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Volume 37, 2005 - [Issue 8](#)

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# Backorder minimization in multiproduct assemble-to-order systems

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Pages 763-774 | Received 01 Nov 2002, Accepted 01 Dec 2004, Published online: 23 Feb 2007

🗨️ Cite this article   🔗 <https://doi.org/10.1080/07408170590961139>

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## Abstract

We consider a multiproduct assemble-to-order system. Components are built to stock with inventory controlled by base-stock rules, but the final products are assembled to order. Customer orders of each product follow a batch Poisson process. The leadtimes for replenishing component inventory are stochastic. We study the optimal allocation of a given budget among component inventories so as to minimize a weighted average of backorders over product types. We derive easy-to-compute bounds and approximations for the expected number of backorders and use them to formulate surrogate optimization problems. Efficient algorithms are developed to solve these problems, and numerical examples illustrate the effectiveness of the bounds and approximations.

Contributed by the Supply Chains/Production-Inventory Systems Department

# Notes

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## Related Research Data

Order Fill Rate, Leadtime Variability, and Advance Demand Information in an Assemble-to-Order System

Source: Operations Research

Order-Based Backorders and Their Implications in Multi-Item Inventory Systems

Source: Management Science

Maximally dependent random variables

Source: Unknown Repository

Dependent random variables

Source: Unknown Repository

Stochastic convexity and its applications

Source: Advances in Applied Probability

Strong stochastic convexity: closure properties and applications

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Supply Chain Operations: Assemble-to-Order Systems

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