Standard Operating Procedure (SOP): Inventory Management and Stock Replenishment

This SOP details the process of **inventory management and stock replenishment**, encompassing stock monitoring, accurate record-keeping, demand forecasting, procurement procedures, supplier coordination, stock auditing, and timely replenishment strategies to maintain optimal inventory levels, reduce stockouts, and improve operational efficiency.

1. Purpose

The purpose of this SOP is to provide a structured approach to managing inventory and replenishing stock to ensure continuous supply, minimize shortages, reduce excess inventory, and enhance operational efficiency.

2. Scope

This SOP applies to all staff involved in inventory handling, management, procurement, and stock control within the organization.

3. Responsibilities

- **Inventory Manager:** Oversee inventory activities, ensure SOP implementation.
- **Procurement Team:** Manage purchasing and supplier coordination.
- **Warehouse Staff:** Conduct physical stock management, receiving, storing, and issuing goods.
- **Finance Department:** Authorize procurement and reconcile inventory records.

4. Definitions

- **Stockout:** Situation where inventory of a specific item runs out.
- **Reorder Point (ROP):** Inventory level at which new stock must be ordered to replenish supply before a stockout occurs.
- **Lead Time:** The time between placing and receiving an order.

5. Procedure

5.1 Stock Monitoring and Record-Keeping

- Update inventory records immediately upon receipt or issue of goods using the inventory management system.
- Perform daily counts for critical items and weekly/monthly cycle counts for all items.
- Document discrepancies and investigate causes before reconciliation.

5.2 Demand Forecasting

- Review historical usage data and track sales trends.
- Collaborate with sales and production teams to estimate future requirements.
- Adjust forecasts for seasonal and promotional variances.

5.3 Establishing Reorder Points and Safety Stock

- Determine the minimum stock levels for each inventory item based on past consumption and lead times.
- Set safety stock thresholds to cushion against demand variability or supplier delays.
- Review and update reorder points quarterly or as needed.

5.4 Procurement and Supplier Coordination

- Raise purchase requisitions when inventory reaches reorder points.
- Select suppliers based on approved vendor lists, cost, and reliability.
- Negotiate pricing, terms, and delivery schedules.
- Track order placements and follow up with suppliers for timely delivery.

5.5 Stock Receipt and Inspection

- Verify incoming goods against purchase orders and delivery notes.

- Inspect for quality, quantity, and condition.
- Report discrepancies or damages to suppliers immediately.
- Update inventory records to reflect new stock.

5.6 Stock Auditing

- Conduct regular physical stock audits to validate inventory accuracy.
- Review variances between physical counts and system records.
- Prepare audit reports and take corrective actions.

5.7 Timely Replenishment

- Track consumption rates and supplier lead times to avoid stockouts.
- Use automated alerts from inventory system to trigger replenishment actions.
- Expedite orders for items with critical shortages.

6. Documentation and Records

- Maintain accurate inventory logs, purchase orders, delivery records, and audit reports for a minimum of 3 years.
- Store records securely and back them up regularly.

7. Review and Continuous Improvement

- Review this SOP annually or as needed to incorporate process improvements.
- Train staff on updated procedures and new inventory management tools.

8. Appendix

Document Name	Description
Inventory Count Sheet	Form for recording physical stock counts and discrepancies.
Purchase Requisition Template	Standard form used for initiating purchase orders.
Supplier Contact List	Up-to-date list of approved suppliers and contact information.

Approved by: _____ | *Date:* _____ | *Version: 1.0*