

2.2: Introduction to Inventory Management

The Role of Inventory Management

Inventory management plays a crucial role in industrial operations by overseeing the material resources that generate future revenue for an organization. This responsibility falls under the purview of the Operations Manager. Consider a retail store selling various products like packaged foods, groceries, apparel, and electronics. Typically, not all merchandise is stored within the store premises. A portion of the stock is kept in a warehouse facility. The combined inventory, comprising goods in the store and warehouse at any given time, constitutes the total inventory

This chapter will explore inventory management models that deal with certain or known demands. These models aim to address two fundamental questions:

1. How many units to order
2. When to place the order for those units

The primary objective of inventory control or inventory management is to achieve satisfactory levels of customer service while keeping inventory costs reasonably low. Therefore, there is a trade-off between the amount of inventory held and the level of customer service provided.

Source

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