Inventory management practices among Malaysian micro retailing enterprises

INTRODUCTION:

Inventory management represents a key success factor that shows how efficient a company is controlling its inventories. However, there is little information on inventory management practice in a small business setting. Therefore, this study examines the current state of inventory management practices and factors that influence their use in micro retailing enterprises. A questionnaire survey was employed to gather data from the targeted respondents. Using 100 completed replies, the results demonstrate that most responding enterprises have adopted both unsystematic and systematic inventory management approaches in their business. A fully systematic approach of inventory management was only utilized by 33 per cent of the total respondents. In the retailing industry, an efficient inventory management practice may give a significant implication to the firm's performance. Retailing refers to a process of selling consumer goods or services to customers through multiple channels of distribution to earn a profit (Gaur et al., 2005). Demand is made through various target markets and promotional activities, for fulfilling the consumers' wants and needs through a lean supply chain (Gaur et al., 2005). Therefore, the retailing industry involves a substantial amount of inventories that need to be sold to the end customers.

LITERATURE REVIEW:

[1] The main problem of a sophisticated inventory management usage was due to the inadequacy of qualified personnel as well as the management's attitude. In a later study, Ayad (2008) examined key factors within the control of store managers to optimize the inventory and store.The results found that different stores within the same companies and different departments within the same stores delivered different results, mainly due to human factors, specifically in terms of critical thinking, functional knowledge, and leadership. Strohhecker and Grobler (2013) focused on the physiological traits of inventory managers by investigating the influence of four personal traits.

ADVANTAGES: *1. An advantage of the retail inventory method is that it does not require a physical inventory . The retail inventory* *method only requires an organization to record the retail prices of inventory items*

2. The retail inventory method also allows the organization to create an inventory value report for budgeting or the preparation of financial statements.

DISADVANTAGES:

1. On the other hand , the retail inventory method is only accurate if all pricing across the board is the same and all pricing changes occur at the same rate .

2. In most cases , this is not realistic in retail because of the many variations that exist in merchandise pricing . For example , depreciation markdowns , product damage and theft can affect the price of the retail inventory.

[2]. *The investigation of the issue of inefficiencies in distribution channels dates back to work by Spengler (1950), who introduced the term double marginalization, and demonstrated that in a decentralized channel with more than one echelon each firm relies on its own profit margin when making decisions and hence does not take into consideration the total margin that is earned by the supply chain. In operational terms, a typical result of such inefficiency is understocking of inventory by channel members.*

ADVANTAGES:

1. The traditional example of a negative externality—a polluter makes decisions based only on the direct cost of and profit opportunity from production and does not consider the indirect costs to those harmed by the pollution

2. This implies that all costs and benefits need to be internalized by households and firms making buying and production decisions. Otherwise, market outcomes involve underproduction of goods or services that entail positive externalities or overproduction in the case of negative externalities.

DISADVANTAGES:

1. Against this backdrop, optimal government intervention might be the establishment of institutional frameworks that allow for proper bargaining among parties involved in externalities.

2 **.** High transaction costs and problems related to uncertainty are other obstacles that prevent parties involved in technical externalities from internalizing costs and benefits through bargaining solutions.

3. The importance of the public good problem has long been recognized in the field of public finance. Taxes often finance governments' delivery of public goods, Taxes often finance governments' delivery of public goods, such as law and order.

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