ABC Classification

Entersoft Business Suite® 4.0 | Entersoft CRM® 4.0

User guide

Contents

Identity

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ABC classification overview

The ABC Classification is an analytical method used to classify entities or business attributes based on a particular key figure. For example, you can classify your customers into three classes A, B and C according to the net revenue they generate in a specific period.

ABC classification allows you to group your data based on a specific classification rule. The data to be classified are generated by a query in the database of the Entersoft Business Suite. The ABC classification rules read a single metric in the data returned by the defined query and implicitly specify which absolute or relative key figure values map to which classes.

ABC is **integrated** to the Segmentation studio. In this context, an ABC Class attribute is provided to create segments and perform advanced analysis based on a selected ABC classification model.

In the context of ABC classification, the following features are discussed:

- The object/business attribute for which the classification is to be performed (such as customer or an item category)

- The key figure that is used as the basis for classifying the business entity/attribute (such as customer generated revenue)

- The query for determining the data (such as customer net revenue for the last 12 months)

- The classification rule that categorizes the records to the different classes

- The threshold values for the individual ABC classes. For example, all customers generating a net revenue less than 200K belong to class 'C', those generating a net revenue between 20K and less than 50K to class 'B', and those generating equal or more than 50K to class 'A'.

- The master data that must be updated based on the classification performed. For example, 'A' class customers will have 30 credit days, 'B' class customers will have 15 credit days and 'C' class will have 5 credit days.

ABC Modelling

Working with an ABC Classification Model

In order to perform ABC classification and analysis an ABC classification model must be created.

To create or edit an ABC classification model use the **view 'ABC models'.**

Κωδικός	Περιγραφή	Αντικείμενο / Χαρακτηριστικό	Κανόνας ταξινόμησης	Περίοδος υπολογισμού	Μέτρηση
ABCSalesRep		Εκπρόσωπος πωλήσεων	Προοδευτικό άθροισμα ποσοστού δείκτη	Από 1 Ιανουαρίου 2012 έως και 31 Δεκεμβρίου 2012	Τζίρος
Geo	Geo	Γεωγραφική ζώνη	Προοδευτικό άθροισμα ποσοστού δείκτη	01/02/2013 - 07/02/2014	Τζίρος
d2	d2	Διάσταση 2	Προοδευτικό άθροισμα ποσοστού δείκτη	01/02/2013 - 07/02/2014	Τζίρος
D1	D1	Διάσταση 1	Προοδευτικό άθροισμα ποσοστού δείκτη	01/02/2013 - 07/02/2014	Τζίρος
BA	BA	Εμπορική δραστηριότητα	Προοδευτικό άθροισμα ποσοστού δείκτη	01/02/2013 - 07/02/2014	Τζίρος
BU	BU	Εμπορικός τομέας	Προοδευτικό άθροισμα ποσοστού δείκτη	01/02/2013 - 07/02/2014	Τζίρος
ItemFamily	ItemFamily	Οικογένεια είδους	Προοδευτικό άθροισμα ποσοστού δείκτη	01/02/2013 - 07/02/2014	Τζίρος
ABC LYCY	ABC LYCY	Πελάτης	Προοδευτικό άθροισμα ποσοστού δείκτη	Από 1 Ιανουαρίου 2012 έως και 31 Δεκεμβρίου 2012	Τζίρος
ABC_Customer_4		Πελάτης	Απόλυτη τιμή αντικειμένου		Τζίρος
ABC_Customer	ABC_Customer	Πελάτης	Προοδευτικό άθροισμα ποσοστού δείκτη		Τζίρος
ABC Ειδών	ABC Ειδών	Είδος	Προοδευτικό άθροισμα ποσοστού δείκτη	Από 1 Ιανουαρίου 2012 έως και 31 Δεκεμβρίου 2012	Τζίρος
ABC_Customer_2	ABC_Customer_2	Πελάτης	Προοδευτικό άθροισμα ποσοστού αντικειμένου	12 τελευταίους μήνες	Τζίρος

A new model can be created using the button [+] in the right hand side toolbar of the page. An ABC model defines the following:

The classification object | The following business objects are supported:

- Customer

- Item

- Sales representative

- Generic business attribute

Classification rule | The classification rule that is used to categorize the records of the classified object. The following rules are provided:

- **Absolute value of the classification figure**: Each record is classified based on the absolute value of the selected key figure. For example, you need to classify your customers based on the revenue generated in the last 12 months. In this context, the following mapping is defined for the ABC classes:

  A class -> customers with generated revenue >=80.000 EUR

  B class -> customers with generated revenue <80.000 EUR but more than 20.000 EUR

  C class -> customers with generated revenue < 20.000 EUR

- **Cumulative percentage of the classification figure**: It is the most frequently used classification method. All records are sorted by their key figure value (based on the selected sorting) and starting with the top record the classification is done based on the ratio 100 * Cumulated Key Figure Value / Total of Key Figure Values. The Cumulated Key Figure Value refers to the sum of all key figure values up to and including the record to be classified. The Total of key figure values is equal to the sum of all key figure values. For example, you need to classify your customers based on the profit generated in the last 12 months. In this context, the following mapping is defined for the ABC classes:

  Customers that together generate profit equal to the 70 percent of the total profit are classified as A.

  Customers that together generate the next 20 percent (up to 90%) of the total profit are classified as B.

  Customers that generate the remaining 10 percent of the total profit are classified as C.

- **Cumulative percentage of the classified object position**: All records are ordered by their key figure value and starting with the top-ranked record the objects are classified based on the ratio 100* Ranking Position / Number of Records. The Ranking Position refers to the position of a record based on its key-figure value. The top-ranked object has position 1; the secondly best-ranked object has position 2 and so on. The number of records refers to the total number of records to be classified. For example, using this rule, you can classify your customers into top 5% as class A, next 45 % as B and the remaining as Class C customers.

- **Absolute value of the classified object position**: All records are ordered by their key figure value. Each record then is classified based on its position. For example, you specify that the top 10 customers are A Class, the next 100 are B Class and the rest are C Class.

Considering the classification classes, you can define more than 3 classes if it is required. Moreover, there is no need to define the lower class of a model. In this way, the system classifies the remaining records into the next available class.

- **Sorting**: Descending order is the default value. It is used by the selected classification rule to sort the records based on their key figure value.

- **Data filter**: Use data filter to specify the query that it will be used to fetch the data to be classified. The available queries are filtered by the selected classification object. When the query is selected, you need to set the parameter values. If the classification object is a business entity (customer, item or sales rep) then the standard parameter values are the following:

  - Period: Default value - The last 12 months

  - Key figure: The available metrics are turnover, gross profit and gross profit percentage and sales quantity. If you need to classify objects (customers/items) based on the absolute value of the gross profit percentage they generate, you should use the classification rule 'Absolute value of the classification criterion'.

If the selected classification object is a business attribute an additional parameter is required in order to define the business dimension to be classified. The following business attributes are available:

- Business Unit

- Business Activity

- Dimension 1 & 2

- Item Hierarchy (Item Family, Item Group , Item Category, Item Subcategory)

- Geographical zone

- Industry

- Customer group

- Customer family

- Customer category

More queries can be developed for a classification object to determine a different attribute or/and key figure.

- **ABC Classes**: Use on the right hand side toolbar of the grid to define the required classes and their threshold values.

- **Master data update**: For each defined ABC class, you can specify a set of fields to be updated with specific values when the ABC classification is performed. In this way, you can 'reward' the most significant customers or 'penalize' the less significant customers. Moreover, you can define for each ABC class the selected fields that will be updated when an object is churned. A churned object is an object that is unclassified in the last run of an ABC calculation, but it was classified in the previous run of the ABC classification. For example, A Class customers will have 60 credit days, B class customers 30 credit days and C class customers 10 credit days. The following master entity attributes can be set:

Customer	Item	Sales Rep
Group	User defined zooms 1..10	User defined zooms 1..10
Category		
Person/Individual 1..10 user defined tables		
Person/Individual user defined flags 1-10		
Person/Individual user defined comments 1..10		
Customer Family		
Budget group		
Sales representative		
Price zone		
Discount		
Price list		
Price category		
Invoice policy		
Credit policy		
Interest rate on arrears		
Payment method		
Reliability control		
Credit days		
Order priority		
Reminder memo		
Accounting balance limit		
Own notes limit		
Commercial balance limit		
Customer user defined zooms 1..10		
Customer user defined flags 1-10		
Customer user defined comments 1..10		

ABC model security

You can define which users are allowed to manage ABC models based on the classification object/attribute. In this context, four different company parameters are available, one for each available classification object. You can set these parameters in the area of company parameters (ABC Category parameters).

ABC model activation

When an ABC model is created, it can be scheduled to be calculated in specific periods. For example, you have defined an ABC classification based on customer profitability for the last 12 months (which is a rolling period). Using the 'Calculation schedule' action, located on the main toolbar of the form, you can specify when the ABC classification computation is performed; let's say every 3 months starting from today. In this context, the ABC model is executed in a continuous mode. Using the view 'Delete ABC calculations', you can delete classified records for one or more ABC past calculations.

You may also run an ABC classification using the 'Execute now' action. For example, you need to run an ABC classification for the last four financial years, one ABC run for each year. Using the 'Execute now' action, you can run manually 4 different runs of the ABC classification. Before each ABC run, you need to specify the financial year for which the ABC classification will be executed.

> **① Attention**
>
> It is important to note that the sequence of the different manual executions of an ABC model must be performed starting from the earlier period. In this way, the standard ABC analysis for customers and items compares a selected ABC execution with the previous one.

ABC Analysis

Overview

ABC analysis provides dashboards that can be used to examine the results of an ABC classification. The following dashboards are provided:

- ABC Customer analysis

- ABC Item analysis

- ABC Customer activity analysis

- ABC Business attributes analysis

ABC Customer analysis

You can use this dashboard to perform analysis on ABC customer classification. This page by default shows data of the last executed ABC customer model. The analysis data are based on a selected run of the selected ABC model. You can use the provided drop down combo selectors to select an alternative ABC customer model and a specific execution of the selected model as well.
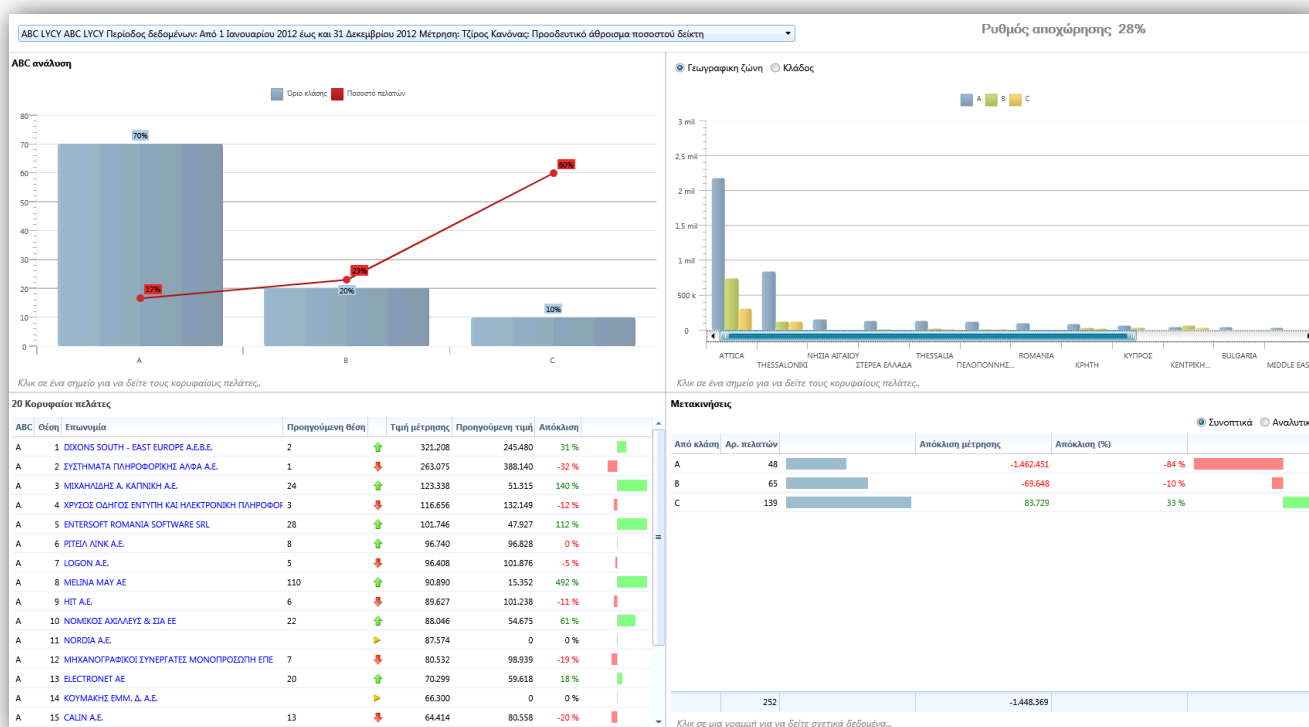
The dashboard shows the following items:

- ABC consolidated combined chart: It shows the percentage of classified customers for each ABC class with respect to the threshold value of each class.

- Churn rate (%): 100* (Number of unclassified customers / Number of classified customers) based on the previous and last ABC calculation.

- ABC Class Key figure value by Geo zone: It shows the total classification key figure for each ABC class and geographical zone. You can click on the data point to see the top customers.

- ABC Class Key figure value by Industry: It shows the total classification key figure for each ABC class and customer industry. You can click on the data point to see the top customers.

- Top 20 Customers: It shows the top 20 customers based on their ranking positions and their previous ranking position. Moreover, it shows the variance (%) of their achieved classification key figure. You can click on the provided customer name link to see the 360 degrees dashboard customer analysis.

- Movement analysis: You can use these items (consolidated and analytic) to perform analysis based on movements from one class to another class or from a class to churn (it is based on the last run and the previous run of the selected ABC model). The following key figures are presented: a) Number of customers moved or churned or remain in the same class, b) the key figure variance, the key figure variance (%). You can click on a row to see the customers that move, churned or remain the same class.

- Churn analysis: You can use these items to perform churn analysis for the selected company dimension (Business unit, Business activity, Dimension 1, Dimension 2). The following key figures are calculated: a) Churn rate(%), Number of churned customers, Churned turnover, Percentage of churned turnover.

ABC Item analysis

You can use this dashboard to perform analysis on ABC item classification. This page by default shows data of the last executed ABC item model. The analysis data are based on a selected run of the selected ABC model. You can use the provided drop down combo selectors to select an alternative ABC customer model and a specific execution of the selected model as well. The dashboard shows the following items:

- ABC consolidated combined chart: It shows the percentage of classified items for each ABC class with respect to the threshold value of each class.

- Churn rate (%) = 100* (Number of unclassified items / Number of classified items) based on the previous and last ABC calculation.

- ABC Class Key figure value by item category: It shows the total classification key figure for each ABC class and item family. A selector is provided to perform analysis using a different item grouping level. You can click on the data point to see the top items.

- Top 20 Items: It shows the top 20 items based on their ranking positions and their previous ranking position. Moreover, it shows the variance (%) of their achieved classification key figure.

- Movement analysis: You can use these items (consolidated and analytic) to perform analysis based on movements from one class to another class or from a class to churn (it is based on the last run and the previous run of the selected ABC model). The following key figures are presented: a) Number of items moved or churned or remain in the same class, b) the key figure variance, the key figure variance (%). You can click on a row to see the items that move, churned or remain the same class.

ABC Customer comparison

You can use this dashboard to compare different runs of an ABC customer model. In this context, you can compare the following key figures:

- Number of customers

- Key figure value

- Churn rate (%)

- Key figure variance (from the previous run)

- Key figure variance percentage (from the previous run)

ABC Customer activity analysis

You can use this dashboard to analyze the activities performed with respect to ABC classification.

The dashboard provides the following items:

- ABC Activity analysis pie: it shows the percentage of sales activities performed for each ABC Class

- ABC analysis by activity type stacked: it shows the number of activities by sales activity type based on thee selected ABC class

- ABC Class monthly trend: It shows the number of sales activities per month.

The period of the sales activities is based on the period of the classified data returned by the data filter query of the selected ABC classification model.
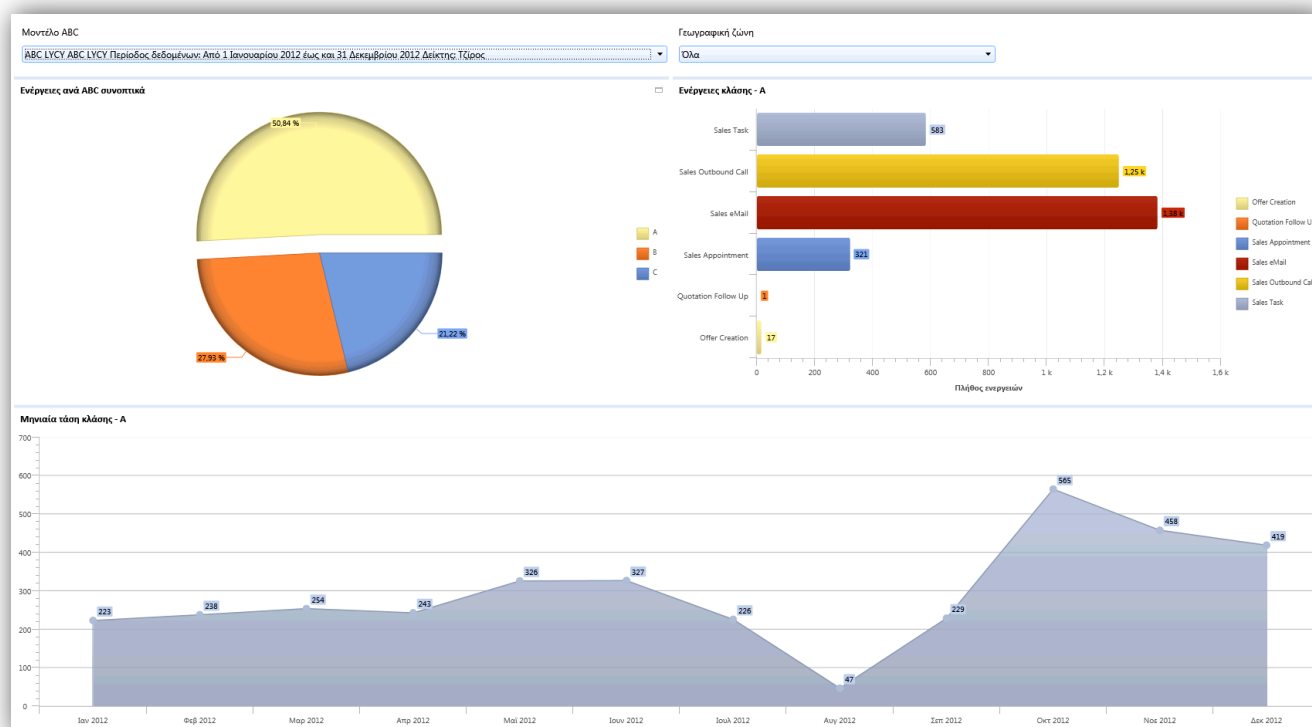
ABC Sales rep analysis

You can use this dashboard to perform analysis on ABC sales representative classification. The analysis data are based on the last run of the selected model. You can use the provided drop down combo selector to select an alternative ABC item model.

The dashboard shows the following items:

- ABC consolidated combined chart: It shows the percentage of classified items for each ABC class with respect to the threshold value of each class.

- Top 20 Sales Rep: It shows the top 20 representatives based on their ranking positions and their previous ranking position. Moreover, it shows the variance (%) of their achieved classification key figure.

- Movement analysis: You can use these items (consolidated and analytic) to perform analysis based on movements from one class to another class or from a class to churn (it is based on the last run and the previous run of the selected ABC model). The following key figures are presented: a) Number of sales reps moved or churned or remain in the same class, b) the key figure variance, the key figure variance (%).

The dashboard provides also a geographical zone drop down in memory selector that can be used to filter the analysis for a specific geographical zone.

ABC Business dimension analysis

You can use this dashboard to perform analysis based on ABC models defined for business attributes. This dashboard features a multi stacked chart analysis. Each chart shows the analysis for the business attribute ABC model that you have defined.

ABC Classification segmentation attributes

Marketing segmentation studio provides two ABC related attributes for customer segment creation and advanced context analysis. The following ABC classification attributes are provided:

- ABC class (parameter : Customer ABC model)

- ABC movement (parameter : Customer ABC model)

Using the ABC Class attribute you can perform advanced ABC distribution analysis on any selected segment. In this way, you can easily select the important customer (A Class) for any segment tree. For example, you have created a segment based on the item categories sold in the last 12 months. Based on this customer segment, you can perform ABC distribution and interactive selection of A Class customers to create a target group for a new promotion.

Moreover, you can use ABC movement attribute to create or analyze customer segments based on the move from one ABC class to another class, from an ABC class to churn and also with no move. For example, you can select A -> A value to create or analyze a segment based on your most important loyal customers. By selecting A ->, you can analyze the A class customers that churned. The ABC movement attribute provides context analysis distribution provided the following key figures: a) number of customers, Percent of customers, previous and last ABC model run key figure values, and variance of the previous and last key figure values.