

CASE STUDY: **INVENTORY CONTROL** **POLICIES**

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READING MATERIALS

- ✖ Case Study – stochastic inventory models.pdf

(R,Q) MODEL:

- ✖ R,Q is a fixed replenishment point/fixed replenishment quantity inventory policy. When the inventory level on-hand falls below a certain replenishment point, R, the site will generate a replenishment order for a certain quantity, Q, of this product. When using this policy, the Reorder Point field is set as the trigger level. The Reorder/Order Up To Qty field will be the exact number of units reordered.

(s,S) MODEL:

- ✖ s,S is a minimum/maximum inventory policy. When the inventory level on-hand falls below a minimum, s, the site will generate a request for a replenishment order that will restore the on-hand inventory to a target, or maximum, number, S. When using this policy, the Reorder Point field is the minimum, or trigger level. The Reorder/Order Up To Qty field is the maximum, or the number to which the inventory level is restored.
- ✖ The main difference between s,S and R,Q is that the s,S takes into account exactly how far below the reorder level the inventory is when the request for replenishment is generated.

COMPARISON

- ✖ The main difference between (s,S) and (R,Q) is that the s,S takes into account exactly how far below the reorder level the inventory is when the request for replenishment is generated.
- ✖ The (R, Q) policy is appropriate when inventory levels are reviewed continuously. In the case of periodic review, (s, S) policy is required.

BUILD THE MODELS

DISCUSSIONS

✕ EOQ