

INTRODUCTION

1.0 Background to the Study

Agara, (2005:111) defines inventory as the physical units of items i.e. goods that a business trades on or manufactures for sale. Inventory also includes all items required for proper packaging and raw materials. It also includes the items which are used as supportive materials to facilitate production. No manufacturing company can operate without material input(s), sourced locally or abroad, as inputs determine the company's output and productivity. In manufacturing companies, inventory exists in various forms. These include Raw materials, Work in progress; partly finished goods/materials and sub-assemblies held between manufacturing stages, finished goods and supplies. Effective inventory management plays a critical role in the smooth and efficient running of any business. Inventory management is important from the point that it enables the firm to maintain adequate inventory for smooth production and selling activities and to minimize the investment in inventory to enhance the firm's productivity. Many organizations, however, go out of business because of inability to handle inventory or poor inventory management. Some organizations have excellent inventory management and others have satisfactory inventory management. Management is therefore required to determine its optimum level of investment in inventories. Reducing excess inventory and investing in the right amount of inventory leads to improved customer service, increased inventory turnover, reduced costs and increased profitability. It is therefore important to manage inventories efficiently and effectively in order to avoid over or under investing in them. The study is therefore conducted to find ways of managing inventory for better profitability using Coca-Cola Company Plc as the case study.

1.1 Statement of the Problem

Managing inventory poses considerable challenges to the management of companies .This is because inventory represents high investments in businesses. This would

therefore affect the liquidity position of the firm thus affecting profitability if not properly managed. Profitability represents a favorable return on investments. The profitability of a firm depends to a large extent on the ability of managers to take strategic decisions on inventory management. Some firms have encountered difficulties in inventory planning and control due to lack of qualified managers. The problem is to what extent could the right inventory level, at the right price, at the right time be achieved such that there is no stock-out costs and no over stocking or ideal working capital?

In fact, many manufacturing companies have been experiencing losses because large inventories become obsolete, damaged or lost. Thus, firms who fail to manage their inventories effectively will lose profitability in the long run or fail ultimately in business.

1.2 Objectives of the Study

This study set to achieve the following objectives:

- To determine the effects of inventory management on firm's profitability.

- To ascertain the relationship between inventory management costs and profitability.

- To show the impact of effective inventory management technique on firm's profit.

1.3 Research Hypotheses

The following hypotheses were formulated for this study: the null hypothesis is represented by the **H₀** the alternative hypothesis represented by **H₁**.

MANAGING INVENTORY FOR BETTER PROFITABILITY AT NIGERIAN BOTTLING COMPANY, LAGOS

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