© INNOVATIVE RESEARCH THOUGHTS | Refereed | Peer Reviewed | Indexed
ISSN : 2454 – 308X | Volume : 07 , Issue : 04 | October - December 2021

An investigation of the process of inventory management and its classification

Ayush Garg
ayushgarg432@gmail.com

Abstract

Businesses are able to save money and better serve the demands of their customers when they have effective inventory management. There are a number of inventory management tactics that might be helpful in accomplishing this objective. Some of these strategies include reducing the amount of dead stock (for more detail, see the definition of dead stock) and using the reorder point calculation. One of the most important aspects of inventory management is the need to pay continual attention to stock counts.

Key words: Inventory, management, Google, demand**,** necessary, etc.

Introduction

Acquiring, storing, and transporting the inventory are all part of the systematic approach that is required for the management of raw materials (components) and finished goods (inventory) (products). When it comes to inventory management, it is essential for a firm to ensure that all of the essential things are always available, that they are priced competitively, that they are maintained in stock at all times, and that they are situated in the most advantageous physical position. Inventory management is an essential component of your supply chain, and it includes control and monitoring of purchases made by both customers and suppliers, management of stock storage, regulation of the number of items available for sale, and fulfilment of orders. The particular definition of inventory management that applies to your organisation may, of course, shift based on the products that you sell and the distribution systems that you use. You are free to build atop those pillars with complete assurance so long as they are in place. Excel and Google Sheets are just two examples of the manual tools that small and medium-sized businesses (SMBs) often use to maintain inventory databases and make purchasing decisions.

Definitions:

As per the APICS (American Production and Inventory Control Society) Dictionary,

"*Inventory is defined as those stocks used to support production, such as raw material and work in Process, supporting activities, such as maintenance, repair, and operating supplies, and finally Customer Service in the form of finished goods and spare parts.*"

According to the Author of Operations Management, Lee J. Krajewski,

"*Inventory is created when the receipt of materials, parts, or finished goods exceeds their disbursement; it is depleted when their disbursement exceeds their receipt*."

Benefits of following Inventory Management Process

Having inventory on hand is a vital resource for any company. That's why it's so important for the business to have a reliable inventory management system. Unskilled inventory management might be fatal to a business. The upshot might be an increase in production downtime, which, if coupled with delayed supply, would be terrible for consumers.

1. Reduction in Cost

Effective processes notify the appropriate people when it is time to order new supplies. This ensures that there are never any gaps in inventory, which speeds up processes and makes the most of available storage space.

2. Importance of Inventory Items

The success or failure of a business can sometimes be traced down to a single inventory item, and a well-run inventory management system will always show which products are moving fast and which are sitting on the shelves. Based on these numbers, a company may make changes to production and sales.

3. Streamline in Process

A simpler process has several advantages for a firm. As a result, the workforce is showing less anxiety. New team members will have a shorter learning curve.

Inventory Classification - ABC Classification, Advantages & Disadvantages

For a business to function as a manufacturer, retailer, or wholesaler, inventory must be kept at all times. Raw materials, semi-finished products, finished products, and replacement parts are all types of inventory. No matter where it is stored or in what form it is made accessible, every item in stock has monetary worth and is an asset to the company. There is still some market value in discarded materials. Inventory holding patterns might differ from one company to the next. It's possible to have a lot of inventory of a high value, and it's also possible to have a lot of inventory in terms of volume and variety of stock keeping units. Manufacturing facilities and/or third-party warehouses may hold inventory. Inventory Controllers are responsible for overseeing the stock of goods. Multiple crucial facets go into effective inventory management. Inventory controllers are responsible for ensuring that stock levels are optimal and for planning and executing replenishment shipments. Constant effort is made to keep inventory in check and at optimal levels so that the company doesn't suffer from either an abundance of or a dearth of stock.

Advantages of ABC Classification

- Organizing stock in this way makes it easier to keep track of everything in stock and prioritise tasks accordingly. Items of A Class worth, for instance, are the most valuable of all. Therefore, one might keep a tight eye on stock in this category to make sure it stays at optimal levels, since an oversupply can have a significant financial effect.

- A category items provide for easy identification of high-value goods and the implementation of stringent controls in the areas of process control, physical security, and audit frequency.
- By bringing immediate attention to the situation at hand, it helps managers and inventory planners keep accurate records and make quick decisions.
- Items in the "B" category don't need as much attention, so long as there is sufficient documentation and audit procedures in place.
- Products in the C category just need the most fundamental of record-keeping systems to be handled effectively. Larger stockpiles may be maintained with fewer, more infrequent inventory counts.

Disadvantages

- It is possible for controllers to be misled by inventory classification since it does not take into account the SKU's turnover rate.
- There is a tendency for items in B and C categories to be forgotten, leading to stockpiles of unnecessary quantities or to be lost, pilfered, or improperly recorded.

Conclusion

Each department in a company or other organisation relies on the others and typically performs the same tasks. Management of the supply chain, logistics, and inventory are all essential parts of the business delivery process. Consequently, these roles are crucial for both marketing managers and financial controllers. When it comes to the supply chain and the company's bottom line, inventory management is king. Maintaining optimal inventory levels is a continual priority for any business hoping to satisfy customer demands without incurring unnecessary costs due to stockouts or surpluses. Products in stock are constantly shifting. Remaining on top of inventory involves a steady stream of introspection, planning, and examination of both internal and external elements. Inventory planners are a specialised group inside many businesses whose purpose it is to keep tabs on stock, keep it under control, evaluate it often, and communicate with the manufacturing, purchasing, and finance teams.

Reference

[1] L. Ling, Supply chain management: concepts, techniques and practices enhancing the value through collaboration. NJ: World Scientific, 2007. 372 p.

[2] M. Leseure, Key Concepts in Operations Management, 2010.

[3] D.S. Plinere, A.N. Borisov, L. Ya. Aleksejeva, “Interaction of Software Agents in the Problem of Coordinating Orders,” Automatic Control and Computer Sciences, 2015, vol. 49, no. 5, pp. 268–276.

[4] D.C.U. Cadavid, C.C. Zuluaga, "A framework for decision support system in inventory management area," Ninth LACCEI Latin American and Caribbean Conf., LACCEI'2011, Aug. 3–5, 2011, Medellin, Colombia.

[5] D. Dhoka, Y.L. Choudary "ABC Classification for Inventory Optimization," IOSR Journal of Business and Management, vol. 15, Issue 1, Nov. – Dec. 2013, pp. 38–41.

[6] Life cycle engineering [Online] Available: http://www.lce.com/pdf/ abcclassification.pdf

[7] ABC analysis (Inventory) By Joffrey Collignon, Joannes Vermorel, Feb. 2012

[8] ABC Inventory Analysis using Excel. Posted on October 1st, 2014.