Smarter SKU Stratification

**Motivation / Background**

- 80/20 Rule

Current SKU stratification:
- Simple single factor method
- Ignores important factors
  - Volatility
  - Profit margin

**Key Question / Hypothesis**

- Can a better method be developed using multiple factors?
- Research: simple single factor => complex neural network
- A method of medium complexity, allowing subjective input from company experts will provide the most value.

**The Problem**

Identify an ABC analysis methodology that balances the effort required with the results gained. A method that is too simple leaves much opportunity; too complex and the effort required diminishes the results gained.

**Methodology**

- Consult Company Experts
- Identify Relevant Factors
- Dual-Factor Matrix
- Analytical Hierarchy Process
- Clustering
- Research Potential Methods
- Conduct Analysis
- Share Results

**Initial Results**

- Single-Factor analysis on each of the factors separately results in very different classification. Thus, more comprehensive method is necessary.
- Dual-Factor Matrix analysis indicates that the number and boundaries of these classifications are critical components.

**Expected Contribution**

- Identify relevant criteria for inventory stratification
- Develop methodologies to better understand and manage inventory in the CPG industry
- Propose a model that will identify stratifications based on multiple criteria
- Display how academic classification techniques can be applied to practical inventory management

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**Velocity Volatility Profit Margin Lead Time**