

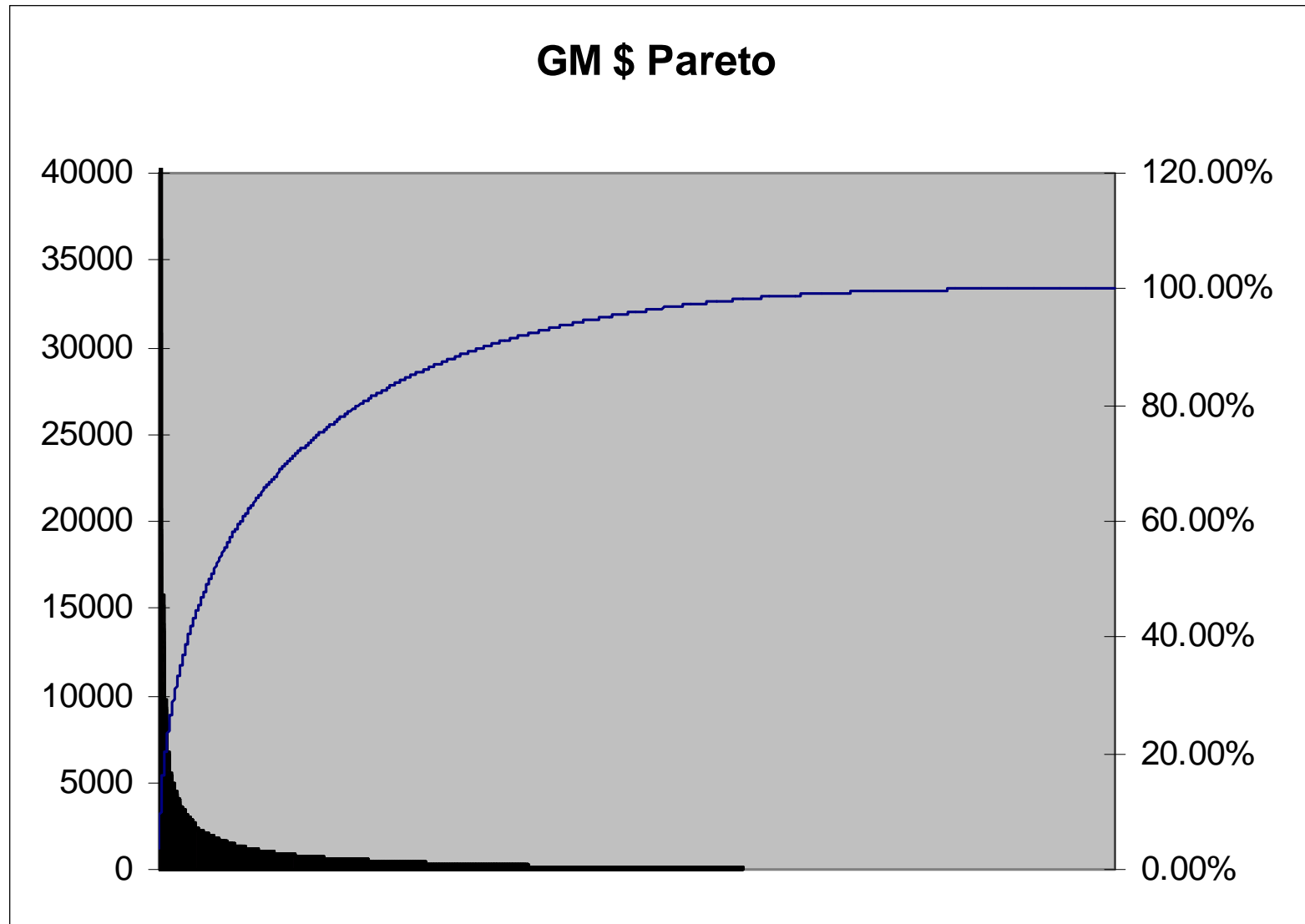
SKU Rationalization Using Multiple Criteria Inventory Classification

8-23-10

Performance Variables

- Gross Margin \$
- Times Sold
- Unit Volume
- # Customers

Gross Margin \$



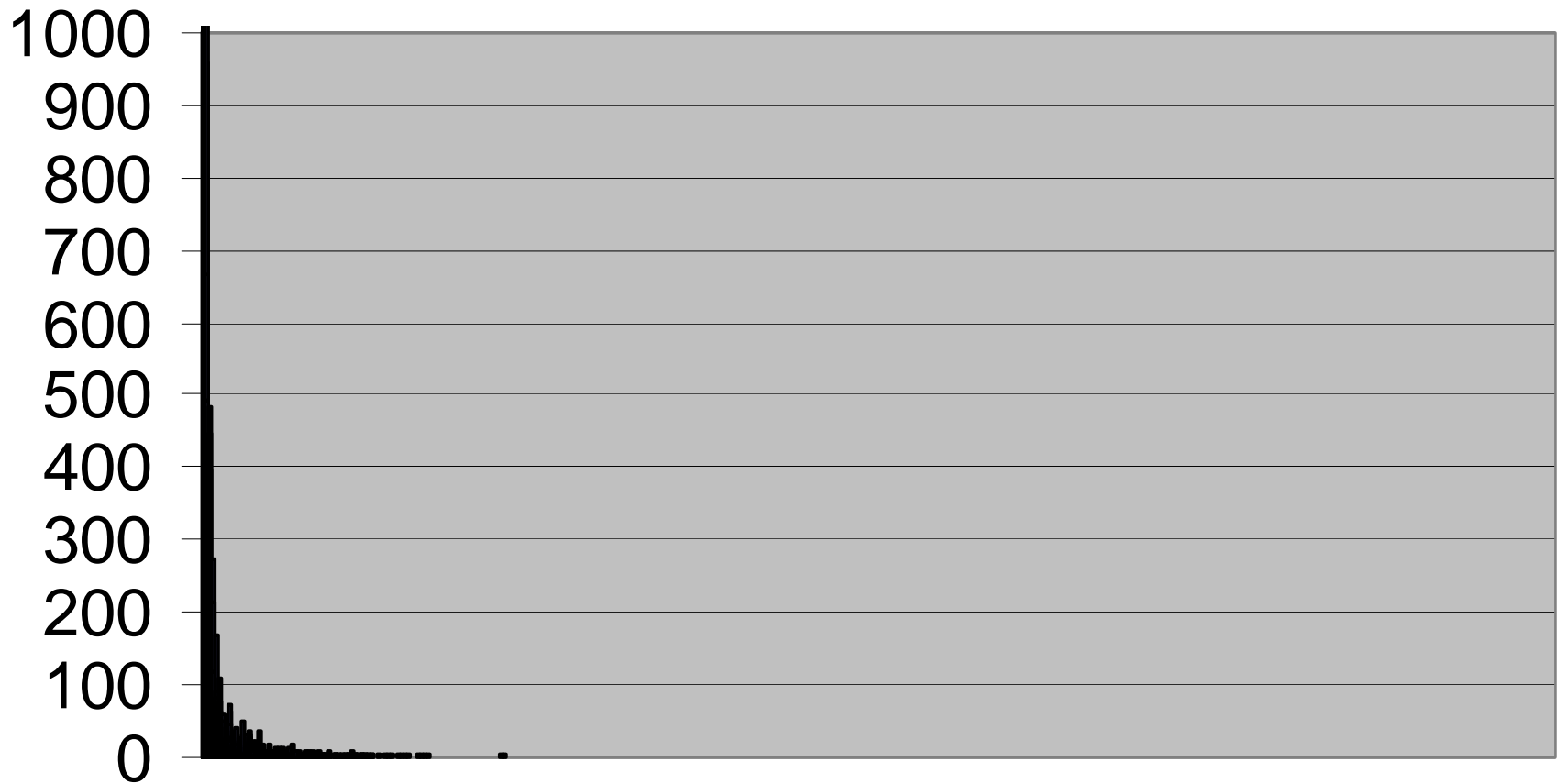
All SKUs

Gross Margin \$

- 80% of GM\$ generated by 1510 SKUs
 - 21% of stock SKUs
- 90% of GM\$ generated by 2455 SKUs
 - 34% of stock SKUs

GM Marginal \$ Delta

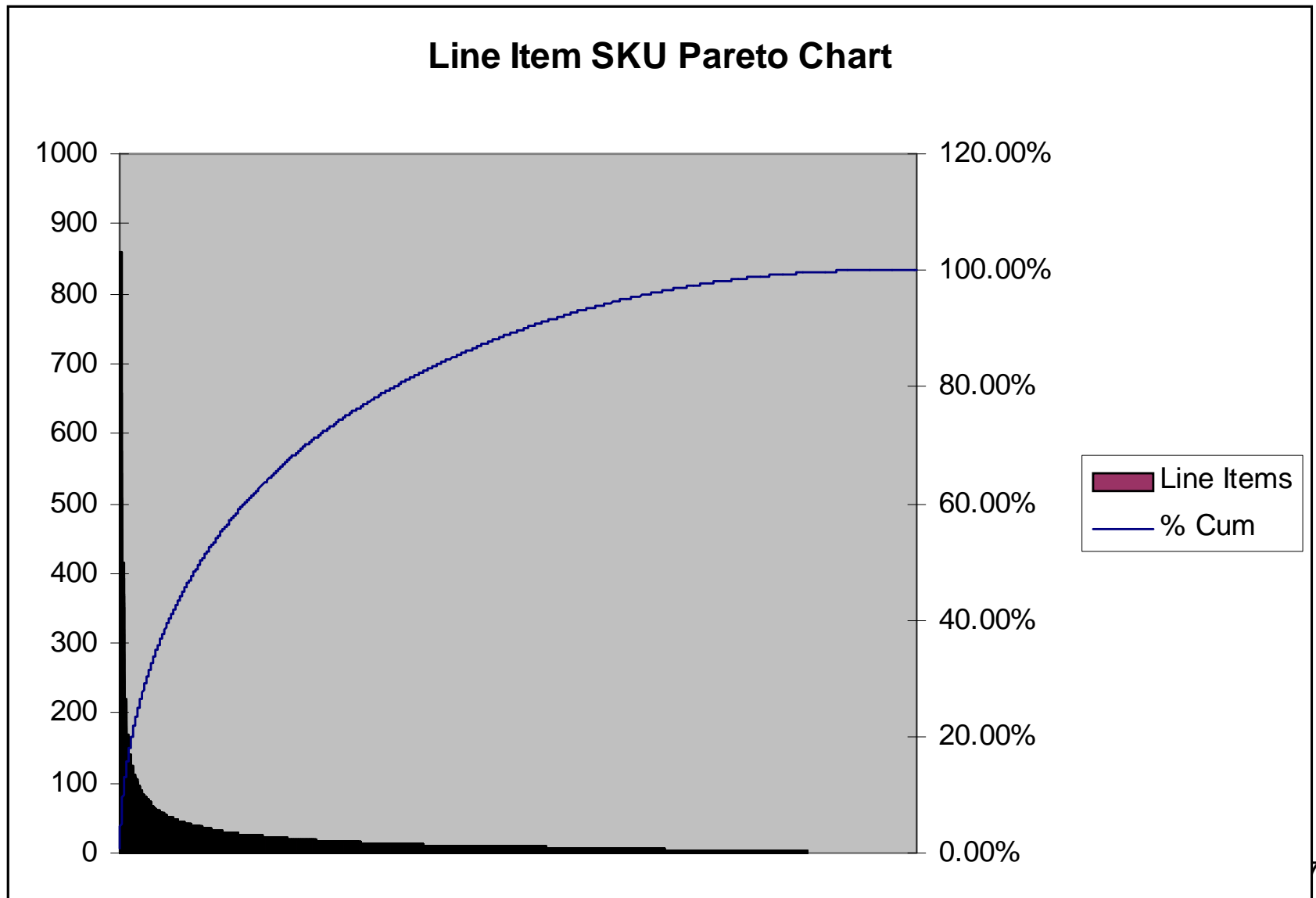
Marginal GP\$ (change from unit above)



GM Marginal \$ Delta Or Finding A+ SKUs

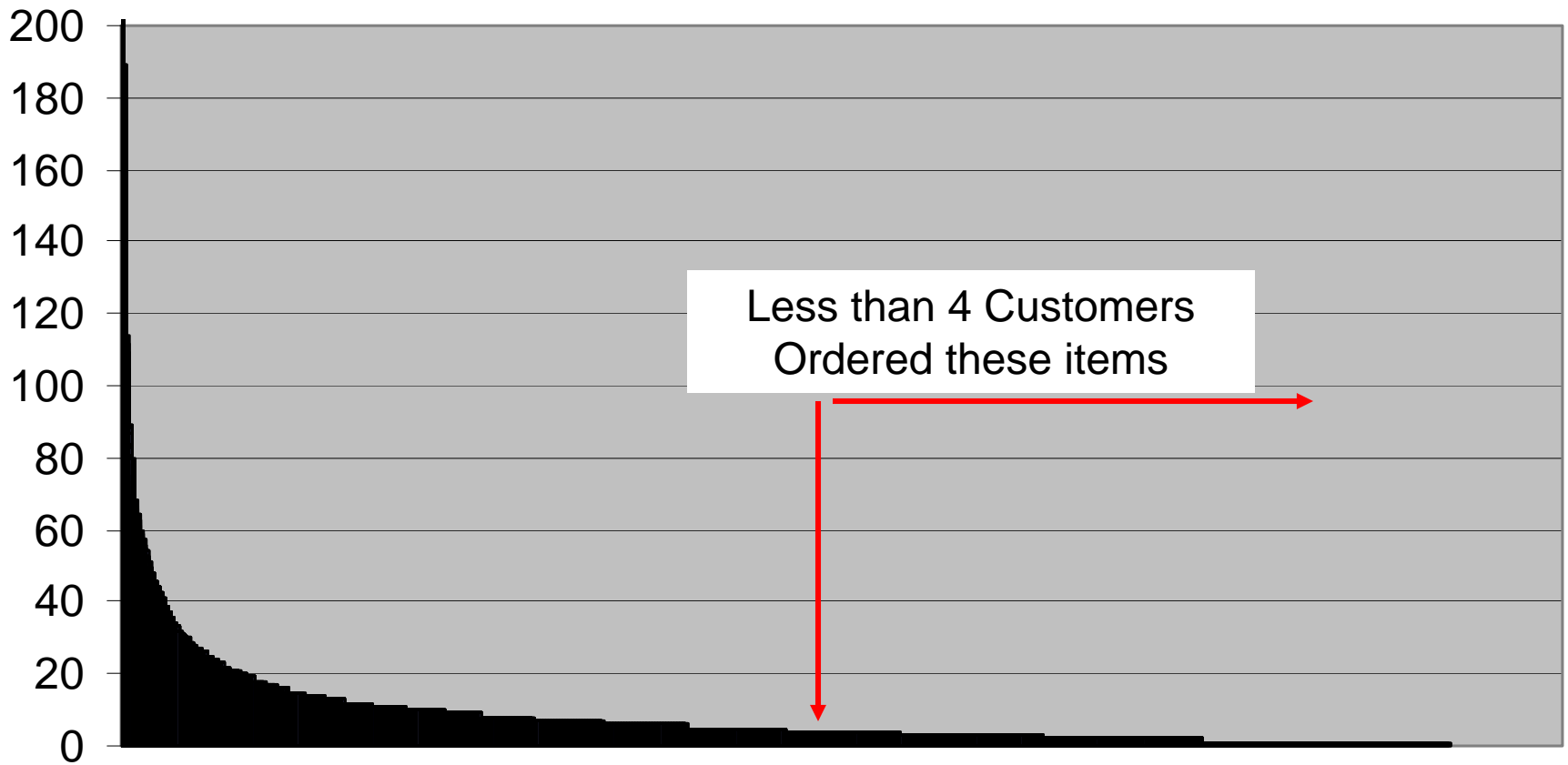
- After SKU 304 (ranked by GM\$) delta of GM\$ subtracted from the SKU ranked immediately above flattens out to less than \$10
- Top 304 = 45% of GM\$

Times Sold (Line Items)

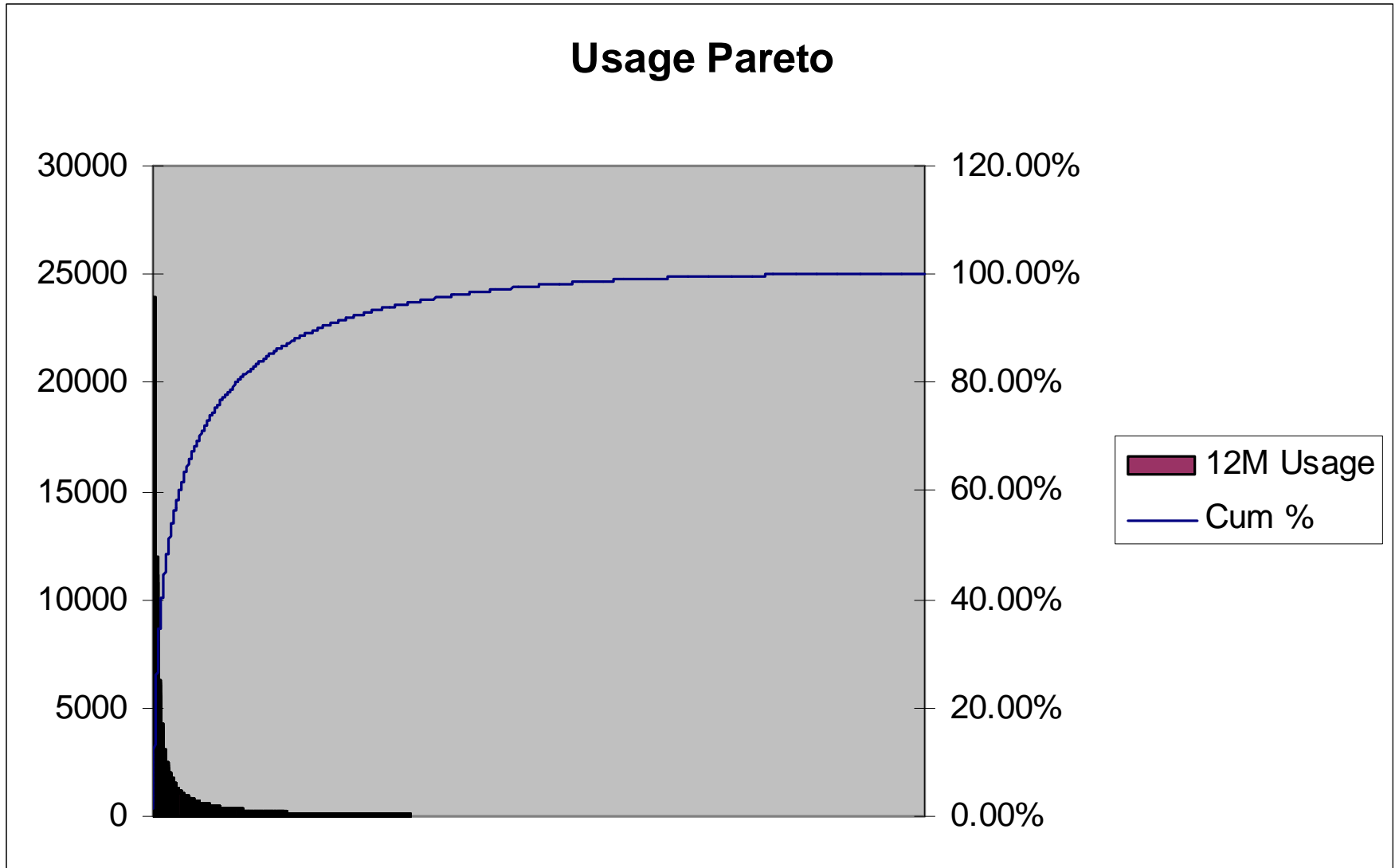


of Customers

of Customers Ordering this SKU



Unit Volume



Overall Performance Factor

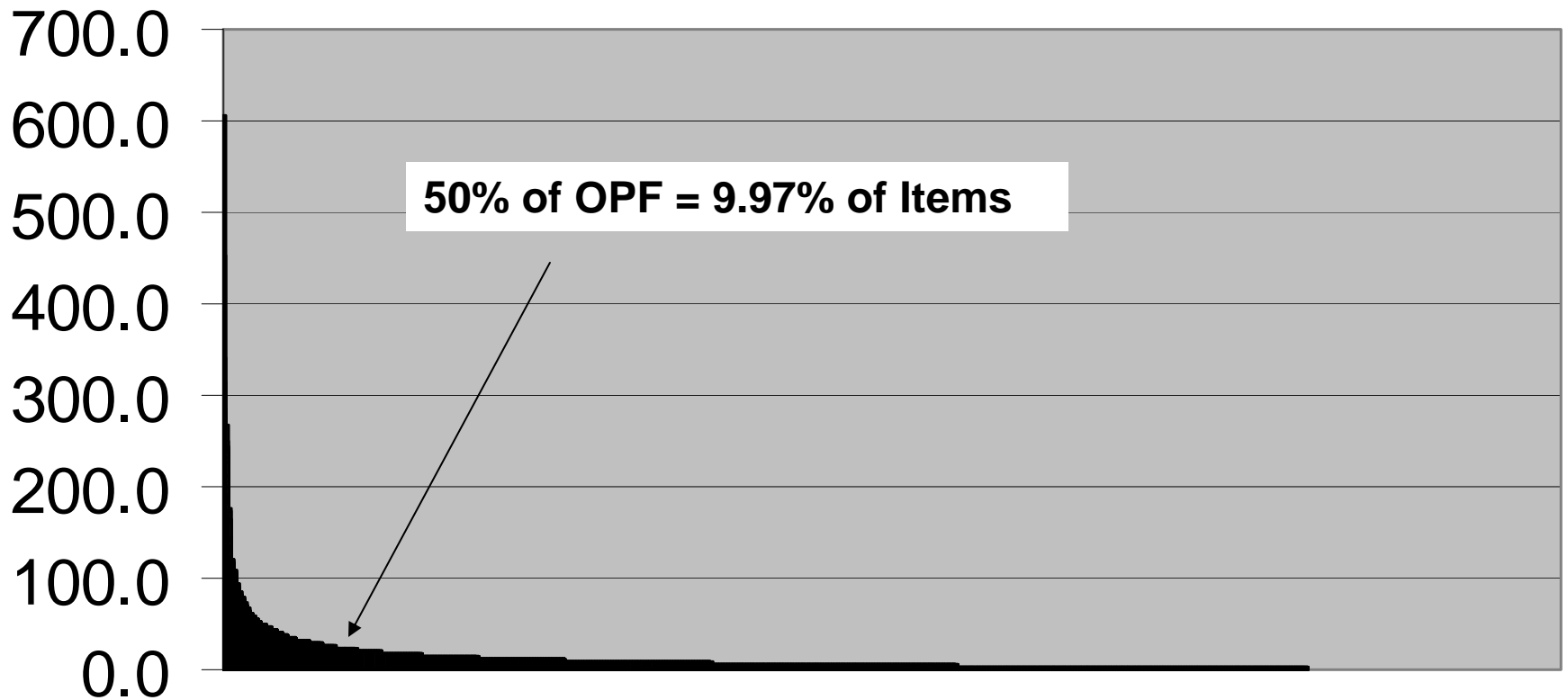
- GM\$ = 35%
- Times Sold = 30%
- Unit Volume = 25%
- # Customers = 10%

Top 20

Item Number	Description	Times Sold	Times Factor	12M Usage	Usage Factor	Cust # Custs	Cust Factor	GM \$	GM\$ Factor	OPF	Delta	Rank
38		508	591.4	979	9.3	266	757.8	132318	1000.0	605.5		1
10		859	1000.0	15192	143.6	351	1000.0	6226	47.1	452.4	153.1	2
PT		155	180.4	105797	1000.0	89	253.6	4530	34.2	341.5	110.9	3
08		659	767.2	12334	116.6	125	356.1	7298	55.2	314.2	27.3	4
38		506	589.1	770	7.3	245	698.0	14139	106.9	285.7	28.5	5
39		393	457.5	926	8.8	168	478.6	36189	273.5	283.0	2.7	6
12		504	586.7	9505	89.8	197	561.3	8543	64.6	277.2	5.8	7
06		542	631.0	14789	139.8	128	364.7	3304	25.0	269.4	7.8	8
30		463	539.0	6644	62.8	199	567.0	13020	98.4	268.5	0.9	9
12		446	519.2	8910	84.2	198	564.1	6828	51.6	251.3	17.2	10
06		575	669.4	5621	53.1	81	230.8	2995	22.6	245.1	6.2	11
H1		370	430.7	48069	454.4	7	19.9	0	0.0	244.8	0.3	12
12		423	492.4	8082	76.4	204	581.2	6014	45.5	240.9	3.9	13
12		419	487.8	7817	73.9	189	538.5	7689	58.1	239.0	1.9	14
PT		56	65.2	80960	765.2	31	88.3	5282	39.9	233.7	5.3	15
11		369	429.6	13487	127.5	189	538.5	4006	30.3	225.2	8.5	16
31		350	407.5	4864	46.0	180	512.8	10316	78.0	212.3	12.9	17
12		414	482.0	5199	49.1	97	276.4	5790	43.8	199.8	12.5	18
12		351	408.6	4860	45.9	136	387.5	7363	55.6	192.3	7.5	19
H2		142	165.3	37588	355.3	81	230.8	9962	75.3	187.8	4.5	20

Determining A SKU Cut-Off

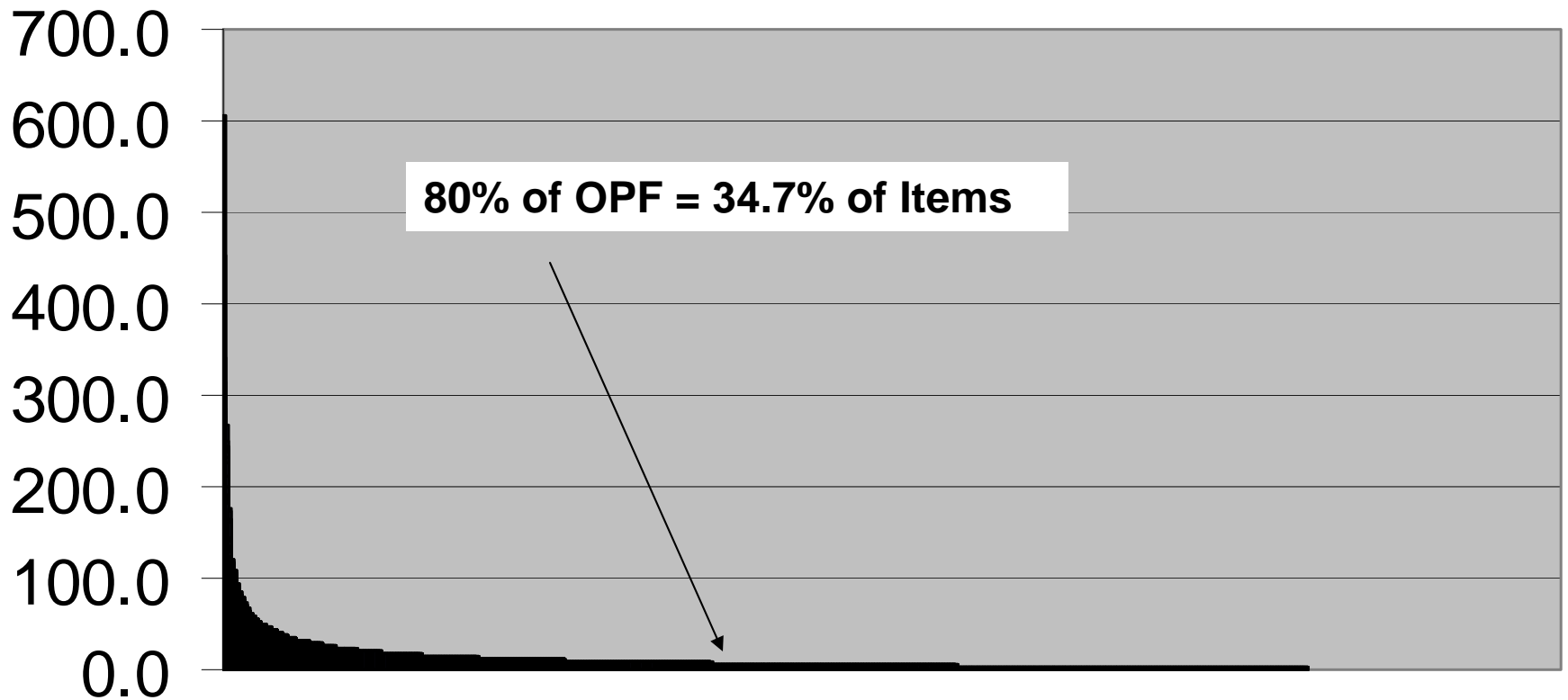
Overall Performance Factor



A Items = 50% of total OPF. This cut off at Item 720, or 9.97% of items

Determining B SKU Cut-Off

Overall Performance Factor



B Items = 80% of total OPF. This cut off at Item 2507, or 34.7% of items

F SKUs = Bottom 1% of Total OPF

- 1343 SKUs
- 18.6% of total stocked SKUs
- 0.5% of Gross Margin \$
- 0.8% of Line Items Sold
- 0.2% of Usage / Unit Volume
- Zero OPF = 569 SKUs
 - No activity all year on these stocked items

Code F's as Non-Stock, do **NOT** Re-order

Re-Allocating Inventory Investment \$ in Higher Ranking SKU Service Levels

- A SKU = 99% have it on the shelf
- B SKU = 95% have it on the shelf
 - 19 of 20 orders it ships from our warehouse
 - 1 of 20 times it will not be on the shelf
 - 1 of these 5(?) times they customer will need it tomorrow (this is equal to 1 of 100 orders)
- C SKU = 80% have it on the shelf