

Not All Inventory Is Equal: ABC Analysis

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Even a small convenience store displays thousands of products, and a factory parts warehouse holds tens of thousands of items. Counting, ordering, and managing every one of them with the same care would take endless people and time. Yet when you actually look closely, the items that tie up a lot of money are fewer than you might think. The method that put this fact to work in inventory management is “ABC Analysis.” ABC analysis is an inventory classification technique that divides inventory into three classes, A, B, and C, based on each item’s annual usage value, and applies a different level