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A note on “Prospect theory and the newsvendor problem”. (English) Zbl 1317.90041
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Summary: Based on the newsvendor setting, many behavioral models are proposed to predict the biases of decision makers in inventory management. Recently, *M. Nagarajan* and *S. Shechter* [“Prospect theory and the newsvendor problem”, *Manag. Sci.* 60, 1057–1062 (2014; [doi:org/10.1287/mnsc.2013.1804](https://doi.org/10.1287/mnsc.2013.1804))] claimed that prospect theory cannot explain the consistent empirical findings. However, it is noticed that their model is a special case of the general prospect theory model. In this note, we show that the general prospect theory model may be powerful in predicting the preferences of decision makers in inventory management.

MSC:

90B05 Inventory, storage, reservoirs

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Keywords:

[newsvendor problem](#); [prospect theory](#); [reference point](#)

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