

## **Demand categorisation in a European spare parts logistics network**

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**Abstract:** Stock keeping units (SKUs) exhibit different demand patterns requiring varying methods for forecasting and stock control. Software such as SAP requires users to categorise demand patterns before selecting the technique that optimises the forecast. This planning functionality within SAP is typical of the industry standard software packages available. This paper addresses issues related to the demand categorization and its impact on the inventory control and service level performance of a large business machine manufacturer. In particular we focus on the management of spare parts; the demand patterns exhibited by such SKUs may range from relatively smooth and constant (normal), to intermittent and sporadic (non normal). By analysing the effectiveness of the company's previous ABC classification and then considering the latest research findings we can see the impact of utilizing these new theories in a large organization's spare parts management and contrast differences in performance.

**Keywords:** Spare parts management, demand categorisation, forecasting, stock control