

Course PGDFM

Paper II

Topic: Inventory Management

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What is Inventory Management?

In simple terms, inventory management is a set of all those processes which you utilize to oversee and organize your goods or materials in your facility.

A component of supply chain management, inventory management supervises the flow of goods from manufacturers to warehouses and from these facilities to point of sale.

It involves a retailer seeking to acquire and maintain a proper merchandise assortment while managing orders, logistics, returns, and related costs are kept in check.

Why you need Inventory Management?

It is crucial for an organization today to understand its inventory to achieve both efficient and fast operations, that too, at an affordable cost.

An effective management of inventory helps in reducing costs which further keeps accounts and finances in check.

From a customer's point of view, it helps you to provide better customer services through fast delivery and low shipping charges, hence, meeting customer expectations.

Here's how inventory management solution can help you achieve these benefits:

5 BENEFITS OF INVENTORY MANAGEMENT

-  Keeps track of your inventory and offers a centralized view of stock
-  Controls your costs by making stock reports for analysis of your inventory
-  Improves your delivery by managing stock-outs and meeting customer expectations
-  Manages planning and forecasting by analyzing data trends
-  Reduces the time for managing inventory by keeping records in place

1. Tracking Inventory

A good system will help you keep track of your inventory and offer a centralized view of stock across sales channels – how much is in stock, and where. It will also allow allocating inventory to specific sales channels, which is important if you have warehouses and distribution centers at multiple locations, thus, enabling warehouse management.

2. Control your costs

Keeping reports about your inventory helps you understand what stocks are doing well, versus which are just taking up shelf space. Lack of the right inventory at the right time can mean back orders, excess inventory, etc. These drive up costs.

3. Improve your delivery

Late delivery due to stock-outs is bound to give you a bad reputation. For tracking, it is important for you to know when the vendor is shipping inventory and when it will arrive. This helps you manage customer expectations by delivery as, when and where they want.

4. Manage planning and forecasting

The software can help you improve demand forecasting by analyzing data trends from well-performing stocks. This minimizes your holding and handling costs, improves revenues and frees up cash flows. Also, by planning and forecasting – you deliver on customer expectations better.

5. Reduce the time for managing inventory

With a good inventory management solution, you can reduce the time taken to keep track of all the products you have on hand and on order. Additionally, you save the time taken up in inventory recounts if your records are in place.