Inventory and alliance supermarkets

Experience, Human Nature

Alliance Supermarkets has been using a point-of-sale (POS) system for some time to track its inventory. The system uses a laser scanner to read the universal product code (UPC) on each item at the checkout container. The UPC is a number that uniquely identifies the product on which it appears. Currently, Alliance is using the UPC information to update inventory records for each item. Although the system has greatly improved the company's ability to replenish inventory promptly, the company still has some problems.

For example, sudden changes in demand for a particular item can catch the company by surprise as it bases inventory replenishment on historical demand patterns. Further, demand patterns and preferences may vary from one store to another depending on the customers served by each, but the inventory system groups all demand information together and treats each store equally. Finally, the manufacturers that make the products stocked by Alliance Supermarkets are always pressuring Alliance to help them target appropriate customers for special promotions and sales.

The chief information officer (CIO) of Alliance realizes that much more could probably be done with the data collected from its POS system. For example, the company could analyze the relationship between each product's sales and weather patterns. It is even possible to analyze an individual customer's buying habits and identify instances when a customer may be persuaded to try a different brand of a certain product. Suppose you have been asked to study this situation and suggest possible new and innovative uses for the information generated by the POS system.

Ideally, these ideas should help Alliance better serve its customers by ensuring that adequate quantities of each item are available, that costs are kept low, and that customers are made aware of new products that may interest them. 1. What information may help Alliance reduce costs while providing better service? 2. If purchase information can be obtained on individual customers, what new approach could be used by Alliance?

Your paper should be in paragraph form (avoid the use of bullet points), and supported with the concepts outlined in your text. Do not include the original questions of the assignment in the paper. Carefully review the Grading Rubric for the criteria that will be used to evaluate your assignment. Alliance Analysis The CIO for Alliance Supermarkets desires to make better use of the volume of data retrieved with each sale via the Point of Sale (POS) software that documents the sale of each product as it is bar coded.

There are three key issues which the CIO wishes to address: 1) be able to respond to sudden, unanticipated inventory demand; 2) identify demand patterns that vary from store to store; 3) assist the manufacturers to better target customers for special promotions and sales. With the use of POS, Alliance Supermarkets have the ability to track sales of products and reorder them automatically. With this type of information, the manufacturers have ready access to what products have been sold as they are scanned.

Scanning the bar code for each product sends a signal to the manufacturers documenting the sale of each item in inventory as the sale occurs. When predetermined levels are reached, an order is placed with the manufacturer to replenish the inventory. The POS information can also help manufacturers " analyze an individual customer's buying habits and identify instances when

a customer may be persuaded to try a different brand of a certain product" (Vonderembse & White, 2013).

Alliance Supermarkets can better serve its customers by having adequate supplies of inventory based upon the ways that the store tracks its inventory. Not only will regular order replenishment of inventory improve customer satisfaction, but it will have the added effect of improving efficiencies and making the best use of capital resources. A perpetual inventory system of some merchandise such as perishable foods like meat, dairy products, and vegetables can help lower costs through greater efficiencies in processes.

By avoiding Stock Outs, customers will have the ability to purchase their desired products without inventory costs. Adding Safety Stock to the inventory control plan can also aid Alliance in flexing up for sudden surge demand. Taking advantage of volume discounts is another way that costs can be controlled more efficiently. There is not always a cost savings in buying in volume. Therefore, using the formula of OP = dL can be used to determine an optimum point to reorder. OP = order point. d= daily use, and L = lead time.

This helps determine how much advance notice is needed in order for the store not to run out of inventory. (Vonderembse & White, 2013 p. 10. 4) Alliance can also make use of demographic and purchasing decisions based upon POS transactions. Sorting the data individually by each store will help Alliance identify purchasing trends. Orders can be placed specific to each stores demographic. A periodic inventory control system of non perishable items such as dairy products, meat and vegetables could be used to help assess the grocery stores replenishmentgoalswithout running out of goods.