SKU classification: A literature review and conceptual framework

Purpose: Stock Keeping Unit (SKU) classifications are widely used in the field of production and operations management. Although many theoretical and practical examples of classifications exist, there are no overviews of the current literature, and general guidelines are lacking with respect to method selection for classifying SKUs. The purpose of this paper is to systematically synthesise the earlier work in this area, and to conceptualise and discuss the factors that influence the choice of a specific SKU classification. Design/methodology/approach: This paper structurally reviews existing contributions and synthesises these into a conceptual framework for SKU classification. Findings: How SKUs are classified depends on the classification aim, the context and the method that is chosen. Three main production and operations management aims where found: inventory management, forecasting and production strategy. Within the method three decisions are identified to come to a classification: the characteristics, the classification technique and the operationalisation of the classes. Research limitations/implications: Drawing on our literature survey, we conclude with a conceptual framework describing the factors that influence SKU classification. Further research could use this framework to develop guidelines for real-life applications. Practical implications: Examples from a variety of industries and general directions are provided that which managers could use to develop their own SKU classification. Originality/value: This paper aims to advance the literature on SKU classification from the level of individual examples to a conceptual level and provides directions on how to develop a SKU classification.

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