Certified in Logistics, Transportation and Distribution

ABC Analysis of Inventory

CLTD On-Demand Training for Self-Study Professionals

Are you preparing for the CLTD certification through self-study? As an experienced supply chain professional, you already have strong practical knowledge—but some topics may still need expert clarification. Fhyzics Business Consultants bridges that gap with on-demand, topic-oriented CLTD training sessions designed specifically for self-learners.

Whether you need guidance on a single concept or an entire module, our focused training helps you master complex areas quickly and confidently. Get personalized support, strengthen your exam readiness, and elevate your supply chain expertise—on your schedule.

Mobile: +91-900-304-9000 (WhatsApp)
Email: Certifications@Fhyzics.net

ABC Analysis of Inventory

1. Definition of ABC Analysis

ABC analysis is an inventory categorization technique that divides items into three groups (A, B, and C) based on value, usage, or criticality. 'A' items are high-value or high-priority, 'B' items moderate, and 'C' items low. Understanding this helps prioritize inventory management efforts, optimize resources, and improve overall supply chain efficiency.

2. Purpose of ABC Analysis

The primary purpose is to focus attention and resources on items that significantly impact inventory cost, availability, or operations. It aids in better control, prioritization, and efficient allocation of warehouse space, ordering frequency, and monitoring efforts.

3. Classification Criteria

Items can be classified by annual consumption value, unit cost, criticality to production, or demand frequency. Choosing the right criteria ensures ABC analysis aligns with operational objectives and inventory optimization strategies.

4. A-Class Items

A-class items typically account for a small percentage of total items (10–20%) but a large portion of total inventory value (70–80%). These require strict control, frequent review, accurate forecasting, and precise replenishment to prevent stockouts or overstocking.

5. B-Class Items

B-class items represent a moderate percentage of total items (20–30%) and contribute to about 15–25% of inventory value. They require regular monitoring and less frequent review compared to A-class items, balancing control and operational effort.

6. C-Class Items

C-class items account for the majority of inventory items (50–70%) but a small portion of inventory value (5–10%). They require simplified controls, bulk ordering, and less frequent review to reduce administrative effort while maintaining availability.

7. Pareto Principle in ABC Analysis

ABC analysis applies the Pareto principle (80/20 rule), where a small percentage of items (A) accounts for most inventory value. Understanding this principle helps logistics professionals focus resources on high-impact items.

8. Inventory Control Policies by Class

Different classes require tailored policies: A-items need tight control, accurate records, and frequent review; B-items moderate control; C-items simplified procedures. Mastery ensures efficient use of resources without compromising service levels.

9. Ordering and Replenishment Strategies

ABC analysis informs ordering strategies: A-items may use frequent, smaller orders; B-items periodic review; C-items bulk ordering. This reduces total costs and aligns replenishment with demand patterns.

10. Safety Stock Determination

Safety stock levels differ by class: higher for A-items due to their criticality, moderate for B-items, and lower for C-items. Understanding this ensures appropriate inventory buffers and reduces stockouts for high-value items.

11. Cycle Counting and Inventory Accuracy

A-class items require frequent cycle counts to maintain accuracy, B-class items moderate counts, and C-class items minimal counts. Mastery ensures correct inventory records and prevents operational disruptions.

12. ABC Analysis and Warehouse Layout

High-value A-items are often stored in accessible locations for faster picking and monitoring. C-items may be placed in bulk storage. Mastery enhances picking efficiency, reduces handling costs, and supports lean operations.

13. Cost-to-Serve Considerations

ABC classification helps align cost-to-serve with inventory value and demand. High-value A-items justify more management resources, while low-value C-items require minimal investment. This optimizes operational costs.

14. Periodic Review of ABC Categories

Item importance may change over time due to demand shifts or price changes. Regular review ensures accurate classification and resource allocation, maintaining effective inventory management.

15. Integration with ERP/WMS
ABC analysis can be automated using ERP or WMS systems for real-time monitoring, reporting, and ordering. Mastery ensures efficient, accurate, and scalable inventory control processes.

16. Supplier Management Implications
A-class items often require close supplier collaboration for reliability, lead-time management, and quality control. Understanding supplier dynamics ensures uninterrupted availability of critical inventory.

17. Lead Time Management
Lead times affect inventory planning differently for each class. A-items may require shorter lead times or multiple sourcing options, while C-items tolerate longer lead times without operational impact.

18. Impact on Working Capital
Prioritizing resources for high-value A-items and optimizing C-item stock reduces excess inventory and working capital tied up in low-impact items, improving financial performance.

19. ABC Analysis and Demand Forecasting
Class-specific forecasting improves accuracy. A-items need precise forecasting and frequent updates, while B and C items can use simpler methods. Mastery supports efficient planning and prevents stock imbalances.

20. Continuous Improvement

ABC analysis supports continuous improvement by identifying high-value items for tighter control, reviewing misclassified items, and optimizing inventory policies. Regular refinement ensures cost efficiency, service level maintenance, and operational excellence.

*****

Micro-Learning Programs in Supply Chain Management & Procurement

Enhance your professional edge with Fhyzics Business Consultants' Micro-Learning Programs in Supply Chain Management and Procurement. Designed as focused, two-hour Executive Development Programs, these sessions deliver practical insights and tools to solve real-world business challenges. Conducted in small batches for personalized learning, participants gain a deeper understanding of key supply chain and procurement strategies that drive efficiency and profitability. Each participant receives a certificate of completion, adding value to their professional profile and career growth. Whether you aim to advance in your current role or explore new opportunities, this program equips you with the knowledge and confidence to excel.

Micro-Learning Programs in Supply Chain Management

1. Fundamentals of Supply Chain Management
2. Supply Chain Planning and Optimization
3. Demand Forecasting Techniques
4. Inventory Control and Management
5. Distribution and Logistics Strategy
6. Warehouse Layout and Operations Efficiency
7. Supply Chain Risk Management
8. Supply Chain Performance Metrics (KPIs)
9. Lean Supply Chain Practices
10. Agile and Responsive Supply Chains
11. Sales and Operations Planning (S&OP)
12. Supply Chain Network Design
13. Supply Chain Digital Transformation
14. AI and Data Analytics in Supply Chain
15. Supply Chain Sustainability and Green Logistics
16. Reverse Logistics and Returns Management
17. Supply Chain Collaboration and Integration
18. Supplier Relationship Management in SCM
19. Global Supply Chain Strategy
20. Transportation Management Systems (TMS)
21. Inventory Optimization Models
22. Demand-Driven MRP (DDMRP) Concepts
23. Blockchain Applications in Supply Chain
24. Supply Chain Cost Reduction Techniques
25. SCOR Model and Process Improvement

26. Capacity Planning and Resource Allocation
27. Managing Supply Chain Disruptions
28. End-to-End Supply Chain Visibility
29. Cold Chain Logistics Management
30. Supply Chain Compliance and Ethics
31. Import–Export Procedures and Documentation
32. Managing Third-Party Logistics (3PL) Providers
33. Supply Chain Collaboration Technologies
34. Production Planning and Scheduling
35. Strategic Supply Chain Design Using Case Studies
36. Circular Economy in Supply Chain
37. Vendor-Managed Inventory (VMI)
38. Transportation Optimization Techniques
39. E-Commerce Supply Chain Models
40. Omni-Channel Fulfillment Strategies
41. Warehouse Automation and Robotics
42. SCOR DS Roadmap for Supply Chain Excellence
43. Customer-Centric Supply Chain Strategies
44. Supply Chain Finance and Working Capital Management
45. Supply Chain Data Visualization Using Power BI
46. Strategic Sourcing in Supply Chain Context
47. Supply Chain Benchmarking and Best Practices
48. Integrated Business Planning (IBP)
49. Supply Chain in Crisis Management and Recovery
50. Future Trends and Technologies in Supply Chain

Micro-Learning Programs in Procurement

1. Fundamentals of Procurement Management
2. Strategic Sourcing and Category Management
3. Supplier Selection and Evaluation
4. Contract Management Essentials
5. Cost and Price Analysis in Procurement
6. Negotiation Strategies for Procurement Professionals
7. E-Procurement and Digital Tools
8. Procurement Planning and Budgeting
9. Risk Management in Procurement
10. Supplier Relationship and Performance Management
11. Sustainable and Ethical Procurement
12. Total Cost of Ownership (TCO) Analysis
13. Make-or-Buy Decision Frameworks
14. Procurement Policies and Governance
15. Procurement in Public vs. Private Sectors
16. Procurement Audit and Compliance
17. Procurement Data Analytics and Reporting
18. Procurement Scorecards and KPIs
19. Strategic Supplier Partnerships
20. Category Strategy Development
21. Managing Global and Offshore Procurement
22. Negotiation Simulation Workshop
23. Contract Law for Procurement Managers
24. Cost Reduction Strategies in Procurement
25. Supplier Risk Assessment Models

Micro-Learning Programs in Procurement …

26. Procurement Process Mapping and Improvement
27. Procurement Automation and AI Applications
28. Managing Procurement Teams Effectively
29. Procurement Ethics and Transparency
30. Procurement in the Digital Supply Chain
31. Vendor Consolidation Strategies
32. Spend Analysis and Optimization
33. Demand Forecasting for Procurement
34. E-Auction and Reverse Bidding Techniques
35. Inventory and Procurement Alignment
36. Procurement in Project-Based Organizations
37. Supplier Onboarding and Development
38. Procurement Market Intelligence
39. Measuring Supplier Innovation
40. Procurement in Times of Supply Disruption
41. Cross-Functional Collaboration in Procurement
42. Writing Effective RFPs, RFQs, and RFIs
43. Contract Negotiation Best Practices
44. Green Procurement and Circular Economy
45. Legal Aspects of Procurement Contracts
46. Performance-Based Contracting
47. Procurement Leadership and Strategic Influence
48. Cost Avoidance and Value Creation in Procurement
49. Managing Procurement with Power BI Dashboards
50. Future Skills and Trends in Procurement

Fhyzics Business Consultants Pvt. Ltd.

Professional Training Partner of ASCM, USA

www.Fhyzics.net

ASCM Referral Code
XEFHYZ88

Certifications@Fhyzics.net

+91-900-304-9000

CLTD aspirants may buy the
CLTD Learning System and Examination
Credits directly through ASCM Portal.
When purchasing CLTD Examination
Credit, please enter Referral
Code **XEFHYZ88** to receive CLTD
Recertification Guidance for life.