ABSTRACT

PT XYZ is one of the distributor companies that engaged in the sale of auto spare parts. PT XYZ sells a variety of spare parts for various brand of cars such as Toyota, Suzuki, Daihatsu, Mitsubishi, etc. One type of spare parts sold by PT XYZ is consumable parts. These spare parts have more varied demand than other types of spare parts sold by the company. However PT XYZ is often faced with problems such as low level of demand fulfillment for consumable parts especially brake shoe products.

Based on the problem, inventory management must be done appropriately so that the level of fulfillment of demand can reach the target set by the company by considering to total minimum of inventory cost. In this research, optimum inventory policy will be determined using continuous review method (s, S) and continuous review (s, Q) to determine the lot size of ordering, safety stock, reorder point, and also to minimize total inventory cost.

The results of inventory policy proposal calculation using continuous review method (s, S) is able to provide total cost savings of 15% and continuous review method (s, Q) able to provide total cost savings of 27%.

Keywords: *Inventory Policy*, *Stockout*, *Continuous Review* (s, S), *Continuous Review* (s, Q).