

Scope and Importance of Inventory Management Techniques in Business Operations: A Systematic Review

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ABSTRACT

In this project the main discussion is done on the inventory management of Tesco and what are the scopes of them and why it is important. In this study the researcher's ethics will be maintained and several theories will be taken under consideration. This project is going to primarily focus on the factors that influence inventory management of the company. What are the problems that are being faced by companies while making inventory management are also going to be discussed here. At the end recommendations will be provided to ensure a better service that is desired by customers.

1. INTRODUCTION

In this project the discussions are going to be made on the company named Tesco from UK. It is one of the global trend setters and till now they are one of the reliable ones in the whole United Kingdom. The journey of them started in 1930 and decades after decades they expanded their business and they provided people what they want (Tesco PLC, 2017). In this process a good kind of business initiated and in this running era of modification and digitalization Tesco introduced many important attachments that not only helped people to access their stores but also helped them to get a reliable section on which they can trust.

The study is done on the company to find, if there is any kind of amendment needed from the perspective of giving the best kind of service that is necessary. The company is mainly dealing in the grocery products and it is important from the point of ethics of the authority to provide the best kind of goods possible (Zhu et al., 2012). In the end the scopes and importance of inventory management techniques are taken under consideration that will ensure the best kind of service from the service providers in a long run.

2. PROBLEM STATEMENT

In context to the research it is important to evaluate the database to give a strong and flaw free system to the world of today where no company is giving a single spot to the other organization that is looking for a place in the market (Zhao, 2014). It is important for the old companies because the need of development in this digitized world is really high and there is no point of making a mistake that will ensure influx in the same section. There is nothing better to find the issues that are prevailing and in this section there will be a great impact on the company Tesco who is ensuring that the system is totally flawless (Chan & Prakash, 2012).

The main fact about Tesco which needs to be taken under consideration that they are experienced but still they are facing issues like goods storing, delivering of goods in a scheduled time to the customers, providing good customer response in a timely manner. With the proper implementation of a system that is well managed and supports all

kind of attachments it is going to be a really easy matter to be solved (Xie & Allen, 2013). Not only this, there are issues like price changing that effects the people's choice of collecting goods from them.

3. SIGNIFICANCE OF THE STUDY

The study is depending on several kinds of factors and it is important to know why it is being done. There is nothing to be worried and in the end this study will help in making a proper direction in which way the authority should make an approach that will ensure the safety of customers and a good revenue generation for themselves (Varley, 2014).

The first significance of the study is to find a proper solution that will ensure a good kind of management system which will reduce the customer service providing time that is necessary. The main object where the people of the organization need to focus is their reputation in the market (Transchel, 2017).

The second significance of the study is to find a good management technique that will ensure that the good are stored in an adequate facility where finding them in the needed time and delivering them to the customers is really easy (Thomas, 2016). In this way a proper system will evolve that will ensure a less hectic schedule for the workers and the customers will get what they want exactly in a short time gap. The inventory management procedure follows several theories that are needed to be looked for. It is essential from the prospect of the research on Tesco that they give the best kind of service that ensures a better market hold in this current market context in United Kingdom (Bertsimas et al., 2016).

4. THEORIES RELATED TO INVENTORY MANAGEMENT

There are many theories that can be taken under consideration that will help in evaluating the best kind of data that will help in monitoring the conditions that are related to it (Al Kattan & Al Khudairi, 2010). In this place the best way of approach is to get the proper theory and then the application of it. Tesco should not go for anything that is not needed for their sectional development. There are many theories that separately deal with the demand and stock of the products. In a huge grocery business it is important for them to have the best method that will enhance the chances of them to survive in the market for a long time (Tan & Karabati, 2013).

- ***The ABC theory***

This is mainly used in the management of the storage system and that is why it is a beneficial method to be taken under consideration by the Tesco Industries (Shin & Eksioglu, 2014). The theory should be taken under consideration just to have a better result in managing the overall storage procedure. Here different letters define different things. A refers to those inventories that are filled with those items which cover 80% of the total value. B refers to those inventories that are filled with such items which cover 15% of the total value C refers to those inventories that are filled with such items which cover 5% of the total value.

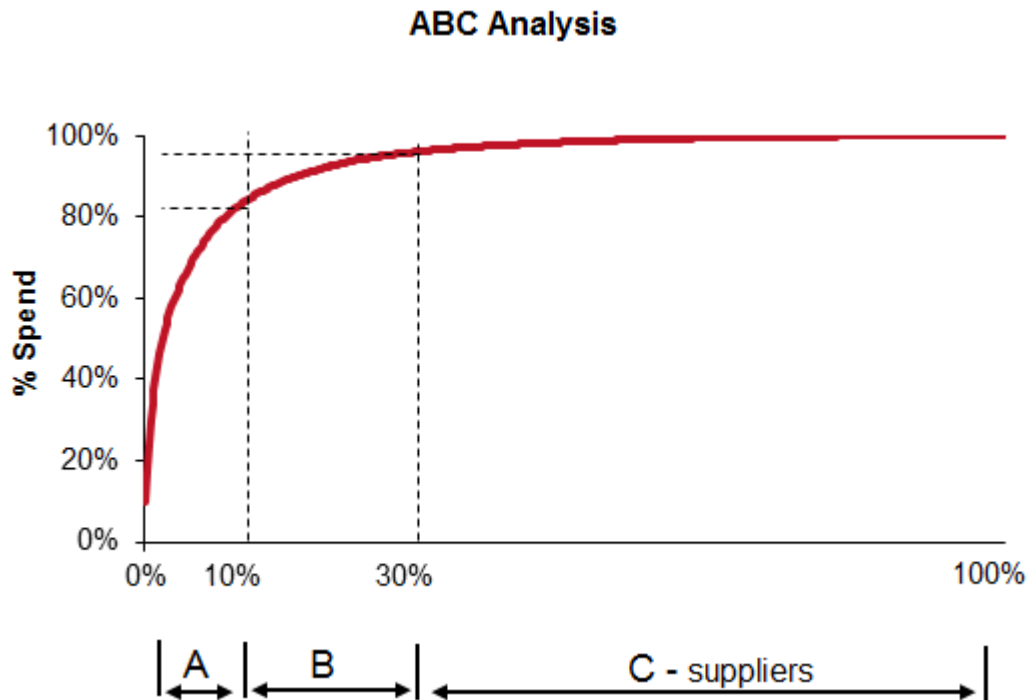


Figure: 1. ABC theory

Source: (Bemelmans, 2014)

This is really helpful in maintaining the daily basis of the inventory managements. In big firms like the Tesco it is important to maintain the graph of their product usage from the storage. There might be different issues like misplacing, uncourting, stealing, non-issued items and many other issues (Shen et al., 2016). In this kind of process implementation Tesco should definitely provide a good eye on the product storage after a fixed time gap to ensure 100% accuracy to it. By segmenting the materials in different kinds there will be no issues regarding management of the products that is essential for a gradual development (Agrawal & Smith, 2016).

• ***Economic Order Quantity (EOQ) or the Wilson Formula***

This is a very simple process which includes the calculation of total holding and ordering cost of an inventory. It is one of the oldest models of inventory management and it is regarded as Wilson Formula. The design was made by F.W. Harris but the implementation of it was maximized by his consultant R.H. Wilson and that is the reason why it is named by him. In case of Tesco it is important to be taken under consideration.

It is related to making order from Tesco's side. The company should focus on how they can minimize the total cost of ordering and storage of products. There are many factors that should be taken under consideration by Tesco and some of them are the purchasing cost for individual items, overall demand in a year, the storage cost for every single thing year and the particular cost for making an order (Patel et al., 2017). How many times an order is getting placed plays a vital role in making cost calculation.

$$\sqrt{\frac{2 * A * C_p}{C_h}}$$

Figure: 2. EOQ Formula

In this formula A refers to annual use of the units, C_p refers to the cost of ordering and C_h refers to annual carrying cost of a particular unit. The main reason of implementing the equation is to find the lowest cost making via tallying the ordering cost and carrying cost. The benefit of this thing is to make a minimized costing and providing the most appropriate and effective order for the company (Moussaoui et al., 2016). It is important to know that the technique is not appropriate for all the companies the best effects can be seen by make to stock manufacturers, purchase to stock distributors and make to order manufacturers. Tesco is a purchase to stock distributor and hence it is appropriate for them.

- ***The SOS Analysis***

This is a concept that can be generally applied for every organization including Tesco. The first 'S' of the analysis is considered as seasonal. It is important to know that when a product or a particular good is there for a certain time then it is important to buy it because in that time it will be low at price. Calculations should be done to avoid any kind of mistakes and the inventory cost should be added to this. Tesco can do that too but they need to keep in mind that the product must be in a usable condition so that the best kind of rate can be generated from it when it will be launched in the market (Morrice et al., 2016).

'OS' refers to Off-Seasonal products. In this case the price stays high and the company should be aware of the fact that buying it may not be a good decision to make because at the rate they are buying one item will be added with further maintenance cost and then it will be provided to the customers. If the rate goes higher than the estimated amount of the people then a good amount of sale may not be seen by the authority.

4.1 SCOPE OF CONTEMPORARY INVENTORY MANAGEMENT TECHNIQUES IN BUSINESS OPERATIONS

Using a good kind of inventory management process is essential for any retail company. The daily transaction of goods in a retail company is huge and it is important for the company to keep track on every single item that comes to it and given to the customers. A big company with a proper market hold should definitely use all the necessary procedures to check the inventory in a daily basis (Marino & Zotteri, 2016).

Being a renowned company, Tesco should apply the best kind of inventory management to ensure that there is not a single thing that has gone out of counts. There is a big scope of inventory management in the retail section and Tesco needs to implement the best process possible that can enhance the chances of getting more adequate data that

will help in maintaining a proper account. It is really hard to control the transportation system because a single mistake can lead to a major miscalculation. The scopes are discussed below.

- **Tracking-** Order tracking in case of Tesco is really important. Being a giant in the retail business especially a grocery dealer huge number of products is getting transferred to different places of the store and to customers. A good kind of record of all the movements will help in identifying whether the business is flourishing or not. Tracking the orders help in identifying whether the product is being consumed or not and that is helpful in determining the demand of the product among the customers (Kelkar & Emilus, 2016).
- **Profitability-** In case of determining the profit of a company the inventory management plays a great role. Tesco has a good reputation in the market and it is essential for them to know how the inventory management works. The simple concept is not to store a huge amount or a low amount. A low amount cannot supply adequate amount that is needed and a huge amount can be wasted with passing time and changing demand of the customers (Hançerlioğulları et al., 2016).
- **Getting the right product-** In a controlled environment it is really easy to find the best kind of solution that is possible. In case of inventory management of Tesco it is important to keep an eye on the products that are in demand. They should order those things that are getting consumed by the people really fast rather than on those which are not that much customer loved. In this way they can keep the right product in their stock to fulfill the customer needs and get good revenue at the end of the year (Habte et al., 2017).
- **Idea of products to be ordered-** a right inventory management system provides the idea of which product to order again and which should not be taken under consideration as a customer loved one. In this way the inventory will stay full with those things only that are going to be consumed fast. The company can present the people that they have the capability of delivering the needed items and people will come back to them whenever they need any kind of other stuffs that they have not taken from Tesco before (Gregory, 2015). By providing the particular product Tesco will be the only place where the customer can rely on.

4.2 IMPORTANCE OF CONTEMPORARY INVENTORY MANAGEMENT TECHNIQUES IN BUSINESS OPERATIONS

While making any kind of business plan it is essential to have an idea of the market. The market knowledge will give you an idea that will help in planning the next steps that to be taken. It is important for a company to keep in mind what is running successfully in the market in their genre of business (Feng et al., 2015). This information will help them planning an inventory collection that is essential for any kind of business.

It is highly important for Tesco to identify the importance of an inventory management. Being a grocery dealer it is important to plan storage of products where they can keep a long stock of those things which are not going to be

harmful by anything. In this section the importance of an inventory management will be given in context to Tesco's business.

- Coping up with the increased sales- an inventory management is a big deal because big companies cannot make any kind of mistake in this. A small mistake will definitely give them bad results that are looked for by companies like Tesco. For Tesco it is important to ensure a good flow of the products. They don't want to see a particular product is rotting in the store room. The increases sales will definitely help in ensuring market capitalization that is why it is important for them to keep an updated inventory to address the demands of the customers (Ehrental et al., 2014).
- Satisfying the customers- The customers are the only people who can give proper review of one product. If the consumption of a particular thing is high then getting rid of the non-essential ones is really necessary. Tesco needs to know whether the inventory management is working efficiently or not because storing those things which are not preferred by the customers will ultimately result in loss of the company. Having a proper idea of what is there and what needs to be there is essential and it can be achieved by a properly functioning inventory management system and that is why it is important (Disney et al., 2016).
- To increase sales- Tesco is one of those companies who are totally dependent on the demand of the customers. The reputation of them will never allow them to display such items that are not important from the user's perspective. A properly maintained system is essential to increase sales because collected data will give idea on which products are necessary to be stored in the inventory and which are not (Guimaraes et al., 2016).
- To check the stock: There are many kinds of strategies that are helpful to determine whether the inventory system is working efficiently or not. A properly managed inventory system will help in giving idea that will ensure whether the stocks are adequate or not. If an on demand product is lacking in quantity then the inventory management system will give recommendation to the authority that there is a lack in the storage. In this way the storage will get filled up with proper items that are necessary to meet the customer demand and there will be no lack of any kind of products (Damron et al., 2016).

5. CONCLUSION

From the above data it can be said that the people who are there in Tesco are working efficiently to provide the best service that is possible. In order to give idea about the functionality of the inventory management system it is found that Tesco has a good planning that is helpful in making a shortlisted data about what is necessary. The inventory management system of Tesco is filled with necessary attachments that helps in making judgment on what products are in lack and what is unnecessary from the point of user's consumption rate. It can be concluded that Tesco is giving the best kind of solution possible to the customers by providing a variety of products under one roof. The theories that are necessary to be taken under consideration are given and by implementing that to the system it will

be a great opportunity for them to analyze the system on which they are operating now. It is really important to have an idea about the lacking and over staying of a particular product to ensure the market demand of it. The main function of an inventory management system is nothing but giving the possible ideas on the necessities of the company and in this section the inventory system of Tesco is giving the best result it can.

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