

CGN IN THE EVENT

CGN recently attended the Supply Chain Summit in June'18 at Holiday Inn, New Delhi on **BUILDING SUPPLY CHAIN EXCELLENCE: INDIA & BEYOND**

Managing Inventory in a market - driven world

It is an often held misconception that being customer-centric is doing exactly what the customer demands. The customer may not know what he exactly wants or may not have discovered the depth/breadth of his needs. Businesses that strive to go beyond what the customer desires, perceive customers' needs in their entirety and provide customer delight are usually the ones that are most successful in the current landscape of cut-throat global competition.



In a market-driven environment, companies are forced to grapple with disparities between forecasted demands, customer orders and actual demand. Customer orders are not representative of actual demand since sales conversion depends on many factors like reliability of leads, effectiveness of sales teams, etc. which means that the entire market potential has not been tapped.

Inventory Management does not merely mean replenishment but strategic optimization of inventory levels based on historical data, projected demands and manufacturing capacity. Sub-optimal inventory management could result in excess inventory pile-up at the warehouse or a scenario where the customer order cannot be met completely. Managing inventory is very much akin to walking a tight-rope – slip this way or that, the outcome is undesirable.

Finance teams usually view inventory as a cost to be managed and tend to apply blanket inventory-reduction targets across the board. This is not operationally sound since sudden spikes in demand always loom large and so inventory planning must account for such unpredictable uncertainties.

Supply Chain Design Factors

It is also important to understand the relationship between supply chain design factors and inventory pile-up.



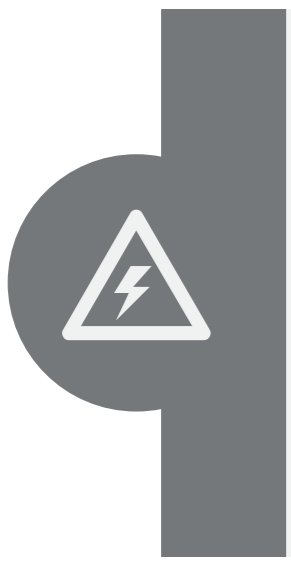
Growth Sales

Demand shaping involves strategies like attractive pricing, cost reduction and new product introduction to ensure price competitiveness in the market. Usually, these programs are undertaken to match demand to planned supply and used to address bad forecasting. This strategy runs counter to market-pull and could yield inventory build-up. Activities like item master additions and trade route lengthening result in accrual of unnecessary inventory.



Efficiency

Vendor-managed inventory policy changes, increasing the number of supply chain nodes and outsourcing of critical activities are often looked at as means to improve efficiency across the supply chain. These actions could lead to increased inventory levels if they are not monitored and controlled.



Risk

Risk management is a crucial part of inventory optimization. Manufacturing processes are not always a 100% reliable and could operate at varying velocities. Sudden plunges in demand can result in huge stockpiles of finished goods remaining unsold. These risks need to be accounted for while designing inventory optimization models.

Conclusion

In conclusion, inventory management becomes a crucial driver of supply chain efficiency. Businesses that leverage technology and planning organization in tandem achieve operational effectiveness and are well-poised when it comes to understanding customer demand, maintaining required service levels and remaining profitable overall. A confluence of customer-focus, technology and lean operations is a sure-shot recipe for global competitiveness and sustained success!