

# The basic eoq issues that sainsbury faces

Business



Running Head: Unit 4 DB Insert His/her Sainsbury's supermarket located in the of London is a giant departmental store that offers a variety of groceries and other household items at reasonable cost. As it is a huge firm it has to deal with huge amount of inventory. Sainsbury's manages its inventory through fixed order quantity system. Fixed order quantity system is an inventory control system in which the firm keeps record of the inventories after each purchase and sale. And when the inventory falls below the specified level an immediate order for the replenishment of inventory is passed. This system is mostly employed by the firms which deal with a huge amount of inventory. (SME. com. ph) as a super market Sainsbury's also deal with a large amount of inventories which is why it has employed this system. The basic EOQ issues that Sainsbury faces are (1) Purchasing cost; the cost which is incurred during the purchase of inventory as it is a merchandising company. (2) Holding (carrying) cost; the cost included in the maintenance of inventory. (3) Obsolescence cost; as it is a super market it deals with perishable goods and also with technological goods that might become obsolete, the cost related to such goods is obsolescence cost. (4) Safety Stock; it has to keep a large amount of safety stock because it is a giant departmental store. Safety stock is maintained in order to overcome supply shortages which may occur from time to time. (R. Anthony Inman) Sainsbury keeps huge stocks of all its inventories except the perishable and technological goods. By using the fixed order quantity system Sainsbury has improved its inventory management to a great extent. This system helped it to maintain an accurate record of its inventories. Moreover the timely replenishment of inventory has helped Sainsbury to avoid the flaws which may occur due to the shortage of supply. As it handles transactions including <https://assignbuster.com/the-basic-eoq-issues-that-sainsbury-faces/>

a large amount of goods I think fixed order quantity system is an ideal choice for Sainsbury because through this system it can manage and control its inventories in effective and efficient manner. (Sainsbury's latest supply chain initiatives) References SME. com. ph, Managing Your Inventory, SMS. com. ph Online, Web, 2011. <http://www.smetoolkit.org/smetoolkit/en/content/en/587/Managing-Your-Inventory> Inman, R. A. Inventory Management, Reference for Business Online, Web, 2011. <http://www.referenceforbusiness.com/management/Int-Loc/Inventory-Management.html> IGD Analysis, Sainsbury's latest supply chain initiatives, IGD Online, 2009, Web, 2011. <http://sca.igdinfo.com/print.asp?pid=4&var1=1081&var2=0>