



## Study of Inventory management process and its Classification

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### Abstract

Effective inventory management helps businesses save money and better satisfy consumer needs. Several inventory management strategies, such as cutting down on dead stock (for more information, see the definition of dead stock) and applying the reorder point calculation, may help achieve this goal. Perhaps the most crucial aspect of inventory management is the need for constant attention to stock counts.

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

### Introduction

Managing raw materials (components) and completed items (inventory) requires a methodical strategy that includes acquiring, storing, and moving the inventory (products). For a company to have effective inventory management, all of the necessary items must be kept in stock at all times, be accessible when needed, be priced competitively, and be located in the optimal physical location. Controlling and monitoring purchases from suppliers and consumers, managing storage of stock, regulating the quantity of goods for sale, and fulfilling orders are all part of inventory management, which is a crucial element of your supply chain. Of course, the specific definition of inventory management for your organisation may change depending on the goods you sell and the distribution methods you use. As long as those cornerstones are in place, you may confidently build upon them. Excel, Google Sheets, and other manual tools are often used by SMBs to manage inventory databases and make purchase choices.



### 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.

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