

UGANDA MARTYRS UNIVERSITY

EFFECT OF INVENTORY MANAGEMENT AND CUSTOMER SATISFACTION

A CASE STUDY OF SHOPRITE (U) LTD, BEN KIWANUKA STREET

BY

KIGONGO JACKIE

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SUPERVISED BY

MR MUBIRU ALOYSIUS

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DEDICATION

I dedicate this piece of work to my dear parent, Angella Nakyeyune who foresaw the treasure in education, supported and inspired me in my academic pursuits. I also dedicate this piece of work to all my friends who have helped me a lot in this education journey

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ABSTRACT

The aim of the study was to examine the effect of Inventory Management on Customer Satisfaction. The study was to determine whether there are effective Inventory Management practices and policies in Shoprite (U) Ltd since it sales a variety of products and the extent it has contributed to Customer Satisfaction. The population of the study was 50 while the sample size of 44 was extracted from the population using Taro Yamane (1973) method. The study used case study design. Structured questionnaires as well as interview guide were used to gather primary data while secondary data was extracted from annual reports, books and journals. Pearson Correlation analysis was used in testing the relationship that relates to secondary data and primary data. The result of the study findings indicated that Just-In-Time has a moderate weak positive significant effect on customer satisfaction of Shoprite (U) Ltd; that Periodic Review Inventory has a moderate strong positive significant effect on customer satisfaction of Shoprite (U) Ltd and that ABC model has a weak significant positive effect on customer satisfaction of Shoprite (U) Ltd. In respect to the above findings, the study concludes that effective inventory management is the fulcrum on which satisfaction of customers revolves. The study therefore recommends among others that Shoprite (U) Ltd should give more serious attention to inventory management, separate other types of stock from the ones most consumed and endeavor to choose appropriate inventory management strategies that match their strategic goal and as well implement such practices to achieve cost reduction and customer satisfaction.

CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

The liberalization of markets around the world has led to an increase in competition especially for the manufactured goods and services (Shafie 2004; Verstege and Amstel, 1991). The competitiveness of companies in the years to come will largely depend on the way they respond to the needs of their customers following their supply chain and not their competitors (Hogstron and Grigrorjev, 2003). Since the mid-1980s, inventory management, production planning and scheduling has become the obvious strategic benefit (Larrison et al., 1995). In the recent years many organizations have raised the bar yet again by coordinating with the other firms in their supply chain. For instance, instead of responding to unknown and variable demand, they share information so that the variability of the demand they observe is significantly lower (Jainand Render, 2006). According to Mogere, et al., (2003), inventory management plays a crucial role in enhancing effectiveness and efficiency in handling inventory of business firms. Inventory management is defined as a science based art of ensuring that just enough inventory stock is held by the organization to meet demand (Coleman, 2000; Jay et al., 20006)

Customer satisfaction is the way the customer thinks about the company and deals with the meeting or exceeding of expectation over the lifetime of the products and/or services. A company's loyalty and product repurchase comes from achieving customer satisfaction. The study of customer satisfaction has shown that there could be a disproportion relationship between cause and effect on an organization. For instance, a five percent increase in loyalty can increase profits by 25 to 85 percent (Cacioappo, 2000), therefore, loyal customers are six times more

likely to repurchase or recommend the purchase of the product or service to someone else. Cacioappo, (2000), adds that on average, four percent of the customers will be dissatisfied or complain about the product and/or service and that a dissatisfied customer is likely to tell nine other people, while a satisfied customer will tell five people about the good treatment.

Better inventory management enables better customer satisfaction (Eckert, 2007). Customers are satisfied when suppliers fulfill their orders on time (Wilding, 2003). This makes channel partners keep buffer stocks to fulfill customer orders or enter into long term relationships which require commitment and trust (Wang, 2002). Commitment is the desire to continue a relationship and maybe defined in three dimensions; inputs to it, it's durability and it's on going consistency (Willson, 1995; Mowen and Minor 1998). Trust is a belief that a party's word and promise is reliable and a party will fulfill its obligations in an exchange relationship. High levels of trust lead to high levels of customer satisfaction (Andaleeb, 1996).

1.1 Background of the study

In today's capitalist world, firms must determine the range competition, track competitive activities and evaluate their actual potential impact on the company operations due to the ever changing business environment (Michael, Czinkota et al 2005). Therefore, this is very essential for the company for it must adjust to the ever changing business environment so as to meet customers' needs by producing products of better quality especially to those who have become more crucial, repetitive and loyal. According to Miller (2010), inventory management involves all the activities put in place to ensure that the customers have the needed product or service. It coordinates the purchasing, manufacturing and distribution functions to meet the market needs and organizational needs of availing products to the customers.

Back in the 1980s, inventory management leading to inventory reduction has become the primary target for a case in point Just-In-Time (JIT) systems, where raw materials and parts are purchased or produced just in time to be used at each stage of the production process (Chen et al, 2005). This approach to inventory management brings considerable cost savings from reduced inventory levels.

According to Chase et al (2004), inventory is the stock of any item or resource used in an organization. It is a term used to mean materials and supplies that a business holds either for sale or as inputs for the production process. The ultimate aim of inventory is to serve customers (Toomey, 2000). Inventory management is a vital requirement in manufacturing companies, where by keeping inventory adds value to the company operations in many ways such as creating bulk inventory and effective service delivery to customers. Companies have been continually in search for sources of sustainable competitive advantage in their operations. Hence, there is need

for businesses to embrace effective inventory management practices in order to improve their competitiveness (Rajeev, 2008) through satisfying its customers.

However, too little inventory often disrupts business operations (Dimitrios 2008). Salawati, et al., (2012) says large buffer inventories consume valuable resources and generate hidden costs. Too much inventory consumes physical space, creates a financial burden, and increases the possibility of damage, spoilage and loss. Inventory management also involves systems and processes that identify inventory requirements, set targets, provide replenishment techniques, report actual and projected inventory status and handle all functions related to tracking and management of materials (Levinson, 2005).

Customer satisfaction on the other hand is the fulfillment of the customers' expectations and meeting their needs by providing the benefits sought and doing better than competitors (Kotler, 1988). With the ever changing customer needs, manufacturers and retailers should maintain a good inventory system so as to forecast market demand with accuracy. Customers are concerned with the availability of the product and the ability of firms to meet their timely needs (Gunasekaran and Patel, 2001). They make repeat purchases based on the product or service provided by the chain partner. Organizations should identify and satisfy customer needs by providing the benefits sought and doing better than competitors while making satisfactory profits. (Harris, 2000).

A company's loyalty and product purchase comes from achieving customer satisfaction (Gerry, 2005). Once a customer doesn't meet her/ his expectation from the product or service then complains will be inevitable. This state of dissatisfaction may lead them to try out other products yet this does not favor brand loyalty. While for a customer who will feel positively satisfied are

likely to express their delight. Inventory management as one of the key activities of business, has always been a major preoccupation of an organization's survival and growth. Efficiencies in production contribute the fast and quick customer satisfaction, deliveries thus honoring their schedules.

Inventory management involves determining when and how much to order, forecasting demand and stock replacement, identifying the most effective source of supply, inventory monitoring and information management while meeting the needs of every customer who demands that products are delivered on time and in good condition. There should be an optimum level of all types of stock maintained from raw materials to finished goods so as to prevent interruptions in production (Nair,1985). Firms that maintain proper inventory management, increase customer relations and customer satisfaction due to uninterrupted supply. A satisfied customer will always buy again and again the organization's products and even convince others to join hence retaining customers (Drury, 1995)

1.2 Problem Statement

Inventory management has issues that affect customer satisfaction levels. The challenge in managing inventory is balancing the supply, of inventory with demand for inventories by the customers. An organization can manage its inventory but this does not necessarily guarantee that it will satisfy its customers. Besides managing inventory organizations should also put in mind that the product price, quality, among others also affect the level of customer satisfaction. Therefore, relationship between inventory management and consumer behavior has produced mixed results (Gill, et al, 2010). Poor inventory management leads to customer dissatisfaction in scenarios such as stock outs, shrinkage and poor inventory policies which affects quality and quantity of stock hence it has acted as the fundamental concept behind the present study. Inventory management has been adopted in most organizations with the aim of maintaining optimal levels of inventories so as to avoid unnecessary investment in inventories and maintain enough inventories to meet customer demands by monitoring the flow of items from one point to another (Oliver, 2004). An organization would ideally want to have enough inventories to satisfy the demands of its customers and not to lose customers due to inventory stock outs. On the other hand, the organization does not want to have too much inventory staying on hand because of the cost of carrying inventory. Enough but not too much is the ultimate objective according to (Coyle et al, 2003) However, small businesses face the problems of fluctuating inventories, inaccurate forecasts, low utilization due to inadequate coordination of business operations leading to significant lose and wastage in the supply chain (Kagira, et al, 2012).

1.3 Objectives of the study

1.3.1 Major objective

The purpose of the study will focus on how inventory management has affected customer satisfaction

1.3.2 Specific objectives

1. To examine the relationship between Just-In-Time strategy and customer satisfaction of Shoprite (U) Ltd?
2. To assess the relationship between Periodic Review System and customer satisfaction of Shoprite (U) Ltd?
3. To determine the relationship between the ABC system and customer satisfaction of Shoprite (U) Ltd?

1.4 Research questions

1. What is the relationship between Just-In-Time strategy and customer satisfaction of Shoprite (U) Ltd?
2. What is the relationship between Periodic Review System and customer satisfaction of Shoprite (U) Ltd?
3. What is the relationship between the ABC system and customer satisfaction of Shoprite (U) Ltd?

1.5 Scope of the study

The scope of the study usually specifies the sub divides of the study, into three areas that is geographical area, content (subject scope) and the time scope

1.5.1 Geographical scope

The study will be carried out from Shoprite U Ltd Clock Tower plot 1 Ben Kiwanuka Street Kampala Uganda next to traffic lights junction.

1.5.2 Content scope

The study intends to cover marketing, customer relations management, procurement and supply chain management together with the aspects that affect inventory management and customer satisfaction in an organization.

1.5.3 Time scope

The study will consider information relating to the period of five years that is 2013-2015 in order to capture previous and latest statistics and trends to ensure reliability and validity for the presented findings. Furthermore, the time will be enough to provide more information for the study upon which conclusions and recommendations are based.

1.6 Significance of the study

The study will benefit the management of Shoprite to employ expertise personnel in proper inventory management

Having more customers means more sales and hence high profit margins. Thus the findings of the study clearly indicate the practical importance of customer satisfaction.

Through proper inventory control, the company's image is protected. This is because with customer satisfaction, there is always a repeated sale to the manufacturing organization to create customer retention.

The findings of the study will help future academicians in gaining insight about inventory management and how it influences customer's satisfaction.

1.7 Justification of the study

To assess various factors that may influence the effectiveness of inventory management in the organization.

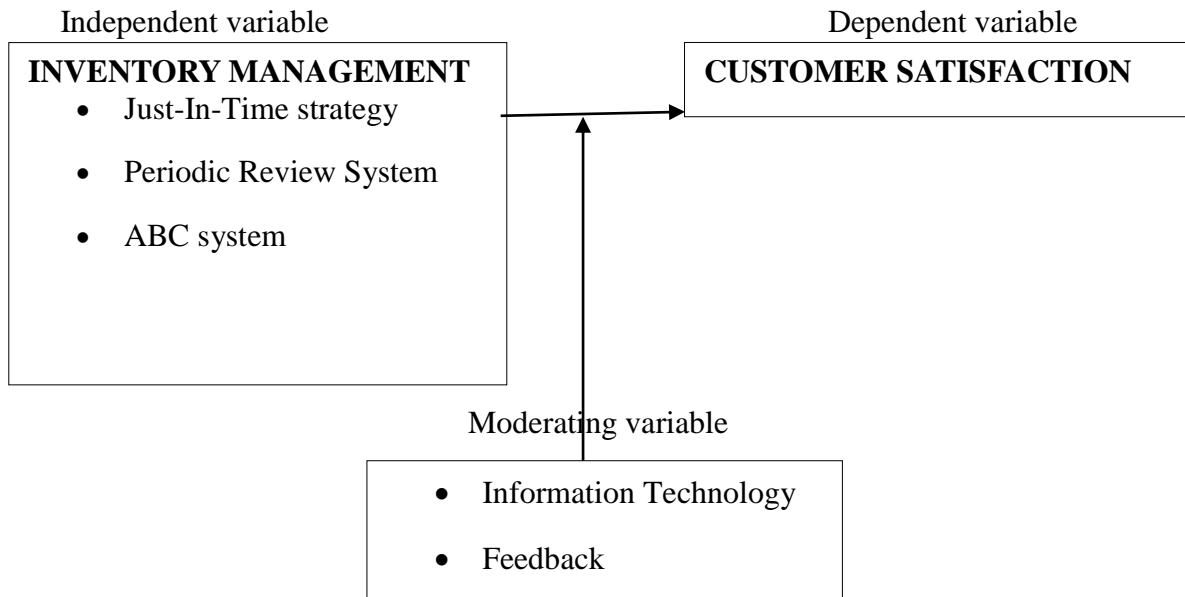
To determine how effective inventory management will result to practical utilization of resources resulting in improved services to the customers who will help meet the customers' expectations.

The findings of the study will help future academicians or and researchers to gain insight about inventory management and how it influences customer's satisfaction.

1.9 Conceptual framework

Effective and efficient inventory management minimizes cost that are involved for instance the holding ,storage, ordering and shortage costs therefore relevant to establish a clear platform in organization to control acquire and manage stocks/ inventory materials, (Drury, 2004). Considering the technological advancements in business operations therefore stock management and control is pivotal to performance thus the need to embrace the practices and techniques involved by establishing relationships between the customer and supplier in the design process, (Brownell, 2005) Just-In-Time strategy (JIT) is a technique used by most suppliers or companies where they are required to only deliver products in line with customer demand at a specific time. Products are delivered Just-In-Time to the customers. This immediate access allows the customer to pull inventory as needed and only pay for that which is consumed, thus reducing inventory investment and increasing inventory turns hence profitability of the business.

Fig 1.0 Conceptual Framework



Source: Drury (2004).

According to the framework above the study entails two major variables that is to say inventory management as the independent variable and customer satisfaction as the dependent variable, these are measured through dimensions. Dimensions of inventory management include Just-In-Time strategy, Periodic Review system and the ABC system whereas customer satisfaction has dimensions that include perceived quality, perceived price and repeat purchase. Considering Information Technology and feedback as the moderating variables which have a significant impact on both the dependent variables and the independent variables hence proper inventory management in business operations (independent variable) will positively result to excellent customer satisfaction holding other factors constant.

1.10 Definition of key terms

Inventory management

Inventory management according to Coleman, (2000); Jay and Barry, (2006) inventory management is defined as a science based art of ensuring that just enough inventory stock is held by an organization to meet customers' demand. It exercises control over three types of inventories i.e. raw materials, work in progress, and finished goods.

Inventory management refers to the process of ensuring that inventory is available, just enough to meet customers' needs when orders are made.

Customer satisfaction

Customer satisfaction is the fulfillment of the customer expectation and meeting the customers' needs and wants (Harris, 2000). Balumya (1995) defines customer satisfaction as a subjective feeling when a customer has used a product or service of an organization to feel positively satisfied as an indication that his desires and wants are fulfilled.

Customer satisfaction refers to the pleasure obtained by a customer after the fulfillment of his or her expectations, needs and wants after the use of a product or service of an organization.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

There are a good number of works that are related to this topic. This chapter discusses the view of the selected existing knowledge from literature on inventory management and customer satisfaction. It depicts the theoretical and concepts for different authors and what they say about the relationship between inventory management and customer satisfaction. This chapter also shows the relationship between the dependent variable and independent variable as illustrated by the conceptual framework. This chapter presents the introduction, theoretical framework, actual review of objectives (objective by objective) and the conclusion.

2.1 OVERVIEW OF INVENTORY MANAGEMENT

Inventory management is defined as a science based art of ensuring that just enough inventory stock is held by an organization to meet demand (Coleman, 2002; Jay and Barry, 2006). According to Mpwanyu (2005), the main aim of inventory management is to ensure that organizations hold inventory at the lowest cost possible while at the same time achieving the objective of ensuring that companies have adequate and uninterrupted supplies to enhance continuity of operations. A study carried out by Bhausaheb and Routry (2010) shows that companies are very careful in managing their inventory so as to reduce costs, improve the quality of service, enhance product availability and ultimately ensure customer satisfaction. When making decisions on inventory, management has to find a compromise between the different cost components such as the cost of supplying inventory, inventory holding-costs and costs resulting from insufficient inventories (Hugo et al, 2002).

According to Wild (2002), inventory management is the activity that organizes the availability of items to customers. It coordinates the purchasing, manufacturing and distribution functions to meet the marketing needs. Inventory refers to the value or quantity of raw materials, supplies, work in progress (WIP) and finished stock that are kept or stored for use as need arises. According to Kakuku, (2007), raw material inventories are those inputs from suppliers that have not yet entered the manufacturing or transformation process. Those inventories are essential in helping a firm/ organization to overcome problems faced by purchasing departments. Supplies include items such as Maintenance, Repair and Operating (MRO) inventory that do not go into the final product. Work in progress is materials that have been partly fabricated but are not yet completed. Finished goods are completed items ready for transportation (Kothari, 1992).

A lot of money is tied up in inventories and inventory management is now well recognized in most companies as being so vital because organizations are in a take off stage and entering still competition and therefore inventory managements helps in maintaining optimal stock levels by identifying how much to order, when and how many to order to avoid over investment or under investment of inventories so that the business activities are not disrupted (Kakuru 1998). Therefore, inventory management is part of supply chain which plans, implements and controls the efficient, effective forward and reverse flow of goods, services and related information between the point of origin and the point of final consumption in order to meet customer and legal requirements (Knott, 2005).

Inventory management as a business concept evolved only in the 1950's. This was mainly due to the increasing complexity of supplying one's business with materials and slipping out products in an increasing globalized supply chain and inventory management calling of experts in the field called inventory and supply chain logisticians (Richard, 2003). This can be defined as having the

inventory in the right quantity at the right time at right place for the right price in the right condition to the right customer and is the science of process and incorporates all industry sectors.

Mantho (1994) classified Inventory Management into three broad areas: Inventory record keeping, Inventory decision making and Material requirement planning system.

(1) Inventory record keeping: due to the availability of computers at a reasonable price businesses have found it appropriate to automate their inventory records through computerization.

(2) Inventory decision-making: many models can be integrated into computer based inventory systems.

(3) Material requirement planning (MRP) system: MRP is an Inventory Management information system concerned with getting the right materials to the right place at the right time.

On the cost side, most obvious are the costs of holding inventory, which include the capital costs (interest or opportunity) and the physical cost (storage, insurance and spoilage). In recent years, a number of systems have been developed in the field of operations management to deal with excess inventory problem. Management-oriented systems include the Just-In-Time (JIT), Fixed order point system/and periodic review system and the ABC Model.

2.2 OVERVIEW OF CUSTOMER SATISFACTION

In order to attain its organizational objectives, a business has to meet the customer needs. Morgan and Rego (2006); Fornell et al (2006) define customer satisfaction as a measure of firms' customer base in terms of size, quality and loyalty. Customer loyalty and product repurchase are a result of customer satisfaction (Eckert, 2007). Customer's desire has been a vital issue in a company not only to maintain sales but also to increase it. Firms must respond to the changing customer needs in the increasing competitive environment (Zhang, 2005).

Organizations that enjoy long-term prosperity and grow do so because they have a constant attention and willingness to examine, re-examine and improve on basic factors that many people regard as obvious. Zerbini et al, (2007) asserts that customer satisfaction is one of the firm's milestones towards profitability.

Balumya (1995) said, probably the most outstanding explanation of what a customer is was made by former Indian prime Minister Margino Geadhio who stressed that, "a customer is the reason why a business organization exists and he is an important visitor on the organizations premises". He is not dependent on the organization but the organization is dependent on him, he is an interruption to the organizations works but he is the sole purpose for its existence, the organization on doing him a favor by serving him he is doing the organization a favor by giving it an opportunity to do so Gandhi (1971).

Customers are concerned with the availability of a product and the ability of a firm to meet the needs timely (Gunasekaran and Patel 2001). They make repeat purchases basing on the service provided by the chain partners. One way to achieve a strong and long relationship is to ensure that customers are satisfied. Satisfaction according to (Crosby and Stephen 1987) is an emotional reaction which influences attitudes. Anderson and Naris (1990) define satisfaction as the specific consumption overall evaluation of the relationship between two channel members. Gronroos (1994) view satisfaction as an insider perspective, the customer own experience of a relation where the customer had to give to get something. This means that the domain of customer satisfaction evaluation is linked to perceived value, perceived quality, repeat purchase and customer loyalty towards the supplier.

Harrison (2001) notes that to understand the customer, there must, first, be some direct link with the customer and secondly, it is essential that each information channels speak the language of the customer. Learning what frustrates or delights a customer can be done on a one-to-one basis, interviews and surveys. Information about customers' preferences, their buying habits attitudes towards buying products and service satisfaction can be collected to form specific customer profiles which are not based on assumptions and perceptions. Thus, customer satisfaction will depend on the extent to which customer expectations are fulfilled. For organization to be able to understand and respond to customer needs, they should enforce management of inventory techniques to enhance a good relationship with customers.

Customer satisfaction can be measured basing on the following aspects;

Number of customer returns; A customer who returns regularly to re-purchase an organizations product or service is an indication that the customer is pleased with what the company offers to him hence customer satisfaction is achieved (Terry, 2005).An organization should not end here but should endure potential customers are served with the best product or services as well as handled carefully so that they bring along other customers to the organization (Balunywa, 1995).

Construct brief survey questionnaire; Questionnaires are a common means of finding out whether a customer is contented with the product and service as note. The questionnaire should reveal the strength and weakness of the organization and the customer should as well be given the opportunity to express their feelings (Trevor, 2000).

Get feedback from customers; Customer leave one company's offering for another company for various reasons and as such the organization should try as much as possible to get feedback from the customer especially when there are complaints regarding the product (Terry, 2004).The

company will be able to learn from its faults so that they adjust on the way they handle customers hence retaining the current ones as well as attracting the new ones (Balunywa, 2003).

2.3 JUST-IN-TIME STRATEGY (JIT) AND CUSTOMER SATISFACTION

In an intense competitive environment, firms try to find ways to be able to become competitive. Just-In-Time strategy has been used as a response to increasing competition. Today, Just-In-Time is well known throughout the world. The reason why the system is very popular is because of the advantages realized by the manufacturing companies. For instance, the use of Just-In-Time strategy leads to better production of quality goods, less inventory and shorter product lead times (Swenson and Cassidy, 1993). The use of the Just-In-Time system therefore increases customer satisfaction by providing them with high quality products on time. Harber et al, (in Biggart and Gargeya, 2002) mention that the Just-In-Time production system was introduced by Shigeo Shing and Tainchi Ohno at the Toyota Motor plant in the mid-1970's. Just-In-Time production system is also known by many names and these include; Zero inventory production system (ZIPS), Minimum inventory production system (MIPS), Kanban production, Kaizen production, pull through production, stockless production (Hewlett Packard) among others. The Just-In-Time philosophy is founded upon three fundamental principles; elimination of waste, continuous quality improvement and encouragement of worker participations planning and executions.

The Just-In-Time strategy is a system that enables companies to produce products in required amounts and just when demanded (Tanis, 1992). Gillingham and Lysons (2003) defines Just-In-Time as a philosophy of manufacturing based on planned elimination of all waste and on continuous improvement of productivity. It has also been described as an approach with the objective of producing right product in the right time and aims at matching the usage of material with delivery of material from external supplies. Suppliers should endeavor to deliver quality

material on time to avoid rejects and delays in production. Therefore the company should build a close relationship with its suppliers to ensure efficiency in production (management studies journal 2004), improve profits and return on investment by reducing inventory level, reducing variability, improving product quality, reducing production and delivery lead times and reducing costs.

Just-In-Time strategy focuses on minimizing inefficiencies and unproductive time in the production process (Bailes and Kleinsorge 1992) to continuously improve the process and quality of the product or service. Implementing the Just-In-Time inventory management model can allow companies to serve their customers faster and more efficiently (Gourdin 2001). Companies that use the Just-In-Time model have a greater level of control over the entire manufacturing process, making it easier to respond quickly when the needs of customers change. For instance, a computer manufacturer that uses the Just-In-Time inventory control model can quickly advance up production of a hot model, while reducing the number of unsold units and outdated products. Just-In-Time strategy minimizes inventory costs which lead to lowering of prices for customers (Lee and Schwarz, 2009). This hence leads to better customer satisfaction.

According to George N (2014), when an organization has a well-designed inventory management system, they are able to reduce the amount of time that products sit on the shelves which is a savings that can be passed on to the customers in the form lowering prices and in this way it can help to maintain customer satisfaction. Just-In-Time leads to reduction in inventory levels and shorter product lead times (Yukcu, 2000). When extra inventory is not carried for extended periods of time, the inventory costs decrease. Just-In-Time inventory management system helps in reducing inventory costs by avoiding carriages of excess inventories, mishandling raw material and just in time purchasing recognizes high costs associated with

holding high inventory level (Kortz, 1993) and as such it has become important in most organizations to order inventory just in time of production so as to cut costs of holding inventory like storage lighting, heating, security, insurance and staffing. Gourdin (2001) adds that Just-In-Time increases customer satisfaction by availing products in time and this requires manufactures to work in line with suppliers and transportation providers to get required items to the assembly line at the right time they are needed for production or for sale.

For the just in time method to work successfully the quality of the parts must be very high because defective line could increase the assembly line. There must be dependable relationships and smooth co-operation with suppliers ideally the supplier should be located near to the company with dependable transportation available (Heinz, 1994). Gourdin, (2001) identified a number of basic tenets, advantages and disadvantages of Just-In-Time. These tenets, advantages and disadvantages will be briefly discussed to in order to provide basic information about Just-In- Time inventory management;

Basic tenets of Just-In-Time are as follows;

Quality, With Just-In-Time, the customer must receive high quality products. One of the historical roles of inventory has been to protect customers from defective items. If a bad product is received then it can be discarded and a new one drawn from inventory. With a Just-In-Time system, however, poor quality means the production line stops or the external customer receives a defective product. There are no extra items to replace the poor ones.

Vendors as partners, Firms using Just-In-Time rely on fewer vendors rather than more. Purchases are concentrated with a limited number of suppliers in order to give the buyer leverage with respect to quality or service. Purchasers also include vendors in the planning process, sharing

information regarding sales and production forecasts so that vendors then have a clear idea of what their customers need. Control over entire manufacturing process is achieved which makes it easy to respond quickly when a need of customers change (Dhumal et al, 2008).

Vendor co-location with suppliers, ideally suppliers should be located in close proximity to their customers. As the distance between suppliers and vendors increases, the opportunity for system disrupts and stock outs also increases. In order to minimize this risk, customers often demand that vendor facilities be co-located on the same site or at least in the same geographical area as their own.

The advantages of the advantages of the Just-In-Time system are as follows

More inventory turns. Because there is less on hand, the inventory that is maintained stays for a shorter period of time. The challenge with extremely high number of turns is that it can raise the probability of stocking out to an unacceptable high level while raising ordering costs as well.

Better quality. When using the Just-In-Time systems, better quality products should be received by the customers or else the entire benefit production process collapses. Customers concentrate their purchases with a small number of vendors in exchange for receiving high quality products and requisite services.

However the Just-In-Time strategy also has some disadvantages and these include the following;

Risk of stock outs, when firms eliminate stock, the risk of stock outs may increase. Managers attempt to minimize this risk by demanding very high levels of service from their vendors and logistics service providers. However, when co-location of vendor and customer is not feasible, it can lead to stock outs despite management's effort to prevent them.

Increased transportation costs. Since Just-In-Time requires frequent shipments of small quantities, transportation costs almost rise. As long as these costs are more than offset by inventory savings, it is advantageous for the organization to permit them. However, it is possible to spend more on transport than what is being saved with the Just-In-Time system. So management must ensure that movement expenses are closely monitored.

2.4 PERIODIC REVIEW SYSTEM AND CUSTOMER SATISFACTION

For any business that carries inventory, or products stored for future sale, it is necessary to keep track of what is currently on hand. Some firms keep track of inventory using the periodic review system. The Periodic Review System is an inventory system that updates inventory at the end of a specified period of time. Suresh (2014) argues that in this system, there is fixed time interval between every order placed for the item. For example, a vendor will visit the store in person and check the inventory of the respective products and re-supply the products based on the sales for the time duration. This kind of ordering is in small format stores like pharmacies and grocery stores. This system is sometimes called the constant cycle system. The system has the following characteristics; Stock levels for all parts are reviewed at fixed intervals for example every after a period of two weeks, Where necessary a replenishment order is issued, The quantity of the replenishment order is not a previously calculated EOQ, but is based upon; the likely demand until the next review, the present stock level and the lead time, The replenishment order quantity seeks to bring stocks up to a predetermined level.

Since Periodic Review inventory system only keeps track of inventory periodically and not as inventory is purchased or sold, a physical count of inventory must be conducted. According to Tersine (2000), the periodic count methods refer to the periodic auditing of inventory balances on hand to verify and maintain accurate inventory records. A periodic review system is most

likely to be appropriate if orders are placed with and delivered from suppliers at regular intervals, such as daily, monthly or a number of different items are ordered from and delivered by the same supplier at the same time

A Periodic Review System is used when organizations only monitor their inventory levels on a periodic basis or want to establish a consistent order and delivery frequency with their suppliers (Lee and Schwarz, 2009). This policy usually requires a person to observe the current inventory level at a consistent point in time and to place an order to return the current inventory position to a predetermined order-up-to level, often referred to as the Target Inventory Level. This desired order-up-to level is designed to cover the demand for the product over the order lead time plus the length of the review period (Jacobs and Chase, 2008). This time period is referred to as the protection interval because it is the period of time that a firm must rely on its safety stock to protect against a stock out (Krajewski et al, 2010).

The aim of Periodic Review System is to develop free flowing order fulfillment and delivery systems, so that inventories can be substantially reduced (Dhumal et al, 2008). According Dobson and Shumsky, (2006), suggested that inventory waste should be avoided wherever possible. The reasons behind this view are stocks of material can adversely impact any organization because they tie up capital. However they did not clarify the solution to excess inventory held by business firm. Dimitrios (2008), adds that too little inventory often disrupt business operations where as Nyabwanga and Ojera, (2012) argued that too much inventory consumes physical space, creates a financial burden and increases the possibility of damage, spoilage and loss hence inventory has to be reviewed periodically.

To streamline their deliveries to customers, firms have to adopt Periodic Review System. By monitoring customer inventories and automatically replacing used materials when needed, a firm has to take steps to improve operations by eliminating the need for purchase orders and other related paperwork and this additionally offers potential to create close relationship with customers that can increase customer loyalty (Dias, 2005). Periodic Review System use up-to-the-point-of-sale information systems to identify real time demand and to pull product through directly from the supplier through the distribution Centre and on the retail outlet thus they are able to synchronize this flow of product by focusing on the end-user requirements via the use of real-time demand, linked to flow-through distribution systems that allow for cross-docking, store ready packaging and automated handling (Drake and Mawhinney, 2007).

Papachristos and Katsaros, (2008) note that inventory is a critical resource and maintaining it is necessary for firms. Periodic Review System may be adopted for purposes of reducing storage costs and factory overall costs and therefore the system provides the organization with a structure and the operating policies for maintaining and controlling goods to be stocked since raw materials ordering frequency is identified as an important factor contributing to inventory cost and this in turn makes frequent ordering in small quantity an important strategy for choosing a periodic review system (Emmett and Granville, 2007). Periodic reviews determine and regulate which items of inventory are kept in stock and what quantities of them are stocked which helps to avail products to customers leading to their satisfaction (Waller et al, 2008). For each item stocked decisions are needed as to the size of the requirement, the time at which further supplies should be ordered and the quantity which should be ordered. However decisions regarding the amount of inventory that a firm should hold and its location within a company's logistics

network are crucial in order to meet customer service requirements and expectations (Cachon, 2001).

According to Kumar and Suresh, (2008) Periodic Review System of inventory by management ensures that the financial investment in inventories is optimal and this further create a linkage between efficient utilization of working capital and minimization of cost due to deterioration, obsolescence, damage and pilferage of inventory and in return promotes economy in purchasing and availability of products time to customers.

Effective Periodic Review of inventory is a must for smooth and efficient running of the production cycle with least interruptions which warrant varying intervals between receiving the purchased parts and transforming them into final products and this will ensure adequate supply of products to customers and avoid shortages and ensure timely action for replenishment increases customer satisfaction and loyalty (Cachon, and Terwiesch, 2009). Periodic reviews determine and regulate items of inventory kept in stock and what quantities are stocked and it is also argued that stocks are frequently held for wrong reasons sometimes to mask inefficiencies in the management of organization (Bandy, 2005).

The Periodic Review System is easy to be managed and coordinated and low transportation and ordering costs as motivating factors; while the downside of implementing a periodic review system is the increased time period (and, therefore, inventory) that is necessary to protect against stock outs (Suzen, 2006). The issues of cost comparisons of implementing a Periodic Review System versus a continuous review system, the use of stochastic review intervals or stochastic lead times the option of placing emergency orders when stock outs are pending and the effect of a fluctuating environment on periodic-review decision making (Tagaras and Vlachos, 2001).

A good inventory management system means that an organization has to have an up to date inventory count at all times. Part of giving good customer service is giving accurate information even if the customer does not plan on making a purchase that day. By being able to give clients accurate inventory information, the organization can improve its image and add one more element to customer retention (George N, 2014) which is an indicator of customer satisfaction.

Michael K and Joash N, (2014) argue out the advantages and of the Periodic Review System as; All stock items are reviewed periodically so there is more chance of obsolete items being eliminated, Economies in placing orders may be gained by spreading the purchasing office load more evenly, Larger quantity discounts may be obtained when a range of stock items are ordered at the same time from a supplier. On the other hand, the disadvantages include the following; In general larger stocks are required, as re-order quantities must take account of the period between reviews as well as lead times, Re-order quantities are not at the optimum level of a correctly calculated EOQ, Less responsive to changes in consumption, If the rate of usage change shortly after a review, a stock-outs may well occur before the next review

2.5 ABC MODEL AND CUSTOMER SATISFACTION

In most business organizations inventory control is more or less based on ABC concept of cost of materials consumed during the year (Raghubit, 1996). According to Suresh (2014), ABC model is more of an inventory classification technique where products are classified based on the sales contribution and importance of the same in their assortment plan. It is possible to utilize the concept of ABC model in formation of rational inventory policy which should give the best possible service level to production while minimizing investment costs (fuller 2000). Brown et al, 2002) notes that ABC analysis categorizes products based on importance. It tends to measure the significance of each item of inventory in terms of value. Importance may come from cash

flows, lead time, stock outs, stock-out costs, sales volume or profitability. Once the ranking factor is chosen, break points are chosen for classes A,B,C. this method is also known as stock control according to value method, selective value approach and proportional parts value approach.

ABC classifications are generally based on the Pareto principle which is also known as the 80/20 rule. It states that 20% of causes are generally responsible for 80% of effects. The 80-20 concept is particularly useful in distribution planning when the products are grouped or classified by their sales activity. The top 20 percent might be called A items, the next 30 percent B items, and the remainder C items. Each category of items could be distributed differently. For example, A items might receive wide geographic distribution through many warehouses with high levels of stock availability, whereas C items might be distributed from a single, central stocking point (e.g. a plant) with lower total stocking levels than for the A items. B items would have an intermediate distribution strategy where few regional warehouses are used (Ballou 2004).

Ballou (2004) adds that another frequent use of the 80-20 concept and an ABC classification is to group the products in a warehouse, or other stocking point, in a limited number of categories where they are then managed with different levels of stock availability. The product classifications are arbitrary. The point is that not all product items should receive equal logistics treatment. The 80-20 percent concept with a resulting product classification provides a scheme, based on sales activity, to determine the products that will receive various levels of logistics treatment. Organizations know which special orders sell on occasion and have those products available in a limited quantity (Ballou, 2004).

The high value items are classified as A items and would be under tightest control, C items represent relatively least values and would be under simple management. The ABC analysis concentrates on important items and is also known as control by important and exception. (Fuller, 2000). If this method is applied with care, organizations are able to rank their products that are consumed most frequently by the customers and these can be perceived as being of high value to the customers hence need the tightest control as compared to the products that are not consumed very often due to the satisfaction customers derive (Pandey,1995). Customers who consume certain products may basically attain satisfaction if they are familiar with the specified products (if the product goes through a standardized procedure of production). The fact that customers do repeat purchases of that specific product is an indication of customer satisfaction.

The availability of a product through use of ABC model is just one way of in which inventory management attempts to create customer satisfaction (Fuller 2000). According to George N (2014), good inventory management means that your time to fulfill orders stays low. If an organization uses its inventory management system to analyze product sales, then it can have its popular items in stock and ready to instantly fulfill any customer's order. The organization can also know which special orders sell on occasion and have those products available in a limited quantity to keep their inventory costs down and develop a positive reputation for quickly filling special orders.

2.5.1 Classification of Items

Class A Items: These are items with the highest value, they are basic and account for the bulk of expenditure of which they represent 60% and decisions concerning class A inventory is in the hands of the top management. Due to their level of importance to the budget, it is worth while taking care to choose a supplier who gives noble value information about prices charged by competitors and can be obtained from advertised and visits to the suppliers (Oakland, 1999). These items need close day to day control because of the relative importance and these include materials that enter direct into production of finished goods like paper, printing ink

Class B items: These represent the set of items with intermediate value and represent 30% of stock value. They fall between class A and C and should be legally reviewed but not as closely as class A items.

Class C items: These items account for only a small proportions of spending on inventory approximately 10% of the total stock value. They are needed occasionally but do not cost so much and spending hours comparing the price from different suppliers do not make economic since (Pandey, 1995).

Pandey, (1995) still discusses the steps an organization can follow in implementation of ABC analysis

Classify the items of inventories determining the expected use in units and the price per unit for each item.

Determine the total value for each item by multiplying the expected units by its unit price.

Rank the items in accordance with the total value, giving first rank to the items with highest total value and so on.

Compute the ratio (percentages) of number of units of each item to total units of all items and the ratio of total value of each item to total value of all items.

Combine items on the basis of their relative value to form three categories A, B and C.

2.6 INFORMATION TECHNOLOGY IMPACT ON INVENTORY MANAGEMENT AND CUSTOMER SATISFACTION

Information Technology refers to the use of inter-organizational systems that are used for information sharing and / or processing across organizational boundaries. These Information Technology tools includes any communication device or application, encompassing; radio, television, cellular phones, computer and network hardware and software , satellite systems and so on as well as the various services and applications associated with them. In today's markets, technology has provided consumers with access to unlimited amounts of information and an ability to communicate with other consumers and companies anywhere in the world. This has provided them with a sense of empowerment, such that they desire a greater role in exchanges with companies (Ernst et al, 2010).

Information Technology systems provide a supportive role for human resource activities to improve organizational (or personal) efficiency and effectiveness hence efficient inventory management bases on inventory information system which stores all data required for efficient and accurate inventory management (Cohen et al, 2002). They help to execute activities faster, support autonomous decision-making process and enable distributive operations which has a

positive impact on inventory management and customer satisfaction (Huang and Nof, 1999) in order to achieve higher logistics efficiency (Jack et al, 2006). In a way, the effective use of Information Technology makes the process more transparent to the stakeholders, which in turn, could lead to adoption of better business practices to meet the customer service levels (Bharadwaj, 2000).

In the 21st century, Information Technologies are impacting business in several ways. The various information technologies used in inventory management include e-mails for accessing and contacting clients, websites technologies designed for distributing, searching, and retrieving documents over the internet. The technologies are promising because they save costs, improve customer relationships, business process and performance and open new business opportunities.

A popular belief is that Information Technology increases the information processing capabilities of suppliers, thereby enabling or supporting greater relationships in addition to reducing uncertainties (Subramani, 2004). Information Technology solution will also sequence the data in order to provide the most efficient layout and product placement plans within the shelves or warehouse. In that way, the most high-demand products are the closest to your organization's pick-and-pack point, supporting workflow agility, lowering staff requirements and limiting job redundancies (Ernst et al, 2010).

According to Daugherty et al, (1998), customer requirements derive the need for networked organizations hence networked inventory management which requires a lot of information processing with and between the networked organizations. Efficient inventory management is based on an inventory management information system which is a database for storing and administering all types of data required for efficient and accurate inventory management. The

systems allow organizations to respond better to challenges and improve the anticipation of future developments. Thompson & Cata-Baril (2003) assert that customer relationships are managed through capturing every interaction an organization has with a customer from the point of purchase and the earlier innovations, rich multi-faceted interactions are occurring between developments in the place, global business environment, work environments and technical innovation

2.7 FEEDBACK IMPACT ON INVENTORY MANAGEMENT AND CUSTOMER SATISFACTION

In today's world, customers are provided with access to unlimited amounts of information as a result of the technology. Further still they are able to communicate with other customers and companies anywhere in the world. This has provided them with a sense of empowerment, such that they desire a greater role in exchanges with companies (Ernst et al, 2010). One important outcome of this is the increased customer empowerment; therefore, customers now desire to play a greater role in the process of value creation. This process is referred to as feedback and can occur in a variety of contexts (Bolton and Saxena-Iyer 2009). Van et al, (2010) argues that feedback is considered as an important indicator of customer engagement behavior and loyalty.

Ernst et al, (2010) asserts that, customers are able and willing to provide ideas for new goods or services that may fulfill needs that have not yet been met by the market or might improve on existing offerings and makes them loyal. Furthermore, they are now able to easily communicate these ideas to the company through Internet websites, e-mail, and social networks. Therefore, feedback in inventory management is the practice of combined inventory management by firms and customers and thus, feedback allows customers to take an active and central role as participants and this result in trust and satisfaction (O'Hern and Rindfleisch 2009).

Customer feedback represents an attractive approach for companies for a variety of reasons. In particular, ideas generated through feedback will more closely reflect customer needs. It has been clearly recognized that successful inventory management depends on a deep on feedback of customer needs and inventory management determinations that meet those needs (Hauser et al, 2006). However, this process is often rather difficult because these needs are often complex and may not always be identified through traditional marketing research methods. The inability to adequately assess and fulfill customer needs is often a key reason for inventory management inefficiencies failure. However, by involving customers more actively, ideas can be generated, which are more likely to be valued by customers, thereby increasing the likelihood of inventory management success and customer satisfaction.

Thus, organizations that manage this process effectively will ultimately achieve a sustainable competitive advantage over the competition and successful inventory management depends on feedback from customers' needs (Prahalad and Ramaswamy 2004). In addition, involving customers in the inventory management process can improve product quality, reduce risk, and increase customer satisfaction (Business Wire 2001). Promising customers are individuals who are especially capable of applying intuition and judgment to improve product concepts that mainstream consumers will find appealing and useful (Hoffman et al, 2010).

Feedback involves, on the part of customers, monetary and nonmonetary costs of time, resources, physical and psychological effort to learn and participate in the feedback process. Relative to these costs, customers compare benefits of engaging in feedback activities in inventory management process and thus, involving customers in inventory management process improves product quality, reduce costs and increase customer satisfaction (Etgar 2008). The

reasons for providing feedback include; financial, social, technical, and psychological factors all play a role (Fuller 2008).

Finally, customers may participate in the feedback process for psychological reasons that remain poorly understood. Creative pursuits of feedback are likely to enhance intrinsic motivation and sense of self-expression and pride (Etgar 2008). Acting creatively enhances positive affect and enjoyment of contributing (Nambisan and Baron 2009). Moreover, some customers may participate purely from a sense of altruism. They may do so because they genuinely believe in the objectives of the inventory management effort or because they obtain psychic utility from participating in the feedback process. Others may be motivated due to high involvement or dissatisfaction with the product (Ernst et al, 2010).

2.8 RELATIONSHIP BETWEEN INVENTORY MANAGEMENT AND CUSTOMER SATISFACTION.

Inventory management is a process of planning, implementing and controlling the efficient, cost effective flow and storage of raw materials, in process inventory finished goods and related information from the point of origin to the point of final consumption for the purpose of meeting customer requirements (Knot, 2005). Buyers will purchase from a firm that they perceive to offer the highest customer delivered value and benefits (Kortler, 2003). The concept of customer delivered value may look at the following; Total customer value which is the bundle of benefits customer extracts from a given product or service. Total customer costs which is the bundle of costs customers expect to incur is evaluating, obtaining and using the product or service. Therefore in determining which organization offers the highest customer delivered value,

customers would examine the relationship between customer cost and value to determine which product offering is more favorable (Oakland, 1999).

Harrison (2000) argues that it costs a firm more to get a new customer than to keep an existing one, simply because the existing customers are familiar with the company's offering and for one satisfied with the product performance as well as knowing the brand name. As a result focusing on the relationship between an organization and the customer is a means of having a successful inventory control strategy (Morgan, 2009) and therefore those organizations that can retain more customers by satisfying their better than competitor will have profitable products in the long run and not first in the short run.

Oakland (1999) argues that it does not matter which type of organization you work in, a hospital, bank, university, local government, airline, factory, and competition will arise, competition for patients, customers, students, resources, passengers and funds respectively will arise. Very few people in most organizations remain to be convinced that inventory control is the most important competitive weapon where its management is learnt like any other skill, and in this case if proper inventory control attained, the organization is bound to win more customers for its production and services, steal business resources and be competitive in the market hence improvement in performance, reliability, delivery and a favorable price will prevail to customers and the organization. Customers prefer acquisition of goods and services in time. That an entity which can deliver goods to customers in time and in good condition will be considered a good performing entity, high quality products and services is a value (Knot, 2005)

2.9 CONCLUSION

It is important that managers in organizations that deal with inventory, to have in mind, the objective of satisfying customer needs and keeping inventory costs at a minimum level. Kruger, (2005) as cited by n. Rajeev (2008) Stated that Inventories are a significant portion of the current assets of any business enterprise, this is in line with (Sprague and Wacker, 1996). Who also further emphasized its importance by stating that Inventory Management and control are crucial to a firm because mismanagement of inventory threatens a firm's viability thus the management of inventories influences a firm's financial strength and competitive position because the approach taken to Inventory Management directly affects working capital, production and customer service (Ng et al., 1993; Vergin, 1998)

CHAPTER THREE

METHODOLOGY

3.0 Introduction

Methodology refers to the analysis of and rationale for, the particular method (s) used in a given study (Ochieng, 2009). Each research problem is in some way unique and thus requires a custom-made research procedure. According to Labaree, (2009) he defines methodology as the rationale for the application of specific procedures or techniques used to identify, select and analyze information applied to understanding the research problem, thereby allowing the researcher to critically evaluate a study's overall validity and reliability. This section entails aspects of research design, area of study, study population, sampling procedure, sample size, sampling techniques, data collection sources, data collection tools, quality control, measurement of variables, data management and analysis, ethical considerations and limitations of the study. To be able to accomplish the task, there is need to gather adequate and comprehensive data on financial performance

3.1 Research Design

The research design expresses both the structure of the research problem framework organization and configuration of relationships among the variables of study and the plan of investigation used to obtain empirical evidence of the relationships, (Cooper and Schindler,2006). The study adopted case study design. This design is considered appropriate in areas of measurement especially in applied social research. Amin, (2005) asserts that a research design is a plan that is used to conduct a research study. In other words, a research design is a framework within which a research study can be carried out for data collection.

The research study employed case study design to Shoprite (U) Ltd and this included top management and inventory management department simply because a case study design gives an empirical inquiry that investigates a contemporary system within a real life context and it can generate meaningful results with a small sample size. The appropriateness of a case study is when the thesis focuses on a set of issues in a single organization (Jankowicz, 2000)

The study also adopted both qualitative and quantitative approaches. A study is considered quantitative if the researcher wants to quantify the variation in the phenomenon, situation and problem and their analysis is geared towards establishing the magnitude of the variation (Kumar, 2005). Under the quantitative methods the researcher used questionnaires that were to be filled by respondents and the data was to be analyzed basing on the proceedings and finally be presented in narrative quotations. The quantitative approach facilitates establishment of relationship and manipulation of figures. The approach was also used by Creswell, (2013). On the other hand, a study is considered qualitative if the purpose of the study is primarily to describe a situation, phenomenon, problem or event. The qualitative method focused on collecting descriptive information where data was collected using interview guides, among others. The qualitative approach facilitated in depth understanding of the variables obtained from those directly involved with it.

3.2 Area of study

The study was conducted at Shoprite (U) Ltd Clock Tower plot 1 Ben Kiwanuka Street in Kampala Uganda. The choice of this organization is because it has been in business for a very long time and is doing better in terms of offering products and services to the customers. The company holds different kinds of inventories and therefore the study will cover the Just-In-Time

strategy, Periodic Review system and the ABC model and their relationship to customer satisfaction

3.3 Study Population

The research population is a group of individuals, objects, or items from which the items are taken for measurement (Kumar 2005). According to Abel and Olive (2003) population refers to an entire group of individuals, events or objects having a common observable characteristic. This section of the research portrayed the particular group of respondents that the researcher is interested in the field of the study.

The target population was based on employees in top management (inventory management), purchasing transportation consultation, marketing, customer care and operations.

The study population involved 50 employees and heterogeneous in nature and was composed of top management which include head of departments, principle officers, middle level management who include inventory control officers, and those involved in operations, lower level management who include control assistants, customer care, assistants inventory and cleaners, stakeholders include customers of Shoprite (U) Ltd, suppliers and others interested inventory management.

3.4 Sampling procedures

Sampling is a procedure of selecting a part of population on which research can be conducted, which ensures that conclusions from the study can be generalized to the entire population. Researchers have developed a number of techniques where only a small portion of the total population is sampled, and attempts to generalize the results and conclusion for the entire population. Because of the limitations that the researcher faced during the study, the researcher

proposed a selective number of methods of collecting data that are found relevant and necessary to extract responses and it involved both top – bottom and bottom – top approaches to carry out the exercise.

3.4.1 Sample Size and Selection

According to Abel et al, (2003) a population sample is a small group obtained from the accessible population in a given area. Singh, (2007) defined sample size as finite part of a statistical population whose properties are used to make estimates about a population as a whole. For this research study, a cross section of individuals was selected to draw research responses that give a true picture of the research phenomena. With regard to the sample size, the researcher selected 44 employees as the sample of respondents basically from the departments of sales and supply, stores department and control and monitoring in order to limit research bias in the findings. The sample was computed basing on Taro Yamane (1973) method of computing a simple size.

The formula is presented below

$$\text{Sample size} = \frac{N}{1 + N(e)^2}$$

Where N is the total population (100)

e is the error (0.05) or confidence level (95%)

$$\frac{100}{1 + 44(0.05)^2} = 44.17$$

$$1 + 44(0.05)^2$$

3.4.2 Sampling Techniques

The researcher used the non-probability sampling techniques. Under this, purposive sampling was used. This is a type of sampling where the researcher selects a sample that is just convenient, judgemental without going through random sampling. The researcher selected a sample based on who they think would be appropriate for the study. This is used primarily when there are a limited number of people that have expertise in the area being researched.

3.5 Data Sources

The researcher acquired data from both primary and secondary sources.

3.5.1 Primary sources

This refers to raw facts collected or generated for a given research and it is gathered originally for the first time for a specific research problem. Therefore, the researcher directly reached out to the respondents through various data collection instruments such as interviews and questionnaires with the assistance of the letter of introduction from the university.

3.5.2 Secondary sources

This refers to data which already exists. Therefore the researcher carried out document review; collect data from text books, journals and annual reports. This helped the researcher to be well equipped with the information required to facilitate the study.

3.6 Data Collection Tools

The study also employed the relevant techniques during the process of data collection and these were as follows;

3.6.1 Questionnaire

A questionnaire is a written list of questions, the answers to which are recorded by the respondents (Kumar, 2005). The questionnaire was inform of both open ended and closed ended in nature and respondents filled in the answers of their choice in line with the study questions in the questionnaire. This method of data collection was preferred because it gives a great degree of assurance to the anonymity and confidence of the research respondents. . It included the Five-point Likert scale response that is 1= strongly disagree, 2= disagree, 3= not sure, 4= agree, 5= strongly agree.

3.6.2 Interview Guide

An interview is a dialogue between an interviewer and interviewee. It is an organized conversation aimed at gathering data about a particular topic. The researcher prepared an interview questions that was answered by only respondents who are well versed with the required information.

3.6.3 Document review

The secondary data was collected using document review through viewing the firm's annual report since there was limited time to conduct the study and collect all the required data especially information in regard to marketing strategies is very vital and cannot easily be fully disclosed by a firm thus this instrument enabled the researcher acquire adequate and relevant information needed for the research.

3.7 Quality Control Methods

3.7.1 Data Validity

Validity is a term used to define the degree to which results obtained from the analysis of data actually represent the phenomenon under study. Validity is the appropriateness of instruments while reliability is the consistency in measuring whatever it is intended to measure (Amin, 2005). For this particular research study, the research validity involved verifying the research tools or instruments to ascertain their degree of accuracy, truthfulness and consistency in the research data gathered while in the field. The researcher ensured content validity of the research instruments by sharing with various supervisors and other experts who would assess, rate and critique the study instruments. Data validity was ensured through subjecting the draft tools such as the questionnaires questions to be reviewed by experts to ensure that the right questions for research study are asked. The questionnaire was reviewed by my supervisor before I was granted permission to go and collect data. The researcher also ensured that right questions for the study guided by the objectives.

3.7.2 Data Reliability

According to Saunders *et al.* (2007) reliability refers to the extent to which your data collection techniques or analysis procedures will yield consistent findings. Research reliability refers to the ability of the researcher to produce accurate results based on the level of the researcher's consistency in terms of data management. The reliability of the research instruments was established by carrying out pilot study, where respondents were randomly chosen and reliability tested using SPSS.

3.8 Measurement of Variables

The independent variable is inventory management while the dependent variable is customer satisfaction. Inventory management was measured using Just-In-Time strategy, Periodic Review system and the ABC model while customer satisfaction was measured according to the perceived quality, perceived price and repeat purchase. Therefore the researcher used a five point Likert Scale ranging from 1-5 (strongly disagree to strongly agree). Where 1= strongly disagree, 2= disagree, 3= not sure, 4= agree, 5= strongly agree. This enabled the researcher to know clearly the performance of a given organization in line with customer satisfaction.

3.9 Data Analysis and Presentation

Data collected by use of questionnaires and interview guide was filled and transcribed. Raw data was categorized by grouping similar ideas within the research. All data collected was processed into one document of responses collected from the field. This was then referred to for presentation, discussion and analysis of the findings. Esterberg, (2002) asserts that data management is the process of analyzing, arranging and organization and presenting research data that has been gathered from the research field in a way that gives meaning to the end user of the research study

The researcher used both quantitative and qualitative research approaches while analyzing data.

3.9.1 Quantitative Data Analysis

The collected data was edited and this involved sorting of the data in order to attain information that was relevant to the study variables. The researcher carried out an analysis using descriptive and inferential statistics using SPSS version 16 computer package for social scientist. SPSS version 16. This helped the researcher to come up with spearman correlation coefficient, frequencies and

regression analysis that was used to determine the degree and predication for the customer satisfaction.

3.9.2 Qualitative Data Analysis

The researcher used the interview guide as a tool to collect data under qualitative research approach, analyze data by the use of proceedings and present the data in narrative quotations. At this stage all the responses were revised through by the researcher while giving codes to the answered options.

3.10 Ethical Issues

The researcher obtained an official letter from the faculty of business administration and management that was presented to the organization from which data was acquired.

The researcher provided assurance to the respondents that the findings would help them on how to benefit from better inventory management strategies.

Confidentiality was highly respected. The information from the respondents was held confidentially such that no one knows about what the other person responses are and will be used for only study purposes

The researcher sought approval and permission from authorities and obtain consent from the respondents before proceeding.

The researcher ensured that participation of respondents is voluntary not to have forced them; the researcher also briefed the recipients before the data is collected from them.

The researcher cited, that is indicated all sources or information used in the study like the literature, documents and any other sources. All references are according to the Harvard style of citation so as to give recognition and respect to the works of authors and scholars.

3.11 Limitations of the Study

The researcher faced various limitations as follows;

Failure to find all respondents in the time of the study due to them being too busy with the organization work. The researcher however planned an appropriate time table with the top company managers that favorably suited all the respondents during the process of data collection for reliable and valid information.

Financial difficulties due to the rising cost of transportation, stationery, printing, research proposal which led to a delay in the research report that is presented to the board of examiners. This was overcome through proper budgeting of resources for the entire project.

Time frame, the time provided to the researcher was not enough to fully cover the planned scope of the study. Time schedule was used for proper management of the limited time available.

The period of study being too short, therefore the researcher was unable to cover all the specific objectives that intended to be studied in addition to that; the relevant information was not able to be provided from the suggested sources.

Some respondents were likely not to fill in the questionnaires thereby compromising the sample size of the study. This was overcome by sensitizing respondents about the importance of the study.

3.12 Conclusion

To sum it up, various and useful techniques or various forms were used to make sure that data was collected, analyzed, processed and interpreted to yield meaningful information to the researcher and Shoprite (U) Ltd.

CHAPTER FOUR

PRESENTATION OF RESULTS AND DISCUSSION OF FINDINGS

4.0 INTRODUCTION

The chapter presents analysis results and discussion on inventory management and customer satisfaction. Data was collected using questionnaires and analyzed with SPSS, where raw data were analyzed in form of frequencies and data was presented in tables, pie charts and graphs to measure the variations. The findings presented in this chapter were in line with the study objectives.

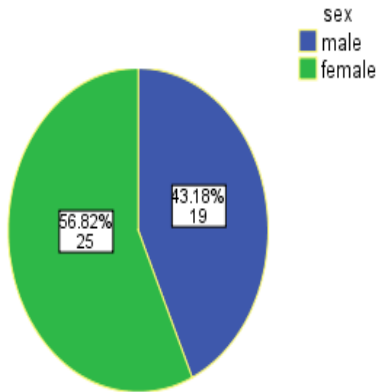
4.1 BACKGROUND INFORMATION

The study was composed of 44 respondents from Shoprite (U) Ltd who were expected to participate in this study and they represented 100% response rate. The background was analyzed basing on the socio-demographic characteristics of the respondents namely; gender, education qualification and duration in the organization and departments where they work

4.1.1 Sex of Respondents

The gender of respondents was analyzed and the findings are presented in Pie Chart 1.

Pie chart 1: Sex of Respondents



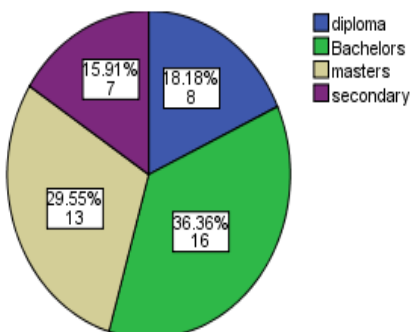
Source: Primary data, (2016)

The results presented show that 19(43.2%) of respondents were males and 25(56.8%) were females. This possibly means that during the research most of the employees were females and these comprised of marketers and customer care providers to customers.

4.1.2 Education level of Respondents

The researcher determined the academic qualification level of employees to establish whether they had acquired formal education. Details of the findings are presented in Pie Chart 2.

Pie Chart 2: Education level of Respondents



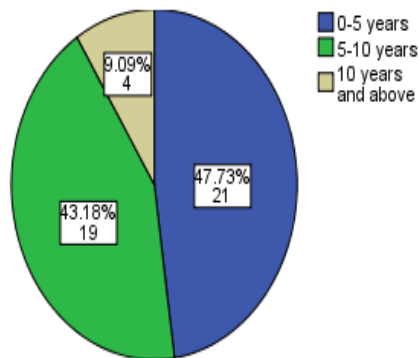
Source: Primary data, (2016)

Results from Pie Chart 2 above indicate that majority of the respondents 16 (36.4%) had attained Bachelors, 13 (29.6%) had attained masters, 8(18.1%) had only attained diplomas and 7(15.9%) were in secondary level. This possibly proved that majority of the respondents had attained University level of education and fully understood the concept of managing stock and its effect on customer satisfaction.

4.1.3 Duration in the Organization

The study established the duration employees have worked for and the findings of which are illustrated in Pie Chart 3.

Pie Chart 3: Duration in the Organization



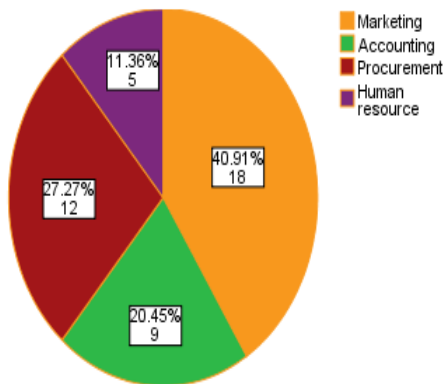
Source: Primary data, (2016)

Findings from pie 3 above specify that majority of the respondents 21(47.7 %) had worked for (0-5) years, 19 (43.2%) had worked for (5-10) years and then 4 (9.1%) had worked for more than (10-15) years. This can illustrate that most of the respondents had worked for some period of time in Shoprite (U) Ltd and therefore their knowledge about inventory management led to provision of valid data for the research.

4.1.4 Departments of Respondents

The departments to which the respondents belong were established and findings are presented in Pie Chart 4

Pie 4: Departments of Respondents



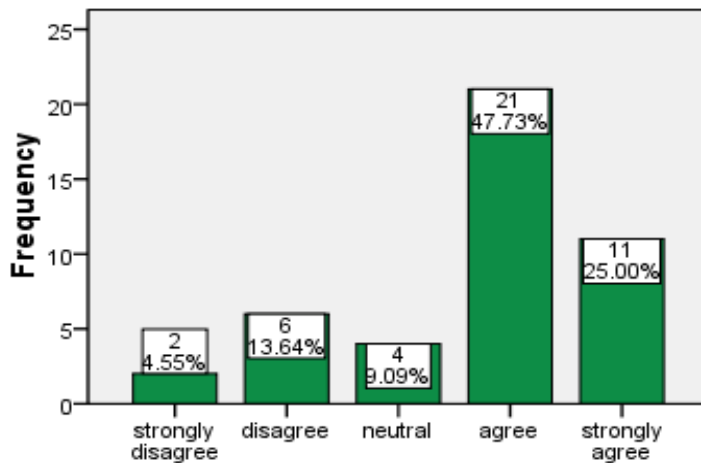
Source: Primary data, (2016)

The study depicts that 18(40.9%) respondents belonged to the marketing department, 12(27.3%) respondents belonged to the procurement department, 9(20.5%) to the accounting department and 5(11.4%) respondents belonged to other departments. This can mean that the highest proportion of respondents came from the marketing department of Shoprite (U) Ltd, which clarifies that they had the right information in regards to customer satisfaction due to their view on good inventory management and because it's a service company that has to rely on the marketing department for its success.

4.2 JUST-IN-TIME STRATEGY AND CUSTOMER SATISFACTION

The study wanted to determine whether Just-in-time inventory management system satisfies customers and this is illustrated in Graph 1.

Graph 1: Just-In-Time Strategy and Customer Satisfaction



Source: Primary data, (2016)

The findings in Graph 1 revealed that 32(72.7%) of the respondents agreed with the statement that Just-In-Time strategy of inventory management satisfies customers, 4(9.1%) of the respondents were neutral, 8(18.2%) disagreed. Additionally, implementing the Just-In-Time strategy of inventory management can allow companies to serve their customers faster and more efficiently (Gourdin, 2001).

This probably portrays that use of Just-In-Time strategy of inventory management satisfies customers since they (customers) can be in position to get their preference available each time they want to make a purchase. (Heinz, 1994)

The study further posed respondents to determine if opinion stated in Graph 1 was valid and the findings about their views are presented in Table 1

Table 1: Just-In-Time Strategy (JIT) and Customer Satisfaction

Details	Strongly disagree	Disagree	Not sure	Agree	Strongly agree
JIT leads to reduction in inventory levels and shorter product lead times.	2	4	6	15	17
	4.5%	9.1%	13.6%	34.1%	38.7%
JIT increases customer satisfaction by availing products in time.	2	3	4	22	13
	4.5%	6.8%	9.1%	50%	29.5%
JIT strategy minimizes inventory costs which lead to lowering of prices for customers.	4	3	5	20	12
	9.1%	6.8%	11.4%	45.5%	27.3%
Control over entire manufacturing process is achieved which makes it easy to respond quickly when a need of customers change.	2	5	7	13	17
	4.5%	11.4%	15.9%	29.5%	38.7%

Source: Primary data, (2016)

Graph 1 and Table 1 are in agreement that majority of the respondents have the same opinion that Just-In-Time strategy has a positive effect on customer satisfaction though, some respondents were not decisive.

The findings from Table 1 illustrate that 32(72.8%) respondents agreed that Just-In-Time leads to reduction in inventory levels and shortens product lead times, 6(13.6%) disagreed with the above statement and though, 13(23.6%) were indecisive in their opinions.

Just-In-Time strategy leads to reduction in inventory levels and shorter product lead times. This possibly means that when Just-In-Time is practiced well, it leads to reduction in inventory levels and shorter product lead times which affects customers positively to buy more hence satisfaction. (Yukcu, 2000)

The findings in Table 1 estimate that 35(79.5%) respondents agreed that Just-In-Time strategy increases customer satisfaction by availing products in time, 5(11.3%) disagreed with the statement. However, 4(9.1%) did not understand the statement since they were not sure in their responses.

The opinions stated in the previous paragraph agrees with Gourdin, (2001) who stated that Just-In-Time strategy increases customer satisfaction by availing products in time and this requires manufactures to work in line with suppliers to get required items to the assembly line at the right time as needed for production or for sale. This probably implies that Just-In-Time strategy increases customer satisfaction by availing products in time which is an indicator of good inventory management.

The primary data in Table 1 show that 32(72.8%) respondents agreed that Just-In-Time strategy minimizes inventory costs which leads to lowering of prices for customers, 7(15.9%) disagreed to the above statement and though 5(11.4%) respondents were not sure about the statement. Lee and Schwarz, (2009) emphasized that Just-In-Time strategy minimizes inventory costs which leads to lowering of prices for customers and this has a positive impact on customers since they are satisfied with the prices for the offered products.

The findings in Table 1 further estimate that 30(68.2%) respondents strongly agreed that Control over entire manufacturing process is achieved which makes it easy to respond quickly when a

need of customers change, 7(15.9%) were in disagreement with the statement and 7(15.6%) accounted for those who were not sure about the statement. This is supported by Dhumal et al, (2008) who noted that control over entire manufacturing process is achieved which makes it easy to respond quickly when a need of customers change and this is an indicator of good inventory management.

The study did a Pearson Correlation analysis to determine the relationship between Just-In-Time strategy and Customer Satisfaction and the details of findings are illustrated in Table 2

Table 2: Correlation analysis between Just-In-Time Strategy and Customer Satisfaction

		Just-In-Time strategy	Consumer satisfaction
Just-In-Time strategy	Pearson Correlation	1	.467**
	Sig. (2-tailed)		.005
	N	44	44
Consumer satisfaction	Pearson Correlation	.467**	1
	Sig. (2-tailed)	.005	
	N	44	44

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data, (2016)

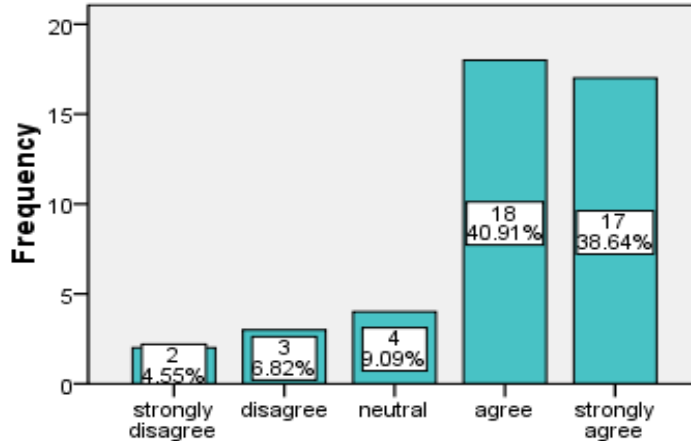
The study determined the relationship between Just-In-Time strategy and Customer Satisfaction. Using Pearson correlation co-efficiency determinant, from Table 2 above, correlation value ($r = 0.467^{**}$ $p < 0.005$) revealed that there is a moderately weak positive and a significant relationship between Just-In-Time strategy and customer satisfaction. This can mean Just-In-Time strategy leads to customer satisfaction by 0.467 which is above the Pearson correlation determinant of 0.005.

Bailes and Kleinsorge, (1992) elaborated that Just-In-Time strategy focuses on minimizing inefficiencies and unproductive time in the production process to continuously improve the process and quality of the product or service. Implementing the Just-In-Time strategy of inventory management can allow companies to serve their customers faster and more efficiently (Gourdin, 2001). This can mean companies that use the Just-In-Time model have a greater level of control over the entire manufacturing process, making it easier to respond quickly when the needs of customers change.

4.3 PERIODIC REVIEW SYSTEM AND CUSTOMER SATISFACTION

The study sought to determine whether Periodic Review System of inventory management leads to customer satisfaction and the findings are illustrated in Graph 2.

Graph 2: Periodic Review System and Customer Satisfaction



Source: Primary data, (2016)

The findings in Graph 2 indicate that 35(79.5%) respondents agreed with the statement that Periodic Review System leads to customer satisfaction, 4(9.1%) of the respondents are neutral, 5(11.3%) disagreed to the statement

Periodic Reviews determine and regulate which items of inventory are kept in stock and what quantities of them are stocked which helps to avail products to customers leading to their satisfaction (Waller et al, 2008). This can possibly mean that through reviewing their stock levels, organizations are able to prevent cases of stock outs which makes stock available at all times to customers thereby satisfying their customers.

The study further probed that respondents determine if opinion stated in Graph 2 was valid and the findings about their views are illustrated in Table 3

Table 3: Periodic Review System and Customer Satisfaction

Details	Strongly disagree	Disagree	Not sure	Agree	Strongly agree
Periodic review system is to develop free flowing order fulfillment and delivery systems	4	5	5	16	14
	9.1%	11.4%	11.4%	36.4%	31.8%
Reviewing periodically reduces the possibility of damage, spoilage and loss hence better inventory management.	4	4	6	13	17
	9.1%	9.1%	13.6%	29.5%	38.7%
Periodic review system uses sale information systems to identify real time demand of products and services	2	6	8	18	10
	4.5%	13.6%	18.2%	40.9%	22.7%
Periodic reviews determine and regulate items of inventory kept in stock and what quantities are stocked	2	5	5	21	11
	4.5%	11.4%	11.4%	47.7%	25%

Source: Primary data, (2016)

The findings of Graph 2 and Table 3 are in concurrence that 30(68.2%) respondents agreed that Periodic Review System is to develop free flowing order fulfillment and delivery systems, 9(20.5%) disagreed and 5(11.4%) were not sure about the statement.

The agreement is supported by Dhumal et al, (2008) who emphasized that the aim of Periodic Review System is to develop free flowing order fulfillment and delivery systems, so that inventories can be substantially reduced. This can mean that Periodic Review System develops free flowing order fulfillment and delivery systems which makes products available to customers hence customer satisfaction.

The field data collected in Table 3 indicates that 30(68.2%) respondents agreed that Periodic Review System reduced the possibility of damage, spoilage and loss hence better inventory management, 8(18.2%) were in disagreement with the statement and 6(13.6%) undifferentiated about the statement. This is in line with Nyabwanga and Ojera, (2012) who argued that too much inventory consumes physical space, creates a financial burden and increases the possibility of damage, spoilage and loss hence inventory has to be reviewed periodically. This possibly means that Periodic Review System reduces the possibility of damage, spoilage and loss hence better inventory management practice which leads to customer satisfaction.

The findings in Table 3 indicate that 28(63.6%) respondents agreed that Periodic Review System uses sale information systems to identify real time demand of products and services, 8(18.1%) was a disagreement with the statement and 8(18.2%) were not contented with statement since they were indecisive in their views.

Periodic Review Systems use up-to-the-point-of-sale information systems to identify real time demand and to pull product through directly from the supplier through the distribution center and on the retail outlet thus they are able to synchronize this flow of product by focusing on the end-user requirements via the use of real-time demand, linked to flow-through distribution systems

that allow for cross-docking, store ready packaging and automated handling (Drake and Mawhinney, 2007).

Findings further established that 32(72.7%) respondents agreed that Periodic Reviews determine and regulate items of inventory kept in stock and what quantities are stocked, 5(15.9%) disagreed with the above statement and 5(11.4%) were indecisive about the subject. This concurs with Bandy, (2005) who affirmed that Periodic Review System determine and regulate items of inventory kept in stock and what quantities are stocked and it is also argued that stocks are frequently held for wrong reasons sometimes to mask inefficiencies in the management of organization.

The study did a Pearson Correlation analysis to determine the relationship between Periodic Review System and Customer Satisfaction and the findings are illustrated in Table 4

Table 4: Correlation analysis between Periodic Review System and Customer Satisfaction

		Periodic Review System	Customer satisfaction
	Sig. (2-tailed)		.000
	N	44	44
customer satisfaction	Pearson Correlation	.612**	1
	Sig. (2-tailed)	.000	
	N	44	44

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data, (2016)

The study determined the relationship between Periodic Review System and customer satisfaction. Using Pearson correlation co-efficiency determinant from Table 4 above, correlation value ($r = 0.612^{**}$ $p < 0.000$) revealed that there is a moderate strong significant positive

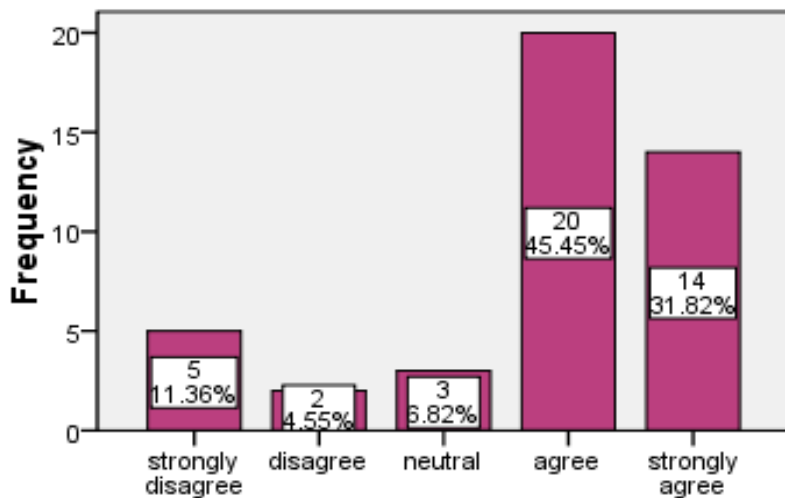
relationship between Periodic Review System and customer satisfaction. The data show that Periodic Review System has a progressive improvement on customer satisfaction by 0.612 which possibly implies that Periodic Review System has a positive effect on customer satisfaction.

Periodic Review System of inventory management ensures that the financial investment in inventories is optimal and this further create a linkage between efficient utilization of working capital and minimization of cost due to deterioration, obsolescence, damage and pilferage of inventory and in return promotes economy in purchasing and availability of products time to customers. (Kumar and Suresh, 2008)

4.4 ABC Model and Customer Satisfaction

The study sought to determine whether ABC model of inventory management leads to Customer Satisfaction. Graph 3 illustrates the findings in this regards.

Graph 3: ABC MODEL AND CUSTOMER SATISFACTION



Source: Primary data, (2016)

The findings in Graph 3, indicated that 34(77.3%) of the respondents agreed that ABC model of inventory management leads to customer satisfaction, 3(6.8%) of the respondents are neutral and 7(15.8%) disagreed. The availability of a product through use of ABC model is just one way of in which inventory management attempts to create customer satisfaction (Fuller, 2000).

According to George (2014), he adds that good inventory management means that your time to fulfill orders stays low. This possibly implies that use of ABC model creates availability of stock in time which positively impact on customer decision making in line with buying of organizations product hence customer satisfaction.

The study further probed that respondents determine if opinion stated in Graph 3 was valid and the findings about their views are illustrated in Table 5

Table 5: ABC Model and Customer Satisfaction

Details	Strongly disagree	Disagree	Not sure	Agree	Strongly agree
The model helps to measure the significance of product in terms of value perceived by the customers.	2	3	4	23	12
	4.5%	6.8%	9.1%	52.2%	27.3%
The availability of products in a store creates customer satisfactions.	4	4	6	10	20
	9.1%	9.1%	13.6%	22.7%	45.5%
The ABC model helps to analyze product sales and avails stock to fulfill customer's order.	2	2	3	23	14
	4.5%	4.5%	6.8%	52.3%	31.8%
Organizations know which special orders sell on occasion and have those products available in a limited quantity.	2	2	5	19	16
	4.5%	4.5%	11.4%	43.2%	36.4%

Source: Primary data, (2016)

The findings of Graph 3 and Table 5 are in conformity that 35(75.6%) respondents agreed that ABC model helps to measure the significance of product in terms of value perceived by the customers, 5(11.3%) disagreed to the above statement and 4(9.1%) were naïve and declined in their opinions about the statement since they could not differentiate about the statement.

The opinion in the previous paragraph is emphasized by Pandey, (1995) who noted that careful application of ABC model ensures that products are ranked from most frequently consumed by the customers and these can be perceived as being of high value to the customers hence need the tightest control as compared to the products that are not consumed very often due to the satisfaction customers derive. This possibly means that ABC model helps to measure the significance of product in terms of value perceived by the customers which helps the firm to prioritize on which product to avail in large quantity and those that has to be minimal which is good inventory management practice.

The primary data in Table 5 show that 30(63.2%) respondents agreed that availability of products in a store creates customer satisfaction, 8(18.2%) disagreed with the above statement and 6(13.6%) did not have knowledge about the subject matter. This is in line with Fuller, (2000) who argued that the availability of a product is just one way in which inventory management attempts to create customer satisfaction. This can mean that the availability of products in a store creates customer satisfactions in a view that products are always readily available and customers do not lack supplies which is a good inventory management practice.

The findings in Table 5 indicate that 37(84.1%) respondents agreed that ABC model helps to analyze product sales and avails stock to fulfill customer's order, 4(9.1%) disagreed and 3(6.8%) were indecisive about the subject matter. Suresh (2014) noted that ABC model is more of an

inventory classification technique where products are classified based on the sales contribution and importance of the same in their assortment plan. Possibly, ABC model helps to analyze product sales and avails stock to fulfill customers' orders there by determining sales by use of ABC model which in turn reflect orders to be fulfilled hence leading to customer satisfaction if their orders are met in time.

Findings in Table 5 further illustrate that 35(79.6%) respondents agreed that organizations know which special orders sell on occasion and have those products available in a limited quantity, 4(9.1%) disagreed and 5(11.4%) had no idea about the subject matter or the statement. Ballou, (2004) elaborated that organizations know which special orders sell on occasion and have those products available in a limited quantity. This possibly means that organizations know which special orders sell on occasion and have those products available in a limited quantity which is a good strategy in inventory management practice.

The study did a Pearson Correlation analysis to determine the relationship between ABC Model and Customer Satisfaction and the findings are illustrated in Table 6

Table 6: Correlation analysis between ABC system and Customer Satisfaction

		ABC system	Customer satisfaction
ABC system	Pearson Correlation	1	.398**
	Sig. (2-tailed)		.001
	N	44	44
Customer satisfaction	Pearson Correlation	.398**	1
	Sig. (2-tailed)	.001	
	N	44	44

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Primary data, (2016)

The study determined the relationship between ABC model and customer satisfaction. Using the Pearson correlation co-efficiency determinant, from Table 6 above, the correlation value ($r = 0.398^{**}$ $p < 0.001$) revealed that there is a moderately weak but increasing positive and a significant relationship between ABC system and customer satisfaction. When ABC system is employed, it leads to satisfaction of customers by 0.398.

Brown et al, (2002) noted that ABC analysis categorizes products based on importance. It tends to measure the significance of each item of inventory in terms of value. Importance may come from cash flows, lead time, stock outs, stock-out costs, sales volume or profitability. If this method is applied with care, organizations are able to rank their products that are consumed most frequently by the customers and these can be perceived as being of high value to the customers hence need the tightest control as compared to the products that are not consumed very often due to the satisfaction customers derive (Pandey,1995).

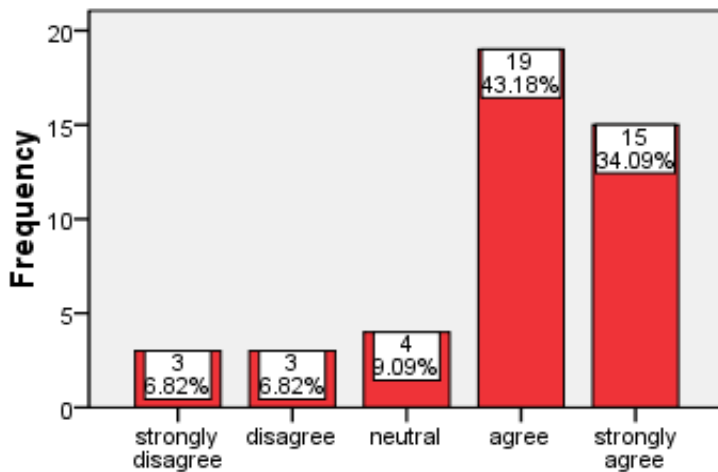
4.5 FACTORS MODERATING INVENTORY MANAGEMENT AND CUSTOMER SATISFACTION.

The study had other factors which affect Inventory Management and Customer Satisfaction. These are the moderating factors and they are Information Technology and Feedback.

4.5.1 INFORMATION TECHNOLOGY ON INVENTORY MANAGEMENT AND CUSTOMER SATISFACTION

The study sought to determine whether use of Information Technology ensures proper inventory management and customer satisfaction. The study findings are illustrated in Graph 4

Graph 4: Information Technology on Inventory Management and Customer Satisfaction



Source: Primary data, (2016)

Findings in Graph 4 illustrate that 34(77.3%) of the respondents agreed with the statement that use of Information Technology ensures proper inventory management and customer satisfaction, 4(9.1%) of the respondents are neutral, 6(13.6%) disagreed. Information Technology helps to execute activities faster, support autonomous decision-making process and enable a distributive operation which has a positive impact on inventory management and customer satisfaction (Huang and Nof, 1999).

The study further probed that respondents determine if opinion stated in Graph 4 was valid.

These findings of confirmatory questions are presented in Table 7

Table 7: Information Technology on Inventory Management and Customer Satisfaction

Details	Strongly disagree	Disagree	Not sure	Agree	Strongly agree
IT sequences the data of inventory to provide efficient lay out of the most consumed products	4	4	5	18	13
	9.1%	9.1%	11.4%	40.9%	29.5%
Customer requirements drive the need for networked organizations hence networked inventory management	3	6	8	10	17
	6.8%	13.6%	18.2%	22.7%	38.6%
Customer relationships are managed through capturing every interaction an organization has with a customer from the point of purchase	4	4	4	22	10
	9.1%	9.1%	9.1%	50%	22.7%
Efficient inventory management bases on inventory information system which stores all data required for efficient and accurate inventory management	5	4	7	15	13
	11.4%	9.1%	15.9%	34.9%	29.5%

Source: Primary data, (2016)

Graph 4 and Table 7 are in concurrence that 31(70.4%) respondents agreed to the statement that Information Technology sequences the data of inventory to provide efficient lay out of the most consumed products, 8(18.2%) disagreed and 5(11.4%) were indecisive about the statement.

Ernst et al, (2010) stress that Information Technology solutions sequence data in order to provide the most efficient layout and product placement plans within the shelves or warehouse in that way, the most high-demand products are the closest at pick-and-pack point, supporting workflow agility, lowering staff requirements and limiting job redundancies.

This possibly means that Information Technology sequences the data of inventory to provide efficient lay out of the most consumed products and this guide a firm to focus on those that are most wanted by customers.

The findings indicate that 27(61.3%) respondents agreed that customer requirements drive the need for networked organizations hence networked inventory management, 9(20.4%) disagreed and 8(18.2%) were not decisive about the statement.

Daugherty et al, (1998) contends that customer requirements derive the need for networked organizations hence networked inventory management which requires a lot of information processing with and between the networked organizations. This probably means that customer requirements drive the need for networked organizations hence networked inventory management and this arrangement avails product to customers in time thus prevents inconveniences due absence of stock.

The primary data in Table 7 indicate that 32(72.7%) respondents agreed that customer relationships are managed through capturing every interaction an organization has with a customer from the point of purchase, 8(18.2%) disagreed and 4(9.1%) were not decisive about the statement.

Thompson and Cata-Baril, (2003) assert that customer relationships are managed through capturing every interaction an organization has with a customer from the point of purchase and the earlier innovations, rich multi-faceted interactions are occurring between developments in the place, global business environment, work environments and technical innovation. This can mean that it is important to manage customer relationships through capturing every interaction

an organization has with a customer from the point of purchase since information they avails is important.

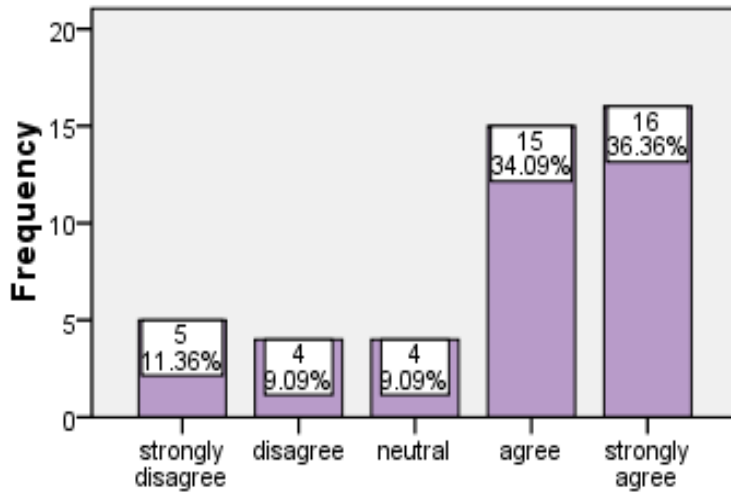
The findings in Table 7 illustrate that 28(64.4%) respondents agreed that efficient inventory management bases on inventory information system which stores all data required for efficient and accurate inventory management, 9(20.5%) disagreed and 7(15.9%) were undifferentiated with the statement.

Cohen et al, (2002) noted that Information Technology systems provide a supportive role for human resource activities to improve organizational (or personal) efficiency and effectiveness hence efficient inventory management bases on inventory information system which stores all data required for efficient and accurate inventory management. This possibly means managing inventory efficiently, firms should base on inventory information system which stores all data required for efficient and accurate inventory management

4.5.2 FEEDBACK ON INVENTORY MANAGEMENT AND CUSTOMER SATISFACTION

The study sought to determine whether feedback leads to proper inventory management and customer satisfaction .Graph 5 illustrates the findings in this regards

Graph 5: Feedback on Inventory Management and Customer Satisfaction



Source: Primary data, (2016)

Findings in graph 5, show that 31(70.5%) of the respondents strongly agreed with the statement that feedback leads to proper inventory management and customer satisfaction, 5(11.4%) of the respondents are neutral since they had a differed opinion about the statement, 8(18.2%) disagreed with the statement. This can mean that feedback leads to proper inventory management and customer satisfaction basing on the level agreement

The study further probed that respondents determine if opinion stated in Graph 5 was valid and the findings about their views are illustrated in Table 8

Table 8: Feedback on Inventory Management and Customer Satisfaction

Details	Strongly disagree	Disagree	Not sure	Agree	Strongly agree
Customers provide information about products that leads to the fulfillment of the need that has not yet been met	5	4	5	16	14
	11.4%	9.1%	11.4%	36.4%	31.8%
Feedback allows customers to take an active and central role in setting inventory management policies	3	4	8	11	18
	6.8%	9.1%	18.2%	25%	40.9%
Successful inventory management depends on feedback from customers' needs	4	4	6	20	10
	9.1%	9.1%	13.6%	45.5%	22.7%
Involving customers in inventory management process improves product quality, reduce costs and increase customer satisfaction	5	5	5	16	13
	11.4%	11.4%	11.4%	36.4%	29.5%

Source: Primary data, (2016)

Graph 5 and Table 8 are in conformity that 30(68.2%) respondents were in agreement that customers provide information about products leads to the fulfillment of the need that has not yet been met, 9(20.5%) disagreed, 5(11.4%) were not decisive about the statement since they were naive in their opinion.

Ernst et al, (2010) asserted that, customers are able and willing to provide ideas for new goods or services that may fulfill needs that have not yet been met by the market or might improve on existing offerings and makes them loyal. This possibly means that information customers provide about products leads to the fulfillment of the need that has not yet been met in market.

The findings in Table 7 illustrate that 29(65.9%) respondents agreed that feedback allows customers to take an active and central role in setting inventory management policies, 7(15.9%) strongly disagreed and those that were not decisive about the statement were 8(18.2%).

O'Hern and Rindfleisch (2009) affirmed that feedback in inventory management is the practice of combined inventory management by firms and customers and thus, Feedback allows customers to take an active and central role as participants and this result in trust and satisfaction. This can mean that customers take an active and central role in setting inventory management policies through giving Feedback to management.

The primary data in Table 7 further indicate that 30(68.2%) respondents agreed that successful inventory management depends on Feedback from customers' needs, 8(18.2%) disagreed and 6(13.6%) were indecisive about the statement. Prahalad and Ramaswamy (2004) noted that organizations that manage this process effectively will ultimately achieve a sustainable competitive advantage over the competition and successful inventory management depends on Feedback from customers' needs that are availed to them by management

The findings in Table 7 show that 29(65.9%) respondents agreed that involving customers in inventory management process improves product quality, reduce costs and increase customer satisfaction, 10(22.8%) disagreed and 5(11.4%) were not decisive about the statement.

Etgar, (2008) emphasized that relative to these costs, customers compare benefits of engaging in feedback activities in inventory management process and thus, involving customers in inventory management process improves product quality, reduce costs and increase customer satisfaction therefore, customers should be involved in inventory management process since they lead to an improvement in product quality, reduce costs and increase customer satisfaction

4.7 Conclusion

The analysis of the primary data indicates that variables; Just -In- Time, Periodic Review System and ABC Model all have a positive effect on customer satisfaction since it has been revealed in the findings that majority of the responses were positive in nature. This possibly means that those minor deviations of consumer behavior still exist. Further explanation and summary of findings is presented in Chapter Five.

CHAPTER FIVE

SUMMARY OF THE FINDINGS, CONCLUSION AND RECOMMENDATION

5.0 INTRODUCTION

The chapter presents the summary of the major findings from the study, conclusions and the recommendations which are based on the study findings. The major objective of the study was to examine the effect Inventory Management on Consumer Satisfaction in line with Shoprite (U) Ltd

5.1 SUMMARY OF MAJOR FINDINGS

The discussion and findings above established that there is a strong positive relationship between inventory management practice of Just-In-Time and Periodic Review Inventory and consumer satisfaction. However, ABC model had a high level of agreement but the relationship was weak. Therefore inventory management is an important function that can be used by Shoprite (U) Ltd to ensure their growth since it is one of the primary drivers of the business and an economy of a country. On the other hand, there are other factors that lead to the success of the organization other than inventory management these among others may include range of choice, pricing strategy, effective marketing. Shoprite (U) Ltd in this regard is using all kinds of tricks to attract customers from introducing to new offers to give them discount loyalty. Supermarkets are providing all kind of incentives to customers. And starts of online shopping of grocery service by supermarkets have created more convenience for the consumers to order their groceries from the comfort of their home

5.1.1 JUST-IN-TIME STRATEGY AND CUSTOMER SATISFACTION

Findings possibly revealed that there is a moderate weak positive relationship between Just-In-Time and customer satisfaction with a Pearson correlation determinant of ($r = 0.467^{**}$ $p < 0.005$). This can imply that through Just-In-Time strategy, there is minimization of inefficiencies and unproductive time in the production process and continuous improvement in the process and quality of the product or service. Implementing Just-In-Time strategy of inventory management allows Shoprite (U) Ltd to serve their customers faster and more efficiently. Companies that use the Just-In-Time strategy have a greater level of control over the entire manufacturing process, making it easier to respond quickly when the needs of customers change.

5.1.2 PERIODIC REVIEW SYSTEM AND CUSTOMER SATISFACTION

Findings proved that there is a moderate strong significant positive relationship between Periodic Review System and customer satisfaction with a Pearson correlation determinant of ($r = 0.612^{**}$ $p < 0.000$). This implies that through Periodic Review System of inventory management by Shoprite (U) Ltd ensures that the financial investment in inventories is optimal and this further create a linkage between efficient utilization of working capital and minimization of cost due to deterioration, obsolescence, damage and pilferage of inventory and in return promotes economy in purchasing and availability of products time to customers. A Periodic Review System ensures Shoprite (U) Ltd only monitor their inventory levels on a periodic basis and establish a consistent order and delivery frequency with their suppliers.

5.1.3 ABC MODEL AND CUSTOMER SATISFACTION

The findings revealed that there is a moderate weak but increasing positive relationship between ABC Model and customer satisfaction as shown by Pearson correlation product of ($r = 398^{**}$ $p < 0.001$). This implies that through ABC analysis products are categorized based on importance. ABC measures the significance of each item of inventory in terms of value. Importance may come from cash flows, lead time, stock outs, stock-out costs, sales volume or profitability. If this method is applied with care, Shoprite (U) Ltd is able to rank their products that are consumed most frequently by the customers and these can be perceived as being of high value to the customers hence needed the tightest control as compared to the products that are not consumed very often

5.2 Conclusions

The first study objective established a relationship between Just-In-Time Strategy and Customer Satisfaction and findings revealed that Just-In-Time Strategy has a moderate relationship with Customer Satisfaction implying Just-In-Time strategy minimizes inefficiencies and unproductive time in the production process and continuously improves the process and quality of the product or service. Implementing Just-In-Time strategy of inventory management allows Shoprite (U) Ltd to serve their customers faster and more efficiently.

The second objective established a relationship between Periodic Review System and Customer Satisfaction; the findings revealed that there is a strong positive relationship between Periodic Review System and Customer Satisfaction. This implies that Periodic Review System of inventory management by Shoprite (U) Ltd will ensure that financial investment in inventories is optimal and this further create a linkage between efficient utilization of working capital and

minimization of cost due to deterioration, obsolescence, damage and pilferage of inventory and in return promotes economy in purchasing and availability of products time to customers.

The final objective established a relationship between ABC Model and Customer Satisfaction. The findings revealed that there is a moderately weak but increasing positive relationship between ABC model and Customer Satisfaction. Therefore, through use of ABC model, Shoprite (U) Ltd will benefit in terms of; cash flows, lead time, stock outs, stock-out costs, sales volume or profitability. If ABC model is applied with care, it helps Shoprite (U) Ltd to rank their products that are consumed most frequently by the customers and these can be perceived as being of high value to the customers hence needed the tightest control as compared to the products that are not consumed very often

In general, the use of Just-In-Time, Periodic Review Strategy and ABC model inevitably lead to consumer satisfaction towards products and services Shoprite (U) Ltd offers in terms of price, profit margin, price and increase in customer base.

5.3 Recommendations

Based on the findings made in the course of this study, the following recommendations are hereby suggested:

The study recommends that businesses should build a long-term motivational spirit amongst employees whereby the emphasis is not on how to share their experience with the new employees through orientation training, job security, employee's benefits and the retirement packages hence fostering proper performance.

Since organization cannot relegate the importance of evolving and maintaining effective inventory control system to the background, there is the need for them to adopt a proactive

attitudes towards the issue. Being proactive requires maintenance of the right level of inventory at any point in time. Organizations should avoid the dangers that are inherent in keeping too little or too much of stock.

There is a need for a long term plan to be put in place that will encourage the business to be more purposeful and improve their performance especially through conjunction with the government and other private sector operatives to boost and uplift their incentives through calling for subsidies and different government projects.

To curb various challenges in the organization should consider implementation of a vendor managed inventory to lower incidences of stock-out situations, increase the levels of customer services and reduce costs due to an increase in inventory turns and a decrease in the levels of safety stock and greater transparency in supply chain management. Vendor managed inventory also helps in the establishment of a long trustworthy relationship between the supplier and customer resulting in more loyal customers and thus secured sales

5.4 Suggestions for further research

There is need to conduct research on the impact of inventory management on firms profitability

The suggestion for future research would be to conduct a research about inventory management in service providing businesses for instance hotels and schools.

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Appendix 1

QUESTIONNAIRE

Dear respondent,

I am **KIGONGO JACKIE** a student of Uganda Martyrs University pursuing a bachelor's degree in Business Administration and Management. I am carrying out a research/study on **“The effect of inventory management on customer satisfaction.”** The purpose of the study is to establish whether inventory management has a significant effect on customer satisfaction. You are requested to answer the questionnaire briefly. All information given is for academic purposes and your response will assist me in completion of this research. Please spare a few minutes of your time and answer the following questions precisely. I have identified you as the best person to help me through this study.

All the information provided will be treated with confidentiality and will only be used for academic purposes. Thank you very much for your time.

INSTRUCTIONS:

- I kindly request you to tick or fill in the given space.
- Each box will be ticked once and not twice.

SECTION A: BACKGROUND INFORMATION OF RESPONDENTS: *(please tick)*

i. Sex: Male Female

ii. Education Level:

Masters secondary primary
Bachelors Diploma others specify

iii. Duration of years worked in an organisation

(0-5) (5-10) (10-15) (15-20)

20 and above

iv. Department: Marketing Accounting Procurement Human

resource others specify.....

Please indicate the number which best suits your answer using the key below;

Apply a tick where applicable using the following key;

Strongly disagree	Disagree	Not sure	Agree	Strongly agree
1	2	3	4	5

What is your opinion about inventory management?

.....

.....

.....

What is your opinion about customer satisfaction?

.....

.....

SECTION B: JUST IN TIME (JIT) AND CUSTOMER SATISFACTION

No.	Statement	1	2	3	4	5
1.	Just in time inventory management system satisfies customers					
2.	JIT leads to reduction in inventory levels and shorter product lead times.					
3	JIT increases customer satisfaction by availing products in time.					
4	JIT strategy minimizes inventory costs which lead to lowering of prices for customers.					
5	Control over entire manufacturing process is achieved which makes it easy to respond quickly when a need of customers change.					

How has the use of Just-In-Time strategy contributed to the increase of level of customer satisfaction?.....

SECTION C: PERIODIC REIVIEW SYSTEM AND CUSTOMER SATISFACTION

No.	Statement	1	2	3	4	5
1.	Periodic review inventory leads to customer satisfaction					
2.	Periodic review system is to develop free flowing order fulfillment and delivery systems					
3	Reviewing periodically reduces the possibility of damage, spoilage and loss hence better inventory management.					
4	Periodic review system uses sale information systems to identify real time demand of products and services					
5	Periodic reviews determine and regulate items of inventory kept in stock and what quantities are stocked					

When a customer returns a product because it is damaged and doesn't have a warranty, what would be his/her reaction? How can the organization handle the situation?.....

.....

SECTION D: ABC MODEL AND CUSTOMER SATISFACTION

No.	Statement	1	2	3	4	5
1.	ABC model of inventory leads to customer satisfaction					
2.	The model helps to measure the significance of product in terms of value perceived by the customers.					
3.	The availability of products in a store creates customer satisfactions.					
4.	The ABC model helps to analyze product sales and avails stock to fulfill customer's order.					
5.	Organizations know which special orders sell on occasion and have those products available in a limited quantity.					

Has the categorization of items or products increased customer satisfaction? If yes explain how briefly

.....

.....

**SECTION E: INFORMATION TECHNOLOGY (IT) IMPACT ON INVENTORY
MANAGEMENT AND CUSTOMER SATISFACTION**

No.	Statement	1	2	3	4	5
1.	Use of IT ensures proper inventory management and customer satisfaction					
2	IT sequences the data of inventory to provide efficient lay out of the most consumed products					
3.	Customer requirements drive the need for networked organizations hence networked inventory management.					
4.	Customer relationships are managed through capturing every interaction an organization has with a customer from the point of purchase.					
5	Efficient inventory management bases on inventory information system which stores all data required for efficient and accurate inventory management					

How has information technology affected inventory management in your organization?

.....

.....

FEEDBACK IMPACT ON INVENTORY MANAGEMENT AND CUSTOMER SATISFACTION

No.	Statement	1	2	3	4	5
1.	Feedback leads to proper inventory management and customer satisfaction					
2.	Customers provide information about products that leads to the fulfillment of the need that has not yet been met					
3.	Feedback allows customers to take an active and central role in setting inventory management policies.					
4.	Successful inventory management depends on feedback from customers' needs					
5.	Involving customers in inventory management process improves product quality, reduce costs and increase customer satisfaction.					

When customers give feedback to the organization can that lead to effective inventory management?.....

.....



making a difference

Office of the Dean
Faculty of Business Administration and Management

Your ref.:
Our ref.:

Nkozi, 17th May 2016

To Whom it may Concern

Dear Sir/Madam,

Re: Assistance for Research:

Greetings and best wishes from Uganda Martyrs University.

This is to introduce to you Kigongo Jackie-----who is a student of Uganda Martyrs University. As part of the requirements for the award of the Degree of Bachelor of Business Administration and Management of the University, the student is required to submit a field based study work which involves a field research on a selected case study such as a firm, governmental or non governmental organization, financial or other institutions.

The purpose of this letter is to request you permit and facilitate the student in this survey. Your support will be greatly appreciated.

Thank you in advance.

Yours Sincerely,

Mr. Edward Segawa
Associate Dean

