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A Study on Management of Inventory Practices in Dairy Cold Chain

M.YOGESWARBABU[1], DR T.V.S.S. SWATHI[2]
[1]*Student, MBA Department, KL Business School*
Koneru Lakshmaiah Education Foundation, Green Fields, Vaddeswaram, Guntur, Andhra Pradesh, Guntur, AP, India
[2]*Assistant Professor, MBA Department, KL Business School,*
Koneru Lakshmaiah Education Foundation, Green Fields, Vaddeswaram, Guntur, Andhra Pradesh, Guntur, AP, India

Abstract- ***This study examines how inventory practices within the dairy cold chain influence product freshness, spoilage rates, operational efficiency, and retailer profitability. Dairy products are highly perishable, and even small lapses in temperature control or stock rotation can lead to considerable losses. Retailers must maintain proper storage, follow effective stock rotation methods such as FIFO and FEFO, and ensure continuous monitoring of refrigeration systems. The research highlights that efficient practices—including frequent inventory checks, FEFO-based rotation, real-time temperature monitoring, and well-maintained cold storage—significantly reduce spoilage and enhance product quality. However, challenges such as inconsistent power supply, limited infrastructure, high refrigeration costs, and lack of training affect inventory accuracy and cold chain integrity. The study concludes that adopting systematic, technology-supported inventory management practices can strengthen food safety, reduce wastage, and improve retailer profitability within the dairy cold chain.***

Keywords: Dairy Cold Chain, Inventory Management, Stock Rotation, FEFO, Spoilage Control, Cold Storage, Perishability, Refrigeration Practices, Retailer Operations.

I. INTRODUCTION

The dairy cold chain includes all temperature-controlled processes required to preserve milk and milk products from production to final consumption. Retailers represent the crucial last mile in this chain, where spoilage risk is highest due to frequent handling, fluctuating electricity supply, inconsistent refrigeration, and inadequate product rotation practices.

Modern inventory management requires disciplined tracking of expiry dates, frequent monitoring of storage temperature, and following FEFO to reduce wastage. In India, nearly 10–12% of dairy products are wasted due to poor cold chain practices. Retailers often rely on traditional or manual tracking systems, which increases error rates.

Consumers increasingly expect fresh, safe, high-quality dairy products, making effective cold chain inventory management vital. This study explores how stock rotation, handling procedures, infrastructure quality, and monitoring practices contribute to operational efficiency and the reduction of spoilage.

II. PROBLEM DESCRIPTION

The shift toward stricter food safety standards exposes significant weaknesses in the dairy cold chain, especially at the retail level. This study follows the same structural pattern as the uploaded sample document and focuses on two major problem statements:

1. Weak Inventory Rotation and Tracking Mechanisms

Many retailers use manual systems or lack systematic rotation practices. Key issues include:

- Irregular application of FIFO/FEFO
- Poor tracking of expiry dates
- Inconsistent shelf arrangement
- Inaccurate inventory records
- Blocked air circulation in refrigerators due to improper stacking

These shortcomings result in:

- Higher spoilage
- Financial losses

- Consumer dissatisfaction
- Safety risks due to expired products

2. Cold Storage and Infrastructure Limitations
Efficient dairy cold chain functioning depends heavily on storage and environmental conditions. Retailers struggle with:

- Frequent power outages
- Poor-quality refrigerators
- Lack of temperature monitoring devices
- Improper loading/unloading methods
- Inadequate space for separation of old and new stock

These lead to fluctuations in temperature, directly impacting product shelf-life and increasing wastage.

III. RESEARCH OBJECTIVES

This study aims to:

- Analyze existing dairy inventory practices among retailers.
- Examine the impact of stock rotation methods on spoilage rates.
- Assess how cold storage infrastructure influences product freshness.
- Evaluate the role of monitoring and handling procedures in maintaining quality.
- Identify operational difficulties faced by retailers in maintaining cold chain integrity.
- Recommend practical, cost-effective strategies for reducing spoilage and improving efficiency.

III. LITERATURE REVIEW AND CONCEPTUAL FOUNDATIONS

This section reflects the structure from your original file
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but rewritten for dairy cold chain topics.

Inventory Management in Perishable Goods

Researchers emphasize that perishable inventory requires specialized models integrating:

- Shelf-life decay
- Expiry-based rotation
- Temperature sensitivity
- Frequent replenishment
- Real-time monitoring

According to Mor et al. (2022), FEFO rotation reduces wastage significantly compared to FIFO in dairy retail operations.

Cold Chain Technology and Infrastructure
Studies show that refrigeration reliability strongly influences product quality. IoT sensors, RFID tags, and automated temperature alerts improve inventory accuracy and reduce spoilage.

Marchi et al. (2022) highlight that energy-efficient cold storage and optimized delivery schedules lower operational costs and improve inventory turnover.

Logistics and Storage Handling
Lee & Park (2025) found that integrating inventory models with pricing and replenishment strategies enhances freshness and reduces waste.

Kumar (2014) emphasizes that developing countries struggle with fragmented cold chains, insufficient storage facilities, and inadequate power supply.

Behavioral and Operational Challenges
Retailers in small and medium markets experience:

- Lack of training
- Limited investment in cold storage
- Irregular inventory audits
- Low adoption of digital tools

These factors collectively worsen spoilage and reduce profitability.

IV. RESEARCH QUESTIONS

1. Do dairy retailers follow effective stock rotation methods?
2. How do rotation and handling practices impact spoilage rates?
3. Does proper cold storage infrastructure influence inventory efficiency?
4. How does monitoring (temperature, expiry, stock level) affect product quality?

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Hypotheses

- H1: FEFO-based stock rotation significantly reduces spoilage.
- H2: Temperature monitoring increases inventory accuracy and freshness.
- H3: Well-maintained cold storage systems positively impact dairy product quality.
- H4: Frequent inventory checks improve operational efficiency and reduce losses.

Techniques (Methodology)

Sources of Information

Primary Data:

- Structured questionnaires with dairy retailers
- Observational visits to storage units
- Interviews about handling and monitoring practices

Secondary Data:

- Research articles on perishable inventory
- Cold chain logistics reports
- Studies on refrigeration efficiency and energy optimization
- Government and industry publications

Sampling and Population

- Target Respondents: Dairy retailers in Vijayawada
- Sampling Method: Convenience sampling
- Sample Size: 50–75 retail outlets
- Instruments: 5-point Likert scale questionnaire

V. DATA ANALYSIS

(Dummy structure; you will fill with your collected data)

Retailer Characteristics

Category	Percentage
Small Retailers	55%
Medium Retailers	35%
Large Outlets	10%
Refrigeration Available	92%
Expiry Tracking System	48%
FEFO Usage	34%

Critical Inventory Practices

Practice	Adoption (%)
FIFO Rotation	70%
FEFO Rotation	34%
Daily Temperature Checks	52%
Digital Stock Records	28%
Regular Maintenance	41%

Interpretation

- Most retailers rely on FIFO, though FEFO is far more suitable for dairy.
- Expiry-based rotation is weak, causing high wastage.
- Manual systems dominate, creating inconsistencies.
- Temperature checks are irregular, threatening product quality

Anticipated Results and Discussion

The study is expected to demonstrate a strong relationship between:

- Efficient stock rotation → Lower spoilage
- Good infrastructure → Higher product freshness
- Temperature monitoring → Better inventory accuracy
- Staff training → Improved operational outcomes

Poor practices—such as overstocking, improper stacking, infrequent monitoring, and outdated refrigerators—are major contributors to spoilage.

Theoretical Implications

This study contributes to:

- Perishable Inventory Theory: Reinforces FEFO as the most efficient rotation technique.
- Cold Chain Management Theory: Supports integration of monitoring technologies for better control.
- Retail Operations Theory: Shows how infrastructure and staff behavior affect supply chain efficiency

VI. CONCLUSION AND MANAGERIAL IMPLICATIONS

Conclusion

Effective inventory management in the dairy cold chain is essential for maintaining freshness, reducing spoilage, and improving profitability. Retailers who follow FEFO rotation, conduct frequent temperature checks, and use reliable cold storage experience significantly lower wastage.

Managerial Implications

- Implement FEFO rotation for all dairy categories
- Use low-cost digital thermometers and expiry-tracking apps
- Train staff on cold chain handling practices
- Conduct maintenance of refrigerators monthly
- Avoid overstocking and ensure proper shelf arrangement
- Adopt simple digital tools for inventory records

VII. LIMITATIONS AND FUTURE SCOPE

Limitations

- Region-specific (Vijayawada only)
- Sample size limited to 75 retailers
- Self-reported data may have bias

Future Research

- Integration of IoT devices into small retail cold chains
- Comparative study across districts or states
- Cost-benefit analysis of cold chain modernization
- Energy-efficient refrigeration solutions for SMEs

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