

Continuous Review Inventory Model with Permissible Delay in Payment

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Abstract

This paper deals with a probabilistic continuous review (Q, R) inventory policy under permissible delay in payments. The supplier offers a credit period that is less than average duration of the inventory cycle. In our studies, we first assume that lead-time demand follows a normal distribution, and then relax the assumption about the form of the probability distribution of the lead-time demand and apply distribution free procedure to solve the problem. We develop an algorithm procedure to obtain the optimal ordering strategy for each case. Furthermore, the effects of parameters are also included.

Keywords: Inventory, Permissible Delay in Payment, Credit Period, Minimax Distribution-Free Procedure.