

Service Levels in (R, Q) Systems

- α can be interpreted as the proportion of cycles that we do not have a stock-out occurrence
- Whether 1 or 100 items are backordered does not affect Type I service level
- Both are considered as a stock-out phenomenon
- Procedure to find control parameters under Type I service level:
 1. Determine R that satisfies $F(R) = \alpha$
 2. Set $Q = \text{EOQ}$
- This is the optimal policy.
- FILE: STOCHASTIC INVENTORY SYSTEMS 1
- SLIDE # 46