# Table of Contents

List of Figures  ix  
List of Tables xi  
Preface xiii  
Notation xvii  

**Part I  INTRODUCTION**  
1. INTRODUCTION  3  
   1.1 Characteristics of Inventory Systems  3  
   1.2 Brief Historical Overview of Inventory Theory  5  
   1.3 Examples of Markovian Demand Models  12  
   1.4 Contributions  15  
   1.5 Plan of the Book  16  

**Part II  DISCOUNTED COST MODELS**  
2. DISCOUNTED COST MODELS WITH BACKORDERS  21  
   2.1 Introduction  21  
   2.2 Review of the Related Literature  22  
   2.3 Formulation of the Model  23  
   2.4 Dynamic Programming and Optimal Feedback Policy  26  
   2.5 Optimality of (s, S)-type Ordering Policies  31  
   2.6 Nonstationary Infinite Horizon Problem  33  
   2.7 Cyclic Demand Model  37  
   2.8 Constrained Models  37  
   2.9 Concluding Remarks and Notes  39
3. **DISCOUNT COST MODELS WITH POLYNOMIALLY GROWING SURPLUS COST** 41
   3.1 Introduction 41
   3.2 Formulation of the Model 42
   3.3 Dynamic Programming and Optimal Feedback Policy 44
   3.4 Nonstationary Discounted Infinite Horizon Problem 49
   3.5 Optimality of \((s, S)\)-type Ordering Policies 55
   3.6 Stationary Infinite Horizon Problem 57
   3.7 Concluding Remarks and Notes 57

4. **DISCOUNTED COST MODELS WITH LOST SALES** 59
   4.1 Introduction 59
   4.2 Formulation of the Model 60
   4.3 Optimality of \((s, S)\)-type Ordering Policies 63
   4.4 Extensions 66
   4.5 Numerical Results 69
   4.6 Concluding Remarks and Notes 72

**Part III  AVERAGE COST MODELS**

5. **AVERAGE COST MODELS WITH BACKORDERS** 83
   5.1 Introduction 83
   5.2 Formulation of the Model 86
   5.3 Discounted Cost Model Results from Chapter 2 89
   5.4 Limiting Behavior as the Discount Factor Approaches 1 90
   5.5 Vanishing Discount Approach 98
   5.6 Verification Theorem 102
   5.7 Concluding Remarks and Notes 106

6. **AVERAGE COST MODELS WITH POLYNOMIALLY GROWING SURPLUS COST** 107
   6.1 Formulation of the Problem 107
   6.2 Behavior of the Discounted Cost Model with Respect to the Discount Factor 109
   6.3 Vanishing Discount Approach 116
   6.4 Verification Theorem 125
   6.5 Concluding Remarks and Notes 130
### 7. AVERAGE COST MODELS WITH LOST SALES

- **7.1 Introduction**
- **7.2 Formulation of the Model**
- **7.3 Discounted Cost Model Results from Chapter 4**
- **7.4 Limiting Behavior as the Discount Factor Approaches 1**
- **7.5 Vanishing Discount Approach**
- **7.6 Verification Theorem**
- **7.7 Concluding Remarks and Notes**

### Part IV MISCELLANEOUS

- **8. MODELS WITH DEMAND INFLUENCED BY PROMOTION**
  - **8.1 Introduction**
  - **8.2 Formulation of the Model**
  - **8.3 Assumptions and Preliminaries**
  - **8.4 Structural Results**
  - **8.5 Extensions**
  - **8.6 Numerical Results**
  - **8.7 Concluding Remarks and Notes**

- **9. VANISHING DISCOUNT APPROACH VS. STATIONARY DISTRIBUTION APPROACH**
  - **9.1 Introduction**
  - **9.2 Statement of the Problem**
  - **9.3 Review of Iglehart (1963b)**
  - **9.4 An Example**
  - **9.5 Asymptotic Bounds on the Optimal Cost Function**
  - **9.6 Review of the Veinott and Wagner Paper**
  - **9.7 Existence of Minimizing Values of $s$ and $S$**
  - **9.8 Stationary Distribution Approach versus Dynamic Programming and Vanishing Discount Approach**
  - **9.9 Concluding Remarks and Notes**
# Table of Contents

## Part V CONCLUSIONS AND OPEN RESEARCH PROBLEMS

10. CONCLUSIONS AND OPEN RESEARCH PROBLEMS 211

## Part VI APPENDICES

A. ANALYSIS 217  
  A.1 Continuous Functions on Metric Spaces 217  
  A.2 Convergence of a Sequence of Functions 219  
  A.3 The Arzelà-Ascoli Theorems 220  
  A.4 Linear Operators 222  
  A.5 Miscellany 223  

B. PROBABILITY 225  
  B.1 Integrability 225  
  B.2 Conditional Expectation 226  
  B.3 Renewal Theorem 227  
  B.4 Renewal Reward Processes 227  
  B.5 Stochastic Dominance 228  
  B.6 Markov Chains 229  

C. CONVEX, QUASI-CONVEX AND $K$-CONVEX FUNCTIONS 233  
  C.1 PF$_2$ Density and Quasi-convex Functions 233  
  C.2 Convex and $K$-convex Functions 234  

References 241  
Copyright Permissions 247  
Author Index 249  
Subject Index 251
Markovian Demand Inventory Models
Beyer, D.; Cheng, F.; Sethi, S.P.; Taksar, M.
2010, XX, 255 p. 15 illus., Hardcover