Analysis and Categorization of Inventory Management Procedures

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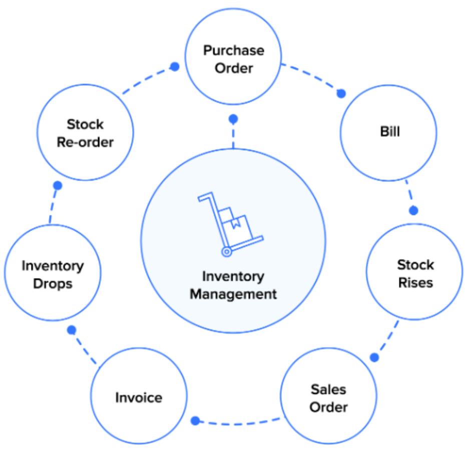
Abstract
One of the most essential components of inventory management is the discipline of limiting the costs that are associated with inventory management while simultaneously maximizing your capacity to fulfill the requirements of your customers. This is one of the most significant aspects of inventory management. The employment of a wide variety of inventory management tactics, such as minimizing dead stock (for more information on the definition of dead stock), or calculating the appropriate reorder point by applying the reorder point formula, are both examples of ways in which this can be accomplished. The management of the inventory is the most essential component of the process since it necessitates a focused attention on the tracking of the inventory. Because of this, it is the component that is considered to be the most vital.
Key words: Inventory, management, Google, demand**,** necessary, etc.

Introduction

Whether they are components or finished things, inventory management entails purchasing, storing, and selling goods. This technique is carried out in a methodical manner. Keeping the correct quantity of items at the appropriate price, in the right place, at the right time, etc. is what "inventory management" means in the business world. There are a lot of moving components in inventory management, which is a part of your supply chain. These include maintaining pristine stock storage, monitoring the quantity of things available for sale, and meeting client demands.



Keeping tabs on and managing purchases made by both clients and suppliers is another facet of inventory management. To what extent inventory management is defined by your organization depends on its product line and distribution networks. This is due to the fact that altering the meaning is an inevitable result. But if those base components are present, you'll have a solid foundation upon which to build. Many small and medium-sized businesses (SMBs) rely on manual tools like Excel, Google Sheets, and similar programs for managing their inventory databases and placing orders.

Definitions:

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

"*Finished items and spare parts make up customer service, while raw materials and work in process are utilized to assist manufacturing. Maintenance, repair, and operating supplies are considered supporting operations.*

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

When more materials, parts, or completed things are received than are spent, this is called inventory creation. Conversely, when more goods are sent out than are received, this is called depletion.

Benefits of following Inventory Management Process

One of the most important aspects of managing a company is maintaining track of inventories. This is why the organization places a premium on effective inventory management. The organization could face catastrophic losses if its inventory management is sloppy. It may lead to more downtime for production or negatively impact the customer service experience by delaying deliveries.

1. Reduction in Cost

An effective system is in place to communicate the re-order levels of all inventory items to the relevant stakeholders. This guarantees that all inventory products are always available, which keeps operations running smoothly and makes the most of storage space.

2. Importance of Inventory Items

While keeping track of stock, it's easy to see which items are selling fast and which are taking a while. Everything in the inventory has a role in the company's performance. This information gives a company the power to increase or decrease its sales and output.

3. Streamline in Process

Having a simplified process could be advantageous for a firm in many ways. There is a marked decrease in employee anxiety and inquiry. Preparing new members for the process will take less time overall.

Inventory Classification - ABC Classification, Advantages & Disadvantages

Any company that makes, sells, or trades things will inevitably have problems with inventory management. Raw materials, semi-finished goods, completed items, and spare parts are the four main categories into which an organization's inventory can be categorized. There is monetary value to every item of inventory in the company's inventory, regardless of where it is physically located or if it is available. There is still a market for scrap metal, even in its most basic form. There may be noticeable differences in the inventory keeping habits of various business types. In some situations, the inventory may have an extremely high monetary worth; in others, it may have an extremely large quantity and variety of SKUs. The inventory could be physically processed at the production facilities or a third party's warehouse. When managing inventories, it is usual practice to involve controllers. Inventory management encompasses a number of critical areas. The primary function of inventory controllers is to maintain optimal inventory levels, as well as to define replenishment schedules, amount requirements, and order and replenishment procedures. In order to prevent issues that can occur from having an imbalanced amount of inventory, they consistently work to maintain appropriate and balanced levels of inventory.

Advantages of ABC Classification

- By sorting stock in this way, one may more effectively manage the total amount and provide the right priority to each category. Things that are in the A Class are very valuable examples of products. Since an excess of inventory in this area might have a catastrophic impact on total value, it's possible to maintain a close check on it to ensure it's always at the ideal level.

- Things of Great Value Within a Class: Rigid process control, physical security measures, and audit frequency can greatly improve the monitoring and management of these stocks.
- This is useful for managers and inventory planners because it facilitates accurate record-keeping and draws quick attention to the current issue, enabling improved decision-making.
- Assuming adequate documentation and audit procedures, items in category B can undergo less frequent reviews with lenient constraints.
- Things that fall under Category C: Not requiring a mountain of paperwork. It is possible to raise inventory quantities with fewer frequent reviews.

Disadvantages

- Classifying inventory does not account for the frequency of SKU movements, which can lead controllers astray.
- Ignoring B & C Categories and building up enormous inventories exposes you to the danger of loss, theft, sloppy record keeping, etc.

Conclusion

In every given business or organization, there is a plethora of interdependence and repetition of tasks. Logistics, supply chain administration, and inventory management are the three cornerstones of the organization's transportation function. So, both marketing managers and financial controllers think these roles are very important. Inadequate inventory management impacts the financial statement and the condition of the supply chain. Each business strives to keep just the right amount of inventory on hand so that they may accomplish their objectives and stay away from the financial pitfalls of either having too much or too little. There is a constant flux in the inventory. It is necessary to monitor inventory by evaluating internal and external factors on a regular basis and then implementing controls or countermeasures as needed. A whole department or job is usually devoted to inventory planning in most companies. Interacting with production, procurement, and finance, they oversee the inventory department's regular monitoring, control, and evaluation.

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