

## **ABSTRACT**

*Raw material is one of important aspect that supports the production process in which it becomes the initial input to be transformed into finished goods. Therefore, in the manufacture, inventory of raw material highly determines the continuity of production process.*

*In warehouse of PT. XYZ, inventory management is not performed well because the amount of inventory does not match with the amount of demand. This problem will cause a bad effect to the company, in which the company has to spend more total inventory cost frequently.*

*This research will use probabilistic method of continuous review system to apply the optimal inventory parameters, such as interval time of reorderpoint and amount of order for each raw material that will lead to the result of the least inventory cost. The calculation using probabilistic method of continuous review system leads to the conclusion of company efficiency in a rate of 70.43%, in which the actual inventory cost of Rp 571.112.851 is extremely decreased to Rp 168.858.186.*