Literature survey on
Inventory Management in Retail Store

The efficiency of a retail store is based on the retailer's ability to provide the right goods to the consumer, in the right quality, in the right quantity, at the right place and in right time. The entire process of retailing depends on the efficient inventory management.

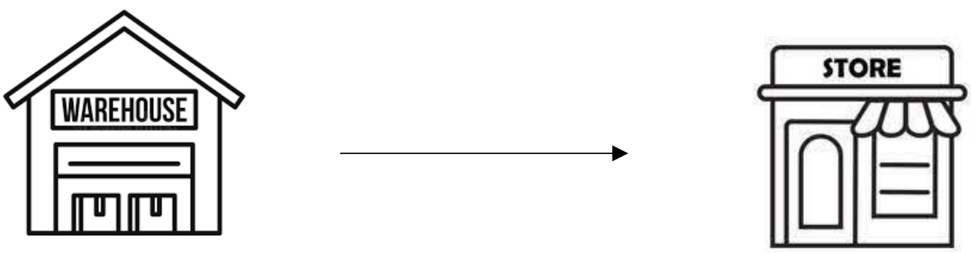
Inventory management is one area that differentiates successful and unsuccessful retail stores. Inventory control is not just a materials management or warehouse department issue.

The purchasing, receiving, engineering, displaying, and accounting departments all contribute to the accuracy of the inventory methods and records. Inaccurate inventory management will contribute to dispatch delays, shortage in stores, purchasing of the wrong inventory and stocking too much inventory.

Regardless of the type of retail store (department store, super market, hyper market, specialty retailer or convenience store, etc.), deficient areas all seem to remain the same.

Meaning and Definition of Inventory

Inventory represents a detailed list of all the items in stock. Inventory includes: raw materials, finished products and supplies. An inventory system is the set of policies and controls that monitors levels of inventory and determines what levels should be maintained when stock should be replenished, and how large orders should be.



The purposes of inventories are

1. To know how many units to order
2. To allow flexibility in retail scheduling
3. To maintain independence of operations
4. To meet variation in product demand
5. To provide a safeguard for variation in goods delivery time
6. To take advantage of economic purchase order size
7. When to order/inform to senior retail executives that goods in stock will complete soon.

Inventory Defined:

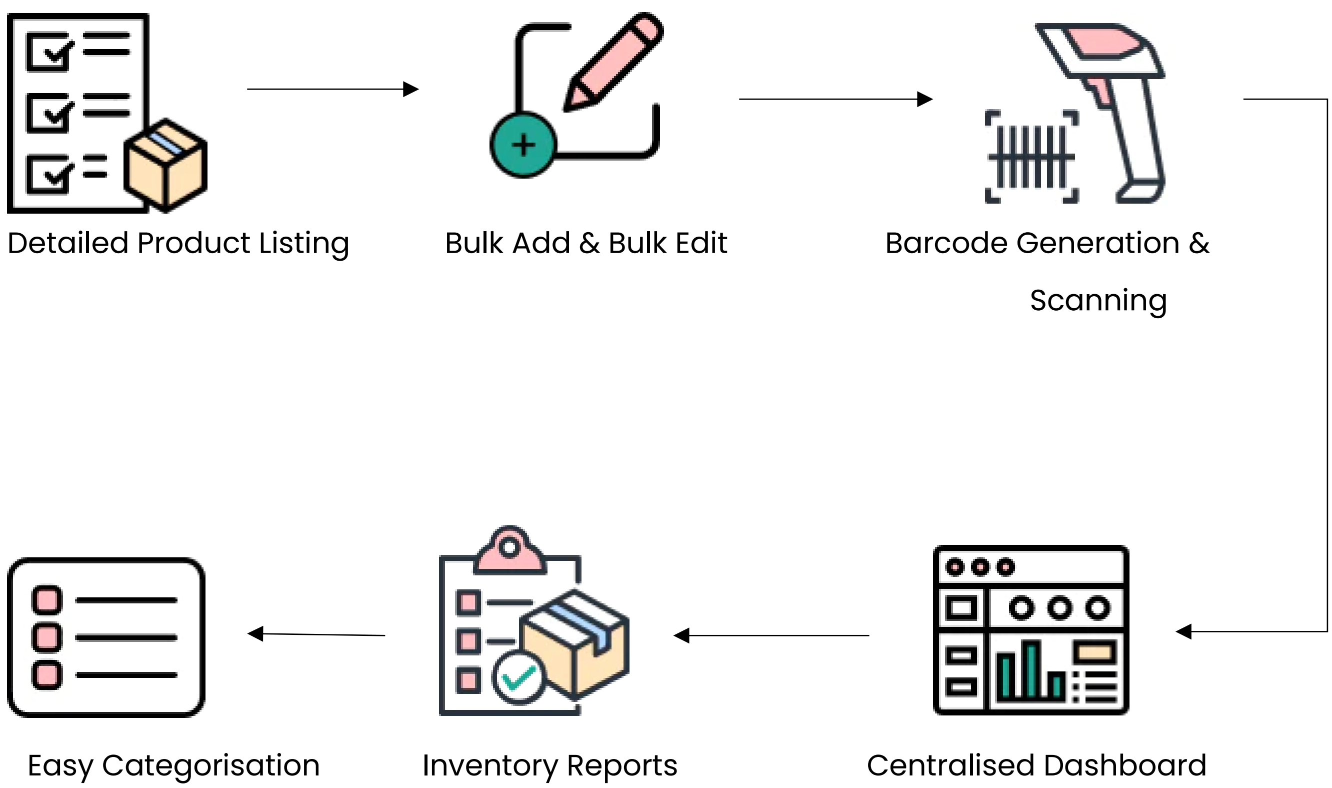
Inventory is the stock of any item or resource (may be food retailing, luxury retailing, grocery/apparel retailing) displayed in a retail store. It is a physical stock of goods/items that a retailer keeps in store (including reserve) for selling to customers when they come to shop.

Inventory can be a liability as well as an asset. For instance, large inventory in stores requires larger warehouses and unnecessary increases maintenance and supervision cost which many times is the first indication of wrong decisions in the inventory planning and scheduling

Some experts of the retail industry define inventory as the blocked working capital of a retail store in the form of goods. As this is the blocked working capital of retail stores, ideally it should be as per store's requirements. But retailers have common practice of maintaining inventory.

Sometimes, this inventory is maintained to take care of fluctuations in demand and lead time and in some cases it is maintained to take care of increasing price tendency of commodities or rebate in bulk buying. Inventory is considered a current asset, and shown on the balance sheet, generally at cost.

Another definition of inventory is that it can be used to refer aggregate of those items which are either held for sale in the normal course of business, or are in the process of production for sale (i.e. displayed



Reasons for Holding Inventory:

Inventory management is a function of central importance in retail stores. Improving product-availability and reducing overall working capital investments, without jeopardizing the store performance is a tightrope that most inventory managers have to stroll and consequently it has to support the objectives of the retail stores as a whole.

These are:

1. Ensuring continuity of selling activities by proper and timely supply of good

2. Hedge against price increases

3. Meet unexpected/ variations in customers demand

4. Reducing inventory holding cost by using appropriate inventory management technique

5. Safeguard against price changes and inflation

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