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# Buyer-vendor coordination for fixed lifetime product with quantity discount under finite production rate

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Pages 821-834 | Received 10 Sep 2013, Accepted 14 Mar 2014, Published online: 14 Apr 2014

 Cite this article  <https://doi.org/10.1080/00207721.2014.906684> Check for updates

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## Abstract

Buyer-vendor coordination has been widely addressed; however, the fixed lifetime of the product is seldom considered. In this paper, we study the coordination of an integrated production-inventory system with quantity discount for a fixed lifetime product under finite production rate and deterministic demand. We first derive the buyer's ordering policy and the vendor's production batch size in decentralised and centralised systems. We then compare the two systems and show the non-coordination of the ordering policies and the production batch sizes. To improve the supply chain efficiency, we propose quantity discount contract and prove that the contract can coordinate the buyer-vendor supply chain. Finally, we present analytically tractable solutions and give a numerical example to illustrate the benefits of the proposed quantity discount strategy.

Keywords:

buyer-vendor coordination

quantity discount

perishable products

limited lifetime

finite production rate

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## Acknowledgements

The authors are grateful to the editor, associate editor, and the two anonymous referees for their valuable comments and suggestions.

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## Additional information

### Funding

This work is supported by National Science Foundation of China [grant number 71001063], [grant number 71372107], [grant number 71002020], [grant number 71072063].

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