

EXECUTIVE SUMMARY

With China's rapid economic growth and access to WTO, the competition among the supermarkets becomes fierce. Thus efficient and effective supply chain management becomes crucial for them to make profit, even survives. Inventory management is one of the major issues in supply chain management for chain supermarkets. This thesis aims to study inventory management issues in chain supermarkets in Mainland China.

In this study, we examined a chain supermarket in Shenzhen, China. It shows that inventory management is complex and is determined by characteristics of supermarket. There are large number kinds of products in a supermarket which has various natural characteristics and should be managed using different inventory management approaches.

In order to improve efficiency of inventory management, both quantitative methods and supply chain management approaches are employed by Minrun supermarket. The quantitative methods include ABC classification, EOQ model, determination of reorder point, and determination of inventory safety level, etc.

Managers have recognized quantitative method is only first step to effective inventory management. They are turning their attention to supply chain management to further improve supermarket performance. One of the most important aspects of logistics and supply chain management is concerned with inventory management supported by various IT applications. They have adopted POS system to collect sales information, analyze and use sales information to support inventory management and other decision. EDI also is adopted to exchange information and order list with suppliers. Minrun is one

of early adopter of EDI in Shenzhen.

Supply chain management approaches adopted by Minrun include category management, effective replenishment procedure, reducing inventory by increasing inventory visibility, reducing inventory by shortening lead time and reducing inventory level by reducing uncertainty.

This analysis shows that the inventory management strategy and methods in Minrun chain supermarket is still in the early stage although many approaches and IT applications are introduced in the chain supermarket. The major factors influencing the implementation of these strategy and methods include people's traditional habits, managers' acceptance of new inventory management theory, IT infrastructure both in retailer and suppliers, and the spirits of collaboration among partners.