

Inventory Management and Its Effects on Customer Satisfaction

Introduction

According to retail historian, Robert Spector, a critical factor for retailers is that they have to have a good inventory system. If the retailer does not have a good inventory system, they will not be able to forecast demands with any kind of accuracy. This might result in them running out of stock every so often. Customer satisfaction is the way the customer thinks about the company and deals with the meeting or exceeding of expectation over the lifetime of the products and/or services. A company's loyalty and product repurchase comes from achieving customer satisfaction. The measurement of customer satisfaction is not an exact science because of its subjectivity. The term "satisfaction" refers to the quality of products and services, ongoing business relationships, price-performance ratios with respect to products and services, and meeting and exceeding the customer's expectations.

Literature Review:

[1] The first study analyzed a decision maker having the capability to buy from two different suppliers and using the "periodic-review inventory model" (Fox, Metters & Semple, 2006, p. 389). The first supplier was defined by high variable cost and insignificant fixed cost. The second supplier had low variable cost and high fixed cost. When using different suppliers, there were tradeoffs between variable and fixed cost. the second study, Tracey, Lim and Voderembse (2005) conduct an empirical test to examine the impact of supply-chain management (SCM)

ADVANTAGES:

- Each material can be procured in the most economical quantity.
- Purchasing and inventory control people automatically gives their attention to those items which are required only when are needed.
- Positive control can easily be handled to maintain the inventory investment at the desired level only by calculating the predetermined maximum and minimum values.

DISADVANTAGES:

- The items cannot be grouped and ordered at a time since the reorder points occur irregularly.
- If there is a case when the order placement time is very high, there would be two to three orders pending with the supplier each time and there is likelihood that he may supply all orders at a time.

LITERATURE REVIEW:

[2]. Generally speaking, retailer selection in a VMI system is a kind of partner selection in a supply chain. The operations research offers a range of methods and techniques for the supplier selection problem. Typical examples of such methods are multi-criteria decision-making approaches and integer programming models.

ADVANTAGES:

- Easy access to market - in many ways the access to market for entrepreneurs has never been easier. Online marketplaces such as eBay and Amazon allow anyone to set up a simple online shop and sell products within minutes. See [selling through online marketplaces](#).
- Reduced overheads - selling online can remove the need for expensive retail premises and customer-facing staff, allowing you to invest in better marketing and customer experience on your e-commerce site.

DISADVANTAGES:

- Website costs - planning, designing, creating, hosting, securing and maintaining a professional e-commerce website isn't cheap, especially if you expect large and growing sales volumes. See [common e-commerce pitfalls](#).
- Infrastructure costs - even if you aren't paying the cost of customer-facing premises, you'll need to think about the costs of physical space for order fulfilment, warehousing goods, dealing with returns and staffing for these tasks. See [fulfilling online orders](#).

LITERATURE REVIEW:

[3]. Globalization has accelerated commerce, and the internet is the driving force for an inter-connected supply chain. E-commerce is a complex process that involves extreme synchronization between various entities. Consumers expects

for an error -free supply chain, which increases the pressure of managing demand and supply incorporating lower inventory processes and lowers total costs for retailers

ADVANTAGES:

- **Inconsistent Tracking:**

Using manual inventory tracking procedures across different software and spreadsheets is time-consuming, redundant and vulnerable to errors. Even small businesses can benefit from a centralized inventory tracking system that includes accounting features.

- **Inaccurate Data:**

You need to know, at any given moment, exactly what inventory you have. Gone are the days when inventory could be counted once a year with an all-hands-on-deck approach.

DISADVANTAGES:

- E-commerce is a commercial sector where transactions are possible with the help of internet connection. More and more industries are moving their operations via online mode as it is the choice of the consumer. Its prevalence continues to grow and prosper without any signs of slowing down.

- Online portals have been in the news a lot because of hacks by cybercriminals and hackers. It is a very serious issue as your account might be hacked because of negligence and wiped out clean of the existing cash.

REFERENCE:

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Optimal selection of retailers for a manufacturing vendor in a vendor managed inventory system

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