STRATEGIC SIGNIFICANCE OF INVENTORY MANAGEMENT TO PROMOTE CUSTOMER SERVICE DELIVERY (THE CASE MARS FOOD FACTORY)

A RESEARCH PAPER SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE BACHELOR OF ARTS IN MANAGEMENT

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MAY, 2011

JIMMA, ETHIOPIA

ABSTRACT

The strategic significance of inventory management is to promote customer service as element of physical distribution management (PDM) has been recognized as the essential part of marketing strategy and business process from organization wide respective of well run companies. To be good performances in the market place an enterprise maybe required to commit some capital. This study was review the available books on customer service, inventory management, and physical distribution management.

The objective of study is to assess the strategic significance of inventory management to promote service delivery. The research also explain the literature review and explain the methodology which increased data collection tools types of data and sampling techniques. In case of primary data the researcher may get them from employees of the organization through questionnaire method of gathering data. The secondary data was obtained by analyzing published material. Sample size of the population is 20% (40) respondents out of total population 200 and the researcher used simple random sampling technique. The major findings of he research is there is no good way of inventory management in the factory.

ACKNOWLEDGEMENTS

First and for most, I would like to thank my God for this all chance he gave me. Next, I would like to extend my heart full gratitude to my advisors, Shimelis Zewdie (PhD) to good advice and constructive comments he had been given. He had been kind enough to devote his time to follow up each of my paper. My application and my heart full thanks go to my family who have a great support in my life and for their morally and material support. Furthermore, I would like to acknowledge my secretary as well as my friends for their support me.

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CHAPTER ONE

INTRODUCTION

1.1 Background of Study

The strategic significance of inventory management to promote customer as element of physical distribution management (PDM). Has been recognized as essential part of marketing strategy and business from organization wide perspective of well of companies present day competition starting to manifest itself here in our country requires business enterprise to remain intimate which the customer and try their Level best to provide the desired level of service in the most profitable way. (Armstrong G, and Kotler, P, or principles of marketing 1995) customer have reached the point where they require more than the features of the product (Christopher,1995,P.10) so customer service ultimately determines the success or failure of the enterprise at the market place. The concern of customer service organizations may extend beyond satisfying customer under normal operating conditions. Prudent managers may plan for the rare case when the distribution system breaks down. Such preplanned actions for contingent events may prevent less of customer patronage that could take extended period to time to recover once good service performance has been restored.

Some organization establish customer service department that responds to customer complaints and issues. While others establish a channel of authority to respond to customers. This channel of authority may not resemble the actual chain of command in organizations. The purpose of eyeleting this channel of authority may not resemble the actual chain of command in organizations. The purpose of establishing this channel of authority is mainly to develop a procedure to identify problems of customers

through a series of events and direct him or her problems of customers through a series of events and direct him or her an area where immediate solution may be rendered. The channel collect complaint from customers as regards to product and or services and replies are made at different times. The statistics of customer complaints can help the enterprise the necessary measures to alleviate the problems. To be a good performer in the market place, an enterprise may be required to commit some capital. Since inventories reprise a major use of enterprise's capital good management of them means keeping them at the lowest possible level consistent with the need to maintain a desired level of service. In adequate inventory is also cost the excess will lead to excessive expend and inefficient utilizations of capital and will ultimately lead to the death of the organizations. Different inventory models have been developed so as to optimally management inventories. The Japanese have gone to the extent of introducing the right good at right time at the right place (Ballou 1992.p.528).

1.2 Statements of the problem

Enterprise is require the competence in their physical distribution activities to successfully serve markets. In this study was hypothesized that merchandise wholesale and import trade has to identify inventory management as a key business process to promote customers service and as an area with substantial cost saving in physical distribution management. In most manufacturing Firm's it is increasingly difficult to manage inventories effectively. Many scholars have found that lack of strategic significance of inventory management had effect that either negative or positive effect on the factory. Inventory management in manufacturing is the main problems of many organizations. The rational and importance of doing this research is therefore, to know and find out the effect of strategic significance of inventory management in factory. Therefore, strategic significance of inventory management system will be quietly researchable because it is evident that currently many problems are raised due to absence of good inventory management system of different companies. Furthermore it is obvious that conducting kinds of research has a pivotal place of factory. In decrease hazard ways of production, selecting and implementing appreciate inventory management system for treating the exposed risks and to run its smooth operation. Hence, this study was proposed to answer the following basic questions.

Research questions

- What techniques do the enterprise use to manage inventories?
- What is the number of times during specific period that average inventories sold?
- What policies are developed by the enterprise to create assortment to its customer?
- Who is responsible for inventory management in the factory?

- What benefits the enterprise get by existence of inventories management?

1.2 . Objective of the study

1.3.1. General objective

The main objective of the study is to assess the strategic significance of inventory management to promote customer service and potential area of cost saving in factory.

1.3.2. Specific objectives

- To assess enterprise use established inventory levels.
- To assess enterprise the employee practice of keeping extra inventory to protect appoint out of stock coordination.
- To identify the strategic significance for inventory management to promote customer services.
- To recommend the possible solution.

1.3 . Significance of the study

Strategies significance of inventory management to help executive of merchandise wholesale and import enterprise in their attempt to deliver

value to customer using inventory management as one of the key business process in physical distribution management. After completion these research used for any other researcher as a corner stone; Moreover, the studies was also forwarded recommendation to any concerned bodies.

1.4 . Scope of the study

This study is not targeted to study all organization that offers inventory management. This is mainly because to it requires huge amount of resources including finance, time, man power and other. So, to complete delimited to a study on the strategic significance of inventory management only on merchandise wholesale. In addition this study has been limited to the strategic significance of inventory management plays in poverty reduction through provision of inventory management service. It does not make the decal investigation of financial viability.

1.6. Limitation of the study

The main problem that faces the researcher in the study is lack of written document in the factory.

1.7. Organization of the paper

This paper is composed of five chapters the first chapter deals with the introduction that include back ground of the study, statement of the

problem, objectives of the study, significance of study and limitations of the study.

The second chapter deals with review related that consist definition and concept of inventory management. Third chapter deals with methods of data collection through primary and secondary sources. The fourth chapter deals with data presentation and data analysis. Finally chapter five deals with the conclusion and recommendation.

CHAPTER TWO
LITERATURE REVIEW

2.1. Introduction

Where the buyers start to prevail, the between the buyer and the seller is completely different from that experienced in the seller market. In the former case customers have the opportunity to choose among competing products. As the buyers dominance in the market increase marketers focus on identifying few care activities on which the organization can develop unique capabilities could be developed and customer service is promoted, inventory management is one of the factors that determine how satisfied customers are likely to be with the seller's physical distribution activities. It is believed that superior market place performance requires providing the

customer with added value such as customer service. According to (Kotler 1999, p.447).

The new competition is not between what companies produce in their factors, but between what they add to their factory output in the form of packaging, services, advertising customer advice, delivery, arrangement, ware housing and other things that people value. It is with in mind that chapter tries to investigate the strategic significance of inventory management to customer service. This chapter is originated into six parts. The first part deals with an overview of physical distribution management by emphasizing on major activities and importance. The second part reviews brief history of inventors. The third part discusses the inventory management and ware housing activity of physical distribution in some detail. The fourth part deals with customer service, its definition and elements. The fifth parts deals with integrating customer services with inventory management and other elements of marketing mix. Finally, the importance of organizational structure to service is taken care of by part six.

2.2. Physical **distribution management**

An over view (Stem and EI-ansary,1992,p.150) define physical distribution as a term more appropriately applied to the outgoing product flow from the firm through same defined network transportation like storage, or distribution nodes called a distribution network.

(Lambert and stock,1993,p.4) define physical distribution as the process of planning, implementing and controlling the efficient, cost effective flow and

storage of raw materials, in process inventory, finished good, and relation information from the point of origin to the point of consumption for the purpose of confirming to customer requirements.

The later definition of physical distribution emphasizes the efficient management of the flow of goods from the point of origin to the point of conception requires planning, implementing and control of transportation ware housing and storage, inventory control. In formation, and customer service on this paper the definition of Lambert and stock is followed by emphasizing on finished goods inventory.

2.2.1. Importance of physical distribution management

(PDM) argue that an efficient and economic physical distribution system similar to tangible asset on factors book. They underscore the fact that it cannot be readily duplicated by the firm's competitors and can provide is customers with products quickly at low-cost, hence, gaining market share over its competitors. Buyer market in which the buyers are dominant and sellers have to scramble hard for customer. Sellers market is a market in which the sellers are dominant. (Kotler,1998,p.16). 1992,p.432) emphasis the fact physical distribution management has strategic uses in terms of more customer satisfaction and reducing cost this fact is under scored parker stated. Improvement in marketing efficiency and reduction in marketing costs. There is room for substantial improvement, particularly in perform once of the physical distribution cost function of marketing which constitute a major part of the total marketing costs. In similar fashion ducker said almost 50 cents of each dollar the American spend for goods for activities that occur after the goods are made that is after have come in finished from economically distribution is the process in which physical properties of matter are converted into economic value, it brings the customer to the product.

The above statement does tell us the cost involved in physical distribution managements is substantial and serves as powerful tool in competitive marketing hence, it deserves management's attention.

2.2.2. Activities of physical distribution

Accordingto (Sterm and EI-Ansary. P.155) the activities of physical distribution should be managed by taking in to consideration simultaneously the cost of the activities involve when trying to achieve a specified levels of customer service. The activities involve when trying to improve in physical distribution according to (Lambert and Stock, 1993 p.13 are discussed as follows:

Order processing:- physical distribution starts with customer order. The components of order

Processing activity may be broken down into three groups. Operational element such as order entry editing scheduling, order shipping and invoicing, communication elements such as, order modification order status inquires, racing and expediting, error correction and products information requests, and credit collection elements including credit checking and account receivable processing or collecting. The speed and accuracy of order processing has great deal do with the level of customer service the company provides.

Traffic and transportation:- this activity refers to managing the movement of products and including such as selecting the method of shipment (air, rail, water, truck) schooling specific path (routing) and being aware of both domestic and intimation shipping requirements. Transportation adds time and place utility to products. it also affects many decision making areas, including product, market area, location and pricing.

Demand forecasting:- demand forecasting involves determining the amount of product accompanying service that customer will require of sometime in the future physical distribution forecast of demand determine

how much of each item produced by the company must be transported to the various markets the firms originate so that the proper amount of product can be played or stored in each market area.

Distribution communication:- effective communication must take between the firm, its customers and its supplies, the major functional components of the factors marketing physical distribution, and finance accounting. The various physical distribution related activates such as customer service, traffic and transportation, order processing, and inventory control, and the various components of physical distribution (inventory control, warehousing and customer service) will be discuss subsequently in detail.

2.3. Inventory management and warehousing

The inventory control activity of physical distribution management is important because of the financial necessity of maintaining a sufficient supply of product to meet customer's need. (Britannica.1986,p.36) defines inventories as any items hold in stock for a firm including finished goods held for resale goods in process of production, raw materials, and goods that will be consumed in the process of production. (Aquiline 1989, p.579) inventories as the stock of any item or resource used in an organization and inventory management as a get of policies and controls that monitors levels of inventories and determines what levels should be maintained when stock should be replenished, and how large orders should be inventory level represent another physical distribution decision that effects customer satisfaction. (Lambert and stock 1993, p 423) argue that as customer service levels move forward 100 percent inventory cost increase proportionately. However, It is not cost effective for a company this inventory suggest the need to develop an accurate inventory cost have different products could have differences in demand levels and demand

variation. Hence, the customer service should not only be improved simply by increasing inventory but also by substituting transportation cost for inventory costs by using premium transportation to improve customer service and to recognize the difference in demand level of products as another possibilities. In general inventory control theory deals with the determination of optional procedures for having inventory items so as to meet future demand. According to (Stem and EI-ansary P.425) the objective of inventory control is to minimize inventory cost (holding cost, ordering costs, stock out costs) subject to demand and customer service constraints. Thus the decision when and how much to reorder is a matter of striking a balance between inventory costs. The purpose of inventory control system according to the firm: how much to reorder, when to reorder and how to control stock outs at the lowest cost. The decisions made by managers to determine how much inventory to order and when to place the order is influenced by uncertainty conditions of demand. And suggest the timely of models such as economic order quantity (EOQ) and distribution resource planning (DRP) (lamberts and stock 1993, P, 409). Having determined resource the optimal procedures for acquiring inventory items to meet future demand, we also need to recognize assumptions of poor inventory management. In this regard suggests the following are symptoms of poor inventory management, increasing number of back orders, increasing dollar investment in inventory with back orders remaining constant, high customer turnover rate, increasing number of orders being cancelled period and lack of sufficient storage space.

From recognized the problem of balancing the quantity that will be used for replenish inventory operation basis and the associated cost. To solve this problem Harris developed the model that is used for finding the optimum order quantity has become known as the basic economic order quantity (EOQ) formula (Ballou,1992, P,420).

Wide variance in inventory turnover among distribution centre among major inventory items, deteriorating relationship with intermediated, as typified by dealer cancellations and deludes orders, large quantities of obsolete items.

Discussion of inventory management in physical distribution is highly related to ware housing decision. Thus takes discussion of ware housing decisions.

2.3.1. Warehouse

An enterprise has to store its goods while they wait to be gold. It is for the presence and need of inventories that warehousing decision are made (Stem and El-Ansry p.171) suggest that warehousing decision involve owner ship and location of ware houses. And solutions to these problems are important for inventory management. An enterprise can either have their own ware houses or use public ware houses on lease basis private ware houses offer profitability design to meet special storage and handing needs warehouses facilities and operational and more information feedback .In contrast, public warehouses facilities require no fixed no flexed investment by the firm, offer location flexibility, the ability to increase ware houses space to cover peak requirements, and can offer cost under certain circumstance as when it is necessary to story seasonal inventories. Ware house location decisions are pretty much important because selection decisions are difficult to reverse once they are made it impossible. (lamberts and Stock 1993, p.311) identified three types of location strategies. These are:

Market positioned warehouses. This strategy locates ware houses nearest to the final consumer. It maximizes customer service levels and enables the firm to utilize transportation economies. The factors that influence the placement of warehouses near to the market areas served

include transportation cost, order, size, local transport availability, and customer service levels offered. Production positioned warehouses. These warehouses generally cannot provide the same level of customer service as that offered by market positions warehouses. The factors that in fluency the placements of ware houses close to the point of production are prohibit of row material number in the production mix, assortment of products afford by customers.

Intermediately positioned warehouses afford by customers. At a midpoint between the final customers and producer. A firm often follows this strategy if must offer higher customers service levels and if it has a varied product offering being produced at several point locations.

2.3.2. Customer service:

Definitions: standards and elements (Ballou 1992,79-80) defines customer service as a means by which factory attempt to differentiate their products, keep customers, increases sales and improve profits.

It is believed that a significance difference in one or more in organizations is important to customers. This definition emphasizes the fact that customer service could be one of the differences that customer can value high and it could also be a vital competitive tool in the whole exercise of keeping customer locality and improving profits. However, this definition lacks three different aspects of customer's service worth considering.

The definition fails to consider the importance of human element (the employees) in the organizations that are the important the customer service strategy. In this regard (Kotler 1989, p.21) argues that it does not make sense to advertise the organizations service before it is evader to provide

quality services, i.e. employees should be trained and motivated to serve the customer well.

The definition fails to underscore the fact that customer service is dependent up on other elements of physical distribution activities. According to (Gattoma 1994, p.12) customer service is the output of the physical distribution mix. This should as failure in any of the mix can affect customer service.

The definition does not show use the costs associated with improve customer service higher levels of customer service are usually associated with higher costs. The level of service increase beyond the 70-80 percent mark, the associated cost increase for more that proportionately. Therefore, it shows management's prudence to shows attention on the human element, the cost implications and the dependence of customer service on the other elements of physical distribution mix besides its importance as competitive tool to be a good perform in the market place. (Lambert and Stock 1993, p.112) define customer service as a process which take place between buyer, seller and third party. The process results allowed added to the process or derive exchanged. This values added in the exchange process might be short term as in a single transactions or long terms as in a contractual relationship. The value added is also shared in that each of the parties to the transaction or contracts are better off at the completion of the transaction that there were before the transaction took place. Thus in a process view, customer service is a process of providing significant value added benefits to the supply chain in cost effective way. (Ballou 1992, p.80) argue since customer service will remain inclusive. However, Lemberts and stock's definition is followed in this paper and believe to give some insight to the concept of customer service.

2.4. Customer service standards and elements

The first step in developing customer service standards is to determine which element are most important to the customer (Stem and EI-ansary p.160) this implies that there is great primal to be placed on gaining an insight in to the factors that influence buyer behavior and in the context of customer service which elements is taken as most important. (Ballou 1992.80-81) describes three basic element of customer service is identified by the study made be American national council of physical distribution management. There are:

Retranslation elements: These elements establish a climate for good customer service providing a written statement of customer service policy, such as when goods delivered after an order is placed, the procedure for handling claims add back orders and methods of shipment let customer know what kind of service to expect. Establishing contingency plan for times when lab our strikes or natural disasters affect normal service and proving technical mannuals for customers.

Transaction elements: There are elements that directly result in the delivery of product to a customer. Setting stock levels, selecting transportation modes and establishing order processing procedures are examples. There are elements that affect delivery time, accuracy of order filling, conditions of goods on receipt and stock availability.

Past transaction elements: These elements represent the array of services needed to support the product in the field, to protect customers from detective products, to provide for return of packages, and to handle claims, complaints and returns. These take place after the sale of the product, but there must be planned for in the pre transaction and transaction stages.

2.5. Integrating customer service with inventory management and other areas

Of marketing mix.

In broader marketing environment the complexity of cultural, legal, political economic and functional frame works results in a need for more marketing mixes to be formulated to suit in the individual segment of the population (Kinser, 1988. p.109). in broad terms the urban sub-culture will normally acquire on mix while the rural segment will require another complete different on formulating marketing mix requires marketer give a due emphasis to the environment (cultural, legal, political, economical). The classical management dilemma in inventory. Marketing mix is asset of controllable tactical marketing tools- product, price, place and promotion that the firm blends to produce the response it wants in the to get market. (Gary Armstrong and Philip kotler1996, p.48-49). Management revolves around the tradeoff between inventory availability and cash flow. However, in customer service area, another dimension has been added to this mix i.e. customer satisfaction using inventory management to increasing profit according to (Christopher. 1992.p.106-109) This suggests the right inventory on the shelf can cause customer satisfaction and may result in increase profits. Thus, advises enterprise to focus on keeping the right in venture on the shelf to safety customer needs. (Gattoma 1996, p.20-23) in the same line argues that inventory policies whether set by the distribution or marketing executive or anyone else for that matter will have a significant bearing on the costs of operations and the need for integration of customer service and inventory management, despite the diverse interest of the various functions attempting to influence the level of inventories. Customer service also needs integration not only with inventory management but also with other elements of the marketing mix. customer service in isolation

from other elements of the marketing mix will never lead to success and it also need to be recognized as part of the company's philosophy. So what lessons does it afford to business enterprises? Obviously, business enterprise should be able to customer service as integral part of the total offer they preside to their customers. This may also help them shape the way they think of a customers. On the same line (Lambert and Stock. 1993. p.44) argue that customer service represents the output of the physical distribution system and the place components of the marketing mix. They further argue that it is measure of the effectiveness of the physical distribution system, and customer service is the interface of physical distribution and marketing argue that while the customer service is the output of the physical distribution system, customer satisfaction result when the factories performs well on the components of marketing mix.

CHAPTER THREE

3. RESEARCH DESIGN AND METHODOLOGY

The study was conducted in mars food factory which found in Jimma town. This factory was selected, since it's manufacturing organization that use more inventories.

3.1 Study Area

The study was conducted in Jimma town which is located 345 km far away from Addis Ababa. The factory selected for study is the Mars food factory.

3.2. Types of Data Sources

The researcher was used primary sources of data like questionnaires. The secondary data was collected from the documents of the organization that includes purchasing manuals, merchandise wholesale and import trade enterprise etc.

3.3 . Sampling technique

Of the many of types of sampling used in research areas, the one the researcher was preferred in this particular study for sampling is simple random sampling in which out of 200 total population 20% (40) respondents were selected randomly.

3.4 .Method of data collection

The researcher was use different types of data collection mechanisms like questionnaires, and document analysis. Open and closed ended questionnaires was distributed for some selected employees. The primary

data was collected by direct participation of respondents, because of survey method is utilized. Secondary data was collected from different books, documents manuals.

3.5. Method of data analysis

After getting necessary information from different sources, the researcher planned to analyzed data by using descriptive statistics like percentage, tabulation, and statements. The respondents were classified in work places. The under trying reason is that data was collected in quantitative method. This is the most important method of analysis for trade purpose. Hence, for all data interpretation was made relying on the descriptive analysis. Finally was for warded recommendation, findings and conclusion was done accordingly.

CHAPTER FOUR

4. DATA ANALYSIS AND PRESENTATION

In the very nature the science of inventory management is the responsibility to receipt and distribution of appropriate quality of materials to justify operational need transport out organization in the absence of good management and inventory control. This chapter mainly focuses on the asses inventory management in the organization to promote customer service. 40 structured questioners distributed to the employees of the organization.

Table1. Background of the respondents

No	Item	Respondents	
		No	Percentage
1.	Sex		
	Male	25	62.5
	Female	15	37.5
	Total	40	100

2	Educational background		
	<12 grade	1	2.5
	12 Complete	15	37.5
	Diploma	14	35
	Degree and above	10	25
	Total	40	100

Source: (Survey result 2011)

As the data shows on the above table the greater number of the respondents are composed 25(62.5%) of the respondents male and 15(37.5%) of the respondents female workers because of exceeding number of male workers over in agency. From the total number of employees out of 40 employees 1(2.5%) below12, 15(37.5%) 12 complete, 14(35%) diploma and 10(25%) degree. According to the data greater numbers of the employees have 12 complete and diplomas.

Table 2. Inventory management system

No	Item	Respondents	
		No	Percentage
3	It there clearly stated way of inventory management and practice in the organization		
	Yes	10	25
	No	30	75
	Total	40	100

4	What security and safety does inventory in the store has?		
	Excellent		
	Very good	8	20
	Good	12	30
	Average	15	37.5
	Poor	5	12.5
	Total	40	100

Source: (Survey result 2011)

As the data shows on the above table 10(25%) responded there is a good way of inventory management in the organizationa.30 (75%) responded there is nothing concerning to the clearly way of inventory management.

According to the respondents suggestions about the use of security for the inventory in the organization about 8(20%) of the respondents responded very good, 12(30%) of the respondents responded good, 15(37.5%) of the respondent responded average and the rest 5(12.5%) of the respondents responded poor way of materials in the store has security in terms of position of the store has security in terms of position the storage shelving system risk of damage from the data can understand that course of the nature of the business itself do not allow store to be positioned in the fixed place to assure the safety of stock reducing movement of the stock of the agency when constructing store house .

Table3. Inventory relation among the other department

No	Item	Respondents	
		No	Percentage

5	Does the supplier situated near to the organization		
	Yes	10	25
	No	30	75
	Total	40	100
6	What type of relation do your organization with its suppliers		
	Excellent		
	Very good		
	Good	5	12.5
	Average	20	50
	Poor	15	37.5
	Total	40	100

Source: (Survey result 2011)

The above table shows that physical proximity as well as the true relationship users and suppliers. According to the respondents 10(25%) responded supplier were situated near the organizations and remain 30(75%) responded the supplier were not situated near the organization.

Therefore, the store is not nearly located to the user. As the result there cannot satisfactory service and user may not kind easily materials when they need. This could because for the device in the work performance and efficiency of workers.

Those that the proximity of store to the user able may facilitate its management. In the other hand about relation in the organization with its supplies 12.5% of respondents responded good relation 50% of the

respondents responded average and the rest 37.5% responded there is not totally good relation with suppliers. The primary reason for the absence of good relation is due to the distance between user department and store which cause annoyance because of processing time of requisitions submitted from the users. Therefore, it need to give series attention for the well arrangement of materials in the store and providing additional training for the existing work force and hiring additional skilled manpower.

Table4. Inventory controlling system in the office

No	Item	Respondents	
		No	Percentage
7	Is there large purchase at once by your factory?		
	Yes	30	75
	No	10	25
	Total	40	100
8	What type of inventory counting (physical counting) does practice?		
	Period counting	35	87.5
	Cycle counting	5	12.5
	Sampling		
	Other		
	Total	40	100
9	Does the organization employee former receiving document while receiving material		
	Yes	40	100
	No		
	Total	40	100

Source: (Survey result 2011)

As shown on the above table 75% of the respondents responded is there large purchase at once and 25%o f the respondents are responded there is no large purchase at once to fulfill the need in connection with this respondents adding their suggestion about the type of inventory counting in the agency 87.5% of respondents responded it is periodic counting even though sometimes stoke take place irregularly (cycle counting) as the rest 12.5% of the respondent suggestions. This implies the irregularly of stock taking which may direct the organization towards unnecessary cost of inventory due to unclearly stated statement about the weakness in the system of cost and control of stoke and unknown value of stoke shown in the balance sheet because of missed physical verification of stock.

As the data reveals 100% of the respondents responded the organization employee method of receiving materials count. Therefore, the receiving materials document will be made by supply department.

Table 5. Problem of inventory control in the office and major inventory cost.

No.	Item	Respondents	
		No.	Percentages
10	What type of inventory problem the organization always face with source of supply problem		
	Repetitive of supply problem		
	Problem of flexible demand	30	75
	Problem lead time	10	25
	Total	40	100
11	From the following which is the major inventory cost of your organization?		
	Purchase cost	35	87.5
	Order setup cost		

	Holding cost		
	Stack out cost	5	12.5
	Total	40	100

Source: (Survey result 2011)

Concerning the type of inventory problem the organization always face with 75% of respondent responded problem of flexible demand and 25% of respondents responded the problem of lead time from the supplier some of them responded the agencies time duration in the business is very short means the duration of establishment of the organization is very short because of these reason we have not full understanding about the problem and the respondents suggestions.

As the above table shows that 87.5% of respondents responded purchasing cost is the major cost and the remaining 12.5% of respondents responded the stock out cost. The primary reason for the cost of purchasing the organization is need many construction materials and for office material incur very high cost as we as in the case of distance between the store and their work place the organization is incur high stock out cost.

Table 6 Method of inventory improvement in the organization

No	Item	Respondents	
		No	Percentage
12	What are the major actions the organizations use to improve the inventory system?		
	Standardize stock item	15	37.5
	Reduce lead time	2	5
	Reduce cycle time	15	37.5

	User Fewer supplies	8	20
	Total	40	100

Source: (Survey result 2011)

From the above table the major action in the organization use to improve the inventory system 37.5% of respondents responded standardize stock item 5% of respondents responded reduce lead time, 37.5%of respondents responded reduce cycle time and the 20%of the respondents responded the fewer supplies.

Table7 , Recording way of inventory management

No	Item	Respondents	
		No	Percentage
13	Is the inventory management is recorded in appropriate ways?		
	Yes	15	37.5
	No	25	62.5
	Total	40	100

Source: (Survey result 2011)

As the data presented on the table 37.5% respondent responded is there appropriate ways of inventory management and 62.5% of the respondents responded there is no appropriate ways of inventory management in the factories. If there is no appropriate ways of inventory management in the organizations the factory risk to the cost.

Table 8, Availability of Staff

No	Item	Respondents	
		No	Percentage
14	Do you think that there is sufficient staff for the store keeping function		
	Yes	10	25
	No	30	75
	Total	40	100

Source: (Survey result 2011)

The data appearing in the table above which is about staffing for store 25% of the respondents responded there is good staffing and the rest respondents responded there no good staffing. From this data it can understood that there is insufficient staffing obviously it can disturb the overall functions of the organization. As some of respondents of the organization responded that is staffing problem is because of the attitude of the management of the organization to produce operation with the existing staff with little change and other responded it is because of lack of capital to rise additional workers according to the information controlling and maintaining balanced and right amount of inventory would contribute to the un necessary average inventory cost, stock out, delay in the issuing and receiving difficult in shelving arrangement. If the store is insufficient to keep the inventory the factory is cost to the deterioration of the inventory.

Table 9, computerized inventory system

		Respondents

No	Item	No	Percentage
15	Is there any computerized system of counting inventories?		
	Yes		
	No	40	100
	Total	40	100

Source: (Survey result 2011)

As data reveal on the table from the sample size of respondents of 100%respondents responded there is no computerized inventory control the organization. Therefore, the suggestion given from the respondents the organization have the inventory controlling error to reduce the fraud, attempt by same reason as well as to minimize unnecessary inventory cost incur the organization in case of surplus and storage supplies in the store. It possible to say the factory face the problems of inventory control and lack of good management of inventories.

Table 10: Immediate Response of Suppliers

No	Item	Respondents	
		No	Percentage
16	Is there Immediate Response for material		
	Yes	13	32.5
	No	27	67.5
	Total	40	100

Source: (Survey result 2011)

The above table shows that suppliers section have about the response for the users materials requisition 13(32%) of the respondents responded and 27(67.5%) of the respondents responded that immediate from the supply department.

Table 11 Customer service

No	Item	Respondents	
		No	Percentage
17	Does your company has customer service department		
	Yes	-	-
	No	40	100
	Total	40	100

Source: (Survey result 2011)

As the above table shows from the total number of respondents that means 40(100%) respondents that there is no customer service department in the factory. These implies the factory have a lack of communication with it is customers. These problems can make the challenge between the factory and it is customer.

Table12, Strategic evaluation of company

No	Item	Respondents	
		No	Percentage

18	Did the existing strategies produce the desired results in your factory?		
	Yes	16	40
	No	24	60
	Total	40	100
19	Where strategies and their requirements communicated effectively?		
	Yes	14	35
	No	26	65
	Total	40	100

Source: (Survey result 2011)

As the above table shows from the total 40 respondents 16(40%) respondents responded the existing strategies produce the desired results and 24(60%) of the respondents responded that means the existing strategies is not produce in the best system.

According to the strategies and their requirements communicated effectively. From the total 40 respondents 14(35%) responded the requirement communicated effectively and the remaining responded there is no communicated effectively. As a suggestion the factory risks to the failure of communication effectively communication with the organization.

Table 13. Operating management performance

No	Item	Respondents	
		No	Percenta

			ge
20	Where results monitored and strategies revised as needed in your factory?		
	Yes	35	87.5
	No	5	12.5
	Total	40	100

Source: (Survey result 2011)

As the above table shows 35(87.5 %) respondents responded the results monitored and strategies revised is needed in the Factory and the remain respondent 5(12.5%) responded that there is no the results of monitored and strategies revised in the factory. These implies the factory have a problem to monitored and revise the strategies.

CHAPTER FIVE

5. CONCLUSION AND RECOMMENDATION

Using some concepts from the literature of the study, and findings the researcher has come with the following conclusion and recommendation.

5.1. Conclusion

As the data presented in chapter four is to see there is real need of good inventory management and how the inventory management function balancing this need with the cost of clearly stated way of inventory management and practice in the organization.

According to the respondents responded did see nothing according to the clarity management from the data the researcher can understand that of course the nature of the business itself do not allow store to be positioned in fixed place to assure the safety stock reducing movement of the stock.

For the question of the suppliers situated near to the organization. Therefore, explicitly we can see that the store is not nearly located to the user. According to the suggestion of the respondents these who responded no due to store located indifferent place it create multiplied job for the store keeper and cause delay on work.

Due to relation between the supplier and the user department is they have not good relation. The primary reason for the absence of good relation with supplies is due to the distance between users department and store. Secondly due to poor arrangement of materials in the store, carelessness insufficient manpower. For receiving material the agency material receives issued by means of formal document and report for prepared regularly. The

bad location of materials in the store also may create tire some job for the store keeper of the time of issuing materials.

Science inventory management is mainly concerned with attempting to strike balance between customer service and inventory costs, incurred interms of infest expense may reduce the service level that could be set. Absence of customer service may affect the enterprises ability to increase market share. So the firm should identify inventory management as a key business process to promote customer service. From the suggestions of respondents the management commit and to follow strategies in the factory not much favorable.

5.2. Recommendation

The researcher has forwarded the following recommendation for the better operation of the inventory management of the agency.

- The way the inventory managed in the organization is not in good way in that there is recurred building for ware house. So it is advisable for the company if it construct additional building for safe inventory more efficiently.
- As the study indicates, the organization is practices periodic counting method of physical counting, while not considering sampling method. So It is advantageous for the company if it practice or use practice sampling method for the materials of uniform or standardized in nature.
- The agency is facing the problem of lead time late delivery. So It is advisable for the company if it adequate inventory on hand (safety stock) to overcome the problem of late delivery by the suppliers.
- Classification and modification of the inventories in the store is not good. Therefore, it is advantageous for the company if use classification and modification inventories.
- The agency advisable to enough staff that is imploring store keeper for the inventory in store to make it secure.
- It is advisable for the company if use the computer that is key essential for inventories in that it reduces the number of employees which reduces the agencies cost, it facilitates the agencies operation.
- Agency is created for assortments of the inventory management.
- The manager of store keeper is responsible for inventory management in the factory.

- The enterprise gets the benefits from the existence of inventories management in the cost area.
- It is advisable for the company if it use computerized system for the activities of inventory management.
- Create long lasting relationship with its customers and improving its inventory management the factory established good climate for customer service.
- Strategic significance of inventory management good if assessing for the inventory management.
- Strategic significance of inventory management best if it practice for the good management inventories.

Appendixes I

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APPENDIXES II

JIMMA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPATMENT OF MANAGEMENT

Questionnaire

This question is was prepared to gather data on "the strategic significant of inventory management to promote customer service in your organization. In partial fulfillment for BA in management.

1. Sex Male ☐ Female ☐

2. Educational background Degree ☐ Diploma ☐ 12 ☐ > 12+ ☐

3. It there clearly stated way of inventory management and practice in the organization?

Yes ☐ No ☐

1. What security and safety does the inventory in the store has?
Excellent ☐ Very good ☐ Good ☐ Average ☐ Poor ☐

5. Does the organization situate near to the organizations. Yes ☐ No ☐

6. What type of safety of relation do your organization with its suppliers?

Excellent ☐ Very good ☐ Good ☐ Average ☐ Poor ☐

7. Is there large purchase of once by your factory? Yes ☐ No ☐

8. What types of inventory counting (physical counting) does practice?

Periodic counting ☐ Cycle counting ☐ Sampling ☐

9. Does the organization employee formal receiving document while receiving materials?

Yes ☐ No ☐

10. What type of inventory problem the organization always face with factory?

_____

11. From the following which is the major inventory cost of your organization?

Purchase cost ☐ Holding cost ☐ Order setup cost ☐
Stock out cost ☐

12. What are the major section the organization use to improve the inventory system?

Standards stock time ☐ Reduce lead time ☐

Reduce cycle time ☐ Use power supplies ☐

13. Is the inventory management is recorded in appropriate ways?

Yes ☐ No ☐

14. Do you think that there is sufficient staff for the store keeping function?

Yes ☐ No ☐

15. Is there computerized inventory system of counting inventories applies by your factory?

Yes ☐ No ☐

16. The organization when requesting for materials their immediate response supply sections?

Yes ☐ No ☐

17. Does your factory have customer service department?

Yes ☐ No ☐

18. Did the existing strategies produce the desired results in your factory?

Yes ☐ No ☐

19. Where strategies and their requirements communicated effectively?

Yes ☐ No ☐

20. Where results monitored and strategies revised as needed in your factory?

Yes ☐ No ☐