

# [Inventory processes. the high-flow facilities have an](https://assignbuster.com/inventory-processes-the-high-flow-facilities-have-an/)

INVENTORY MANAGEMENT: IKEA, the world’s largest homefurnishing retailer, was founded in 1943 in Sweden and has 410 storesin 49 countries. It ranks Number 41 on Forbes’ esteemed World’s Most ValuableBrands list, and took in 36. 4 billion in sales in 2016. It has smooth runningbackend operations and efficient supply chain practices. CHALLENGES IN IKEA’S INVENTORY – TRACKING INVENTORY: Separating Products Into High-Flowand Low-Flow FacilitiesIKEA’s operationsare categorized into two. They are high-flow facilities whose  focus is on the 20 percent of SKUs, that aresold in high volumes, that amount to 80 percent of the store’s capacity orlow-flow facilities that are sold in low volumes and require manual processes. The high-flow facilities have an automated software which tracks eachproduct so that accuracy is maintained.

The employees don’t shift or move the slower-sellingproducts around too much which drives down cost-per-touch. Maximum and Minimum Settings: Barcode scanners are used to update the inventory. IKEA developedan inventory replenishment process called “ minimum/maximum settings.” Theprocess was created to avoid ordering either too few products or too manyproducts, which can lead to the company losing customers or having too manyproducts in its inventory, while meeting customer demands. The “ minimumsettings” and “ maximum settings” calculate the right amount of products to be reorderedand is based on the reserve stock left after store hours.

IKEA uses a softwarethat collects and tracks everything in the inventory INVENTORY MANAGEMENT STRATEGIES: Do-it-Yourself Assembly and Flat Packaging: IKEA uses a Do-It-Yourself approach to product assembly, whichthe customers themselves can easily assemble at home, to lower packaging andinventory management costs. Most IKEA products have flat packaging, which makeshandling easier, so that it occupies less space both in the trucks duringtransportation to stores as well as in the warehouse.. Cost-per-Touch Inventory Strategy: IKEAbelieves that the inventory management costs increase when more hands touch aproduct. So IKEA implements a cost-per-touch inventorystrategy that allows the customers to select and retrieve theproducts and take them to checkout themselves. This strategy will decreasetheir staffing costs.

Combining Retail And Warehouse Processes: IKEA’s warehouse is on thesame premises as the main retail or showroom floor. Customers browse for itemswhich are available in the lower racks and they obtain the products themselves. The additional products or reserve stock are stored in higher racks. Inventoryis moved to the lower slots only at night due to safety reasons. The bulkyproducts, which require the help of staff to be loaded are placed in the middleracks. IKEA is working to reduce the number of these bulky items since theyencourage self-service.  REFERENCE: 1)     http://dashboardstream. com/5-inspiring-inventory-management-strategies-from-ikea/2)     https://logisticsmgepsupv. wordpress. com/2016/04/18/ikeas-inventory-management-strategy/3)     http://www. supplychain247. com/article/how\_does\_ikeas\_inventory\_management\_supply\_chain\_strategy\_work4)      http://www. systemid. com/learn/ikea/5)      https://www. linkedin. com/pulse/how-does-ikeas-inventory-management-supply-chain-strategy-ray-su/6)      http://jayemlogistics. blogspot. com/2016/03/ikeas-inventory-management-strategy. html7)      https://en. wikipedia. org/wiki/IKEA