SOS POLITICAL SCIENCE AND PUBLIC ADMINISTRATION

MBA FA 204

SUBJECT NAME: OPERATION RESEARCH

UNIT-IV

TOPIC NAME: INVENTORY CONTROL

Inventory control definition

At first glance, inventory control and inventory management seem similar. After all, they both cover similar bases revolving around the question, "How much stock should I order?"

Although these two terms are often used interchangeably, they actually deal with different aspects of inventory optimization.

Inventory control involves warehouse management. This includes:

- Barcode scanner integration
- Reorder reports and adjustments
- Product details, histories, and locations
- Comprehensive inventory lists and counts
- Variants, bundles and kitting
- Syncing stock on hand with sales orders and purchase orders

The goal of inventory control procedures is to maximize profits with minimum inventory investment, without impacting customer satisfaction levels

Inventory management, on the other hand, is a broader term that covers how you obtain, store, and profit from raw materials and finished goods alike. *The right stock, at the right levels, in the right place, at the right time, at the right cost.*

Inventory management software to fuel your growing business

All your products, customers, orders, and transactions synced and secure in the cloud.

Get started

Inventory control systems and management

Keeping control of your stock so that you're able to hold the least amount of inventory in your warehouses makes for easier organization, lower holding costs, better cash flow, and more space within your warehouses. When it comes to inventory control procedures, less is definitely more.

To do this, two formulas stand out:

Economic order quantity (EOQ)

EOQ is the optimum inventory you should purchase to minimize the costs of ordering and holding. You'll need to know your annual fixed costs (D), demand in units (K), and carrying costs per unit (H).

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EOQ = √(2DK / H), or the square root of (2 x D x K / H)
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Try it for yourself using our free EOQ calculator below:

2
×
Demand How many units of product you need to buy
×
Order Cost Also known as fixed cost. This is the amount you have to spend on setup, process, and so on.
÷
Holding Cost Also known as carrying cost. This is the cost to hold one unit per product in inventory.

½
EOQ = 159

To save you time on doing the math manually for every single item in your inventory, we've built a free EOQ calculator just for you.

Reorder point formula

The Reorder point determines the right time to order more stock. Calculating this means adding together your lead time demand in days and safety stock in days:


REORDER POINT = LEAD TIME DEMAND + SAFETY STOCK