

# **Inventory ABC Class Generator Utility for Macola Reference Manual**

(Updated 1-12-10)

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If you have any questions about this software or need assistance, please call our PULSE Dashboard support desk at (513) 723 - 8096.

## INTRODUCTION

This utility will allow you to very quickly and accurately set the proper ABC class for each of your purchased and/or manufactured items. ABC classes are typically calculated separately for purchased items versus manufactured items.

### What are ABC inventory classes and why are they important?

Assigning ABC codes is a way of categorizing and tracking your inventory based on dollar usage over the prior 12 months:

- "A" items account for top 80% of dollar usage for the past 12 months.
- "B" items account for the next 15% of dollar usage for the past 12 months.
- "C" items account for the remaining 5% of dollar usage for the past 12 months.

ABC classes are assigned to allow you to focus the majority of your resources on managing the "A" class items. For example, if you have a total of 3,000 inventory items, you may have only 250 'A' class items. By focusing on just these 250 items, you will be better managing 80% of your dollar usage for the year.

### How does this utility work?

- The program relies on total dollar usage for the past twelve months for each item. This information is stored in the PULSE Dashboard table called 'Final Results'. Usage is defined as being a customer sale or return, or a manufacturing order component issue (a backflushed item).
- It reads each record in your item/location file, obtains the dollar usage from the Final Results table, computes the new class based on the calculation method chosen (see explanation of methods below), and displays the results.
- There are separate columns to display the current ABC class and the suggested class. Items that require a new class are bolded.
- If you do not agree with any of the suggested changes, you can change them.
- When you have finished your review, you press the 'update' button to update the ABC codes in your item/location file.

### Choose the method for calculating ABC class codes

- By items within each location – Let's say you have three warehouse locations and you want separate ABC classes for each location. For example, based on dollar usage, item #123 may be an 'A' item in one location and a 'B' item in another location.
- By item – This method gives each item the same class, regardless of its warehouse location. The program adds up the past 12 months of dollar usage for each item, regardless of its location. In this case, item #123 will be an 'A' class in all locations.

### What are inventory turns and why are they so important?

An item whose inventory turns over four times a year has much higher holding cost than one that turns eight, twelve or fifteen times in the same time period. The purpose of trying to increase inventory turns is to:

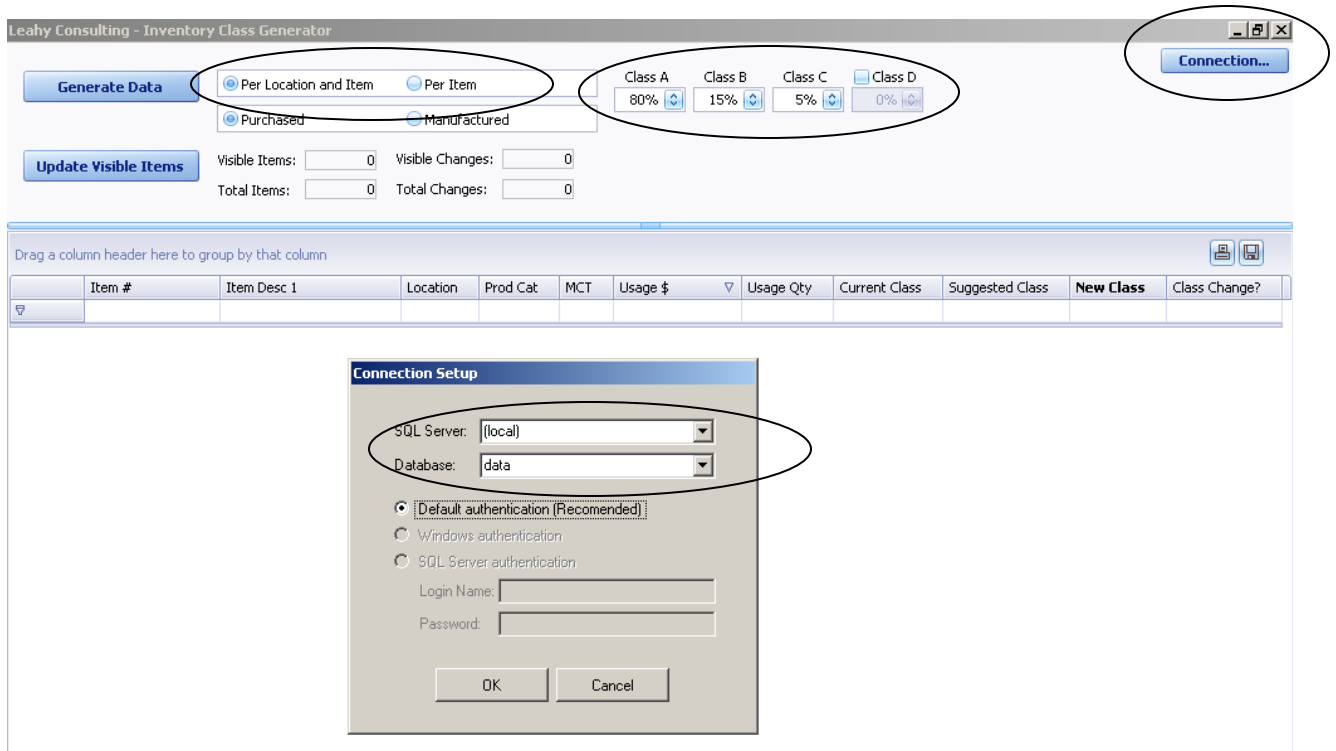
- Reduce inventory.
- Increase profits - increasing inventory turns reduces monthly carrying costs. Carrying costs are typically 20% or more of the value of the on-hand inventory and consist of personnel costs, rent, utilities, insurance and other costs of maintaining extra inventory.
- Higher inventory turns allow increased responsiveness to changes in customer requirements while allowing the replacement of obsolete items. However high turns may indicate that the inventory is too low, which can result in stock shortages.

# INSTALLATION AND SETUP

This software is delivered in a compressed Zip file.

Installation and setup steps:

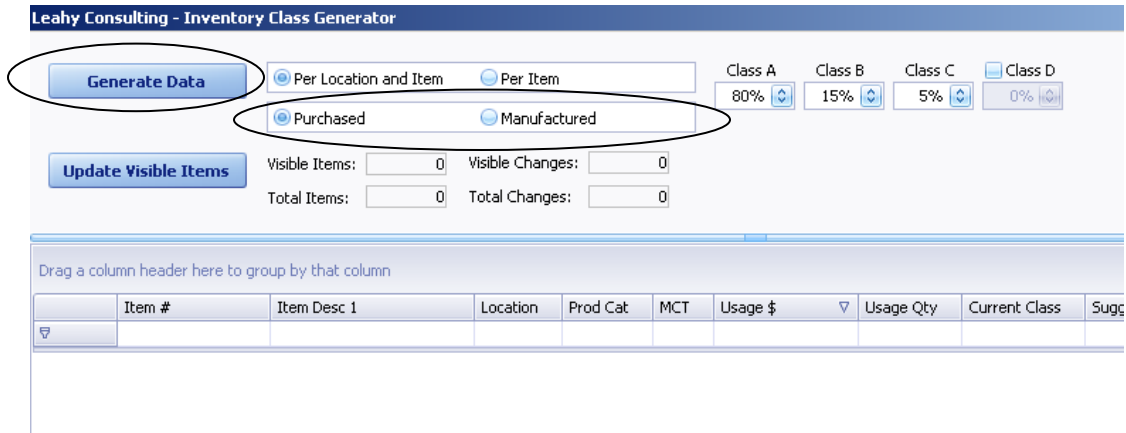
1. Create a file folder to store the software. For example, call it 'Inventory Class Generator'. It can be located anywhere.
2. Copy the zip file to this folder and unzip the contents.
3. Right-click on the program called 'Inventory Class Generator.exe' and create a shortcut on your desktop.
4. Click on the shortcut to start the program.
5. In the upper right corner of the screen, click on the 'Connection' button. Key in the name of your SQL server and the name of your Macola database. (See the sample screen below)
6. Select the percentages for each class (the norm is 80%, 15% and 5%). We have provided a 'D' class for companies that want to exclude items from being an 'A', 'B', or 'C'. (See the sample screen below)
7. Select the processing option (either 'per location and item' or 'per item'. (See the sample screen below)



# RUNNING THE SOFTWARE

Once you have set up the software, you are ready to start using it.

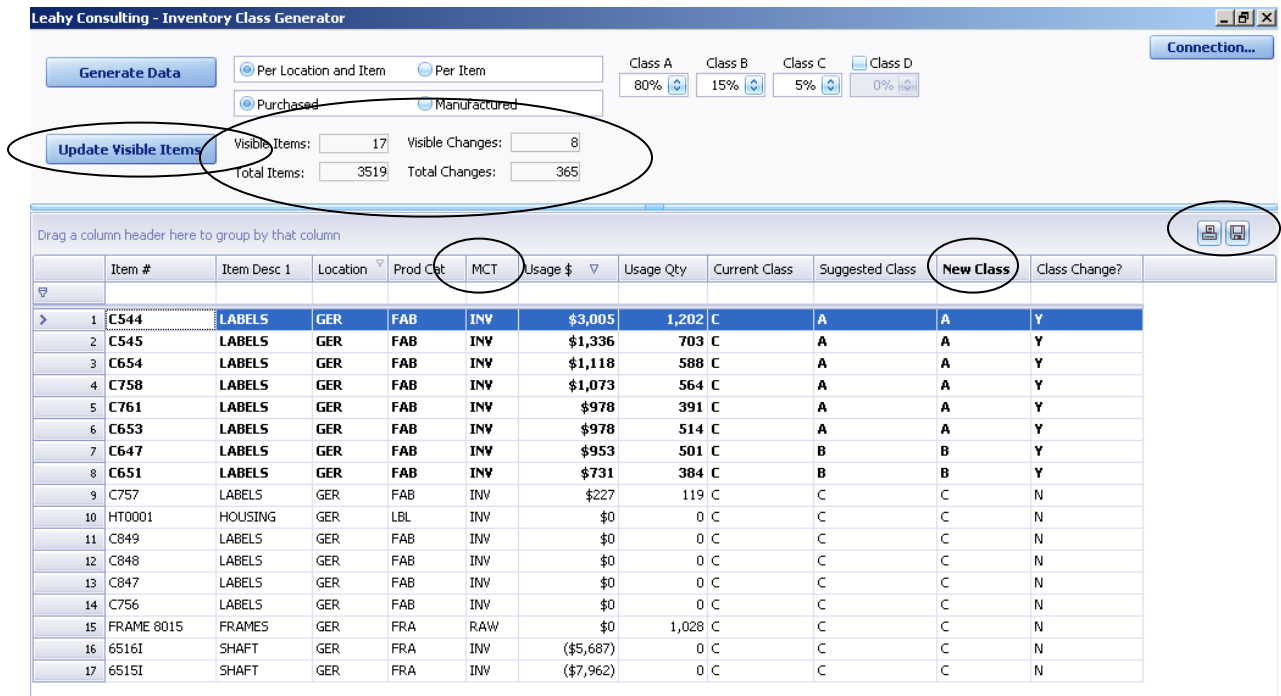
1. Select either purchased or manufactured items.
2. In the upper left corner of the screen, click on the 'Generate Data' button.



The program reads all records in your Macola item/location file, calculates the recommended ABC class, and displays the results on the screen. In the sample screen below, we have applied a filter to view only the 'GER' location. Items that require a class change are bolded. In the 'New Class' column, the program allows you to override the suggested class code. The program also tells you the number of items that need changing.

Note that the columns can be re-sequenced, sorted and filtered. Additionally, the entire results can be printed or exported to Excel.

When finished, press the 'Update Visible Items' button. 'Visible' indicates that it will only update the filtered items that are displayed on the screen. For example, if you applied a filter to display only the 'GER' location, only those items will be updated.



**For questions or a demonstration of this software,  
call Terry Lanham in Cincinnati at (513) 723-8091**

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The Esta Group is a consortium of authorized Exact Macola resellers in Ohio, Michigan, Iowa  
and California.

Our software is 100% designed and developed in America.

