

Inventory Control Techniques

SDE Classification

- The SDE analysis looks at what inventory is available and classifies it according to the scarcity of supply.
- **Scarce, Difficult to Procure and Easy to Procure.**
- With this analysis, scarce products are usually imported, take longer to arrive and the supply is harder to come by.
- This technique tries to handle problem faced in lead time analysis and purchasing strategies



Inventory Control Techniques

SOS Analysis

- Material are categorised based on nature of supply
- **Seasonal and Off Seasonal Materials**
- Helps to manage purchases and storage of materials which are seasonal in nature
- Agricultural Inputs are examples



Inventory Control Techniques

ABC Method

- **Group A** constitutes costly items which are 10 to 20% of the total items and may account for about 50% of the total value of stores
 - Very strict control
- **Group B** constitutes 20 to 30% of the stores items and represent 30% of the total value of stores
 - Moderate Control
- **Group C** constitute to 70 to 80% of the items are covered costing about 20% of the total value
 - Loose Control



Inventory Control Techniques

VED Analysis

- **V = Vital item of inventories**
 - Required for Regular Production Process
 - non availability of this may stop production
- **E = Essential item of inventories**
 - Considered essential for production but
 - non availability of this may be tolerated for few hours or day
- **D = Desirable item of inventories**
 - Does not affect production directly,
 - they facilitate production



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FNSD Analysis

- **Normal Moving (N),**
 - used in production on a regular basis
 - May be needed to be purchased and stored probably once or twice in a year
- **Slow Moving (S)**
 - Purchase once in a two years or so
- **Dead Stock (D)**
 - Items which is not required any more in production



Inventory Control Techniques

FNSD Analysis

- It looks at quantity, consumption rate and how often the item is issued and used.
- **Fast-moving, Normal moving, Slow Moving and Dead Stock**
- **Fast-moving (F)**
 - items in your inventory stock that are issued or used frequently.
 - Continuous check on the levels of these items of material must be kept

Inventory Control Techniques

ABC Method

- ABC : Always Better Control
- or Proportional Part Value Method
- Concentrates on important items and thus also referred to as Control by Importance and Exception
- Material are classified into three categories : A, B & C

Inventory Control Techniques

HML Analysis

- Under this analysis, inventories are classified into three categories on the basis **product's unit price**.
- H = High value of inventories (High Cost)
- M = Medium value of inventories (Medium Cost)
- L = Low value of inventories (Low Cost)



Inventory Control Techniques

VED Analysis

- This technique is ideally suited for spare parts in the inventory management like ABC analysis.
- Inventories are classified into three categories on the basis of usage of the inventories.
- V = Vital
- E = Essential
- D = Desirable item of inventories



Inventory Control Techniques

GOLF Analysis

- Materials are classified based on their source of supply
- **Government** : Long Lead time,
- **Ordinary** : Moderate lead time,
- **Local** : locally available, minimal lead time
- **Foreign** : Long Lead time, higher number of formalities : Clearance, shipping, etc.





Student Notes

Meaning of Inventory Control

Inventory control is a scientific method of finding how much stock should be maintained to meet the production demands and be able to provide the right type of material at right time in the right quantities to the departments. It avoids problems like over and understocking. Because,



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a.) If there is an overstocking, then the working capital will be blocked

and the materials may be spoiled, wasted, or remain unused.

b.) If there is an understocking, then production will not take place as

per schedule, and deliveries will be affected.



Objectives of Inventory Control

- 1.) To avoid shortage of raw material as far as possible.
- 2.) To make optimum utilization of money during the inflow or outflow of inventory.
- 3.) To maintain a timely record of inventories.
- 4.) To make short and long-term planning of delivery of material.
- 5.) To ensure an adequate supply of products to customers.



Benefits of Inventory Control

- 1.) It improves customer relations because of the timely delivery of goods and services.
- 2.) Maintain the right level of inventory that ensures smooth and uninterrupted production.
- 3.) Efficient utilization of working capital.
- 4.) Forecasting for Short-term and Long-Term Stock
- 5.) Help to know Real-Time Inventory Levels

