

Class Structure Guidelines

When creating a solid class structure, consider the following factors:

1. Establishing Logical Classes

- Ensure the class structure follows a logical hierarchy.
- Use the following guidelines to determine the appropriate number of **parent classes**:
 - One parent class per **\$50,000 in sales**.
 - Each parent class should account for **2%–5% of total sales**.

2. Analyzing the Existing Hierarchy

Evaluate the current structure to determine:

- Which existing categories translate directly into **Management One classes**.
- Whether certain categories should be **combined** into a single class.
- Whether certain categories should be **split** into separate classes.

3. Parent Class Criteria

A **parent class** should:

- Contain **similar goods** that will perform in a similar manner.
- **Not** be structured by vendor (as vendor performance can fluctuate).
- Be **economical** and **strategic** for planning.

4. When Is a Child Class Appropriate?

Consider a **child class** if:

- It has the potential to **grow into a parent class**.
- A category has seen **significant growth** over time.
 - Example: A **tees** class growing from **\$70,000 to \$135,000** over two years may benefit from child classes such as:
 - Novelty Tees
 - Basic Tees
 - Fashion Tees
- A category does **not yet justify** becoming its own parent class.

- Example: An **accessories class** trending at **\$38,000**, but **candles selling only \$800 annually** would **not** be an appropriate child class.

5. Child Class Criteria

- A child class should represent **1%–5% of revenue** to be considered a viable class to track:
 - **Below 1%** → It is not significant enough to influence business or grow independently.
 - **Above 5%** → It may be strong enough to become a **parent class**.
- A **parent class should not exceed five child classes**.

6. Addressing Cash Flow Constraints

- If you are experiencing **cash flow issues** and cannot afford as many parent classes as needed, a **well-structured child class system** becomes essential.
- As you generate cash following our plan, **child classes can be converted into planned parent classes** when financially viable.