Abstract

The purpose of this study is to understand the relationship between optimum service level and inventory level. The study on inventory management is one part in supply chain management. The major issue of supply chain is how to balance between inventory level and service level. This study focuses on inventory system in order to serve customer need. That means when customers come in to supermarket, they can get every product they want. It is relate to the concept of how to get the right product to the right place at the right time and every time.

The inventory-service levels are a concern of every inventory system. Poor service levels may result in loss of customer and sales, whereas excessive inventory result in loss of money due to carrying large inventories. Although inventory service levels have been discussed widely in many literatures, this paper reviews the measuring of inventory level and service level in a retailer. Also this paper shows that most retailers require lower safety stock from the providers of the goods and require on high service level provided to the customer. The paper also includes the calculation model of safety stock and any factor that concerns to the model, such as lead-time and demand variability.

Besides that, to achieve high service level and optimum inventory level, information sharing between retailer and supplier is very important. Also, the information sharing must be accurate for both supplier and retailer. Together with this, the efficient supply chain strategy was recommended to apply in Tops Supermarket. The proposed strategy is to manage efficient supply chain and reduce the logistics cost. Also, the useful recommendations were suggested in this study in order to advance supply chain integration in Tops supermarket too.