

# **AL-FARABI KAZAKH NATIONAL UNIVERSITY**

## **Department of Business technologies**

### **Strategic logistics planning and inventory management strategies**

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#### **Lecture 8. The Importance of Inventory**

##### **I. Introduction**

Inventory management is a critical component of supply chain management, as it helps businesses maintain a balance between holding too much inventory, which can lead to waste and inefficiency, and holding too little, which can result in stockouts and lost sales.

##### **II. The role of inventory in supply chain management**

Inventory acts as a buffer between the demand and supply sides of a business, allowing the company to respond to changes in customer demand without disrupting the flow of goods and services.

Inventory also helps businesses meet customer demand while reducing the cost of procurement and production by allowing them to take advantage of bulk purchasing discounts and economies of scale.

##### **III. The benefits of effective inventory management**

Effective inventory management can help businesses increase operational efficiency, reduce costs, and improve customer satisfaction by ensuring that products are available when and where they are needed.

By reducing the amount of capital tied up in inventory and reducing waste, businesses can free up resources for other areas of the business, such as research and development or marketing.

Furthermore, effective inventory management can help businesses improve their supply chain visibility and coordination, allowing them to respond quickly to changes in demand and supply and make better-informed decisions.

##### **Questions:**

1. How does inventory act as a buffer between the demand and supply sides of a business?
2. Why is effective inventory management critical to supply chain management?
3. What are some of the benefits of reducing the amount of capital tied up in inventory?
4. How can effective inventory management improve supply chain visibility and coordination?