ABSTRACT

CV XYZ is a company operating in the garment industry, specializing in the production of bags, using both Make to Stock (MTS). production systems. This company faces challenges related to excess inventory (overstock) which increases storage costs and reduces product quality due to too long storage. The absence of a clear inventory policy and material classification system is the main factor causing this problem. This study aims to design an inventory policy system using the continuous review system (s, S) and periodic review system (R, s, S) methods to minimize overstock at CV XYZ. The continuous review method (s, S) and the periodic review method (R, s, S) were chosen because they have been proven to reduce inventory levels and the associated costs. Material classification will be carried out using the ABC analysis method, which produces three categories: Category A, which will use the continuous review system (s, S) method, and Categories B and C, which will be managed using the periodic review system (R, s, S) method. Designing an inventory policy using the continuous review system (s, S) will produce a reorder point, optimal order quantity, and maximum inventory level, while the periodic review system (R, s, S) method will determine the review interval, reorder point, and maximum inventory level. The proposed inventory policy using continuous review system (s, S) and periodic review (R, s, S) can successfully reduce the total material inventory by 57.9%, equivalent to 34,614 meters, from an initial inventory of 59,778 meters to 25,164 meters, and achieved a total inventory cost saving of IDR 10.828.706.

Keywords: Material, *Overstock, Continuous Review System, Periodic Review System*