

## **ABSTRACT**

PT XYZ is a company located in Kendari, Southeast Sulawesi. This company sells building materials, such as paint. The company sells various types of paints such as wall paint, tile paint, wood paint and iron to meet customer needs. The company has a budget or budget for each warehouse, transportation and inventory operating costs. The company has a budget limit that must be spent on annual inventory costs, which is Rp22,023,220,00. In reality, the company's inventory costs are still not in accordance with its target budget. The reason for the high total cost of inventory at PT XYZ is caused by overstock and lost sales. Factors causing overstock and lost sales are the absence of calculations regarding inventory policies.

Based on these problems inventory policies are needed so that the problem of high inventory costs can be minimized. This study uses the continuous review method (s, S). The steps of the research are to classify product, then calculate the proposed inventory policy using continuous review (s, S) method. This research was conducted to determine the optimal number of orders, the maximum inventory level, reorder points, safety stock to minimize total inventory costs.

The results of this study obtained an optimal quantity of 60 units, a reorder point of 46 units, safety stock of 17 units, and a maximum inventory level of 106 units. The proposed inventory policy able to minimize total inventory costs from Rp234.032.558,47 to Rp21.220.947,89 by savings of 90,9%. The total proposed inventory costs can be reduced below the target inventory cost budget set by the company, which is Rp22.023.220,00.

**Keywords:** Inventory Policy, Overstock, Lost Sales, Continuous Review (s, S)