

Effectiveness of organization by inventory management in retail chain

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ABSTRACT: For the financial performance of a store inventory management techniques are significant. Having the right information about stocks helps in making the utilization of other resources of stores. The efficiency of stores depends on how many quantities of products left in inventory. Stock with improper planning gives a negative impact on performance. This paper elaborates on the importance of inventory management in retail stores and the importance of stock in increasing the efficiency of retail chains. The descriptive research design is used in collecting the data. A questioner is prepared and data is collected from retailers to study the above-mentioned aims.

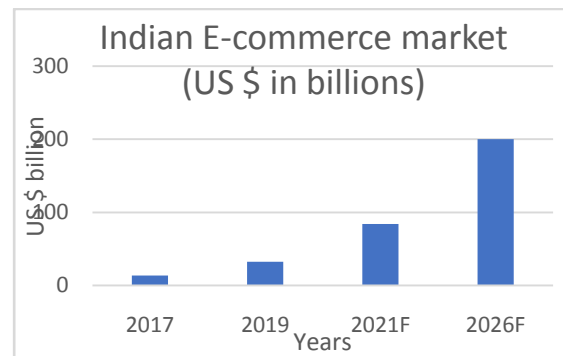
The study revealed that inventory management of retail products differs from one organization to another, but most organizations are using floating stock as their stand-alone model of inventories. Although other companies follow a hybrid floating stock model along with the base stock, first in – first out (FIFO) and cross-docking.

Keywords: Retail chains, Inventory management, Inventory management techniques, retail chains' efficiency.

I. INTRODUCTION:

Indian retail industry

The retail industry is showing rapid growth in the Indian market. Indian retail industry is the fastest-growing retail industry in the world.



The Indian retail industry is at an emerging stage. India, one of the most attractive emerging markets, is undergoing a radical change in its retail sector. The rapid development of retail in India has led to the expansion of organized retail stores both in metros and in smaller cities.

Inventory management and stock handling

Inventory plays an important role in any business's survival and growth in the sense that inefficient and ineffective inventory management will imply that the organization is losing customers with sales declining. Regulation of inventories requires management of inventory supply, use, monitoring, and procurement of materials. Inventory control is a combination of activities with the primary objective of obtaining the right inventory at the right place, at the right time and in the right quantity. This is also directly related to the production process of an organization which means that the inventory management system can directly or indirectly influence an organization's profitability.

Stock Availability- One of the most critical tasks of an effective inventory management program is to ensure that at the right moment, in the right place and the right quantity the correct product is

available. Lean inventory management focuses on improving organizational responsiveness and speed by managing capacity constraints (bottlenecks) and reducing in-process work (inventory).

NEED OF INVENTORY CONTROL

Transaction motive: Each company must maintain a certain level of inventory to meet the day-to-day requirements of sales, production processes, customer demand, etc. Both finished goods and raw materials are kept as inventories for the smooth production process of the company.

Precautionary motive: The firm should keep some inventory for unforeseen circumstances, such as loss due to natural disasters in a particular area, strikes, lay-outs, etc. so that the firm must have some finished goods as well as raw materials to meet the circumstances

Different techniques used in inventory management

1. First-In-First-Out (FIFO)

"First-in, first-out" is an important principle for managing inventories. It means that your oldest stock (first-in) is sold first (first-out), not your newest stock. This is particularly important for perishable products, so that you don't end up with an unsellable spoilage.

2. ABC analysis

Using an ABC analysis allows you to prioritize your inventory management by separating products that require a lot of attention from those that do not.

3. VED analysis

It classifies the items used into three broad categories, namely Vital, Essential, and Desirable. The analysis classifies items based on their criticality for the industry or company.

4. FSN analysis

This name stands for fast-moving, slow-moving and non-moving inventory levels. The objective of the FSN analysis is to consider the quantity, the rate of utilization of the products and how they're being issued or used, and to use this data to plan choices on placing in the warehouse.

II. LITERATURE REVIEW

Mohamad, S.A.J.A.N. bin S., Suraidi, N. N., Rahman, N. A. A., & Suhaimi, R. D. S. R. (2016). A Study on Relationship between Inventory Management and Company Performance: A Case Study of Textile ChainStore. *Journal of Advanced Management Science*, 4(4), 299–304.

Plinere, D., & Borisov, A. (2015). Case Study on Inventory Management Improvement.

Information Technology and Management Science, 18(1), 91–96.

Shen, H., Deng, Q., Lao, R., & Wu, S. (2016). A Case Study of Inventory Management in a Manufacturing Company in China. *Nang Yan Business Journal*, 5(1), 20–40.

Sunitha, K.V. (2012). A Study on Inventory Management in Sujana Metal Products Limited. (Master's Report, Jawaharlal Nehru Technological University, Hyderabad).

Mr. Linda Mullinix, Mr. Shannon Cunningham (2007) did their study on the effectiveness of inventory management in the organization. This study has been organized under four macro topics, consistent with the study scope.

1. Customer Service Level
2. Carrying Cost of Inventory
3. Inventory Turnover and Return on Investment
4. Excess Inventory and Shrinkage

LIMITATIONS OF THE STUDY

1. Lack of time to compile the data
2. Fewer resources are available.
3. Restricted because of COVID'19.

III. RESEARCH METHODOLOGY

To examine the impact of efficient inventory management on a firm's efficiency particularly of departmental stores operating in Delhi NCR, the study used a descriptive research design.

The reason for selecting a descriptive research design is because of its efficacy as it serves as a valuable tool for the presentation of cause & effect numerical techniques.

Sources of data collection

The data for the present research study is collected through two different sources namely:

Primary data sources - A well-structured questionnaire was designed to collect primary data to give the respondents first-hand details.

Secondary data sources- Secondary data has been collected from Published Literature in Books, Magazines, Journals and Newspapers, and websites.

Sample Size- 57 (because of COVID-19)

Sampling technique – Convenience Sampling is the sampling technique used.

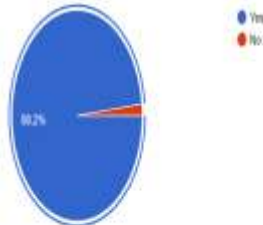
Tools of analysis — Simple Percent Analysis is used for the analysis of respondent data.

Sample Area - Delhi NCR

IV. DATA ANALYSIS AND INTERPRETATION

3	FSN	34	59.6%
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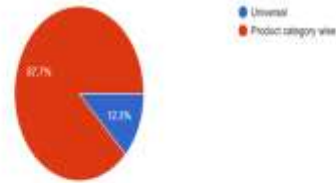
Q.1) Does your organization follow any inventory management technique?
 57 responses



Interpretation-

S.NO.	Responses	Number of Responses	Percentage of Responses(%)
1	Yes	56	98.2%
2	No	1	1.8%

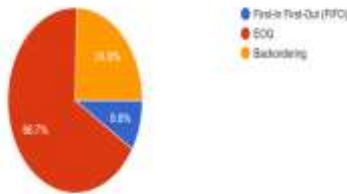
On what basis the method is selected for managing inventory
 57 responses



Interpretation-

S.NO.	Response	Number of Responses	Percentage of Responses(%)
1	Product Category Wise	50	87.7%
2	Universal	7	12.3%

What type of inventory management technique do you follow?
 57 responses



Interpretation-

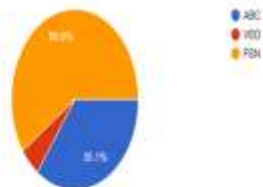
S.NO.	Response	Number of Responses	Percentage of Responses(%)
1	FIFO	5	8.8%
2	EOQ	38	66.7%
3	Backordering	14	24.6%

Is adequate provision made for obsolete and inactive items in inventories?
 57 responses



S.NO.	Response	Number of Responses	Percentage of Responses(%)
1	Yes	53	93%
2	No	4	7%

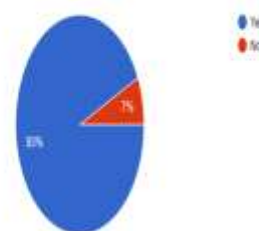
Which of the following inventory control technique is used by your organization.
 57 responses



Interpretation-

S.NO.	Response	Number of Responses	Percentage of Responses(%)
1	ABC	20	35.1%
2	VED	3	5.3%

Does management review the reconciliation of physical inventory counts to the inventory records?
 57 responses



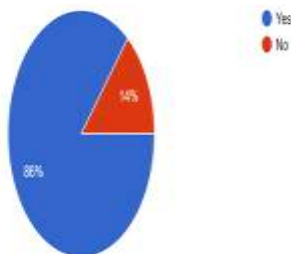
S.NO.	Response	Number of Responses	Percentage of Responses(%)
1	Yes	53	93%
2	No	4	7%

Have you looked at the impact of inventory control on cost reduction
 57 responses



S.NO.	Response	Number of Responses	Percentage of Responses(%)
1	Yes	53	93%
2	No	4	7%

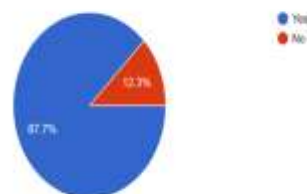
Careful analysis of major overages and shortcomings
 57 responses



Interpretation-

S.NO.	Response	Number of Responses	Percentage of Responses(%)
1	Yes	49	86%
2	No	8	14%

* Management tracks and accepts write-offs of obsolete and expired inventories
 57 responses



S.NO.	Response	Number of Responses	Percentage of Responses(%)
1	Yes	50	87.7%
2	No	7	12.3%

Do you use any technology or software for managing inventory?
 57 responses



S.NO.	Response	Number of Responses	Percentage of Responses(%)
1	Yes	52	91.2%
2	No	5	8.8%

V. CONCLUSION

1. Even though the inventory cost is reduced by the different qualitative and quantitative techniques used but they should also go in much detail of even small product categories.
2. In the case of periodic Ordering systems, it may lead to the stock out situation due to uneven demand, so they should follow the perpetual system which keeps track of removals from inventory continuously.
3. When the amount on hand reaches a predefined minimum quantity, a fixed quantity is then ordered.
4. Organizations should take proper watch over employees, so the shoplifting should be minimized.
5. In case the expiry of goods Organization should use sales promotional scheme when the stock reaches a nearby expiry date. Due to this utilization of inventory should be possible.
6. Stock records must be equated with the physical balance on a regular basis.
7. Facilitate the implementation of FIFO for raw materials and finished goods
8. Having regular programmers of inspection, physical verification, and maintenance of Store.
9. Employing and training reliable men in the store.
10. Keeping records and inventory of stores up to date above are the important recommendations.

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