

Importance of Store Keeping

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Key concepts, benefits, and best practices for effective inventory management

1. Definition & Scope

Term	Meaning
Store Keeping	Systematic recording, monitoring, and controlling of inventory (raw materials, work-in-process, finished goods, supplies).
Inventory	All items owned or controlled by a business that are intended for sale, production, or use.
Warehouse Management	Physical handling, storage, and movement of inventory within a facility.
Stock Control	Decision-making processes that determine optimal inventory levels, reorder points, and safety stock.

2. Core Objectives of Store Keeping

- 1. **Accuracy** – Ensure that recorded quantities match physical stock.
- 2. **Availability** – Provide the right items, in the right quantity, at the right time.
- 3. **Cost Control** – Minimize holding, ordering, and shortage costs.
- 4. **Traceability** – Enable quick identification of item origins, batch numbers, and expiry dates.
- 5. **Compliance** – Meet legal, regulatory, and industry-specific standards (e.g., FDA, ISO, HACCP).

3. Strategic Benefits

Benefit	Why It Matters	Typical Impact
Reduced Stockouts	Guarantees production continuity and customer satisfaction.	↑ Service level, ↓ lost sales.
Lower Holding Costs	Optimizes space, reduces obsolescence and spoilage.	↓ Inventory carrying cost (often 20-30% of inventory value).

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Benefit	Why It Matters	Typical Impact
Improved Cash Flow	Less capital tied up in excess stock.	? Working capital efficiency.
Enhanced Decision Making	Real-time data supports forecasting and budgeting.	Better demand planning, ? forecast error.
Risk Management	Early detection of shrinkage, damage, or theft.	? loss due to pilferage, ? security.
Regulatory Compliance	Accurate records simplify audits and certifications.	Avoid fines, maintain market access.
Customer Trust	Consistent product availability builds brand reliability.	? Repeat purchases, positive reputation.

4. Key Components of an Effective Store-Keeping System

1. Master Data Management

- Item codes, descriptions, units of measure, and categorization (ABC analysis).

2. Transaction Recording

- Receipts, issues, transfers, adjustments, and returns.

3. Physical Controls

- Layout design, racking systems, barcode/RFID scanning, cycle counts.

4. Replenishment Logic

- Reorder point (ROP), Economic Order Quantity (EOQ), safety stock calculations.

5. Reporting & Analytics

- Stock ageing, turnover ratios, variance reports, KPI dashboards.

6. Security & Auditing

- Access controls, segregation of duties, regular internal audits.
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5. Common Metrics (KPIs)

KPI	Formula	Interpretation
Inventory Turnover	$\text{Cost of Goods Sold} \div \text{Average Inventory}$	Higher = efficient use of stock.

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KPI	Formula	Interpretation
Days of Inventory on Hand (DOH)	$365 \div \text{Inventory Turnover}$	Lower = less capital tied up.
Stockout Rate	$(\text{Number of Stockouts} \div \text{Total SKUs}) \times 100$	Aim for <2%.
Order Accuracy	$(\text{Correctly Picked Orders} \div \text{Total Orders}) \times 100$	Target >99%.
Carrying Cost %	(	