

Category	Type	Benefit
Corporate	Safety	Safeguards against supply uncertainties such as national or international strikes
Sales and marketing	Demand uncertainty	Ensures demand is met even if demand forecasts are inaccurate
	Customer agreement	Meets customer requirement such as holding safety stock on a customer site to ensure demand is met and lead time reduced
	Product launch	Allows demand spike to be met when product is launched
Purchasing	Quantity discounts	Supports price order-winner by reducing material cost through bulk buying
Operations	Decoupling	Separates one process from the next so they can be run independently of each other and used more efficiently
	Cycle	Allows process to run different batch sizes to each other to reflect set-up times, customer order sizes and call-off patterns. Increasing production run lengths reduces set-up costs and increases capacity utilization
	Pipeline	Allows the company to outsource one or more processes and utilize capability and capacity not present in-house
	Capacity related	Meet anticipated future sales by making inventory in low sales periods and selling in the high sales periods. This stabilizes demand and increases capacity utilization
	Buffer	Protects against unpredictable changes in demand or supply to ensure service levels are maintained. Note that inventory levels above this requirement are corporate safety stocks

EXHIBIT 10.12 Benefits of using inventory by category and type