

BEGINNERS GUIDE: Welcome to ABC Analyzer 5

Welcome!

This tutorial will guide you through your first 80/20 Analysis, and introduce you to your new strategic tool: ABC Analyzer.



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Understand 80/20 Analytics

The building blocks of 80/20 Analytics rests upon the idea that “some products are more important than others”. So, when you are doing business, some products will contribute more to your business than others.

Your economic success is defined by your ability to focus your time and your resources on the critical few products generating the bulk of your income, instead of focusing equally on all products.

Your 10 most important products

generate the bulk of your income



Revenue from your remaining 9990 less important products



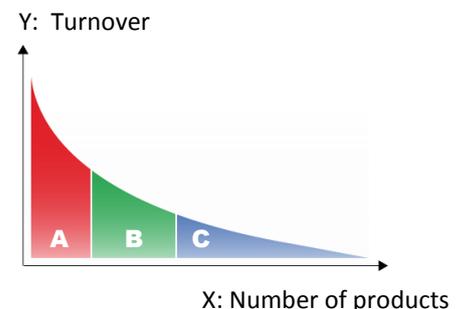
ABC Analyzer divides your products into nine basic categories based on their behavior (Orderlines/Pick) and economic impact on your business (Turnover). All products are automatically labeled with an ABC-code, matching the ABC category they belong in.

The theory and analytical methods are described in [Why only 8 % of your products matter¹](#).

Understand the ABC analysis in 2 minutes

Imagine you are doing a classic ABC analysis and divide your products into three categories depending on turnover: “Good, less good and not that good”.

- **A** products are responsible for 80 % of your turnover
- **B** products are responsible for 15 % of your turnover
- **C** products are responsible for 5 % of your turnover



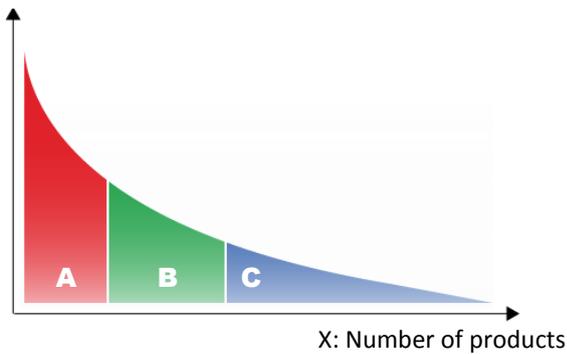
You will have few A-products, a bit more B-products and a lot of C-products.

¹ Direct link: <http://blog.abcsoftwork.com/2014/08/abc-analysis-why-only-8-of-your-products-matters/>
See all your help files at: <http://abcsoftwork.com/support/resources>

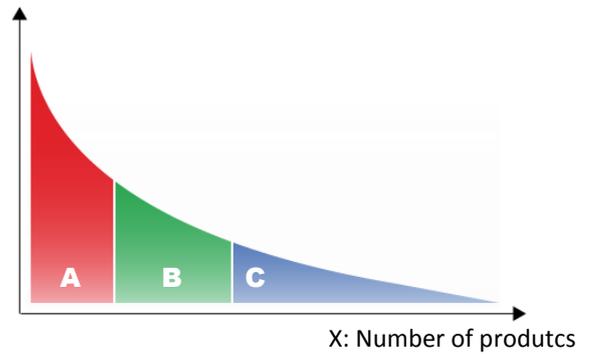
Combine two ABC analyses

Now, you have divided your products into three categories: A, B and C based on your turnover – but you are not done yet! Imagine, you are doing one more ABC analysis – this time using order lines or picks. Combine the two simple analyses and you will get a double ABC analysis!

Y: Turnover



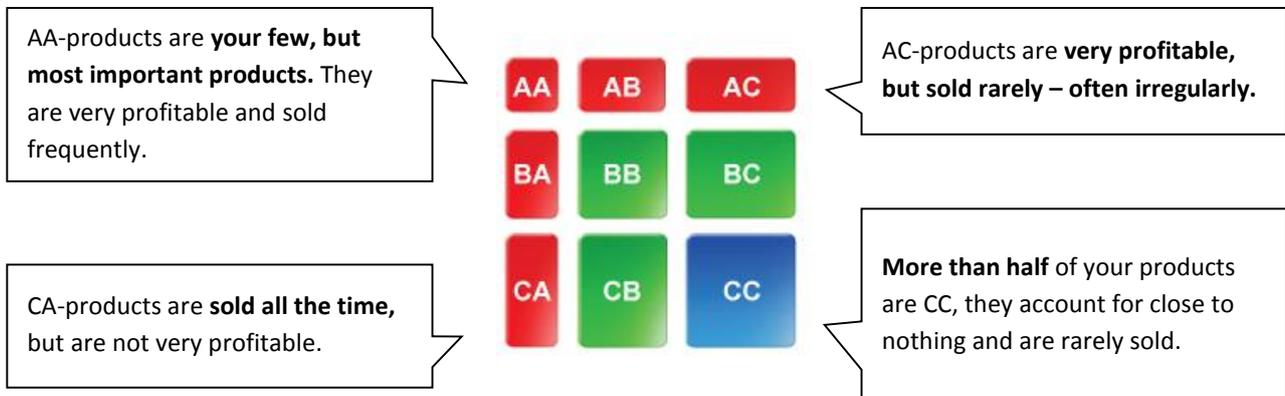
Y: Order lines/Pick



+

Say hello to the double ABC

Visually, we have divided your products into 9 ABC categories using “Order lines/Pick” and “Turnover”. The products in each ABC category have their own distinct behavior and impact on your business.



Your core business is defined by your AA-products

After the two analyses, each product is granted an ABC code consisting of two letters: One from each analysis.

- **AA-products:** If a product scores an “A” in turnover and an “A” in orderliness/pick, it is an “AA” product. This code makes it one of your most important products!
- **CC-products:** The same happens if a product does bad and only scores a “C” in turnover and a “C” in orderliness/pick. It will be labeled “CC”. Do not spend too much time on this product since it is not that important!

On top of the classic 9 ABC categories, you will encounter extra categories for “**New products**”, “**Dead products**” and a few more.

Getting started

Find the welcome mail – all you need is here.

1) Download ABC Analyzer

Download ABC Analyzer. Use the download link in your welcome email, or go here:

<http://abcsoftwork.com/support/download>

2) Get demo data

In the welcome mail there also link to download demodata. Get it there, or here:

<http://files.abcsoftwork.com/download/Welcome to ABC Analyzer data>

3) Insert your license key

In the welcome mail there's a license key.

First time you open ABC Analyzer it will ask for it. Your license key is valid 30 days from the day you received the welcome mail.

Write us on support@abcsoftwork.com if you got started a bit late – we can easily prolong/reactivate it.

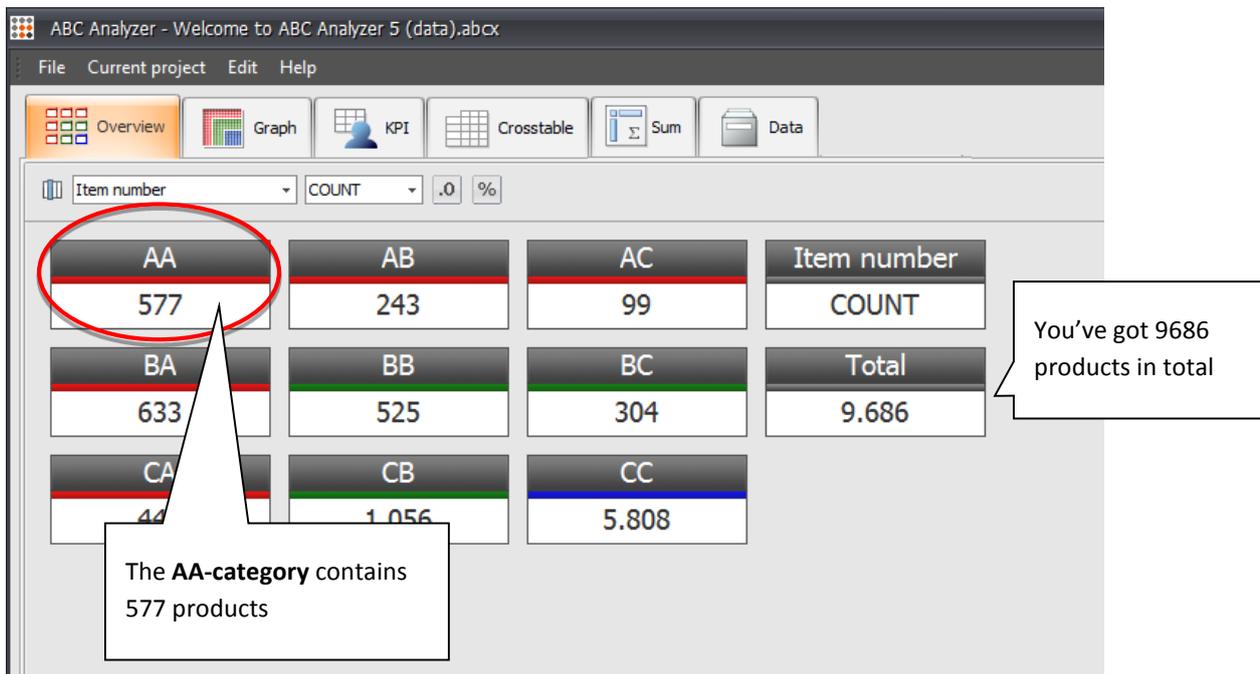
Say hello to your AA-products

Open the demo data in ABC Analyzer

Hopefully, you recognize the 9 ABC categories from the double ABC matrix on page 3.

What you see:

- **9686 products** arranged in the 9 ABC categories
- **577 are AA products**, they define your core business

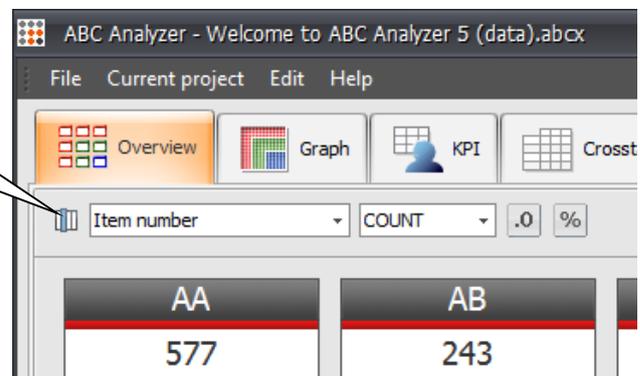


Spend a moment investigating the AA-products. Use the controls at the top.

Choose **“Turnover 12 mth (Euro)”**. Now, turnover per category is on display. How much do you make on your AA-products?

Answer:

Turnover for AA = **6.767.457 euro**
 Turnover (in total) = 15.559.444 euro

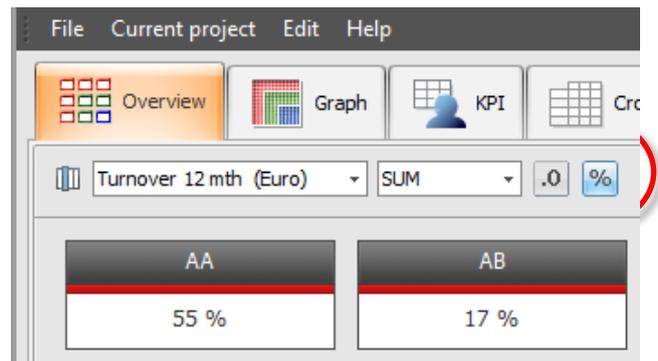


How important are AA-products?

The AA-products account for a large part of your turnover. But how large, compared to all your products?

Clicking the “%”-button next to the dropdown.

You see that the 577 AA-products account for 55 % of your turnover

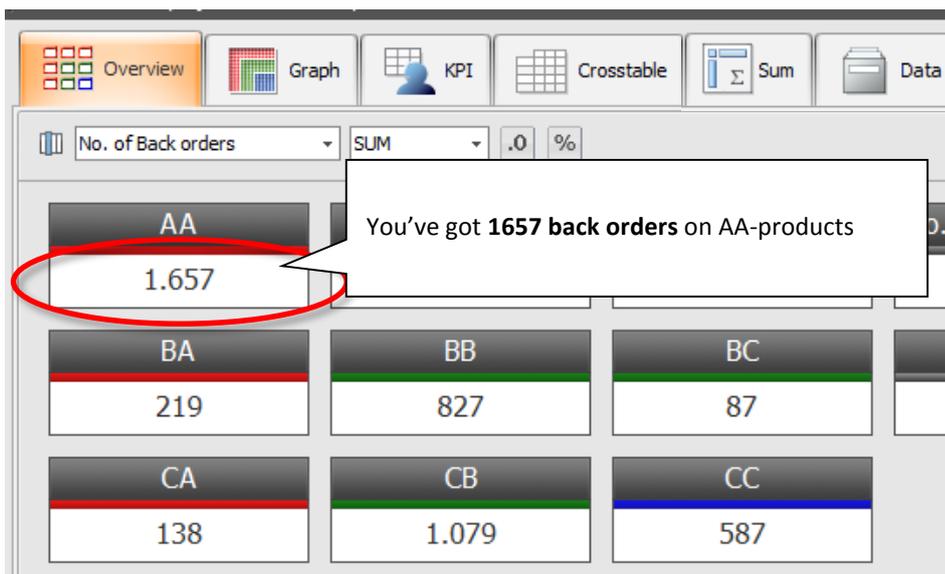


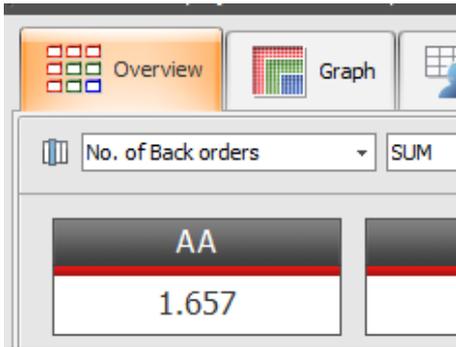
Conclusion: 8 % of your products generate 55 % of the turnover

By now, you're aware how important your AA-products are. Imagine what will happen to your profit if you run out of them. It's crucial to avoid back orders in this category!

Identify back orders on AA

Begin by looking at the total number of back orders using the drop down.





1657 are a lot of back orders.

Let's find out how many products you need to focus on, to bring down the number of back orders..

Click report: View products responsible for back orders

Mouse-over "1657" in the AA-category.

Your mouse turns into a "hand", click the number to view a click report. It contains all the AA-products responsible for your back orders.

1. 97 AA-products generate the 1657 back orders

2. Click the heading "No. of Back orders" to sort ascending/ descending

Item number	Product type	No. of Back orders	Supplier	Cost price (Euro)	Purchaser	Minimum (Stock)	Minimum (quantity purchased)	Delivery time	Creation date	Orderlines
1 9957	Manufactured goods	50	Supplier No. 925	48	Morten	300	500	7	01-01-1901	
2 3440	Manufactured goods	25	Supplier No. 1012	12	David	2.000	500	120	01-01-1901	
3 283	Manufactured goods	200	Supplier No. 1012	70	Lars	60	60	3	01-01-1901	
4 681	Manufactured goods	40	Supplier No. 1012	16	Lars	125	180	7	01-01-1901	
5 9956	Manufactured goods	25	Supplier No. 925	31	Morten	350	500	7	01-01-1901	
6 2842	Manufactured goods	35	Supplier No. 1012	2.500	David	2.500	1.000	120	01-01-1901	
7 3433	Manufactured goods	200	Supplier No. 1012	900	David	900	500	120	01-01-1901	
8 9948	Manufactured goods	150	Supplier No. 1012	120	David	120	120	120	01-1901	
9 1324	Manufactured goods	30	Supplier No. 1012	120	David	120	120	120	01-1901	
10 8971	Manufactured goods	14	Supplier No. 1012	120	David	120	120	120	01-1901	

Damage control: Find AA-products with the most back orders

You've sorted the list, and the products with the most back orders are on top.

Use your mouse to drag a "square." (The marked area turns blue)

Notice: Next to your mouse the selected values are added up.

Instead of focusing on all 97 products, spend your energy on the Top 17.

AA - Top 17 = **1.209 Back orders**

AA - Total = 1657 back orders

Item number	Product type	No. of Back or...	Supplier	Cost price (Euro)	Purchaser
1	2137	Raw materials	202	Supplier No. 998	135 Andrew
2	3433	Manufactured goods	200	Supplier No. 1012	10 David
3	283	Manufactured goods	200	Supplier No. 182	70 Lars
4	9948	Manufactured goods	150	Supplier No. 925	37 Morten
5	3437	Manufactured goods	67	Supplier No. 1012	11 David
6	9957	Manufactured goods	50	Supplier No. 925	48 Morten
7	1360	Manufactured goods	45	Supplier No. 2003	26 Eva
8	371	Raw materials	41	Supplier No. 1000	26 Eva
9	681	Manufactured goods	40	Supplier No. 556	16 Lars
10	2842	Manufactured goods	35	Supplier No. 1012	29 David
11	1324	Manufactured goods	30	Supplier No. 2003	8 Eva
12	921	Manufactured goods	27	Supplier No. 888	3 Andrew
13	327	Manufactured goods	26	Supplier No. 1195	7 Lars
14	10428	Raw materials	26	Supplier No. 1000	40 Eva
15	9956	Manufactured goods	25	Supplier No. 925	31 Morten
16	3440	Manufactured goods	25	Supplier No. 1012	12 David
17	1093	Raw materials	24	Supplier No. 1000	40 Eva
18	10921	Raw materials	15	Supplier No. 1100	24 Andrew
		Sum: 1.209,00			
14		Supplier No. 587	10	Lars	
14		Supplier No. 998	106	Andrew	
14		Supplier No. 2003	26	Eva	
14		Supplier No. 1000	77	Eva	
14		Supplier No. 1012	10	David	
14		Supplier No. 100	377	Lars	
25	2867	Raw materials	13	Supplier No. 998	110 Andrew
26	82	Manufactured goods	13	Supplier No. 72	2 Andrew

3. Drag and see how much the top products account for

Conclusion: 17 products account for 74 % of back orders

Close the window and return to "Overview"

Customize your analysis

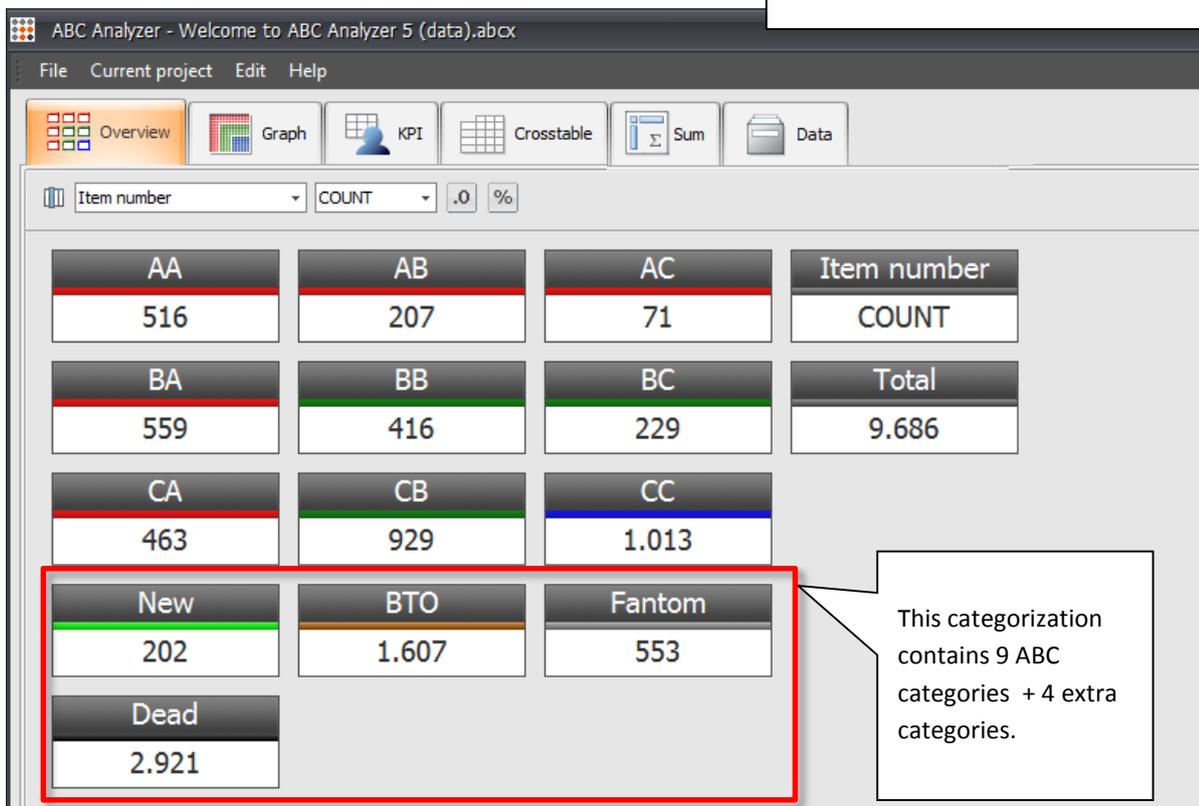
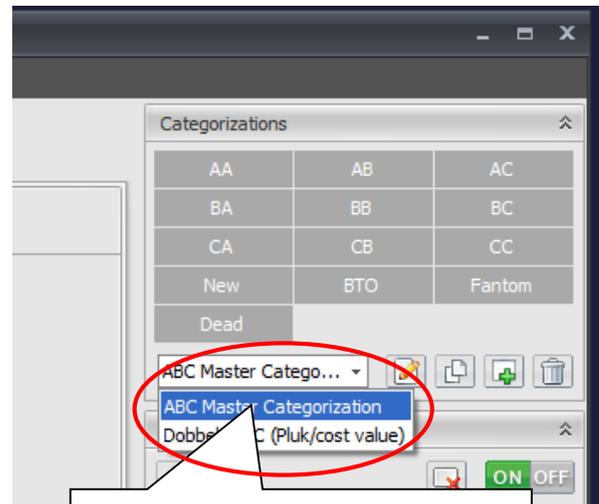
Now, you are familiar with the double ABC analysis and the importance of AA-products – but a double ABC analysis is not always detailed enough.

What about:

- New products
- Dead products
- Phantom products²
- Buy to order (BTO)³
- .. or other products you want to handle separately?

You [can add extra categories](#)⁴ to your double ABC, to “match” your supply chain challenges. Add as many as you like.

For now, let’s look at a custom build categorization



² **Phantom:** Phantom products only exist as numbers in your ERP system: They have no stock value, and no order lines. Probably, you have never ordered them, but their product numbers are in your system.

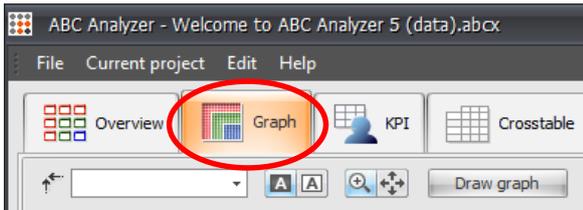
³ **BTO:** ‘Buy To Order’ products are defined as products sold less than 3 times a year. You are not to buy them unless a customer requests them

⁴ Direct link: <http://blog.abcsoftwork.com/2014/08/identify-dead-products/>

Graph

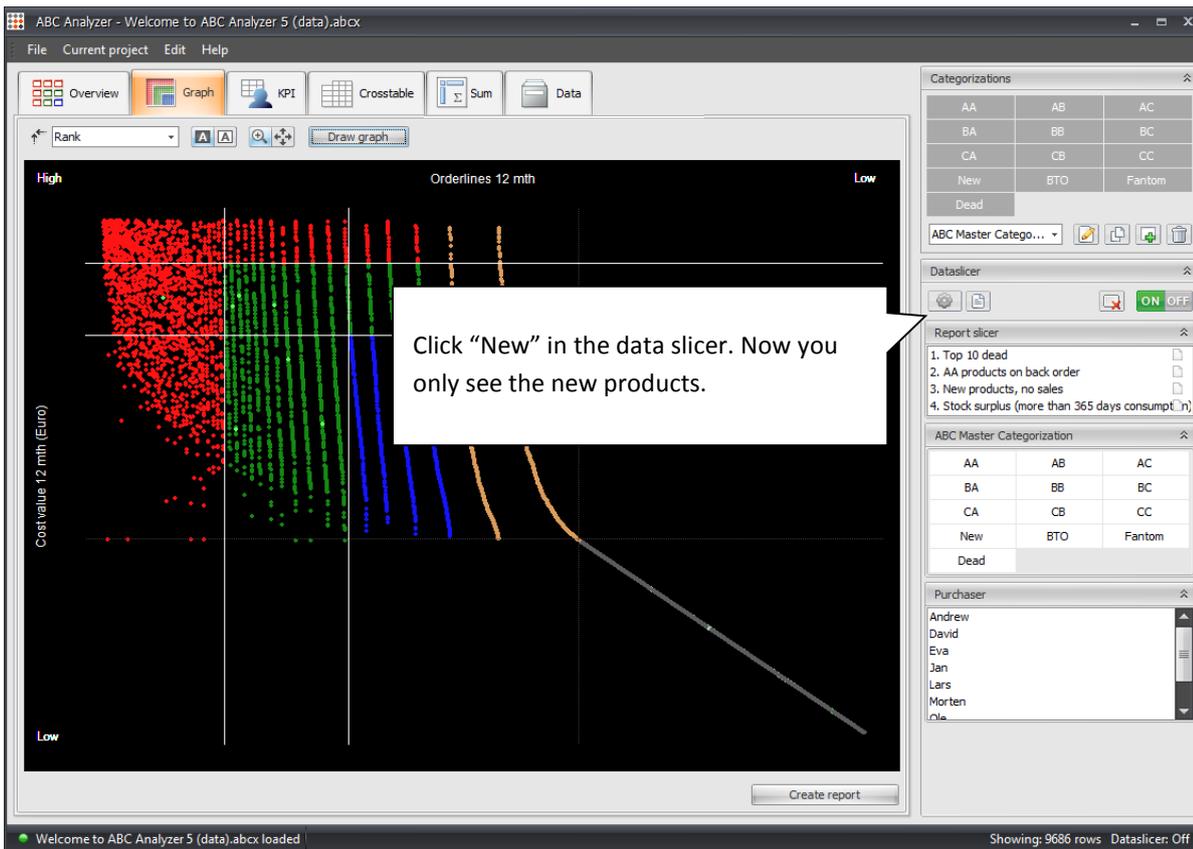
Let's have a look at "New products" using the graph. Go to the second tab. **The tab is black until you click "Draw graph"**.

Each dot represents a product. Click a dot to see the product it represents.



The axes of the graph are defined by the parameters used in double ABC:

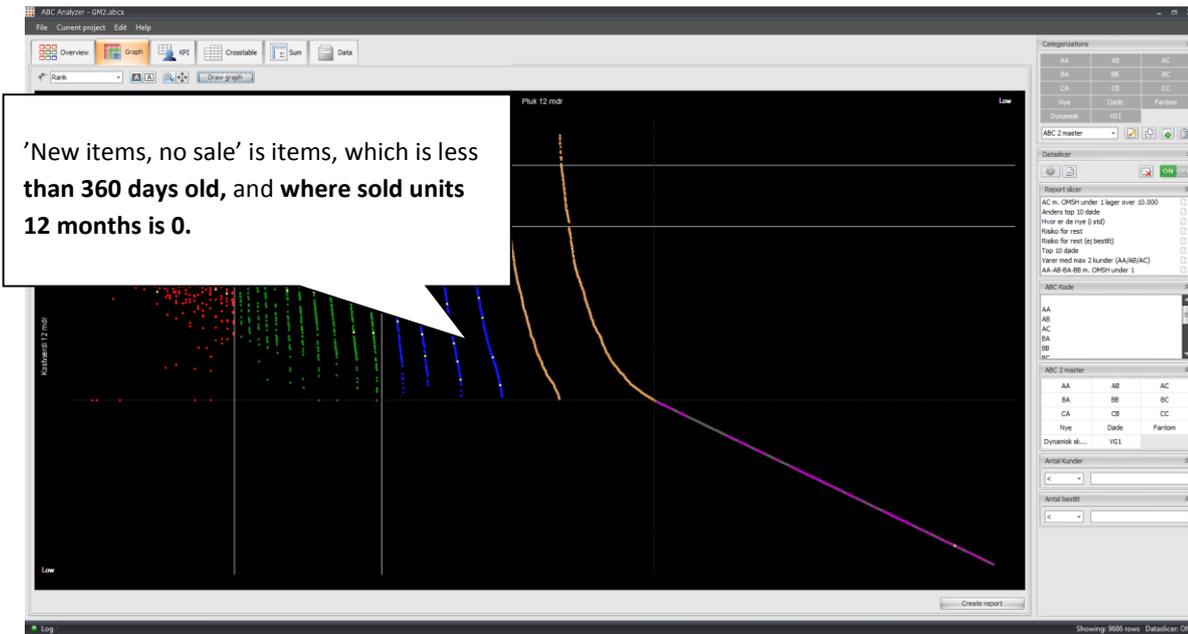
- Horizontal: Order lines 12 months
- Vertical: Cost value 12 months



Spot new products

New products are scattered all over the grid as they perform very differently. They are bright green, as the “New” category on overview. Use a data slicer to narrow down the products on display.

The “long green tail” which appears in the right bottom corner is all new products with 0 turnover and 0 cost value. They are not selling at all.



KPI: Your dashboard

Go to the KPI tab. Since you've turned on the data slicer in the previous step, you only see the values for new products.

Press the selected data slice once more to deselect "new products", and regain the complete overview.

The KPI shows:

- Item numbers
- Stock value
- Order lines 12 mth

Stock value (Euro) (SUM)			
-	-	-	60.988
-	-	-	
-	-	-	
60.988	-	-	
-	-	-	

ABC Analyzer - Welcome to ABC Analyzer 5 (data) (1).abox

File Current project Edit Help

Overview Graph **KPI** Crosstable Sum Data

Item number (COUNT)

516	207	71	9.686
559	416	229	
463	929	1.013	
202	1.607	553	
2.921			

Item number (COUNT)

5 %	2 %	1 %	100 %
6 %	4 %	2 %	
5 %	10 %	10 %	
2 %	17 %	6 %	
30 %			

Stock value (Euro) (SUM)

4.111.645	1.830.017	352.739	13.949.033
861.652	790.621	506.588	
289.552	556.804	554.766	
60.988	1.316.861	-12.606	
2.729.406			

Stock value (Euro) (SUM)

29 %	13 %	3 %	100 %
6 %	6 %	4 %	
2 %	4 %	4 %	
0 %	9 %	0 %	
20 %			

Orderlines 12 mth (SUM)

45.830	2.152	286	114.039
27.804	4.756	1.000	
15.692	9.850	4.298	
150	2.221	0	
0			

Orderlines 12 mth (SUM)

40 %	2 %	0 %	100 %
24 %	4 %	1 %	
14 %	9 %	4 %	
0 %	2 %	0 %	
0 %			

Missing a KPI board?



Click the icon with the tiny green "plus" to add a new KPI

Use the dropdown in the top bar to set the content. You can change the content of KPI boards when you select them (they turn blue)

Dataslicers

Dataslicers is one of the most useful features in ABC Analyzer.

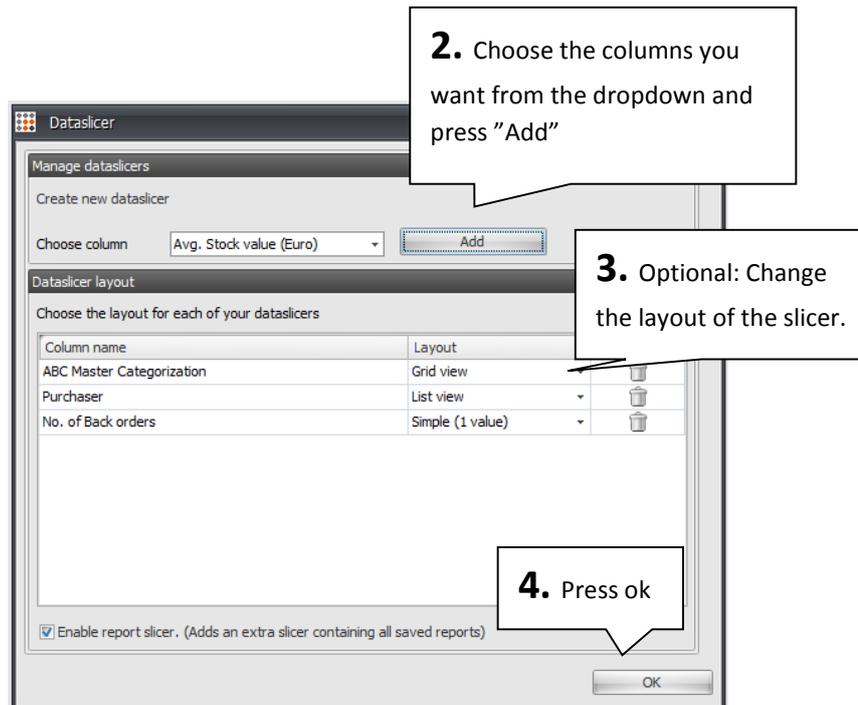
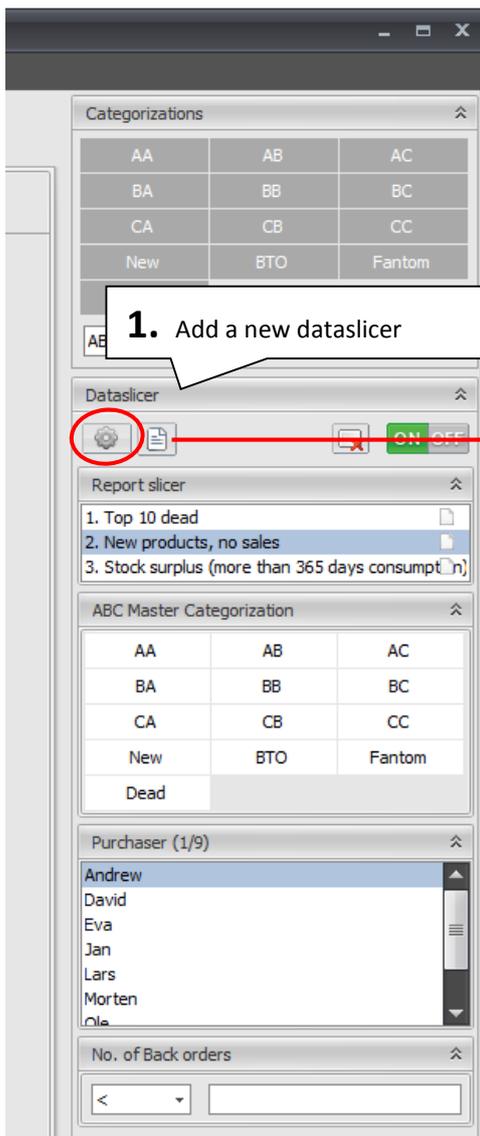
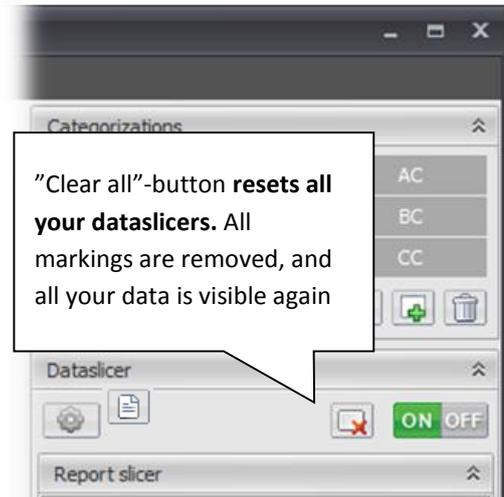
Use them to highlight a part of your data. E.g. Choose only to see products from a certain supplier, or a purchaser.

Combine several dataslicers to see exactly the products you want.

Dataslicers turn **blue** when they're ON.

Example. Below you see that the report slicer "New products, no sales" is ON. Also the purchaser "Andrew" is selected.

= You'll see "Andrew's new products with no sales" (he has 28)



What you learned

Congratz! You have performed your first ABC analysis:

- ✓ Identified AA-products, and investigated important back orders
- ✓ Created a visual overview of new products using Graph and KPI
- ✓ Learned how to use dataslicers

ABC Analyzer can do so much more, it all depends on your mathematic creativity and your data.

Get the most out of your 30 days trial

The free trial includes free online help

Write Viki Ølgod at vo@abcsoftwork.com, she'll answer by mail or set up a screen sharing session to show you how to investigate your own data.



Next step

ABC Analyzer is much more fun to work with when you're using your own data.

Import data straight from your ERP or via Excel. See [a list of recommended columns](#)⁵

- **ABC Analyzer is able to import:** .csv, xml, Excel-files and text-files.

Ready to import? Follow the [3 step import guide](#)⁶

Or visit our selection of online help files:

<http://abcsoftwork.com/support/resources>

⁵ Direct link: <http://goo.gl/OeNnvr>

⁶ Direct link: http://files.abcsoftwork.com/embed/import_you_own_data