Consignment
The consignment inventory is primarily designed to prevent customers who have a hard time predicting their demand from running out of ink. The customer orders, based upon his estimated demand for a given period (usually one month), a predetermined amount of his most frequently used colors, which could include mixing inks, process colors and/or large volume specials. Billing is deferred until the end of that period, at which time the customer is billed for the ink he **actually** used during that period, determined by a physical inventory of the consignment items. A full unit billing system is employed, which means that once the customer has opened a given unit of ink (a can, a case of cans, a kit or a drum) he pays for the entire unit. When he is billed, the customer has 30 days from the date of the invoice to pay.

At the end of each consignment-billing period, the customer's inventory is restocked to a level based on the previous period's usage. An approximation of this level is calculated by multiplying last period's usage by one and one half. For example, if he used 85 pounds of process magenta during the period just ended, his inventory level for the new period should be 125 pounds. The object is to ensure that the customer always has enough ink without maintaining an unduly high inventory.

There are a number of advantages that the customer derives from the consignment inventory arrangement.

* The customer reduces the risk that he will run out of ink.

* The customer receives a volume price, but pays only for the ink actually used.

* Additionally, credit is extended by the length of the consignment period, since the customer is not billed for the ink consumed until the end of each period.