

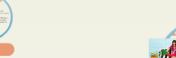
Management

Chapter 9



















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Inventory Management

The planning and controlling of inventories to meet the competitive priorities of the organization. The challenge is to have the right amount to achieve the competitive priorities of the business most effectively.

Inventories have profound affect everyday operations because they must be counted, paid for, used in operations, used to satisfy customers and managed.

Lot Size

The quantity of an inventory item management either buys from a supplier or manufactures using internal processes.

Inventory

A stock of materials used to satisfy customer demand or to support the production of services or goods.



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Pressures for small inventories

Primary reason to keep it small, because is temporary money investment

Inventory holding cost: is the sum of the cost of capital & the variable costs of keeping items on hand, such as storage and handiling, taxes, insurance and shrinkage.

Pressures for Large Inventories

Customer service: high speed delivery
Ordering Cost is same no matter the volume
Labor and equipment utilization
Transportation cost might get rate discount
Payments to suppliers: quantity discount a
drop in the price per unit when an order is
sufficiently large.



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