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Backorder minimization in multiproduct assemble-to-order systems

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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

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