

**EFFECTS OF INVENTORY MANAGEMENT ON PROFITABILITY OF
SUPERMARKETS:**

(A CASE OF UCHUMI SUPERMARKET)

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ABSTRACT

Inventory management is a vital function which can ensure the success of both manufacturing and distribution companies. Inventory is the largest asset item on a manufacturer's or distributor's balance sheet. As a result, there is a lot of management emphasis on keeping inventories down so that they do not consume too much cash. In order to manage the cost of carrying inventory it must first be measured by applying the right approach. The overall objective of this study was to establish the effect of Inventory Management on profitability of supermarkets using a case study of Uchumi supermarkets in Nairobi. The research design type that was adopted in this study was descriptive research design. It depicts the state of affairs as it exists at present. Data was gathered using structured questionnaires and analysed using both descriptive and inferential statistics, with the help of Statistical Package for Social Sciences (SPSS). The population integrated consisted of employees of Uchumi super markets in Nairobi city. The sample was drawn from 140 employees: A sample size of 42 representing 31.43% was used to represent the population under study. The study findings reveal that majority (88%) of the respondents answered in the affirmative while 8% indicated that they did not know. It was also revealed established that minority (4%) indicated that inventory levels did not affect profitability of the organization. The respondents agreed that the physical space was effective in allocating shelf-space to products and their compliments or supplements space (mean=3.81, standard deviation=0.954) and reconciliation of inventory demand and shelf-space (mean=3.52, standard deviation=1.098). According to the analysis of the data, majority (60.7%) of the respondents agreed that inventory replenishment affect sales while 31.1% were indifferent. It is also worth noting that 8.2% of the respondents were indifferent. The respondents were required to list out the challenges faced by the organization in inventory replenishment. Most of the respondents clearly indicated that cash flow is one the highest challenges they have by accounting for 45.9%, 14.7% said availability of stock, 11.5% competition and 27.9% indicated that there was no response. From the findings, the respondents revealed that inventory management skills among employees increases firm profitability as shown by a mean of 3.62 and a standard deviation of 0.598. The supermarket should reduce its reordering level in order to have economy in orders, as there is huge difference between them. The supermarket should have a decentralized system of inventory holding as the centralized system is adding to the total cost of holding the inventory.