INVENTORY STORAGE

Wednesday, January 6, 2016

Storage of Goods

- Holding of goods until they are sold.

- Goods are stored for a variety of reasons:

- Storage means that money is spent on facilities rather than investing in other activities that could provide a larger return.

Types of Warehouses

- Private
- Distribution

- Public
- Bonded

Stock Handling

■ Parts and raw materials used in the manufacturing process.

■ Manufacturing companies develop contracts with suppliers.

■ Four stock handling steps:

Inventory Control

■ Method of keeping track of all merchandise on hand at any given point in time.

■ Inventory management

■ Storage facility costs → high → business lose money if product is not sold in a timely manner and moved

Just-In-Time Inventory (JIT)

■ Careful co-ordination of supply and demand.

■ Problems arise when parts and raw materials do not arrive on time.
  – *Orders are delayed.*
  – *Affect customer service expectations.*

Challenges of Inventory Management

- Maintaining the right quantity of merchandise without running out.

- Keeping a wide product assortment, without having to make large investments.

- Large volume purchases to keep costs low for parts, but not buying more than will be needed for sales.

- Analysis of customer buying habits.

- Keeping accurate record of everything on hand.

Inventory Systems

- **Perpetual inventory systems**
  - *Continuous tracking of inventory.*

- *Manual system*

- *Computer system*

- **Physical inventory systems**
  - *Inventory maintained through visual inspection and counting verification.*
  - *Determines quantity of product on hand.*
  - *Usually completed 1-3 times per year.*

- *Counting methods*
  - *Physical inventory*

  - *Cycle count*

  - *Visual control*

Homework Questions

- Research in order to indentify 2 companies that use a perpetual inventory method and 2 companies that use a physical inventory method.

- What impact do you think technology has had on inventory control mechanisms? Explain.

- What would happen if UPC codes and prices were incorrectly entered into the system?

- Which of the four stock handling steps do you feel is most important? Explain your reasoning.

- How would a sales return effect inventory?
  - *Identify all possible scenarios.*

- What are advantages to using a perpetual inventory system? a physical inventory system?

- How are beginning and ending inventory totals for a year related?

- The Transportation Security Administration (TSA) was established to protect the nation's transportation systems. Select one type of system (truck, rail, air, marine, pipeline) to research. Identify the TSA security regulations for the system you have selected. Discuss how they balance safety with freedom of movement for people and commerce.