A JOINT INVENTORY MODEL WITH RELIABILITY, CARBON EMISSION, AND INSPECTION ERRORS IN A DEFECTIVE PRODUCTION SYSTEM

Isha SANGAL
Department of Mathematics & Statistics, Banasthali Vidyapith, Rajasthan, 304 022, India
isha.sangal@gmail.com

Bijoy Kumar SHAW
Department of Mathematics & Statistics, Banasthali Vidyapith, Rajasthan, 304 022, India
bkshaw.math@gmail.com

Biswaqjit SARKAR*
Department of Industrial Engineering, Yonsei University, 50 Yonsei-ro, Sinchon-dong, Seodaemun-gu, Seoul-03 722, South Korea
bsbiswajitsarkar@gmail.com

Rekha GUCHHAIT
School of Mechanical, Aerospace, and Nuclear Engineering, Ulsan National Institute of Science and Technology, Ulsan 44 919, South Korea.
rg.rekhaguchhait@gmail.com

Received: April 2019 / Accepted: July 2019

Abstract: Nowadays, environment is an important concern of industries parallel to the economy. In this direction, an joint vendor-buyer model is exhibited where the system reliability and inspection errors are discussed along with the carbon emission issue. The main goal of this model is to obtain the optimum investment, shipment size, reliability and lead time even the inspection errors present in the system. A reliability dependent unit production cost is utilized to raise the machinery system reliability. Transportation of products use the single-setup-multi-unequal-delivery (SSMUD) policy reduced carbon emission. Mathematical problem is solved analytically and found a quasi-closed-form
solution. Total cost is minimized with the optimum level of decision variables. The 
globality of the decision are proved by Hessian matrix. Results prove that the total 
cost is minimized even though the optimum solutions are obtained in quasi-closed-form. 
Numerical example is elaborated to test the validity of the model numerically and lastly 
clarify the comparison among SSSD, SSMD, and SSMUD policies.

Keywords: Joint inventory model, Imperfect production, Unequal shipment size, Reliability, Carbon emission.

MSC: 90B05, 90B50.

1. INTRODUCTION

In the present era, everyday life cannot imagine without technology, from home to industry. With this increasing use of technology, the environmental variations are decreasing due to excess amount of carbon in environment. From household, to industry, every sector emits carbon in nature. This carbon can be reduced by using the advance technology in manufacturing system which can produce good quality of products. So, by directly or indirectly, every business sector is trying to reduce the emission of carbon in the environment. Recent studies show that carbon emission reduction is one of the main aim of industries besides the profit or loss. Sarkar et al. [17] says about the carbon emission with variable setup cost. Again, Sarkar et al. [18] discusses about the carbon emissions within the three-echelon model.

The make-to-order (MTO) policy is a production policy where items are produced while an order is received, i.e., producer starts the production process only after receiving the order of buyer and consequently places the order. The elementary economic production quantity (EPQ) model along MTO strategy introduces by Hadley and Whitin [6] and also Silver et al. [28]. Finite production quantity and demand rates were considered in both of the models. An unlimited production rate was considered in the model of Goyal [4]. Banerjee [1] was extended that model by using a lot-for-lot production/delivery policy. To avoid shortages, Sarker and Parija [24] was introduced the periodic ordering policy. The vendor-buyer model with deterioration and transportation were introduced by Yan et al. [29]. Sarkar [15] was extended this model by introducing classical optimizing method for finding the optimal results.

The transportation of items is a leading issue between the players involving in the supply chain management. Three transportation policies are used as single-setup-single-delivery (SSSD), single-setup-multi-delivery (SSMD), and multi-setup-multi-delivery (MSMD). In the SSSD policy, all items are manufactured at a single setup and delivered to the customer at a single shipment but in the SSMD policy, though all items are manufactured in a single setup but delivered in multiple deliveries. In MSMD policy, the manufacturer uses multiple setup system for production and deliveries the products in multiple shipments. Nowadays, the global supply chain uses SSMD policy instead of SSSD and MSMD policies for transporting the products. By introducing SSMD policy, Goyal [5]
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expanded the Banerjee’s [1] model. The delivery cost is usually provided by the vendor and the cost can be fixed as well as variables. The distance and capacity of the container dependent transportation cost was discussed by Sarkar et al. [20]. In general, the shipment size is always equal for the whole cycle length but Hill [7] was considered the unequal shipment size and recently Ganguly et al. [3] was described about this in details with consideration of environmental issues. The SSMD policy with unequal delivery size i.e., single- setup-multi-unequal-delivery (SSMUD) policy was illustrated by them.

As a result of long-run manufacturing process or the machinery problem, the machine can go in-control state to out-of-control state. In in-control state, most of all machine manufacture good quality products but in out-of-control state some machines manufacture some defect products. Thus, there should be some technique (or separation process) to identify perfect and imperfect products. This technique is known as inspection process and that is very essential for the brand image of company. The vendor-buyer model with imperfect product was discussed by Ouyang et al. [12] and Huang [8]. The perfect products go to the market and the defective products are returned to the manufacturer for modification. And finally, the buyers receive the perfect products and defective products may be disposed or sell out with some discount. In the paper of Lee and Fu [10], the production rate was fixed but the delivery quantity was periodic. This study used the SSMD policy with variable transportation cost but they did not use the inspection concept. By introducing two-stage inspection process, Sarkar et al. [19] was extended this paper. The inspection policy may not be always performed perfectly. For the real situations in inspection process, there are considered two types of errors in the inspection result namely, Type I and Type II. The inspection errors in an economic production system with return sales was discussed by Yoo et al. [31] and Khan et al. [9].

The out-of-control manufacturing system is controllable by a parameter, which is known as reliability. The reliability can act as a decision variable in the machinery system. The increasing value of reliability implies the decreasing investment for the technology cost. This study considers a reliability dependent production cost of a product which is the sum of reliability dependent material cost and exponential development cost. The reliability was considered in an imperfect manufacturing system by Sarkar et al. [13]. Deterioration with the time varying demand and partial backlogging was studied by Chang and Dye [2]. Singh and Singh [27] and Shaw et al. [25] discusses about deteriorate products behaviour in an vendor-buyer model. Also, the lead time of the buyer was considered and the lead time dependent crashing cost was explained by Sarkar and Majumder [14] with setup cost reduction (Majumder et al. [11]). By considering some investment amount, the setup cost reduction was introduced Sarkar et al. [16]. The lead time dependent crashing cost was described by Yang [30] and Shin et al. [26].

This study considers a joint inventory model of vendor and buyer with system reliability and container management. The investment for setup and reliability of the system are optimized with the reduced carbon emission. Total cost has been minimized of the entire system. The whole study are described as: Section 2
gives the problem analysis by three subparts, Section 3 describes the mathematical modelling and solution procedure of the model, Section 4 contains the numerical experiment and results of the mathematical model, Section 5 explains the sensitivity of the cost parameters, and Section 6 gives the conclusions and suggestions about the study.

2. PROBLEM ANALYSIS

A brief problem definition, notation to use in the model, and major assumptions are given in this part.

2.1. Problem definition

The studying model describes a joint decisions between vendor and buyer, where the vendor produces defect products but vendor and buyer sells only authentic perfect products to the customer. An inspection process has been utilized by the vendor to remove defecting but inspection errors are still in the system. The setup cost of the vendor is optimised by helping of some investment i.e., the setup cost is a function of investment amount. The delivery cost of products is dependent on the capacity of the container and distance among the vendor and buyer. Also the production cost is depended on the material cost and reliability dependent development cost. To reduce the carbon emission, vendor has to pay the carbon tax which is included in the delivery cost namely carbon emission cost. The demand of the buyer during the lead time is of normal distribution and an additional cost is applied to decrease the lead time. Figure 1 gives the flowchart of the resultant production rate by using inspection and inspection errors in the manufacturing process of the model.

2.2. Notation

The similar notation of Shaw et al. [25] are used in this model and they are as follows:

**Decision variables**

- $A$: investment amount to form the setup of manufacturer ($$/cycle)
- $q$: receiving quantity per shipment for the buyer (units)
- $\phi$: reliability of machinery system
- $L$: lead time length (time)
- $\lambda$: rate of increasing shipment size ($\geq 1$)

**Parameters**

- $T$: cycle time (time unit)
- $T_b$: time between two successive deliveries to the buyer (time unit)
$A_1(A)$ investment dependent setup cost for vendor ($$/\text{setup})$

$A_2$ per shipment buyer's setup cost ($$/\text{unit time/shipment})$

$h_1$ holding charge of vendor ($$/\text{unit/unit time})$

$h_2$ holding charge of buyer ($$/\text{unit/unit time})$

$Q_0$ manufacturing lot size (units)

$p_0$ production rate at manufacture (units/unit time)

$d$ average demand for the buyer (units/cycle time)

$n$ shipment number in the whole time cycle ($n \in \mathbb{N})$

$\sigma$ standard deviation

$k$ safety factor

$\alpha$ probability of defective products in the production

$m_1$ classifying a perfect product as defect (type-I error) (%/unit)

$m_2$ classifying a defect product as good (type-II error) (%/unit)

$\phi_{max}$ maximum reliability of machinery system

$\phi_{min}$ minimum reliability of machinery system

$p_c$ vendors production cost ($$/\text{unit})$

$I_v$ vendors on-hand inventory (unit)

$I_b$ buyers on-hand inventory (unit)

$c_t$ per container vendors delivery cost ($$/\text{container/unit distance})$

$\gamma$ capacity of the container (unit)

$l$ distance between vendor and buyer (unit)

$c_f$ per shipment carbon emission cost ($$/\text{shipment})$

$c_v$ per product carbon emission cost ($$/\text{unit})$

$C_0$ normal inspection charge ($$/\text{units})$

$C_3$ cost for wrongly accepting a defect product (type-I error) ($$/\text{unit})$

$C_4$ cost for wrongly rejecting a good product (type-II error) ($C_3 > C_4$ ($$/\text{unit})$

$C_2$ disposal cost ($$/\text{unit})$

$I_e$ total inspection, inspection errors, and disposal cost ($$/\text{cycle})
2.3. Assumptions

This is a single type of product manufacturing integrated model between vendor & buyer and α% of defective products can identified by inspection. Thus, \((1 - \alpha)Q_0\) and \(\alpha Q_0\) are the number of perfect and defective products, respectively.

For the presence of inspection errors, \((1 - \alpha)(1 - m_1)Q_0\) and \((1 - \alpha)m_1Q_0\) are the actual perfect and defective products for the perfect products \((1 - \alpha)Q_0\), respectively. Similarly, \(\alpha m_2Q_0\) and \((1 - m_2)\alpha Q_0\) are the actual perfect and defective products for the defective products \(\alpha Q_0\). Thus, the total actual perfect and defective products are \(Q = (1 - \alpha)(1 - m_1) + \alpha m_2Q_0 = u_1Q_0\) and \(Q_0 - Q = \{(1 - \alpha)m_1 + (1 - m_2)\alpha\}Q_0 = (1 - u_1)Q_0\), respectively, where \(u_1 = (1 - \alpha)(1 - m_1) + \alpha m_2\). Accordingly, the perfect items production rate is \(p = u_1p_0\).

The vendor or manufacturer delivers only good products to the buyer or supplier at a \(q (q \leq Q)\) quantity for first delivery and the next every delivery quantity increased by the ratio \(\lambda (\geq)\). Thus the last delivery quantity is \(\lambda^{n-1}q\). The good products have been transported to the open market at \(n\) shipment and the time period of \(i^{th}\) shipment is \((\lambda^{i-1}q)/d\), where the demand rate of the buyer is \(d (d \leq q)\).

The delivery cost is depended on the capacity of the container (\(\gamma\) ) and distance (\(l\) ) between vendor and buyer and this is \(\frac{c_t l (q + \lambda q + \cdots + \lambda^{n-1}q)}{\gamma}\) for the cycle time \(T\).

The material cost \((b_1 - b_2\phi)\) and machinery system reliability dependent development cost \((c_D(\phi)/p_0)\) is added in the production cost \(p_c\), where \(c_D(\phi) = a_1 + a_2 e^{\frac{\phi - \phi_{\min}}{\phi_{\max} - \phi_{\min}}}\).

The buyers demand within the lead time \(L\) is distributed normally with \(\mu L\) and \(\sigma\sqrt{L}\), mean and standard deviations, respectively.

Per shipment the carbon emission cost is constant in the transportation process and per unit the emission cost is variable in the production process are elaborated in here.

The setup cost of the vendor dependents upon the investment amount.

No shortages are considered for the defective items \((Q_0 - Q)\).

3. MATHEMATICAL MODEL

The vendor receives the order quantity \(Q_0\) from the buyer for the whole planning horizon \(T\). After received the order, the vendors start the production i.e., the vendor does not have any previous stock to deliver the buyer. Thus, the model follows a MTO policy. As a result, the vendor starts the production at a rate \(p_0\).
During production process, the defect production rate is $\alpha\%$. The rate of imperfect and perfect productions are $p_0\alpha$ and $p_0(1-\alpha)$ units, respectively. For the two-types of errors in inspection process, $m_1$ and $m_2$ are the probability of false acceptance (Type-I error) and false rejection (Type-II error), respectively. Therefore, the actual rate of imperfect and perfect production rates are $(1-m_2)p_0\alpha$ and $m_2p_0\alpha$, respectively. Similarly, the actual rate of imperfect and perfect product production rates are $p_0(1-\alpha)(1-m_1)$ and $p_0m_1(1-\alpha)$, respectively within the perfect production rate $p_0(1-\alpha)$ according to figure 2. Hence, the total rate of imperfect and perfect products in the system are $Q = q(\lambda^{n-1})$ and $Q = q\frac{\lambda^{n-1}}{\lambda-1}$, respectively, for the time horizon $T$. The imperfect products are disposed at per unit cost $C_2$ and the disposal cost is $C_2Q_0(1-u_1)$. On the other hand, the vendor sends the good items to the buyer in a small quantity size $q$ ($\leq Q$) for the first shipment. The next shipment quantities are $\lambda^2q$, $\lambda^3q$, ..., $\lambda^{n-1}q$, where $1 \leq \lambda \leq p/d$ (for instance, see Hill [7]). Therefore, the perfect quantity is $Q = q + \lambda^2q + \lambda^3q + ... + \lambda^{n-1}q = \frac{q(\lambda^{n-1})}{\lambda-1}$ and the cycle time is $T = \frac{Q}{d} = \frac{q(\lambda^{n-1})}{d(\lambda-1)}$. Consequently, the time between delivery $i$ and $(i + 1)$ is $\lambda^{i-1}q/d$ for $i = 1, 2, ..., (n-1)$. Now, the production up-time is $t_1 = Q_0/p_0 = Q/p$, where the manufacturing and inspection process is done and the production is stopped during the time period $[t_1, t_2]$, where $t_2 = T - t_1$. 

Figure 1: Flowchart of the perfect and imperfect products in the system.
3.1. Vendors model

The setup’s cost \( A_1(A) \) is the decreasing function of investment amount \( A \) and assume this is \( A_1(A) = A_0 e^{-\alpha_0 A} \), where \( A_0(\geq A) \) and \( 1/\alpha_0 \) is the initial investment and percentage of decrease in \( A \), respectively. Therefore, the total setup cost and investment per unit time is \( A_1(A)/T = A_0 T e^{-\alpha_0 A/T} \). From Sarkar et al. [13], the machinery system reliability dependent development cost is \( c_D(\phi) = a_1 + a_2 e^{\alpha_2 (\phi - \phi_{min})} \), where \( \phi = \) number of failures, and \( a_1, a_2, a_3 \geq 0 \). The unit production cost \( p_c \) is the sum of material cost \( b_1 - b_2 \phi \) and unit development cost. Therefore, \( p_c = b_1 - b_2 \phi + c_D(\phi) = b_1 - b_2 \phi + \frac{u_1}{p} \left\{ a_1 + a_2 e^{\alpha_2 (\phi_{max} - \phi)} \right\} \), where \( a_1, a_2, a_3, b_1, b_2 \geq 0 \).

For the holding cost, first investigation is about the on-hand inventory for the vendor and this is given by the area calculations of triangle and rectangle of Figure 2. The on-hand inventory is calculated from the area calculations of the vendor’s inventory figure in Figure 2 of the vendor and this is

\[
\Gamma^v = \frac{Q_0 T}{2} - \frac{Q_0 t_1}{2} - \left\{ \frac{q_d}{d} q + \frac{\lambda q}{d} (q + \lambda q) + \frac{\lambda^2 q}{d} (q + \lambda q + \lambda^2 q) + \ldots \right\} + \frac{\lambda^{n-1} q}{d} (q + \lambda q + \ldots + \lambda^{n-1} q) \\
= \frac{q T}{2pu_1(\lambda^2 - 1)} \{ (\lambda^n - 1)(\lambda + 1)(2p - du_1) - 2pu_1(\lambda^{n+1} - 1) \},
\]

and consequently per unit time the total holding/carrying cost is

\[
\frac{h_1 \Gamma^v}{T} = \frac{q t_1}{2pu_1(\lambda^2 - 1)} \{ (\lambda^n - 1)(\lambda + 1)(2p - du_1) - 2pu_1(\lambda^{n+1} - 1) \}.
\]

Again, per unit inspection cost \( C_0 \) affects the total produced products \( Q_0 \) and the total inspection cost is \( C_0 Q_0 \). To dispose the imperfect products of the system, per unit disposal cost \( C_2 \) is applied to the imperfect products \( Q_0 - Q \) and the disposal cost is \( C_2 Q_0(1-u_1) \). The cost of falsely acceptance for a defective product and rejection of a perfect product is \( C_3 a m_2 Q_0 + C_4 (1-\alpha) Q m_1 \), respectively. Thus, the inspection and related cost is

\[
I_c = C_0 Q_0 + C_2(1-u_1) Q_0 + C_3 a m_2 Q_0 + C_4(1-\alpha) m_1 Q_0 \\
= C_0 + C_2(1-u_1) + C_3 a m_2 + C_4(1-\alpha) m_1 Q_0 \\
= u_2 Q_0,
\]

and per unit time this cost is \( \frac{I_c}{T} = \frac{du_2}{u_1} \), where \( u_2 = C_0 + C_2(1 - u_1) + C_3 a m_2 + C_4(1 - \alpha) m_1 \).

Per shipment delivery cost is the product of per container delivery cost \( (\phi_t) \), distance between vendor to buyer \( (l) \), and total number of container requires \( \sum_{i=1}^{n-1} \frac{\lambda^{i-1} q}{\gamma} \), where \( i^{th} \) shipment required \( (\lambda^{i-1} q) \) containers i.e., the total delivery cost is \( \frac{l c_0 (q + \lambda q + \ldots + \lambda^{n-1} q)}{\gamma} = \frac{d c_0 T}{\gamma} \), where \( \gamma \) is the capacity of the container.
Figure 2: Time vs Inventory positions of the vendor-buyer manufacturing-inventory model.
Lastly, the constant carbon emission cost \((c_f)\) is applied on every shipments \((n)\) and the variable carbon emission cost \((c_f)\) is applied all over the products \((Q_0)\). Thus, the total carbon emission cost is \(nc_f + Q_0 c_v\), and per unit time this cost is \(\frac{nc_f + Q_0 c_v}{T}\).

By using \(T = \frac{q(\lambda^n-1)}{2(\lambda-1)}\), per unit time the joint total cost of the vendor is \(TC^v = \frac{1}{T}[\text{setup cost} + \text{production cost} + \text{holding cost} + \text{inspection and related cost} + \text{delivery cost} + \text{carbon emission cost}]\) and thus,

\[
TC^v = d(\lambda - 1) \left[ p(A_0 e^{-a_0 A} + b_1 - b_2 \phi + nc_f) + u_1 \left\{ a_1 + a_2 e^{\alpha (\phi_{\text{max}} - \phi)} \right\} \right] \\
+ \frac{qh_1}{2pq(\lambda^2 - 1)} \{(\lambda^n - 1)(\lambda + 1)(2p - du_1) - 2pu_1(\lambda^{n+1} - 1)\} \\
+ d \left( \frac{a_2 + c_v}{u_1} + \frac{l_c}{\gamma} \right).
\]

**3.2. Buyers model**

Normally, the area, formed by the buyer in \(i\)th shipment is \(\lambda_i - 1 q \times \lambda_i - 1 q\) for \(i = 1, 2, \ldots, (n-1)\) and the total area formed by the buyer is \(\frac{1}{T} \sum_{i=1}^{n-1} \lambda_i - 1 q \times \lambda_i - 1 q = \frac{q^2(\lambda^{2n-1})}{2(\lambda+1)}\). The mean and standard deviation of the lead time demand (follow normal distribution) of the buyer are \(\mu L\) and \(\sigma \sqrt{L}\), respectively. This gives the reorder point (ROP) is \(\mu L + k \sigma \sqrt{L}\), where safety factor is \(k\). According to this (Sarkar et al. [19]), the buyers on-hand inventory per unit time is

\[
\frac{I^b}{T} = \frac{\lambda^{n+1} q}{2(\lambda + 1)} + ROP - \mu L = \frac{q(\lambda^n + 1)}{2(\lambda + 1)} + k \sigma \sqrt{L}.
\]

By using the model of Yang [30], the lead time dependent crashing cost is \(R(L) = a_4 L^{-a_5}\) per shipment for getting quick delivery, where \(L_e \leq L \leq L_s\) and \(a_4, a_5 \geq 0\). Thus, the buyer’s total cost is the sum of handling cost \((A_2)\) per shipment, holding cost \((h_2 I^b)\), and crashing cost \((R(L))\) per shipment. Thus, per unit time the buyer’s total cost is

\[
TC^b = \frac{nA_2}{T} + \frac{h_2 I^b}{T} + \frac{nR(L)}{T} \\
= \frac{nd(\lambda - 1)(A_2 + a_4 L^{-a_5})}{q(\lambda^n - 1)} + h_2 \left\{ \frac{q(\lambda^n + 1)}{2(\lambda + 1)} + k \sigma \sqrt{L} \right\}.
\]

**3.3. Coordination of vendor and buyer**

The model is coordinated between vendor and buyer by transforming their informations. Here, per unit time the joint total cost of the integrated inventory
model using SSMUD policy is given by the sum of Equations 1 and 2 and this is

\[ TC(A, q, \phi, L, \lambda) = TC^c + TC^b \]

\[ = \frac{d(\lambda - 1)}{pq(\lambda - 1)} \left[ p \left\{ A + A_0 e^{-a_0 A} + b_1 - b_2 \phi + n(A_2 + c_f + a_4 L^{-a_5}) \right\} \right. \]

\[ + u_1 \left\{ a_1 + a_2 e^{\frac{a_3(\phi_{\text{max}} - \phi)}{\phi_{\text{min}}}} \right\} \left. + \frac{qh_1}{2p_u_1(\lambda^2 - 1)} \left\{ (\lambda^n - 1)(\lambda + 1)(2p - du_1) \right\} \right. \]

\[ - 2p_u_1(\lambda^{n+1} - 1) \right\} + h_2 \left\{ \frac{q(\lambda^n + 1)}{2(\lambda + 1)} + k\sigma \sqrt{L} \right\} + d \left( \frac{u_2 + c_e}{u_1} + \frac{lc_i}{\gamma} \right). \]

Again, per unit time, the total cost by the SSMD policy is obtain from the above equation with consideration of \( \lambda = 1 \) i.e., \( n = \frac{\lambda^n - 1}{\lambda - 1} \) and this is

\[ TCM(A, q, \phi, L) = \frac{d}{paq} \left[ p \left\{ A + A_0 e^{-a_0 A} + b_1 - b_2 \phi + n(A_2 + c_f + a_4 L^{-a_5}) \right\} \right. \]

\[ + u_1 \left\{ a_1 + a_2 e^{\frac{a_3(\phi_{\text{max}} - \phi)}{\phi_{\text{min}}}} \right\} + \frac{qh_1}{2p_u_1} \left\{ n(2p - du_1) - pu_1(n + 1) \right\} \]

\[ + h_2 \left( \frac{q}{2} + k\sigma \sqrt{L} \right) + d \left( \frac{u_2 + c_e}{u_1} + \frac{lc_i}{\gamma} \right). \]

### 3.4. Solution procedure

Now, differentiating Equation 3 with respect to the variables \( A, q, \phi, L, \) and \( \lambda \) then the next results are found:

\[ \frac{\partial TC(A, q, \phi, L, \lambda)}{\partial A} = \frac{d(\lambda - 1)}{q(\lambda^n - 1)} (1 - a_0 A_0 e^{-a_0 A}), \]

\[ \frac{\partial TC(A, q, \phi, L, \lambda)}{\partial q} = -\frac{d(\lambda - 1)}{pq(\lambda^n - 1)} \left[ p \left\{ A + A_0 e^{-a_0 A} + b_1 - b_2 \phi + n(A_2 + c_f + a_4 L^{-a_5}) \right\} \right. \]

\[ + u_1 \left\{ a_1 + a_2 e^{\frac{a_3(\phi_{\text{max}} - \phi)}{\phi_{\text{min}}}} \right\} \left. + \frac{qh_1}{2p_u_1(\lambda^2 - 1)} \right\} \]

\[ \left\{ (\lambda^n - 1)(\lambda + 1)(2p - du_1) - 2p_u_1(\lambda^{n+1} - 1) \right\} + h_2 \left( \frac{\lambda^n + 1}{2(\lambda + 1)} \right), \]

\[ \frac{\partial TC(A, q, \phi, L, \lambda)}{\partial \phi} = -\frac{pb_2 + a_2 a_3(\phi_{\text{min}} - \phi_{\text{max}})}{(\phi - \phi_{\text{min}})^2} e^{\frac{a_3(\phi_{\text{max}} - \phi)}{\phi_{\text{min}}}}, \]

\[ \frac{\partial TC(A, q, \phi, L, \lambda)}{\partial L} = -\frac{d n a_4 s_5 (\lambda - 1)}{q(\lambda^n - 1)} L^{-1 - a_5} + h_2 k\sigma \frac{2\sqrt{L}}{2}, \]

\[ \frac{\partial TC(A, q, \phi, L, \lambda)}{\partial \lambda} = \frac{d(n\lambda^{n-1} - 1 - (n - 1)\lambda^n)}{pq(\lambda^n - 1)^2} \left[ p \left\{ A + A_0 e^{-a_0 A} + b_1 - b_2 \phi + n(A_2 + c_f + a_4 L^{-a_5}) \right\} \right. \]

\[ + u_1 \left\{ a_1 + a_2 e^{\frac{a_3(\phi_{\text{max}} - \phi)}{\phi_{\text{min}}}} \right\} \left. \right] \]

\[ - \frac{b_2 \phi + n(A_2 + c_f + a_4 L^{-a_5})}{u_1} \left\{ a_1 + a_2 e^{\frac{a_3(\phi_{\text{max}} - \phi)}{\phi_{\text{min}}}} \right\} \]
\[ \frac{qh_1}{2pm_1(\lambda - 1)^2} \left[ \{(n-1)\lambda^n - n\lambda^{n-1} - 1\}(2p - du_1) - 2pm_1(\lambda^{n+1} - 1) \right] \\
+ h_2q \{(n-1)\lambda^n - n\lambda^{n-1} - 1\}. \]

Equating to the zero, all the above partial derivatives give

\[ A = \frac{ln(a_0A_0)}{a_0}, \quad (5) \]
\[ \frac{2d(\lambda - 1)}{pq^2(\lambda^n - 1)} \left[ p\{A + A_0e^{-a_0A} + b_1 - b_2\varphi + n(A_2 + c_f + a_4L^{-a_5})\} \\
+ u_1 \left\{ a_1 + a_2e^{\frac{\varphi_{\text{max}} - \varphi_{\text{min}}}{a\varphi_{\text{min}}}} \right\} \right] = \frac{1}{2pm_1(\lambda^2 - 1)} \left[ h_1(\lambda^n - 1)(\lambda + 1)(2p - du_1) \\
+ 2pm_1\{h_2(\lambda - 1)(\lambda^n + 1) - h_1(\lambda^{n+1} - 1)\}, \right. \]
\[ e^{-\frac{\varphi_{\text{max}} - \varphi_{\text{min}}}{a\varphi_{\text{min}}}} = \frac{pb_2(\varphi - \varphi_{\text{min}})^2}{a_2a_3(\varphi_{\text{min}} - \varphi_{\text{max}})^2}, \quad (7) \]
\[ q = 2da_4a_5(\lambda - 1)h_2k\sigma(\lambda^n - 1)L^{a_5+1/2}, \quad (8) \]
\[ \frac{d\{n\lambda^{n-1} - 1 - (n-1)\lambda^n\}}{pq(\lambda^n - 1)^2} \left[ p\{A + A_0e^{-a_0A} + b_1 - b_2\varphi + n(A_2 + c_f + a_4L^{-a_5})\} \\
+ u_1 \left\{ a_1 + a_2e^{\frac{\varphi_{\text{max}} - \varphi_{\text{min}}}{a\varphi_{\text{min}}}} \right\} \right] + \frac{qh_1}{2pm_1(\lambda - 1)^2} \left[ \{(n-1)\lambda^n - n\lambda^{n-1} - 1\}(2p - du_1) \\
- 2pm_1(\lambda^{n+1} - 1) \right] + \frac{h_1q}{(n-1)\lambda^n - n\lambda^{n-1} - 1} = 0. \quad (9) \]

From these equations and using following sequence, the optimal decision variables \( A^*, q^*, \varphi^*, L^*, \) and \( \lambda^* \) are found.

**For finding the optimum values** \( A^*, q^*, \varphi^*, L^*, \) **and** \( \lambda^* \)

The optimum values of investment amount \( A \), delivery quantity \( q \), reliability parameter \( \varphi \), and lead time \( L \) are calculated by using the Equations 5 to 9. First, the optimum investment amount \( A^* \) is calculated from the Equation 5 and then the Equation 7 gives the optimum value of reliability \( \varphi^* \). Putting these optimum values \( A^* \) and \( \varphi^* \) in Equations 6, 8 and 9, then the three simultaneous equations are given for three variables \( q, L, \) and \( \lambda \). By solving, the optimum values \( q^*, L^* \) and \( \lambda^* \) are found corresponding the variables. Thus, all optimum values are calculated.

**Lemma**

The Hessian matrix for \( TC(A, q, \varphi, L, \lambda) \) is always positive definite and the joint total cost is global minimum for the optimum decision variables \( A = A^*, q = q^*, \varphi = \varphi^*, L = L^*, \) and \( \lambda = \lambda^* \).
Proof
To prove this, the Hessian matrix is shown by

\[
H(TC) = \begin{pmatrix}
\frac{\partial^2 TC}{\partial A^2} & \frac{\partial^2 TC}{\partial A \partial q} & \frac{\partial^2 TC}{\partial A \partial \phi} & \frac{\partial^2 TC}{\partial A \partial L} & \frac{\partial^2 TC}{\partial A \partial \lambda} \\
\frac{\partial^2 TC}{\partial q \partial A} & \frac{\partial^2 TC}{\partial q^2} & \frac{\partial^2 TC}{\partial q \partial \phi} & \frac{\partial^2 TC}{\partial q \partial L} & \frac{\partial^2 TC}{\partial q \partial \lambda} \\
\frac{\partial^2 TC}{\partial \phi \partial A} & \frac{\partial^2 TC}{\partial \phi \partial q} & \frac{\partial^2 TC}{\partial \phi^2} & \frac{\partial^2 TC}{\partial \phi \partial L} & \frac{\partial^2 TC}{\partial \phi \partial \lambda} \\
\frac{\partial^2 TC}{\partial L \partial A} & \frac{\partial^2 TC}{\partial L \partial q} & \frac{\partial^2 TC}{\partial L \partial \phi} & \frac{\partial^2 TC}{\partial L^2} & \frac{\partial^2 TC}{\partial L \partial \lambda} \\
\frac{\partial^2 TC}{\partial \lambda \partial A} & \frac{\partial^2 TC}{\partial \lambda \partial q} & \frac{\partial^2 TC}{\partial \lambda \partial \phi} & \frac{\partial^2 TC}{\partial \lambda \partial L} & \frac{\partial^2 TC}{\partial \lambda^2}
\end{pmatrix}
\]

where \( TC(.) = TC(A, q, \phi, L, \lambda) \). At the optimum point \((A^*, q^*, \phi^*, L^*, \lambda^*)\) and from simple calculations, the second order partial derivatives are found in the following way

\[
\frac{\partial^2 TC}{\partial A^2} = \frac{da_0^2 a_0 (\lambda - 1)}{q(\lambda^2 - 1)} e^{-a_0 A} = \frac{da_0 (\lambda - 1)}{q(\lambda^2 - 1)} > 0,
\]

\[
\frac{\partial^2 TC}{\partial q^2} = \frac{2d(\lambda - 1)}{pq(\lambda^2 - 1)} \left[ p(A + A_0 e^{-a_0 A} + b_1 - b_2 \phi + n(A_2 + c_f + a_4 L^{-a_5})) + u_1 \left\{ a_1 + a_2 e^{-\frac{\phi_{\max} - \phi}{\phi_{\min}}} \right\} \right] = \frac{1}{2pu_1} \left[ h_1(\lambda^{n+1} - n + 1) - h_2(\lambda^{n+1} - n + 1) \right] > 0,
\]

\[
\frac{\partial^2 TC}{\partial \phi^2} = \frac{da_2 a_3 (\lambda - 1)(\phi_{\max} - \phi_{\min}) (a_3 (\phi_{\max} - \phi_{\min}) + 2(\phi - \phi_{\min}))}{pq(\lambda^2 - 1)(\phi - \phi_{\min})} e^{-\frac{\phi_{\max} - \phi}{\phi_{\min}}} > 0,
\]

\[
\frac{\partial^2 TC}{\partial L^2} = \frac{da_4 a_5 (\lambda - 1)}{q(\lambda^2 - 1)} L^{-2-a_5} = \frac{b_2 k \sigma}{4\sqrt{L}} > 0,
\]

\[
\frac{\partial^2 TC}{\partial \lambda \partial q} = -\frac{d(\lambda - 1)}{q(\lambda^2 - 1)} (1 - a_0 A_0 e^{-a_0 A}) = 0 = \frac{\partial^2 TC}{\partial q \partial A},
\]

\[
\frac{\partial^2 TC}{\partial q \partial \phi} = -\frac{db_2}{pq(\lambda^2 - 1)} \left[ 2a_3 (\phi_{\max} - \phi_{\min}) - 2a_3 (\phi_{\max} - \phi_{\min}) \right] e^{-\frac{\phi_{\max} - \phi}{\phi_{\min}}} = 0 = \frac{\partial^2 TC}{\partial \phi \partial q},
\]

\[
\frac{\partial^2 TC}{\partial q \partial L} = \frac{da_4 a_5 (\lambda - 1)}{q(\lambda^2 - 1)} \frac{b_2 k \sigma}{2\sqrt{L}} > 0,
\]

\[
\frac{\partial^2 TC}{\partial \lambda^2} > 0,
\]
cycle and the corresponding optimum values of decision variables are $k = 0$ units, $A^* = 0$ for the non-negative parametric values. Clearly, all first order principle minors are positive. By using those results, the next principle minors are as

$$det(H_{22}) = \frac{\partial^2 TC(\cdot)}{\partial A^2} \times \frac{\partial^2 TC(\cdot)}{\partial q^2} > 0,$$

$$det(H_{33}) = \frac{\partial^2 TC(\cdot)}{\partial A^2} \times \frac{\partial^2 TC(\cdot)}{\partial q^2} \times \frac{\partial^2 TC(\cdot)}{\partial \phi^2} > 0,$$

$$det(H_{44}) = \frac{\partial^2 TC(\cdot)}{\partial A^2} \times \frac{\partial^2 TC(\cdot)}{\partial q^2} \times \frac{\partial^2 TC(\cdot)}{\partial L^2} \left[ \frac{\partial^2 TC(\cdot)}{\partial q^2} \frac{\partial^2 TC(\cdot)}{\partial L^2} - \left\{ \frac{\partial^2 TC(\cdot)}{\partial q \partial L} \right\}^2 \right] > 0,$$

and

$$det(H_{55}) = \frac{\partial^2 TC(\cdot)}{\partial A^2} \times \frac{\partial^2 TC(\cdot)}{\partial q^2} \times \frac{\partial^2 TC(\cdot)}{\partial \phi^2} \times \frac{\partial^2 TC(\cdot)}{\partial L^2} \left\{ \frac{\partial^2 TC(\cdot)}{\partial q \partial L} \frac{\partial^2 TC(\cdot)}{\partial \phi \partial L} \frac{\partial^2 TC(\cdot)}{\partial \phi \partial L} - \frac{\partial^2 TC(\cdot)}{\partial q \partial \phi} - \frac{\partial^2 TC(\cdot)}{\partial \phi \partial L} \right\} \left( \frac{\partial^2 TC(\cdot)}{\partial q \partial L} + \frac{\partial^2 TC(\cdot)}{\partial \phi \partial L} - \frac{\partial^2 TC(\cdot)}{\partial q \partial \phi} \right)^2 > 0.$$

Hence, the total cost $TC(A, q, \phi, L, \lambda)$ is found as global minimum value at $(A^*, q^*, \phi^*, L^*, \lambda^*)$.

4. NUMERICAL EXAMPLE

This is an example to elaborate the above model. Generally, the cost for accepting a defective item is more than the cost for rejecting a good item i.e., the Type-I error cost is more than the cost of Type-II error $(C_3 > C_4)$. The values of parameters are as $n = 8$ shipments, $d = 60$ units/month, $p_0 = 100$ units/month, $h_1 = $0.08/unit/month, $A_0 = $500/order, $a_0 = 0.06$, $b_1 = 20$, $b_2 = 0.2$, $\phi_{max} = 0.9$, $\phi_{min} = 0.1$, $a_1 = 150$, $a_2 = 70$, $a_3 = 0.51$, $a_4 = 85$, $a_5 = 12$, $c_f = $1.5/unit, $l = 250$ miles, $e_t = $20/container/mile, $\gamma = 5$ units/container, $C_0 = $0.1/unit, $C_2 = $1/unit, $C_3 = $0.023/unit, $C_4 = $0.01/unit, $\alpha = 5\%$, $m_1 = 1\%$, $m_2 = 4\%$, $h_2 = $0.1/unit/month, $A_2 = $5/month, $k = 2.33$, and $\sigma = 4$ units/week.

Then, the minimum joint total cost for the studding model is $60,134.06$ per cycle and the corresponding optimum values of decision variables are $q^* = 14.18$ units, $A^* = 18.31$, $\phi^* = 0.61$, $L^* = 1.33$ months, and $\lambda^* = 1.43$.

At the optimum point, the principal minors are $det(H_{11}) = 0.14$, $det(H_{22}) = 0.0009$, $det(H_{33}) = 0.0008$, $det(H_{44}) = 0.145$, $det(H_{55}) = 4.422$, and this indicates that the joint total cost function $TC(q, A, \phi, L, \lambda)$ has the global minimum value for the optimum point $(q^*, A^*, \phi^*, L^*, \lambda^*)$.

4.1. Comparison table for SSSD, SSMD, and SSMUD policy

The optimum total costs by applying SSMUD, SSMD, and SSSD policies are described in the Table 1 and finally observes the best policy. By considering
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\[ \lambda = 1, \] the SSMUD policy is transformed to SSMD policy for any shipment number and the cost related to the SSMD policy is focussed on Function 4. Again, by considering one shipment, the SSMD is transferred to SSSD policy. The following table is described the total costs and decision variables from Equation 4 in the given example for SSMD and SSSD policies by considering \( n = 1 \) and \( n = 8 \). Lastly, the optimum total cost for SSMUD policy from Equation 3 is described.

**Table 1: Comparison of SSSD, SSMD, and SSMUD policies**

| Policy          | Total cost ($) | \( q^* \) (units) | \( A^* \) ($) | \( \phi^* \) | \( L^* \) (months) | \( \lambda^* \) |
|-----------------|----------------|--------------------|---------------|-------------|-------------------|----------------|
| SSSD (\( n = 1 \& \lambda = 1 \)) | 75,054.89       | 139.34             | 18.42         | 0.21        | 0.61              |                |
| SSMD (\( n = 8 \& \lambda = 1 \)) | 71,294.61       | 77.77              | 19.89         | 0.2         | 0.65              |                |
| SSMUD (\( n = 8 \))          | 60,134.06       | 14.18              | 18.31         | 0.61        | 1.33              | 1.43           |

This Table 1 shows that the optimum total cost in SSMUD policy is 16% smaller than the SSMD policy and similarly, the optimum total cost in SSMD policy is 5% smaller than the SSSD policy. Therefore, the SSMUD policy is better than SSMD policy and SSMD policy is better than SSSD policy.

5. SENSITIVITY ANALYSIS

The table 2 shows sensitivity analysis for some cost parameters, where changing the parametric values by \(-50\%\), \(-25\%\), \(+25\%\), and \(+50\%\) of the original value and then shows the percentage of changes in total joint cost \( TC(A, q, \phi, L, \lambda) \), accordingly.

**Table 2: Table of sensitivity analysis for the cost parameters**

| Parameters | Changes | \( TC(.) \) (in %) | Parameters | Changes | \( TC(.) \) (in %) |
|------------|---------|--------------------|------------|---------|--------------------|
| \( h_1 \)  | -50%    | -0.0068            | \( c_f \)  | -50%    | -0.0011            |
|            | -25%    | -0.0031            |            | -25%    | -0.0005            |
|            | +50%    | 0.0027             |            | +50%    | 0.0005             |
|            |         | 0.0052             |            |         | 0.0011             |
| \( h_2 \)  | -50%    | -0.0081            | \( c_v \)  | -50%    | -0.0333            |
|            | -25%    | -0.0033            |            | -25%    | -0.0167            |
|            | +50%    | 0.0030             |            | +50%    | 0.0167             |
|            |         | 0.0026             |            |         | 0.0333             |
| \( A_2 \)  | -50%    | -0.0035            | \( c_t \)  | -50%    | -46.888            |
|            | -25%    | -0.0017            |            | -25%    | -24.944            |
|            | +50%    | 0.0016             |            | +25%    | 24.944             |
|            |         | 0.0033             |            | +50%    | 46.888             |

Here \( TC(.) \) referred \( TC(A, q, \phi, L, \lambda) \).

The joint total cost increase or decrease according with the increase or decrease of all cost parameters shown in the table 2 and all the changes are significant. The
vendor’s holding cost \( (h_1) \) is more sensitive than the buyer’s holding cost \( (h_2) \). Except the changing of transportation cost parameter \( (c_t) \), the joint total cost changes briefly with the all other parameters changes. With the increasing value of buyers handling cost or vendors transportation cost for a container, the joint total cost is also increasing. Transportation cost for a container is more sensitive and fixed carbon emission cost \( (c_f) \) is less sensitive than the other cost parameters (see the Figure 3) in this study. The total cost is increasing or decreasing proportionally according as the increasing or decreasing cost of the parameters fixed \( (c_f) \) or variable \( (c_v) \) carbon emission cost or transportation cost \( (c_t) \).

![Graphical representations for the percentage changes of joint total cost with changes the percentage of parameters.](image)

Figure 3: Graphical representations for the percentage changes of joint total cost with changes the percentage of parameters.

6. CONCLUSIONS and SUGGESTIONS

This study investigated the effect of investment in setup cost, carbon emission, and system reliability. Here, the setup cost of vendor is the decreasing function of investment amount. Results show that the system’s total cost is minimized for the SSMUD policy. For this case, the system reliability is also higher than the other transportation policies. Even though the lead time high in SSMUD policy as the shipment size is unequal, the investment for the setup is relatively less than the other policies. Based on the lead time of the system, the SSSD policy is good but the joint total cost of the system is relatively high, which may effect the whole integrated system. The SSMD policy is better according to the joint total cost.
from the comparison between SSSD & SSMD policy in table 1. Manager of the industry can choose any either option based on the total cost, i.e., transportation policy or lead time reduction policy. The model can be extended by adding the concept of multi-product and multi-echelon. The uncertainty concept for the system reliability is more practical (see the model of Sarkar and Mahapatra [21]). This model contains the defective rate is constant but the model can be extended by introducing random defects production rate. Energies can be calculated for the system and the way of reduction of energies can be new invention in future (Sarkar et al. [22]; Sarkar and Sarkar, [23]).

Acknowledgements: The authors would like to thank the reviewers for their constructive comments of the earlier version of this paper to improve the paper. The authors would like to allow their heartfelt gratitude to the Guest Editor Prof. C. K. Jaggi for his continuous kind support and suggestions to improve the paper.

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