91 billion in 2010 (Mui 2010) and are expected to reach \$138 billion in 2015 (CEB TowerGroup 2012). SPs, and in particular restaurants, have been selling gift cards through their brick-and-mortar locations, websites, and, more recently, through independent retailers. The National Retail Federation reports that restaurant gift cards are one of the most popular items for gift-givers with 34.2% of shoppers surveyed indicating that they would buy at least one gift card of a restaurant (National Retail Federation 2013). This makes restaurants second only to department stores in gift cards' popularity. Many

<sup>1</sup>Corresponding author, email: mjkhousja@uncc.edu, Phone: 1-704-687-7653

<sup>2</sup>email: jzhou7@uncc.edu, Phone: 1-704-687-7590

Download English Version:

<https://daneshyari.com/en/article/6896589>

Download Persian Version:

<https://daneshyari.com/article/6896589>

[Daneshyari.com](https://daneshyari.com)