

# [Introduction company. finally, the use of postponement methods](https://assignbuster.com/introduction-company-finally-the-use-of-postponement-methods/)

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## Introduction

Inventory has always been defined as the taking of stock for raw materials, supplier components, and works in process and even finished goods that appear at various points of production and logistics channel.

Others define it as the listing of assets or any form of items for formal purposes. Inventory involves several activities which among others include recording of items, time and even costs involved in the management of the listed items. The process of taking inventories involves a cost and that is why several methods of taking inventories exist and people adopt the different methods depending on the processes involved.

## Process

Management problems involve decision making problems. The fact that companies have to acquire, allocate and control the factors of productions brings out the necessity for inventory management. In order to improve the management of a business, sometimes it is necessary to change the inventory method so as to realize what you have not been achieving and the reasons behind. In order to reduce the inventories and thus the costs involved, it should be the role of the company management to ensure that the activities taking place in the business are geared towards achieving and meeting the customer needs without excess stocks being left unused. The process of change of inventory can also be achieved through analysis of all the inventory items involved.

With the goods in the inventory being important according to their contribution towards the company goals, the items which generate high returns should be given a higher priority compared to those with low returns. The process of inventory can also be changed by classifying the inventory according to the bulkiness in order to be aware of the transport logistics that may be involved. This is due to the fact that different items require different transport means. The inventory method can also be changed by adapting new, better, and improved demand forecasting methods.

Better forecasting methods reduces variability in terms of the expected against actual sales. The management can also introduce inventory management software which, when data is fed to it, can predict all the inventory management that is involved. By managers using this software, they are able to predict easily the fast moving inventories as well as the more profitable items in the company. Finally, the use of postponement methods is another way of improving and changing the inventory method. This process involves modifying or customizing products after the main manufacturing process has been completed then delay the configuration and distribution process to the time when the distribution cycle will be favorable.

## Conclusion

When the management decides that the existing inventory method in use is not serving the business right, then a process of changing the inventory begins. From the study we can conclude that the process of inventory change can be brought about by the desire to reduce the inventory so that no excess inventories are left idle. The desire to introduce better forecasting methods in order to ensure the business gains optimally from the inventory is another reason why the inventory process might be changed. Another reason why change of inventory might be necessary is if the business plans to delay the configuration and the distribution process so that to ensure the time for release will be favorable and this can force also the change in the inventory process.