

Problem Roses

Adele Weiss manages the campus flower shop. Flowers must be ordered three days in advance from her supplier in Mexico. Although Valentine's Day is fast approaching, sales are almost entirely last-minute, impulse purchases. Advance sales are so small that Weiss has no way to estimate the probability of low (25 dozen), medium (60 dozen), or high (130 dozen) demand for red roses on the big day. She buys roses for \$15 per dozen and sells them for \$40 per dozen. Construct a payoff table. Which decision is indicated by each of the following decision criteria?

- a. Maximin
- b. Maximax
- c. Laplace
- d. Minimax regret