Supply Chain Weekly Blast #022 : Inventory Classification



As the name suggests, inventory classification is a method to define the priorities of different SKUs, so that customized inventory management practices can be applied.

Exemples

ABC Classification

Cumulative Sales

80%

Α

VED Classification

It is either based on sales or volumes (where financial information is not available).



It is based of criticality of items :



E (Essential) Important SKUs but less than those in Class "V"

> **D (Desirable)** Least critical



It is an approach that uses **ABC and VED classification simultaneously**. As ABC classification is a quantitative approach and VED is a qualitative approach, a combined

	V	E	D
А	A-V	A-E	A-D
В	B-V	B-E	B-D

approach exploits benefits of both.

В

SKUs

С

С	C-V	C-E	C-D

Class A and Vital SKUs should have stricter inventory control, better sales forecast. Their stock-outs should be avoided. **Class B and Essential** SKUs should have inventory control policy somewhat in between the two above.

Class C and Desirable SKUs should be reordered less frequently. Sometimes, inventory policy for class C items is just keeping only one unit at hand.

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