

SOP: Inventory Management and Stock Replenishment

This SOP defines **inventory management and stock replenishment** processes, encompassing inventory tracking, stock level monitoring, reorder point determination, supplier coordination, purchase order management, stock receipt and inspection, storage optimization, and regular inventory audits. The goal is to maintain optimal stock levels, prevent stockouts and overstock situations, streamline procurement, and ensure accurate inventory records for efficient business operations.

Scope

This SOP applies to all staff involved in inventory management, procurement, warehouse operations, and related functions.

Responsibilities

- **Inventory Manager:** Oversees all inventory operations and ensures SOP compliance.
- **Warehouse Staff:** Conducts stock handling, storage, and audit activities.
- **Procurement Team:** Manages supplier communication and purchase orders.
- **Accounts Department:** Processes payments and maintains financial records related to stock procurement.

Definitions

- **Reorder Point (ROP):** Stock level that triggers replenishment.
- **Stockout:** Situation where inventory runs out of a particular item.
- **Overstock:** Excess inventory above required levels.
- **Purchase Order (PO):** Official order issued to a supplier for procurement.

Procedures

1. **Inventory Tracking**
 - Maintain updated inventory records using inventory management software.
 - Update stock levels in real-time for incoming and outgoing materials.
2. **Stock Level Monitoring**
 - Review stock levels daily/weekly, depending on item criticality.
 - Identify items nearing their reorder points.
3. **Determination of Reorder Points**
 - Calculate ROP based on average consumption rate, lead time, and safety stock.
 - Periodically review and adjust ROP based on sales trends and seasonality.
4. **Supplier Coordination**
 - Maintain an approved supplier list with contact details and performance ratings.
 - Communicate with suppliers regarding availability, lead time, and order confirmation.
5. **Purchase Order Management**
 - Create POs as soon as inventory reaches ROP.
 - Obtain necessary approvals for each PO.
 - Send POs to suppliers and confirm receipt.
6. **Receipt and Inspection of Stock**
 - Check received items for quantity, quality, and accuracy against PO.
 - Record discrepancies and contact suppliers for resolution.
 - Update inventory records promptly upon acceptance.
7. **Storage Optimization**
 - Store items based on frequency of use and product type.
 - Implement FIFO (First-In, First-Out) wherever applicable.
8. **Inventory Audits**
 - Schedule and conduct regular (monthly/quarterly) inventory audits.
 - Reconcile physical counts with inventory records and investigate variances.

Documentation

- Inventory records/logs

- Purchase orders and supplier invoices
- Inspection and discrepancy reports
- Audit logs and reconciliation reports

Frequency/Review

This SOP shall be reviewed annually or after significant changes to business processes, suppliers, or inventory management systems.

Appendix: Sample Inventory Audit Log

Date	Item	System Qty	Physical Qty	Variance	Comments
2024-06-15	SKU1234	150	148	-2	Damaged during transit
2024-06-15	SKU5678	80	80	0	-