

Replenishment Cycle

The replenishment cycle occurs at the retailer/distributor interface and includes all processes involved in replenishing retailer inventory. It is initiated when a retailer places an order to replenish inventories to meet future demand. A replenishment cycle may be triggered at a market that is running out of stock of detergent or at a mail order firm that is low on stock of a particular shirt.

The replenishment cycle is similar to the customer order cycle except that the retailer is now the customer. The objective of the replenishment cycle is to replenish inventories at the retailer at minimum cost while providing high product availability. The processes involved in the replenishment cycle include:

- Retail order trigger
- Retail order entry
- Retail order fulfillment
- Retail order receiving

Retail Order Trigger. As the retailer fills customer demand, inventory is depleted and must be replenished to meet future demand. A key activity the retailer performs during the replenishment cycle is to devise a replenishment or ordering policy that triggers an order from the previous stage. The objective when setting replenishment order triggers is to maximize profitability by ensuring economies of scale and balancing product availability and the cost of holding inventory. The outcome of the retail order trigger process is the generation of a replenishment order that is ready to be passed on to the distributor or manufacturer

Retail Order Entry. This process is similar to customer order entry at the retailer. The only difference is that the retailer is now the customer placing the order that is conveyed to the distributor. This may be done electronically or by some other medium. Inventory or production is then allocated to the retail order. The objective of the retail order entry process is that an order be entered accurately and conveyed quickly to all supply chain processes affected by the order.

Retail Order Receiving. Once the replenishment order arrives at a retailer, the retailer must receive it physically and update all inventory records. This process involves product flow from the distributor to the retailer as well as information updates at the retailer and the flow of funds from the retailer to the distributor. The objective of the retail order receiving process is to update inventories and displays quickly and accurately at the lowest possible cost.

Chopra, Sunil and Peter Meindl. Supply Chain Management. 2 ed. Upper Saddle River: Pearson Prentice Hall, 2004.