Abstract

Inventory productivity is essential to a retail supermarket chain. It is an obvious that for almost all retailers inventory is the single largest asset on the balance sheet. Retailers actually buy products in large quantities as a discount price, where suppliers offer them in exchange for the certainty of bigger volume.

The researcher has identified the inventory productivity levels of retail supermarkets in Galle district in year 2013.The main objective of this research is to improve the current levels of inventory productivity at the retail supermarkets in Galle district.

Researcher has identified three factors that will affect to levels of inventory productivity at the supermarkets. Those variables are gross margin, customer demand and obsolescence. The researcher has done a hypothesis testing and identified that there is a positive relationship between customer demand and inventory productivity and a negative relationship between obsolescence and inventory productivity.

Moreover researcher has developed two linear regression models for predict inventory productivity based on inventory turnover and gross margin return on inventory investment (GMROI) that can be considered as the basic measures of inventory productivity which will able to identify optimum levels of customer demand, gross margin and obsolescence to attain the given levels of productivity. Further it is identified the negative and positive relationships of gross margin among the two productivity measures respectively.

Furthermore the researcher has suggested several recommendations to improve the current levels of inventory productivity at the super markets.

Keywords: Inventory, Productivity analysis, Retail, Inventory Management