INVENTORY MANAGEMENT AS A COMPANY LOGISTICS CONSTITUENT

Zhang Hong
Associate Professor, New Business School
Shaanxi Vocational & Technical College
PEOPLE’S REPUBLIC OF CHINA

ORCID ID: 0000-0002-0098-5204

Valerii Danylenko
PhD (Economics), Senior Lecturer at the Department of Agrilogistics and SCM
Kharkiv Petro Vasylchenko National Technical University of Agriculture
UKRAINE

Some early economic resources distinguish several types of logistics: logistics related to the materials supply, logistics related to the goods production, logistics related to the product distribution, and so on. However, based on the need for a systematic approach to company management, it should be recognized that these types of logistics are only functional areas of company logistics [1]. For better understanding of this statement, it is important to distinguish between different levels of logistics systems frameworks. Thus, the subsystems of supply, production, sales, warehousing, etc. are called micro logistic systems. In turn, micro logistic systems should be integrated into a single logistics system of a company. This connection is made by building logistics chains.

The ultimate purpose of the inventory logistics is to provide a consumer with material resources in the required quantity and at the required time. The achievement of this goal is successful when the following tasks are solved efficiently: the selection of the inventory supply chain; determination of the size of all types of inventory; determination of time for resupply; inventory accounting.

Considering the inventory management in company logistics as a whole, the optimal criterion should be a minimum of total costs for storing inventory and repeating the order. This criterion takes into account two factors that affect the amount of these total costs: costs associated with storage (rent, staff salaries, natural losses, etc.); costs associated with placing and receiving a fixed-size order.

The costs associated with storing and shipping orders are multidirectional. The larger the fixed size of the inventory, the lower the cost of delivering it, but the
greater the cost of storing it. Logistics is designed to meet the demands generated by marketing with minimal costs.

The movement of material flows in logistics is impossible without the concentration of necessary stocks in certain places [2]. Places, where these stocks are stored, are called warehouses. The movement of goods through the warehouse is associated with labor consumption, which increases the cost of goods. In this regard, the rationalization of warehouse costs provides a significant impact on the amount of total logistics costs.

A modern warehouse represents a complex technical structure that consists of numerous interconnected elements and performs a number of functions related to the accumulation, processing and distribution of goods among consumers. The chief purposes of a warehouse are the concentration of stocks, their storage and ensuring uninterrupted and rhythmic fulfillment of customer orders. The key functions of the warehouse include conversion of the product range to the consumer range following demand; storage, equalizing the time difference between output and consumption; combining small consignments of goods until the vehicles are fully loaded; providing additional services (preparing goods for sale, packing, unpacking; entrance control; freight forwarding services, etc.).

The warehousing process includes inventory supply, control of deliveries, unloading, and acceptance of cargo, intra-warehouse transportation and transshipment of cargo, warehousing and storage of cargo, picking up customer orders, collection and delivery of empty containers, control over the fulfillment of orders, information service, providing additional services at the request of clients.

Information from the appropriate service department turns into an independent productive force that can increase labor productivity in a short time, minimize production and circulation costs, increase the adaptability of a company to changing conditions and thereby ensure its competitive advantages and long-term resistance.

References:
