**Solved Problem: Measuring Supply Chain Performance**

**Weeks of supply** tells the inventory manager how long the current on hand will last based on current sales demand.  By keeping your eye on weeks of supply you can avoid inventory stock outs and lost sales.   The **inventory turnover** is the number of times the inventory must be replaced during a given period of time, typically a year. It is one of the most commonly used ratio in inventory management, as it reflects the overall efficiency of the supply chain, from supplier to customer. **Assets committed to inventory**: Maintaining the right amount of inventory is an important part of managing your small business’ resources and cash flow. Too much inventory takes up valuable resources and cash that cannot be used for other purposes, while too little might not be enough to meet customer demand.

Professor Bateh’s textbook distribution company, “Paramount Strategy Firm”, wants to know how efficient his supply chain performance is compared to other textbook distributors.

Professor Bateh’s closest rival, “The Weak Textbook Company”, has the following supply chain performance ratios: a) weeks of supply: 2.75, b) assets committed to inventory: 7.3%, and inventory turnover: 17.2.

Paramount Strategy’s financials are below:

Cost of Goods Sold: $16,500
Cost of Sales: $13,500

Inventory: $1,000

Total Assets: $8,600

1. **Weeks of Supply**



1. **Assets Committed to Inventory**

 

1. **Inventory Turnover**



**Synopsis:** The professor’s Inventory investment at 11.6% is not as good as the rivals, 7.5%. The professor’s inventory turnover is only 13.5 times versus the rivals 17.2 times.