

#042 : Inventory Pooling

(The need during supply chain disruptions)



Inventory pooling refers to the consolidation of multiple inventory locations into a single one. Inventory locations may be associated with different geographical sites, different products, or different customers.

Inventory pooling differs from centralization (centralized order decisions) where the managers still decide the order quantity for their own store (retail), whereas their inventories are pooled together.

Usual Benefits

↓
Total
Inventory

↑
 α – Service
Level

↑
 β – Fill
Rate

↓
Aggregate Demand
Uncertainty

+ adequate demand and supply matching

During Supply Chain Disruption

- Inventory pooling is less beneficial than centralization, however, centralization is much more complex, and it cannot be readily implemented in short time. Whereas, inventory pooling strategy can be.

- Inventory pooling increases product availability in comparison to regular planning in case of a disruption.

- It facilitates a more demand-driven replenishment.

- There is also possibility of Virtual Stockpile/Inventory Pooling (VSP) which does not require physical inventory to be accumulated but, provides similar benefits as inventory pooling.