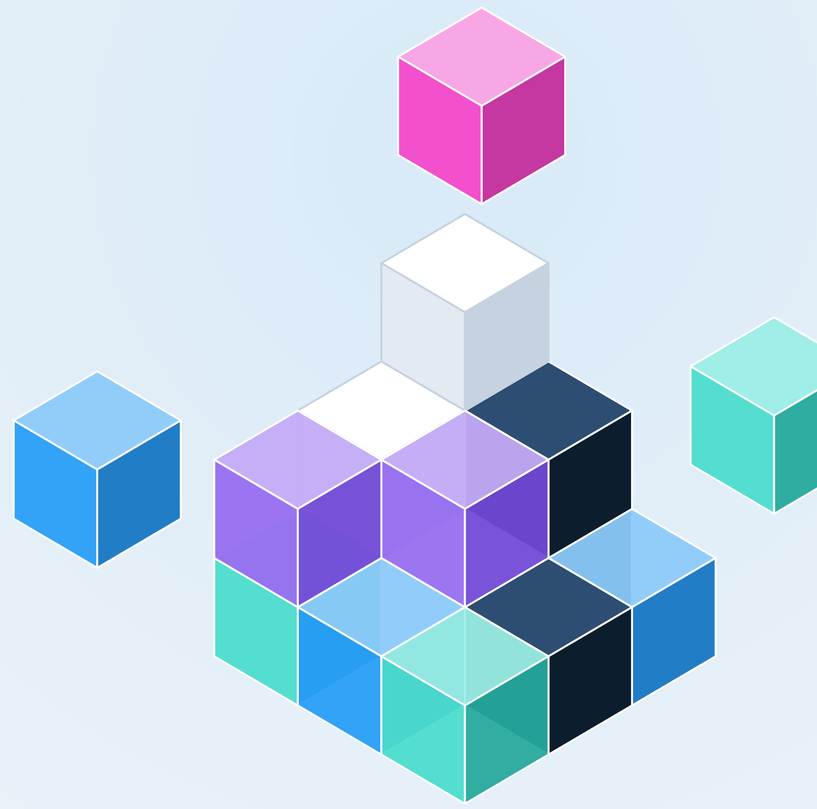
SUPPLY CHAIN & LOGISTICS

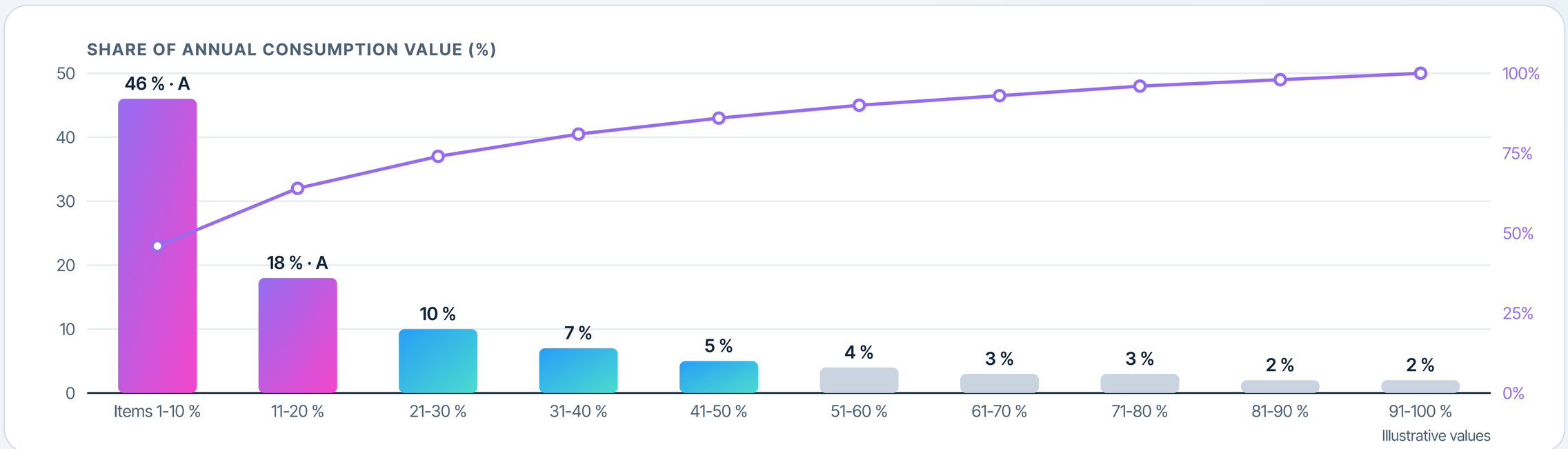
Inventory ABC Analysis

ABC analysis ranks inventory items by annual consumption value and splits them into classes, so that control effort matches the value at stake.



01 THE CORE MODEL

PARETO DISTRIBUTION · VALUE BY ITEM DECILE



A items

Few items, most of the value: tight control and frequent review.

B items

The middle group: standard rules and periodic review.

C items

Many items, little value: simple, low-effort rules.

02 USING THE CLASSES

ABC decides how much management attention each item gets.

C ITEMS — A ITEMS

C ITEMS: KEEP IT SIMPLE

- \+ Larger lot sizes, fewer orders
- \+ Two-bin or vendor-managed stock
- − Do not ignore critical C parts

A ITEMS: CONTROL CLOSELY

- \+ Frequent forecasts and reviews
- \+ Low safety stock, short cycles
- \+ Close supplier collaboration

03 WORKED EXAMPLE

SPARE-PARTS STORE WITH 4,000 ITEMS · ILLUSTRATIVE

RANK
By annual value
usage × unit cost

→

CLASSES
A · B · C
at agreed thresholds

→

RULE FOR A
Weekly review
top 800 items

→

RULE FOR C
Two-bin system
no counting needed

04 MANAGEMENT TAKEAWAYS

01
Classify by consumption value
Use annual usage × unit cost, not price alone.

02
Add a criticality check
A cheap C part can stop a line; flag it separately.

03
Reclassify regularly
Demand shifts; review the classes at least once a year.

05 COMMON MISTAKE

LIMITATION
ABC as the only lens
Value alone ignores demand variability. Combine it with XYZ analysis to set planning rules.