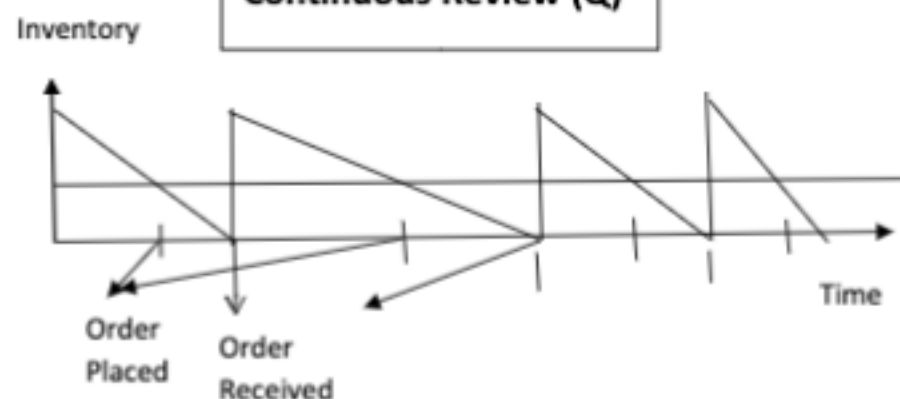


EOQ: The basic inventory model. Do you recall the assumptions? Order quantity and Frequency are both _____ (fixed/variable)

Continuous (Q) and Periodic (P) Review Inventory Systems

Continuous Review (Q)



On-Hand inventory is known all the time

Typically, inventory is monitored continuously and an order is placed for a fixed quantity (Q) when the re-order point-ROP (R) is reached.

FIXED / VARIABLE?

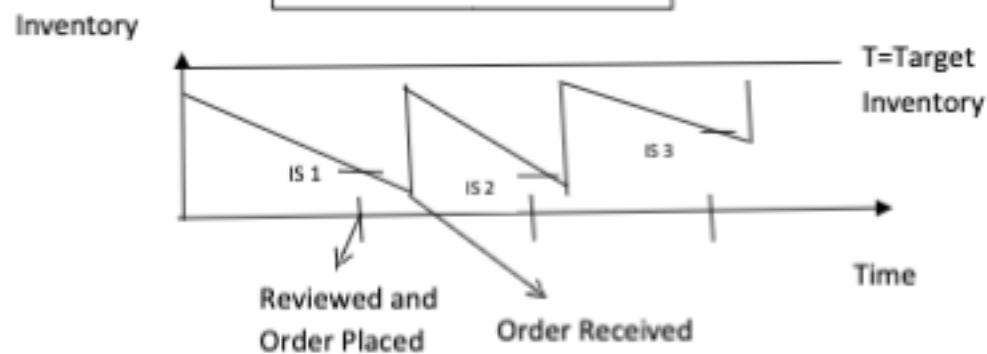
The decision of how much to order is _____

The decision of when to order is _____

Important decision parameters: Q and R

R is a function of _____

Periodic Review (P)



Inventory is reviewed every P time periods

Typically, inventory status (IS) is reviewed every P periods (example, every 3 days, every week, etc.) and the difference between the target inventory (T) and the current Inventory Status (IS) is ordered.

FIXED / VARIABLE?

The decision of how much to order is _____

The decision of when to order is _____

Important decision parameters: P and T

T is a function of _____

Would you use a P or Q system in the following situations?

1. When there are capacity limitations
2. When you want to combine orders to the same supplier
3. When the supplier dictates delivery schedule
4. When you want to utilize the advantage of quantity discounts