
On the effects of day-by-day planning on the global objective in Inventory Routing

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Abstract

ORTEC Inventory Routing is a vendor managed inventory solution that minimizes the long-term costs involved in distributing products to multiple customers, while preventing stock-outs at those customers. Currently, trips for the distribution are constructed daily, based on the daily cost per volume as the (short-term) objective, as a way to minimize the total cost per volume over a rolling horizon, the long-term objective. We discuss some negative effects of using this short-term objective on the long-term objective, and ways to reduce some of these effects.

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