1 Introduction

Consider the following situation faced by a pharmacist who is thinking of setting up a small pharmacy where he will fill prescriptions. He plans on opening up at 9 A.M. every weekday and expects that, on average, there will be about 32 prescriptions called in daily before 5 P.M. experience that the time that it will take him to fill a prescription, once he begins working on it, is a random quantity having a mean and standard deviation of 10 and 4 minutes, respectively. He plans on accepting no new prescriptions after 5 P.M., although he will remain in the shop past this time if necessary to fill all the prescriptions ordered that day. Given this scenario the pharmacist is probably, among other things, interested in the answers to the following questions:

1. What is the average time that he will depart his store at night?
2. What proportion of days will he still be working at 5:30 P.M.?
3. What is the average time it will take him to fill a prescription (taking into account that he cannot begin working on a newly arrived prescription until all earlier arriving ones have been filled)?
4. What proportion of prescriptions will be filled within 30 minutes?
5. If he changes his policy on accepting all prescriptions between 9 A.M. and 5 P.M., but rather only accepts new ones when there are fewer than five prescriptions still needing to be filled, how many prescriptions, on average, will be lost?
6. How would the conditions of limiting orders affect the answers to questions 1 through 4?

In order to employ mathematics to analyze this situation and answer the questions, we first construct a probability model. To do this it is necessary to

Simulation. DOI: http://dx.doi.org/10.1016/B978-0-12-415825-2.00001-2

make some reasonably accurate assumptions concerning the preceding scenario. For instance, we must make some assumptions about the probabilistic mechanism that describes the arrivals of the daily average of 32 customers. One possible assumption might be that the arrival rate is, in a probabilistic sense, constant over the day, whereas a second (probably more realistic) possible assumption is that the arrival rate depends on the time of day. We must then specify a probability distribution (having mean 10 and standard deviation 4) for the time it takes to service a prescription, and we must make assumptions about whether or not the service time of a given prescription always has this distribution or whether it changes as a function of other variables (e.g., the number of waiting prescriptions to be filled or the time of day). That is, we must make probabilistic assumptions about the daily arrival and service times. We must also decide if the probability law describing a given day changes as a function of the day of the week or whether it remains basically constant over time. After these assumptions, and possibly others, have been specified, a probability model of our scenario will have been constructed.

Once a probability model has been constructed, the answers to the questions can, in theory, be analytically determined. However, in practice, these questions are much too difficult to determine analytically, and so to answer them we usually have to perform a simulation study. Such a study programs the probabilistic mechanism on a computer, and by utilizing "random numbers" it simulates possible occurrences from this model over a large number of days and then utilizes the theory of statistics to estimate the answers to questions such as those given. In other words, the computer program utilizes random numbers to generate the values of random variables having the assumed probability distributions, which represent the arrival times and the service times of prescriptions. Using these values, it determines over many days the quantities of interest related to the questions. It then uses statistical techniques to provide estimated answers—for example, if out of 1000 simulated days there are 122 in which the pharmacist is still working at 5:30, we would estimate that the answer to question 2 is 0.122.

In order to be able to execute such an analysis, one must have some knowledge of probability so as to decide on certain probability distributions and questions such as whether appropriate random variables are to be assumed independent or not. A review of probability is provided in Chapter 2. The bases of a simulation study are so-called random numbers. A discussion of these quantities and how they are computer generated is presented in Chapter 3. Chapters 4 and 5 show how one can use random numbers to generate the values of random variables having arbitrary distributions. Discrete distributions are considered in Chapter 4 and continuous ones in Chapter 5. Chapter 6 introduces the multivariate normal distribution, and shows how to generate random variables having this joint distribution. Copulas, useful for modeling the joint distributions of random variables, are also introduced in Chapter 6. After completing Chapter 6, the reader should have some insight into the construction of a probability model for a given system and also how to use random numbers to generate the values of random quantities related to this model. The use of these generated values to track the system as it evolves continuously over time—that is, the actual simulation of the system—is discussed in Chapter 7, where we present the concept of "discrete events" and indicate how to utilize these entities to obtain a systematic approach to simulating systems. The discrete event simulation approach leads to a computer program, which can be written in whatever language the reader is comfortable in, that simulates the system a large number of times. Some hints concerning the verification of this program—to ascertain that it is actually doing what is desired—are also given in Chapter 7. The use of the outputs of a simulation study to answer probabilistic questions concerning the model necessitates the use of the theory of statistics, and this subject is introduced in Chapter 8. This chapter starts with the simplest and most basic concepts in statistics and continues toward "bootstrap statistics," which is quite useful in simulation. Our study of statistics indicates the importance of the variance of the estimators obtained from a simulation study as an indication of the efficiency of the simulation. In particular, the smaller this variance is, the smaller is the amount of simulation needed to obtain a fixed precision. As a result we are led, in Chapters 9 and 10, to ways of obtaining new estimators that are improvements over the raw simulation estimators because they have reduced variances. This topic of variance reduction is extremely important in a simulation study because it can substantially improve its efficiency. Chapter 11 shows how one can use the results of a simulation to verify, when some real-life data are available, the appropriateness of the probability model (which we have simulated) to the real-world situation. Chapter 12 introduces the important topic of Markov chain Monte Carlo methods. The use of these methods has, in recent years, greatly expanded the class of problems that can be attacked by simulation.

Exercises

1. The following data yield the arrival times and service times that each customer will require, for the first 13 customers at a single server system. Upon arrival, a customer either enters service if the server is free or joins the waiting line. When the server completes work on a customer, the next one in line (i.e., the one who has been waiting the longest) enters service.

Arrival Times:	12	31	63	95	99	154	198	221	304	346	411	455	537
Service Times:	40	32	55	48	18	50	47	18	28	54	40	72	12

(a) Determine the departure times of these 13 customers.
(b) Repeat (a) when there are two servers and a customer can be served by either one.
(c) Repeat (a) under the new assumption that when the server completes a service, the next customer to enter service is the one who has been waiting the least time.

2. Consider a service station where customers arrive and are served in their order of arrival. Let A_n, S_n, and D_n denote, respectively, the arrival time, the service time, and the departure time of customer n. Suppose there is a single server and that the system is initially empty of customers.

(a) With $D_0 = 0$, argue that for $n > 0$

$$D_n - S_n = \text{Maximum}\{A_n, D_{n-1}\}$$

(b) Determine the corresponding recursion formula when there are two servers.
(c) Determine the corresponding recursion formula when there are k servers.
(d) Write a computer program to determine the departure times as a function of the arrival and service times and use it to check your answers in parts (a) and (b) of Exercise 1.