

A project report on inventory control at big bazaar



This is what inventory management is all about. In many retail and wholesale operations, the single largest asset is inventory. Control of this investment is vital. It will eliminate a number of the problems associated with capital shortages and will also provide capital to permit expansion of operations for increased sales and profit. What is inventory control? Inventory management can be briefly described as: Acquiring an adequate supply and assortment of merchandise from which customers can buy. Providing safety stocks to meet unexpected demand or delays in inventory replenishment. 5 Maintaining clear, correct, and current records. Purchasing the proper assortment of goods in quantities that will maintain inventory levels consistent with business requirements, while providing adequate safety stocks. Reducing excessive inventories promptly, so that the dollars realized from clearing overstocks can be invested in merchandise with a greater market potential. Inventory investment control :- Inventory investment control is accomplished in two ways: Prompt elimination of overstocked items. Inventory replenishment in anticipation of customer demand.

Whenever a particular item is overstocked, the overstock should be reduced as promptly as possible. Naturally, the most effective and profitable way is to sell it to customers, even at a discount. However, there are other possibilities. There may be a wholesale market available for certain kinds of inventory. Excessive consumer goods inventories are often sold to “bargain basements” or warehouse outlets. Perhaps you can even arrange wholesale sales to a competitor. Frequently, it is wiser to scrap inventory that shows no sales activity for an extended period of time.

In this way, you reduce a misleading overstatement of inventory on your company's books. At the same time, you make space available for inventory that can be sold at a profit. Inventory replenishment :- The key to successful inventory management is adherence to procedures for inventory replenishment. Your ability to anticipate customer demand for certain items will help you plan your inventory purchases so that sufficient stocks are on hand to accommodate sales volume without excesses that cause other problems.

Planning your purchases will also help you avoid shortages that can only be filled through forfeiture of discounts or absorption of premium shipping charges. Determining purchasing requirements involves answering two questions: What to buy? How much to buy? Both questions can be answered by establishing an inventory target for any item you carry expressed as so many days', weeks', or months' sales. Purchasing items of the right-quantity, at the right-place and at right-time. Providing a suitable, secure, and sufficient place for storage. Developing a proper inventory identification system. 0 Maintaining an up-to-date record keeping. 0 Making proper requisition procedures. Inventory costs:- 1. Ordering Cost Cost of procurement and inbound logistics costs form a part of Ordering Cost. Ordering Cost is dependent and varies based on two factors – The cost of ordering excess and the Cost of ordering too less. Both these factors move in opposite directions to each other. Ordering excess quantity will result in carrying cost of inventory. Where as ordering less will result in increase of replenishment cost and ordering costs.

These two above costs together are called Total Stocking Cost. If you plot the order quantity vs. the TTS, you will see the graph declining gradually until a certain point after which with every increase in quantity the TTS will proportionately show an increase. This functional analysis and cost implications form the basis of determining the Inventory Procurement decision by answering the two basic fundamental questions – How Much to Order and When to Order. How much to order is determined by arriving at the Economic Order Quantity or EX.. . Carrying Cost Inventory storage and maintenance involves various types of costs namely: Inventory Storage Cost Cost of Capital Inventory carrying involves Inventory storage and management either using in house facilities or external warehouses owned and managed by third party vendors. In both cases, inventory management and process involves extensive use of Building, Material Handling Equipments, IT Software applications and Hardware Equipments coupled managed by Operations and Management Staff resources.

Inventory Storage Cost Inventory storage costs typically include Cost of Building Rental and facility maintenance and related costs. Cost of Material Handling Equipments, IT Hardware and applications, including cost of purchase, depreciation or rental or lease as the case may be. Further costs include operational costs, consumables, communication costs and utilities, besides the cost of human resources ample well as management. Cost of Capital n operations as Includes the costs of investments, interest on working capital, taxes on inventory paid, insurance costs and other costs associate with legal liabilities.

The inventory storage costs as well as cost of capital is dependent upon and varies with the decision of the management to manage inventory in house or through outsourced vendors and third party service providers. Current times, the trend is increasingly in favor of outsourcing the inventory management to third party service provides. For one thing the organizations find that managing inventory operations requires certain ore competencies, which may not be inline with their business competencies.

They would rather outsource to a supplier who has the required competency than build them in house. Secondly in case of large-scale warehouse operations, the scale of investments may be too huge in terms of cost of building and material handling equipments etc. Besides the project may span over a longer period of several years, thus blocking capital of the company, which can be utilized into more important areas such as R & D, Expansion etc. Than by staying invested into the project. Big bazaar introduction:- Big Bazaar is the largest hypermarket chain in India. As of June 2, 2012 there are 214 stores across 90 cities and towns in India covering around 16 million sq. Ft. Of retail space. Big Bazaar is designed as an agglomeration of bazaars or Indian markets with clusters offering a wide range of merchandise including fashion and apparels, food products, general merchandise, furniture, electronics, books, fast food and leisure and entertainment sections. 0 Big Bazaar stores are aimed at providing a local marketplace feel to the shoppers. 0 Future Group owns Big Bazaar. Reasons for keeping an inventory in BIG BAZAAR .

Time – The time lags present in the supply chain, from supplier to user at every stage, requires that you maintain certain amount of inventory to use in <https://assignbuster.com/a-project-report-on-inventory-control-at-big-bazaar/>

this " 2. Uncertainty - Inventories are maintained as buffers to meet uncertainties in demand, supply and movements of goods. 3. Economies of scale - Ideal condition of " one unit at a time at a place where user needs it, when he needs it" principle tends to incur lots of costs in terms of logistics. So bulk buying, movement and storing brings in economies of scale, thus inventory.

Buffer stock is held in individual workstations against the possibility that the up treat workstation may be a little delayed in long setup or change-over time. This stock is then used while that change-over is happening. Inventory Expectations of BAZAAR from various Departments:- 0 Top Management Higher inventory turn-over, Lower operating cost, Excellent customer service. Marketing Department Quick delivery, No stock out, Varieties & volumes, Frequent deliveries. 0 Logistic Department Less damages, Economic batch sty, No rejection & Cancellations.

Finance Lower inventory levels, Low operation cost, Higher inventory turn-over, Lower cost of delivery. Inventory of resources is held to provide desirable service to customers and to achieve sales turnover target as investment in large inventories adversely affects the organization's cash flow and working capital. Big Bazaar generally deals in national level brands like Lee, Levis etc, Other than this it also deals in some Private label brands DC in apparel, KOORI in electronics etc.

Then we asked about the product categories, that are junction , Staple items , fruits & vegetables , fashion & apparels , chill section , home decorator , footwear , book zone, CDC etc. Types of inventories

maintained. :- The inventories maintained in the outlet, are of different product category. Mainly Cycle inventory is maintained for FMC product category & Food Category, Safety level of inventory for FMC Products, and for Apparel, Seasonal inventory is maintained, because of fluctuation in demand.

Decision of how inventories are maintained:- Then coming to how the store manager decides the level of inventory, the store manager inspects the stocks time to time and also the demands of customers. Manager maintains the Stock - in & Stock - out, so that he can decide the level of inventory. For egg. Apparels are ordered approximately after 45 days. For every sample of clothes they have a back up of 10 pieces. However in case, if more number of pieces are required, they first ask other big bazaar location but if, even then they fail to meet the demands of customers, they go for “ Transfer of Interest”.