



ABC method and its role in managing inventories and the turnover of the company

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ABC method is the result of investigations by Italian economist Vilfredo Pareto (1906). This method is commonly used in the analysis of inventories, the turnover, costs, customers, suppliers etc.

As regards the management of inventories, on the basis of this method lies finding that about 70% of the small number of items of inventories in most industrial companies, representing about 10% of the total inventories, 20% the number of inventories items that hold about 20% of the total inventories, while approximately 10% of significant items of inventories represents about 70% of the total value of inventories. ABC method allows analysis of the structure of turnover from the grouping of products for sale in three groups, namely Group A, Group B and Group C.

For a manager, the method is that it reminds them to focus on the 20% that matters. Of all the things you realize in a day, only 20% matter indeed. Those 20% produce 80% of your results.