# Inventory control in gap limited - report

Business, Company

# Introduction

Gap Limited is a medium size retail outlet for shoes located in the northern district of the city. It is an organization which offers high quality shoes of all varieties and for all customer segments, ranging from children's footwear to hiking footwear. The organization has been experiencing tremendous levels of growth partly attributable to the increase in the brand visibility and growth in reputation of the organization's products in delivering value to customers. This growth has resulted in increased inventory levels and an emerging complexity in the management of inventories. The inventory systems currently in place are insufficient to meet the inventory management needs of the organization, and a part or a complete overhaul of the organization's inventory system is necessary to assure efficiency in the control of the organization's inventories.

# Findings

The problems facing the organization's inventory control system are as a result of many factors, most of them internal to the organization. The company uses an inventory system which uses the principles of the first in first out system. This implies that the organization should first sell the items it receives earlier from its suppliers. However, this is not what happens in practice, and the inventory s availed for sale on a haphazard manner. This has led to the piling up of obsolete stock in the organizations warehouse. Footwear is a product that is highly affected by changes in weather seasons and thus any decisions made regarding the inventory should be informed along this basis, otherwise the risk of inventory loss resulting from obsolete stock will be increased.

The ordering process in the organization is the responsibility of the procurement officer, who should liaise with the organization's accounting and stores department to determine the optimal level of inventory that should be reordered. However, in practice this is not the case and the procurement officer seldom gets any assistance from the organization's accounting department, and the inventory reordering is more often than not carried out on the basis of observation from the stores aisles or from information gathered from the stores clerk's.

Inventory control in the organization is monitored by the use of various documents. The suppliers deliver supplies as per the purchase orders made to them. The organization's warehouse manager then records the receipt of these goods on the inventory receipts sheets, with copies of the same sent to the accounting department and the procurement manager. The warehouse manager then uses the warehouse inventory control sheet to reconcile the numbers of inventory available to the organization. The level of inventory transferred to the sales store is supposed to be recorded and copies of the documentation of the transfer sent to the stores manger. This is however not carried out in practice and the transfer to the sales store is not usually recorded and the documents indicating the transfer of goods from the organization's warehouse are not available.

The manpower made available by the organization to monitor inventory levels is very small given the organization's high inventory turnover. The warehouse is managed by the warehouse manager who is assisted by two warehouse clerks. The warehouse clerks are not professionally trained, and the bulk of the paperwork is carried out solely by the warehouse manager, with the assistants mainly involved in manual duties in the warehouse. The software system used by the organization is obsolete since it was designed for the organization before it grew to its current size. The software system is overwhelmed by the inventory transactions of the company and can only be used for few items of stock.

## Effects of the current problems

The inefficiency as a result of the inventory control problems by the organization is having a high financial toll on the organization. The financial losses the company experiences as a result of obsolete stock are ultimately reflected on the financial statements of the company, and this indicates the loss in value of the organization. The organization’s motivation levels among the employees are adversely affected by the lack of cooperation among the various departments. The frustrations as a result of the problems presented by the inefficiencies of the inventory control system have a negative effect on the organization’s motivation levels. The organization therefore faces a potentially disastrous future if the inventory control system is not changed to accommodate the changes in size of the organization.

## Recommendations

A new software system needs to be put in place for the purposes of inventory control in the organization. The organization should seek to develop a new software system custom to the organization’s inventory control needs and which can be easily adjusted with the growth in the size of the organization. The system should also ensure that the input of all the relevant stakeholders in the organization regarding inventory control is monitored to ensure smooth cooperation between various departments whose input is required for efficient inventory control.

The human resources department should allocate more manpower to the warehouse department. This will ensure that the organization’s inventory control in the warehouse is managed efficiently. The number of warehouse personnel should be increased and well trained manpower hired to ensure that the organization’s inventory control processes are efficient and assist the organization to meet its overall goals (Axsater 190).

The communication among the various departments of the organization regarding inventory control should be enhanced to ensure that more efficient and timely inventory control is carried out. The organization should develop clear communication channels that will need to be used by the stakeholders involved in inventory control. This will ensure that the level of losses to the organization as a result of poor inventory control practices are reduced to the minimum possible level or completely eliminated (Waters 148).

The ordering process needs to be changed to ensure that the principles of the first in fist out method of stock control are observed. The organization should ensure that the communication among different stakeholders is improved so that a system of developing the economic order quantity level of stock is enhanced. The organization should develop clear documentation procedures to monitor the inventory through the various processes in the organization and ensure that the use of the documents is enforced (Waters 187).

The organization will register improved performance if it adopts the recommendations made to improve its inventory control procedures. This will be ultimately reflected in the financial performance and the organization will be able to attract more investors and continue in its growth path.

## Works cited

Axsater, Sven. Inventory control, Lund, Sweden: Springer Books, 2006, print.

Waters, Donald, J. Inventory control and management, Hoboken, NJ: john Wiley & Sons Ltd, 2003, print.