

Analysis of Just-in-Time Inventory Management in Retail Companies to Reduce Operational Costs

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Received: 14 August 2024; Revised: 21 August 2024; Accepted: 24 Sept 2024

Abstract

This study aims to analyze the implementation of Just-in-Time (JIT) inventory management in retail companies to reduce operational costs. The method used in this study is a descriptive design with a survey approach and structured interviews with ten retail companies, five of which implement the JIT system and five others use traditional inventory management methods. The data collected includes financial reports, inventory records, and interviews with operational and supply chain managers. The results showed that companies that implemented JIT managed to reduce inventory holding costs by an average of \$300,000 and operational costs by \$500,000. In addition, JIT companies experienced an increase in stock turnover frequency and a reduction in the incidence of shortages. However, JIT implementation faces challenges in terms of coordination with suppliers and technology investment.

Keywords: Just-in-Time, inventory management, operational costs, retail companies

Introduction

In the dynamic environment of retail operations, businesses are increasingly focused on improving efficiency while reducing operational costs. One method that has gained significant traction is Just-in-Time (JIT) inventory management. Originally developed within the manufacturing sector, particularly in the Japanese automotive industry with Toyota being the pioneer (Ohno, 1988), JIT has evolved into a critical strategy across various sectors, including retail (Chase et al., 2021). The core principle of JIT is to reduce inventory holding costs by ensuring that materials or products arrive precisely when needed in the production or sales cycle, thus minimizing excess stock and waste (Ketokivi & Mantere, 2021). As retail companies grapple with the challenges of maintaining competitiveness in a globalized market, the adoption of JIT has emerged as a viable solution to reduce operational costs, increase profitability, and improve overall supply chain efficiency.

The retail sector is highly sensitive to fluctuations in consumer demand, making inventory management a critical component of operational success (Christopher, 2020). Traditional inventory systems, which involve stocking large amounts of goods to meet uncertain demand, are increasingly seen as inefficient and costly. These costs include not only the capital tied up in unsold stock but also storage costs, insurance, and potential obsolescence (Tersine, 2021). In contrast, JIT

inventory management allows retailers to hold minimal stock and reorder only what is necessary to meet short-term demand (Gupta & Jain, 2020). This strategy aligns with the broader objectives of lean management, which focuses on eliminating waste and improving operational efficiency (Womack & Jones, 1997).

A key advantage of JIT in the retail industry is its potential to significantly reduce holding costs, which can account for a substantial portion of a company's operational expenses (Krajewski, Ritzman, & Malhotra, 2018). By reducing the amount of stock held in warehouses or retail locations, companies can free up capital and invest it in other areas of the business, such as marketing or technological advancements. This approach has been particularly beneficial for companies dealing with perishable goods or items with short product life cycles, such as fashion retailers (Ferdows, Lewis, & Machuca, 2019). For example, fast fashion brands such as Zara and H&M have effectively implemented JIT principles to streamline their supply chains, resulting in quicker response times to market trends and reduced markdowns on unsold inventory (Cachon & Swinney, 2019).

However, the successful implementation of JIT in retail requires an advanced level of coordination across the supply chain. One of the biggest challenges faced by retailers is managing the complex network of suppliers, distributors, and logistics partners to ensure that products arrive on time and in the right quantities. Any disruption in this chain, such as delays in transportation or production, can lead to stockouts, lost sales, and customer dissatisfaction. As such, JIT is often accompanied by investments in technology, such as inventory management software, real-time data analytics, and automated replenishment systems, which help retailers track inventory levels and demand patterns with greater accuracy (Qrunfleh & Tarafdar, 2020).

In addition to cost savings, JIT also offers environmental benefits, which are increasingly important in an era where sustainability is becoming a priority for both consumers and businesses. By reducing the amount of inventory held and optimizing transportation routes, companies can lower their carbon footprint and reduce waste (Govindan et al., 2015). This alignment with green supply chain management practices has made JIT an attractive option for retailers looking to meet sustainability goals while maintaining profitability.

The COVID-19 pandemic, however, exposed some vulnerabilities in the JIT model, particularly for retailers relying heavily on global supply chains. Disruptions caused by lockdowns, transportation restrictions, and sudden shifts in consumer demand led to widespread stockouts and delivery delays, prompting many companies to reconsider their reliance on JIT systems (Ivanov, 2021). Despite these challenges, the adaptability of JIT to modern retail operations cannot be overstated. As retailers look to build more resilient supply chains, many are opting for hybrid models that combine the principles of JIT with strategic safety stock to buffer against unforeseen disruptions (Simchi-Levi, 2021).

Methodology

Research Design

This study employed a descriptive research design to analyze the effectiveness of Just-in-Time (JIT) inventory management in reducing operational costs within retail companies. The design allowed for an in-depth investigation of real-world applications of JIT, facilitating the exploration of its impact on inventory holding costs, stockout risks, and overall supply chain efficiency. Data were gathered from selected retail companies that had implemented JIT systems and were analyzed

to determine the extent of cost savings and operational improvements. The design also incorporated comparative analysis between companies utilizing JIT and those following traditional inventory management practices to highlight the specific benefits of JIT.

Participants

The participants in this study consisted of retail companies operating in various sectors, including fashion, electronics, and grocery retail. A total of 10 companies were selected, with five companies identified as JIT adopters and five as traditional inventory management practitioners. Companies were selected based on their size (medium to large-scale operations) and the availability of financial and operational data over a three-year period. To maintain confidentiality, all participating companies were anonymized, and company representatives from the operations and supply chain departments provided insights through structured interviews.

Instruments

To assess the effectiveness of JIT inventory management, the study employed a combination of financial reports, inventory records, and qualitative interviews. The financial reports were used to evaluate key metrics such as inventory holding costs, stock turnover rates, and overall operational costs before and after JIT implementation. Inventory records provided detailed data on stock levels, frequency of orders, and stockout incidents, offering a clear picture of the impact of JIT on inventory management.

Additionally, structured interviews were conducted with operations managers, supply chain coordinators, and other relevant personnel from the selected companies. These interviews focused on the perceived benefits and challenges of JIT, its integration into the existing supply chain processes, and its impact on operational efficiency. The interviews were designed using a standard set of questions to ensure consistency across companies and to allow for a comparative analysis of responses.

JIT Intervention

The companies identified as JIT adopters had implemented the JIT approach over varying timeframes, with some utilizing it for several years while others had adopted it more recently. The JIT system involved closely monitoring customer demand, maintaining minimal stock levels, and ordering inventory just in time to meet sales requirements. This intervention typically included advanced forecasting systems, real-time inventory tracking, and strong supplier relationships to ensure timely deliveries.

The JIT process within each company was characterized by the following stages: demand forecasting, supplier collaboration, real-time inventory monitoring, and just-in-time delivery of goods. In contrast, the control group of companies employed traditional inventory management methods, maintaining higher stock levels to buffer against demand fluctuations and potential delays in the supply chain.

Data Collection Procedure

The data collection process took place over a six-month period. Financial and inventory data were gathered from both JIT and non-JIT companies, spanning the past three years to provide a comprehensive view of long-term trends. The structured interviews were conducted either in person or via virtual meetings, depending on the availability of company representatives. The data

collection focused on extracting both quantitative metrics (cost reductions, inventory turnover rates) and qualitative insights (perceived benefits, challenges, and operational changes).

Data Analysis

Quantitative data analysis was conducted using descriptive statistics to summarize key financial indicators, such as inventory holding costs, operational costs, and stockout frequencies. Comparative analysis between JIT and non-JIT companies was performed using independent-samples t-tests to assess whether there was a statistically significant difference in cost reduction and inventory efficiency between the two groups.

In addition, the study used regression analysis to examine the relationship between the degree of JIT implementation and the corresponding cost savings. This analysis provided insights into how different levels of JIT adoption (measured by order frequency, stock levels, and supply chain responsiveness) impacted overall operational performance.

Results and Discussion

Table 1: Comparison of Key Inventory Metrics Between JIT and Non-JIT Companies

Metrics	JIT Companies (n=5)	Non-JIT Companies (n=5)	Difference
Average Inventory Holding Costs (\$)	200,000	500,000	-300,000
Average Stock Turnover Rate (times/year)	15	8	+7
Stockout Frequency (per year)	10	25	-15
Average Order Frequency (per month)	12	4	+8
Operational Costs (\$)	1,200,000	1,700,000	-500,000
Supply Lead Time (days)	2	5	-3

Inventory Holding Costs: JIT companies show significantly lower inventory holding costs (\$200,000) compared to non-JIT companies (\$500,000), saving \$300,000 on average. This is expected due to the minimal inventory kept under JIT management.

Stock Turnover Rate: JIT companies achieve a higher stock turnover rate (15 times/year) compared to non-JIT companies (8 times/year), indicating faster movement of inventory and less capital tied up in unsold stock.

Stockout Frequency: JIT companies experience fewer stockouts (10 times/year), while non-JIT companies report more frequent stockouts (25 times/year), reflecting better inventory optimization in JIT companies.

Order Frequency: JIT companies place more frequent orders (12 per month) compared to non-JIT companies (4 per month), which is characteristic of JIT practices where smaller, frequent orders are made based on real-time demand.

Operational Costs: JIT companies report lower operational costs (\$1,200,000) compared to non-JIT companies (\$1,700,000), a reduction of \$500,000. This highlights the cost-effectiveness of JIT in minimizing unnecessary expenses.

Supply Lead Time: JIT companies have shorter supply lead times (2 days) versus non-JIT companies (5 days), showcasing JIT's reliance on efficient supplier coordination and faster response to demand changes.

Table 2: Regression Analysis of JIT Adoption and Cost Savings

JIT Adoption Level	Inventory Holding Cost Savings (%)	Operational Cost Savings (%)
High (12+ orders/month)	50%	30%
Medium (8-11 orders/month)	40%	20%
Low (4-7 orders/month)	20%	10%

The regression analysis indicates a positive correlation between the level of JIT adoption and cost savings. Companies with high JIT adoption (12+ orders/month) experience the greatest cost savings, with a 50% reduction in inventory holding costs and a 30% reduction in operational costs. Medium JIT adopters (8-11 orders/month) report moderate savings, while low JIT adopters (4-7 orders/month) show less significant reductions in costs.

Table 3: Stockout Frequency and Customer Satisfaction Comparison

Company	Stockout Frequency (per year)	Customer Satisfaction Score (out of 10)
JIT Company 1	8	9.0
JIT Company 2	10	8.8
JIT Company 3	12	8.5
Non-JIT Company 1	20	7.0
Non-JIT Company 2	30	6.5

JIT companies report lower stockout frequencies, with an average of 10 stockouts per year, and higher customer satisfaction scores (averaging 8.8/10). Non-JIT companies, on the other hand, experience more frequent stockouts (averaging 25 per year), with lower customer satisfaction

scores (averaging 6.8/10). This demonstrates that the reduction in stockouts, thanks to JIT, has a positive impact on customer satisfaction, likely due to better product availability and quicker restocking times.

Table 4: Qualitative Feedback from JIT and Non-JIT Company Representatives

Themes	JIT Companies (n=5)	Non-JIT Companies (n=5)
Supply Chain Efficiency	"Improved responsiveness to demand changes"	"Delays in fulfilling customer orders"
Cost Management	"Significant reduction in excess inventory costs"	"High holding costs burden operational budget"
Supplier Collaboration	"Strong relationships, reliable lead times"	"Occasional delays, uncoordinated efforts"
Challenges	"Initial setup costs and complex coordination"	"High dependency on safety stock"

Interpretation:

JIT Companies report improved supply chain efficiency, cost management, and stronger supplier collaboration, although they note challenges in the initial setup of JIT systems. Meanwhile, Non-JIT Companies struggle with high holding costs and supplier delays, often compensating by maintaining large safety stocks. The qualitative feedback reinforces the quantitative findings, showing that JIT companies experience fewer inefficiencies but face a learning curve in adopting the system.

Table 5: Multivariate Analysis of Coherence between Cost Savings and Stock Turnover Rates

JIT Companies	Cost Savings (%)	Stock Turnover Rate (times/year)	p-value
Company 1	35%	14	0.01
Company 2	40%	16	0.03
Company 3	50%	15	0.02
Non-JIT Companies	15%	7	0.05

The multivariate analysis reveals a statistically significant relationship between cost savings and stock turnover rates among JIT companies. This suggests that companies with higher stock turnover rates tend to achieve greater cost savings, reinforcing the idea that more frequent inventory movement contributes to operational efficiency and cost reductions. Non-JIT companies show lower cost savings and stock turnover rates, with a weaker correlation.

Table 6: Average Lead Time Reduction Post-JIT Implementation

Company	Before JIT (days)	After JIT (days)	Lead Time Reduction (%)
JIT Company 1	6	2	67%
JIT Company 2	7	3	57%
JIT Company 3	5	2	60%

All JIT companies experienced a significant reduction in lead times after JIT implementation, with reductions ranging from 57% to 67%. This improvement is a key benefit of JIT, enabling faster response times to changes in demand and reducing the risk of stockouts due to delayed deliveries.

Discussion

Cost Reduction and Efficiency

The results presented in Table 1 reveal that JIT companies significantly reduce their inventory holding costs compared to non-JIT companies, with an average cost savings of \$300,000. This reduction is consistent with the fundamental principles of JIT, which emphasize minimal inventory storage and precise inventory replenishment based on real-time demand (Heizer & Render, 2021). The lower holding costs in JIT companies stem from the elimination of excess inventory, which ties up capital and requires additional resources for storage and management (Wang et al., 2020). Non-JIT companies, by contrast, maintain higher inventory levels to buffer against fluctuations in demand, leading to increased operational costs.

These findings align with previous research that highlights the cost-saving potential of JIT systems. A study by Badenhorst-Weiss et al. (2017) found that companies utilizing JIT inventory management experienced a 40-50% reduction in holding costs due to the system's ability to reduce waste and optimize resource allocation. Similarly, Hopp and Spearman (2018) demonstrated that JIT systems improve overall cost efficiency by streamlining the supply chain and reducing unnecessary overhead costs. The cost savings reported in the current study, particularly the reduction in operational costs by \$500,000, further corroborate these findings.

In addition to cost savings, the stock turnover rate was significantly higher in JIT companies (15 times/year) compared to non-JIT companies (8 times/year), as illustrated in Table 1. This reflects the efficiency of JIT systems in ensuring faster movement of inventory, which prevents product obsolescence and reduces the risks associated with overstocking (Shah & Ward, 2019). The correlation between stock turnover rates and cost savings, as highlighted in the regression analysis (Table 2), supports the conclusion that higher turnover rates are directly linked to better inventory management and reduced costs.

Stockout Frequency and Customer Satisfaction

One of the key advantages of JIT inventory management is its ability to minimize stockouts, as shown in the results of Table 1, where JIT companies reported only 10 stockouts per year compared to 25 for non-JIT companies. Stockouts can severely disrupt a company's operations, leading to lost sales and dissatisfied customers. By implementing JIT, retail companies can respond more effectively to real-time demand and ensure that products are available when needed, reducing the likelihood of stockouts.

The findings from Table 3 indicate a direct relationship between reduced stockout frequency and higher customer satisfaction scores. JIT companies reported average customer satisfaction scores of 8.8/10, while non-JIT companies had lower scores (6.8/10). This demonstrates the positive impact of JIT on customer experience, as better inventory management leads to improved product availability and faster restocking times (Slack, Chambers, & Johnston, 2019). This finding is consistent with the study by Ogonu et al. (2016), which found that companies using JIT systems reported fewer stockouts and higher customer satisfaction levels due to their ability to maintain adequate stock levels without overstocking.

However, it is important to note that JIT systems do carry risks, particularly in environments with unpredictable demand or unreliable suppliers (Chopra et al., 2007). If supplier lead times are not managed effectively, JIT companies may still face stockouts, as they rely heavily on precise timing for inventory replenishment. The lead time reduction seen in this study, where JIT companies reduced supply lead times from 5 days to 2 days (Table 6), reflects the importance of strong supplier relationships in the successful implementation of JIT. Companies that fail to establish reliable supplier partnerships may struggle to fully capitalize on the benefits of JIT, leading to potential disruptions in the supply chain.

Supplier Collaboration and Operational Challenges

One of the qualitative findings from the structured interviews (Table 4) highlights the importance of supplier collaboration in the successful adoption of JIT. JIT companies reported strong relationships with suppliers, which allowed them to maintain shorter lead times and reliable deliveries. This finding is supported by the work of Tikkala (2021), who argue that effective supplier relationships are a cornerstone of successful JIT implementation. The reliance on frequent deliveries and real-time inventory monitoring requires suppliers to be highly responsive and flexible, ensuring that products are delivered precisely when needed.

However, despite the evident benefits, the implementation of JIT systems does present certain challenges. The qualitative data also revealed that JIT companies faced initial difficulties during the setup phase, particularly in terms of coordinating with suppliers and managing the complexities of real-time inventory systems (Table 4). These challenges are echoed in research by Flynn et al. (2010), which emphasizes the need for substantial upfront investment in technology and supplier integration when adopting JIT. Retail companies must be prepared to invest in advanced forecasting tools and inventory tracking systems to ensure the successful implementation of JIT. Moreover, the study by Hopp and Spearman (2018) suggests that companies operating in highly volatile markets may face difficulties in maintaining the necessary supplier coordination, which can result in stockouts if demand surges unexpectedly.

Implications for Retail Companies

The results of this study have important implications for retail companies considering the adoption of JIT inventory management. First, the significant reduction in inventory holding and operational costs suggests that JIT can greatly improve a company's financial performance. Retailers operating in sectors with predictable demand, such as fashion and electronics, stand to benefit the most from JIT due to its ability to optimize inventory levels and reduce waste. However, the success of JIT depends on several factors, including the company's ability to establish strong supplier relationships and invest in real-time inventory monitoring systems (Christopher, 2016).

Second, the increase in stock turnover rates and reduction in stockouts highlight the potential of JIT to enhance supply chain efficiency. Retailers can improve customer satisfaction by ensuring that products are always available, which is especially critical in today's competitive retail landscape. However, companies must carefully assess their supply chain capabilities before implementing JIT, as failure to manage supplier lead times effectively can negate the benefits of JIT (Slack et al., 2019).

Finally, while the cost savings and efficiency gains are evident, companies must also consider the risks associated with JIT, particularly in volatile markets. Retailers that experience highly fluctuating demand or that rely on suppliers with inconsistent lead times may face challenges in implementing JIT effectively. These companies may benefit from adopting a hybrid inventory management system that combines elements of JIT with safety stock practices to mitigate the risk of stockouts during periods of high demand.

Conclusion

This study has successfully demonstrated the effectiveness of the process writing approach in enhancing coherence and cohesion in the writing of EAP learners. By employing a quasi-experimental design, the research revealed significant improvements in both coherence and cohesion among students who participated in the process writing intervention, contrasting sharply with the minimal progress observed in the control group, which received traditional writing instruction. These findings not only reinforce the existing literature on the benefits of process writing but also address critical gaps regarding its specific impact on fundamental components of academic writing. The marked advancements in the experimental group's writing performance underline the importance of structured writing processes, including planning, drafting, revising, and editing. By engaging students in these stages, the study highlighted how such an approach fosters deeper cognitive engagement and promotes better organization and clarity in their texts. Moreover, the positive role of peer and instructor feedback during the revision stage emphasizes the value of formative assessment in writing instruction.

In light of these findings, it is evident that incorporating process writing into EAP curricula can significantly enhance learners' academic writing skills, equipping them with the necessary tools to succeed in their academic pursuits. As the landscape of language education continues to evolve, educators are encouraged to adopt and refine writing instruction methodologies that prioritize the writing process. Ultimately, this study contributes to a growing body of evidence advocating for pedagogical practices that focus on developing writing as a process rather than merely as a product. By prioritizing coherence and cohesion in writing instruction, educators can better prepare EAP learners for the demands of academic writing in English-speaking environments, thus facilitating their success in higher education. The implications of this research extend beyond the immediate context, offering valuable insights that can be adapted and implemented in various educational settings to enhance writing proficiency among diverse learner populations.

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