Chapter VIII

Provisioning and Inventory Control

Provisioning and inventory control is crucial to a wide range of organisations in ensuring a smooth operation of the supply chain. Getting it wrong can be disastrous.

Provisioning

Sainsbury’s, a major supermarket chain in the United Kingdom, compounded four major errors. It introduced technology too quickly; the project plan was 7 years and they cut that to 3 years using a “big bang” rather than an incremental approach. The automated system did not meet expectations. It was a thought 2.5 million cases a week from around 2,000 suppliers to approximately 500 outlets every day would be no problem. In many outlets, however, only 19 out of a shopping list of 30 everyday items were actually in stock. Sainsbury’s used Just-in-Time (JIT) predictive replenishment as opposed to sales-based replenishment. Availability and flexibility became very difficult. Sainsbury’s followed
ineffective strategies and worked against the market. For example, it specified pallet sizes that were markedly different from the industry norm. These four major errors put the Sainsburys supply chain out of touch with its customers. A necessary prerequisite of deciding upon provisioning and stock replenishment policies is to codify and classify stock.

Some 20% of stock items account for 80% of the value of stock held; therefore, if you strictly control stocks of these items, you are controlling the greater part of stock values. Classification enables these items and the remaining 80% of stock to be easily identified. This is sometimes known as pareto analysis, and it is illustrated in Figure 30. A system of reduction and the standardisation of stock items will reduce the number of individual items carried in stock and enable stock control to be more effective. First, consider what the term provisioning means, so that you have a clear definition in your mind. It is the determination of when to order and how much to order so that stockholding may be kept in line with management policy. The responsibility for provisioning will fall to different departments, depending on the size of organisation and the class of stock. In small organisations, provisioning will be carried out by the storekeeper who will raise requisitions against minimum or reorder levels, any items not stocked being

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**Figure 30. Pareto analysis**

*Percentage of usage value*

*Percentage of items*
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