Chapter Outline

# Chapter 15: Inventory Management

***See pages 532-557.***

Operations Profile: Best Buy Moves Inventory Control to Its 1,000 Warehouses

Types of Inventory

Inventory Costs

Purchase Costs and Ordering Costs

Setup Costs

Holding, or Carrying, Costs

Stock-out Costs

Operation Management: Lessons Learned: How Poor Inventory Management Can Lead to Charges of Fraud

Inventory Considerations for Supply Chains

Meeting Expected Normal Demand

Protecting Against Shortages

Receiving Quantity Discounts

Guarding Against Future Price Increases

Meeting Sales Increases Caused by Seasonal Demand and Sales Promotions

Reducing Transportation Costs and Transit Times

Smoothing Out Production Fluctuations

Facilitate Decoupling of Processes

Inventory Management Measures

Backorders and Lost Sales

Inventory Turnover

Days of Inventory in Stock

Order Fulfillment Lead Time

Fill Rate

Inventory Accuracy Rate

Operations Management: Lessons Learned: How Pennsylvania’s State Liquor Store System Continues to Mismanage Inventory

Key Features of Effective Inventory Management Systems

Demand Forecasts, Lead Times, and Inventory-Related Cost Information

Inventory Classification: The ABC Method

Inventory Control Systems

Consider This: IKEA’s Successful Inventory Management Techniques

Uncertainty in Supply Chain Inventories: TheBullwhip Effect

Causes of the Bullwhip Effect

Strategies for Mitigating the Bullwhip Effect

Ethical and Sustainability Issues

Global Inventory Management

Service Sector Inventory Management

Chapter Summary

Key Terms

Discussion and Review Questions

Solved Problem

Problems

Case Study 15.1: Inventory Pressures Cause Tuesday Morning to Abandon e-Commerce

Case Study 15.2: Inventory Management in the Age of the Online Shopper

Video Case

Critical Thinking Exercises

Littlefield Laboratories