

## Are you feeling the burden of dead inventory?

*Annata's Inventory Age Analysis assists in qualifying your inventory for analysis*

Inventory Management is a strategic issue. Even more so when external forces such as a slow economy and increasing competition can affect a company's opportunities for sales growth and increasing profits. In such circumstances companies are forced to look inwards for sources of increased efficiency that help to release valuable cash from operations. Customers and inventory are two obvious areas to look at for increased gains.

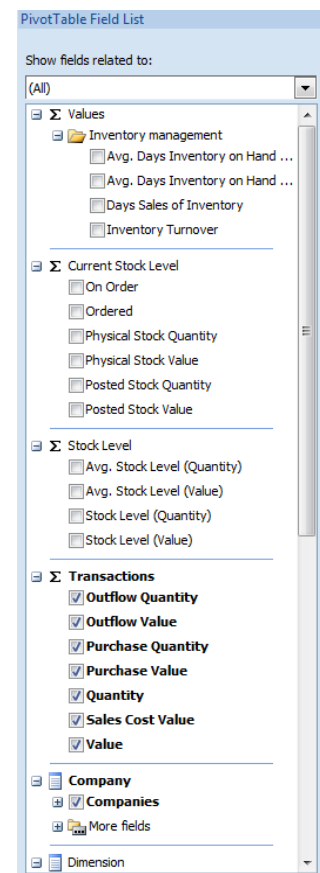
### Streamlining inventory processes can yield significant results

Not only can a lot of cash be tied up in inventory, but carrying oversized inventories can have dire consequences: not only will „dead“ inventory creep up and take valuable storage space, but it will also carry along unwelcome costs in the form of opportunity cost of cash invested, decreased value over time and diminishing profits. Taking timely decisive action to eradicate dead inventory can only benefit the company.

The hard thing about planning and executing a strategy to tackle bloated inventories is to decide what products require action and choosing the parameters that dictate what products are identified. Annata's Inventory Age Analysis relieves inventory managers from that task. The solution brings a new and interesting approach in cutting through the weed and identifying the core products that really matter to your company. These are the products that will yield a significant and tangible impact to companies' bottom lines if decisive action is taken. The solution operates on the principle that 20% of your item master carries roughly 80% of the total inventory value. This assumption of the Pareto principle has been tested to hold true.

Within your Dynamics AX ERP system users can decide in a quick and easy manner what parameters are relevant. They give specific weight to a range of parameters that influence what top 20% of the company's products should be chosen for age analysis. Our tested assumption is that the top 20% of a company's products consist of around 80% of the total inventory value. The parameters that are available to determine what products are taken in for analysis are as follow:

- Unit Value
- Inventory Turnover
- Pct of Total Revenue Last 12 Months
- Gross Margin Inventory Investment
- Margin %
- Number of Units on Stock



The combined weight of these 6 parameters should be 100%. Once they have been defined a SQL database procedure ranks products by each of these parameters and the weights determine what products are identified for age analysis. The result is 20% of the products in the company's product master have been identified and they carry a value of roughly 80% of the total inventory value.

Why is this done instead of taking all products? The answer is twofold: To increase processing speed and to divert those responsible for managing inventory into focusing on what really matters. To that end, it is possible to define multiple sets of parameters to choose the 20% of products most important to different individuals. Decisive action on reducing the age composition of around 20% of the products that carry 80% of inventory value should make a big impact.

Dimensions:

- Reference Date (the selected month-end date on which the age analysis is based on)
- Item (the Item dimension that has the hierarchy Item Group – Major Group – Minor Group – Item)
- Stock Location
- Age Buckets (pre-defined age buckets for the analysis)
- Vendors
- Key Group Id (An identifier for the group of parameters defining the 20% of products chosen)

Measures:

- Stock Level (Qty)
- Stock level (Value)
- Inventory Turnover
- Holding Period (weeks) (how long do we have to keep the stock before it is sold)
- Holding Period (days)
- Days Sales Inventory (DSI) (how many sales days of inventory do we carry)
- Gross Margin Inventory Investment (the return on invested inventory capital (Gross Margin / Avg Stock Level))

There will also be available an age analysis for all products. A view on all products on a quarterly basis (at the end of each calendar quarter) is often required to facilitate inventory appraisal during financial auditing.

## Other Analytical Applications

Annata has a comprehensive offering of analytical applications that focus on the important aspects that determine the success of companies. These applications provide powerful tools for performance management appraisal. Along with Customer Analytics the following analytical applications are available:

- Inventory Age Analytics
- Finance Analytics
- Sales Analytics
- Retail Analytics
- Inventory Analytics
- Projects Analytics

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**Please contact us for further information**

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