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Notations

Q	=	Inventory level
w	=	wholesale price per item
w_0	=	baseline wholesale price per item, that is, the price when no option premium is offered
Δw	=	Option premium, the difference between w and w_0 , defined as $(w - w_0)$
m	=	production cost per item
p	=	retail price per item
u	=	salvage value per item
s	=	shortage cost per item
D	=	market demand, stochastic variable
$F(\cdot)$	=	distribution function of the market demand
$f(\cdot)$	=	density function of the market demand

