

FSN Analysis

FSN Analysis is part of Inventory Management in Logistics and Supply Chain Management System. In the case of managing spare parts in stock, it is necessary to analyze the data based on several parameters such as the average issue of spare parts, the amount consumed annually, lead time, price per unit etc. Analysis is important because of the reason that stock control may not be the same for all parts. Stock control allows selective control of the number of items in stock.

Industries remain unique and selective when deploying methods to improve inventory management process. This discussion will examine "pitfalls" and "merit in selecting an appropriate technique that includes FSN analysis as one of the key variables responsible for driving efficiencies across the organizational supply chain."

Over the years, ABC has prioritized an essential aspect of the FSN matrix as an added value in integrating routine resource rationalization practices, eliminating irregular stock and overstock situations to achieve effective stock management. As such, the practice of inventory management implies increased coordination between purchasing and manufacturing and distribution functions to protect the production and planned production path, thus meeting marketing requirements and organizational goals for technology deployment, effective logistics, and renewed lead time management.

The usual classification of items in stock can be classified based on the following criteria-

- **Fast Transfer** - Items that are frequently released from stock and that are more than once for a specified period of time
- **Slow motion** - Items that are released less frequently and that may be one time in a specific time period
- **Non-moving** - Items that have not been released from stock at all in a specified time period

The FSN rating system is very useful in distributing spare parts that are kept close to dispensing as they contain items belonging to the fast-moving class. Items that fall into a non-mobile category can be discontinued if the additional use range is not expected. As companies in production for a longer period have a specified percentage of non-moving parts that are usually disposed of at regular intervals. Spare parts can be sold or reused again in the capital and can be used for other purposes.

Ultimately, the difference between applying ABC and FSN analysis varies depending on the priority of each element in the above matrix to develop a robust EOQ model.

Conduct of FSN Analysis

The FSN analysis is conducted generally on the following basis:

- The last date of receipt of the items or the last date of the issue of items, whichever is later, is taken into account.
- The time period is usually calculated in terms of months or number of days and it pertains to the time elapsed since the last movement was recorded.

Advantages of FSN Analysis

FSN analysis helps a company in identification of the following

- a) The items to be considered to be “active” may be reviewed regularly on more frequent basis.
- b) Items whose stocks at hand are higher as compared to their rates of consumption.
- c) Non-moving items whose consumption is “nil” or almost insignificant.