

Inventory 3:

Multi-Echelon Inventory Systems

- Last Level:
 - Only the last level (or echelon) of a multi-echelon system hold FG inventory and is customer facing
 - Stockouts at this level impact revenue through lost sales and/or backorder costs
- Other Levels:
 - RM and WIP inventory held to support last level
 - Stockouts at these levels always backordered, no notion of lost sales

Two-Echelon Supply Chain

