Economic order quantities

Determines the volume and frequency of orders that minimise the logistic costs within a specific time window.

Q: Order Volume S: Ordering Costs C: Unit Cost D: Demand	h: Holding Cost I: Handling Cost
Total Ordering Costs = # of orders * costs per order	O = DS/Q
Total Holding costs = Average holding costs * order volume	H= ☐ ☐h/2, where h=IC
Total costs of ordering and holding cargo that satisfies demand D is:	T=O+H = DS/Q + Qh/2
Determines the volume and frequency of orders that minimise the logistic costs within a specific time window. 1. Optimal order Q* is achieved when Holding and Order costs are balanced. 2.Inventory costs have a small impact due to Q*. 3.Cycle time = Q*/D, and number of orders per year = D/Q*	Q* = sqrt(2-SD/h) SD/Q* = hQ*/2

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