Advanced Lost Sales Reporting

With
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Since forming PartsEdge, Inc, Chuck has participated and spoke in front of many workshops, seminars, 20 Groups, and Dealer Associations.

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Maximizing the Lost Sales Process in your Parts Operation

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Maximizing the Lost Sales Process in your Parts Operation

Defining the term “Lost Sale”.

- A part that is needed for repair by the customer (Technician, Retail, or Wholesale) that cannot be fulfilled directly from stock on hand at the time of demand.

Where the term Lost Sale takes on a “Personal” definition:

A. Regardless of the scenario, post a lost sale!
   - Customer needs the part, and your parts advisor goes outside the dealership to procure the part, either through another dealership, aftermarket supplier, or from the manufacturer, to fulfill the demand and posts a lost sale too.

   **Right or Wrong?**

   **Your Current Practice** ________________________________

B. Post a Lost Sale only when the demand cannot be validated!
   - The Part is purchased locally and identified as an emergency purchase or purchased from the manufacturer as a customer order type. The demand was fulfilled without posting a lost sale, letting the receipt type handle the demand.

   **Right or Wrong?**

   **Your Current Practice** ________________________________

C. Post a Lost Sale when the part is purchased, but demand is not fulfilled.
   - When cleaning out special order shelves and/or locating parts in stock from wholesale credits, post a lost sale to these parts as you locate them in inventory.

   **Right or Wrong?**

   **Your Current Practice** ________________________________

Notes:

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___________________________

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**Cause and Cure**

**Can Posting Lost Sales affect My Phase-In Criteria?**

- Not as much as most parts managers think. Consistent posting will, of course, have the most direct impact on the phase-in process.
- The ERA exception to this would be the “early” phase-in option offered in Program 2323 / Option 5 / Prompt #2. This setting allows for a mathematical calculation of “In Inventory for X months with an average demand of of XX pieces per month”.
- With Arkona, you have the ability to “define” your own phase-in period. The standard setup is 1 demand in any 3 periods in 365 days with the period defined as a 1 day.

**Can Posting Lost Sales affect My Days Supply Settings?**

- Yes! This may be the single most important issue regarding the lost sales process. Depending on how “liberal” the lost sale process is at each dealership, this can directly affect the depth (or stocking level) of a given part.
- Savvy Parts Advisors have been known to post “false” lost sales to boost up stocking levels in their favor to avoid “stock out” situations.

**Can Posting Lost Sales affect any Management Reports?**

- Most certainly. In Options A and C from the first page, if you post a lost sale to unfulfilled parts put into stock, the ADP MGR report “New Parts No Sales” will be reduced as this report equals “parts with an on hand and zero history”. Now you will prematurely force a demand and the value of this report will decrease.
- Posting Lost Sales to on hand inventory will alter the Months No Sale reports for both ADP and ERA and it is highly recommending that this practice be eliminated. There are ways to review the transaction files to validate if this is happening to “hide” obsolete inventory values.

**False Demand Example (30 day supply / 3 in 9 Phase In Criteria)**

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**Helpful Hint**

The more liberal your lost sales posting policy, the more you have to vary the standard phase in guides and days supply settings on your DMS system to accommodate the posting practices.
Maximizing the Lost Sales Process in your Parts Operation

DMS Report Programs / Expect and Inspect

**ADP**

**RLE**

Report Lost & Emergency Sales
- This report clears at end of month MNE process

**ERA**

2200 Reporting Menu
Function Code Program **2244**
- Allows for current month or 6 month history of lost sales reporting.

**Arkona**

20 = Transaction Analysis
- Lost Sales Analysis

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**Helpful Hint**

Queue up the reports to run on a daily basis or weekly basis.

- In ADP this can be accomplished in the JOB program. **MONTH END MNE CLEARS THE DETAIL REPORT.**

- In Reynolds and Reynolds ERA this can be accomplished by doing a Q2244 and then going into 6955 and setting the time intervals that you want.

- For Arkona or other DMS Vendors, call your DMS support number to see if it can be set to print at certain times and/or intervals.

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**Notes**
Maximizing the Lost Sales Process in your Parts Operation

**DMS Setups: Are there Controls I can adjust?**

**ADP**

**OSOP**

Option 8

8 = Prompt for lost sales in Function I (Y/N)

**ERA**

**Program 2321 Options 29 / 33**

**Option 29**

29 LOST SALES NAMES
1=DEALER CUSTOMER NUMBER
2=REQUIRE CUSTOMER NUMBER ENTRY
3=SPECIFY CUSTOMER NUMBER

**Option 33**

33 INCLUDE LOST SALES FOR ABC MOVEMENT CALCULATION (Y/N)

**Arkona**

**50 = Application Environment**

**Lost Sale Logging Option**

A) Parts with lost sale only
   • This option is used to record lost sales only on parts that are unavailable.

A) All Parts
   • This option if used if you want to record lost sales for all parts associated with a lost sale, including parts with a current on hand and the part(s) that are unavailable.
In the 6910 Report Above, enter the date range you want to see any part numbers that were added to your inventory control. For example, if you wanted to put the week of June 16th through June 20th;

DATE 1 would equal “06/20/2008”
DATE 2 would equal “06/16/2008”

Pay attention to the “12 MONTH HIST”; “LSDATE”; “LOST”; and QPR fields on the report.
The 12 MONTH HIST field represents sales in the last 12 months
The LSDATE equals the last date a part was sold
The LOST field equals LOST sales for the month.
The QPR field equals Quantity pending receipt

If all four fields above show no value, along with the QOH equal to “0”, the a part was added with absolutely no transaction value at all. It is hard to believe, with the exception of I/O postings for aftermarket transactions, that any part would be added to the system without some type of demand being recorded.
In the English Statement above, enter the date range you want to see part numbers that were added to your inventory control. For example, if you wanted to put the week of June 16th through June 20th;

SENTRY GE would equal “16JUN08” as entered above
SENTRY LE would equal “20JUN08” as entered above

Pay attention to the “YRSL”; “LTDATE”; “LOST”; AND O.O. fields on the report.
The YRSL field represents sales in the last 12 months
The LTDATE equals the last date a part had any transaction recorded
The LOST field equals LOST sales for the month.
The O.O field equals Quantity pending receipt

If all four fields above show no value, along with the O.H. equal to “0”, the a part was added with absolutely no transaction value at all. It is hard to believe, with the exception of I/O postings for aftermarket transactions, that any part would be added to the system without some type of demand being recorded.

Notes:
CONCLUSION

<table>
<thead>
<tr>
<th>Option A from Page One</th>
<th>Liberal Lost Sales Posting</th>
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<tr>
<td></td>
<td>• Make sure that your phase in criteria and days supply settings are adjusted in a way to compensate for extra demand that is being posted.</td>
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<td>• Reporting the Lost Sales daily based on this practice is highly recommended to make sure system settings are accurate for lost sales posting.</td>
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<th>Option B from Page One</th>
<th>Conservative Lost Sales Posting</th>
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<td>• Standard Phase in guides and days supply settings should be applied.</td>
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<td>• Weekly reporting of Lost Sales and Parts added should be reviewed to ensure that some type of transaction is occurring to new parts.</td>
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<tr>
<th>Option C from Page One</th>
<th>Posting Lost Sales to Unfulfilled Demand</th>
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<td>• I highly recommend that this process be eliminated for the simple reason that some of the forced stock reports will be diminished showing false numbers and results simply based on posting a lost sale.</td>
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<tr>
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<td>• False Demand = False Demand</td>
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Is there a “Right Way” to post Lost Sales?

As you can now understand, there are several ways to control lost sales posting in your inventory control system. It is not important to debate what other manager’s lost sales procedures are compared to your own. It is important to understand what your procedures are and to review and inspect this process on a consistent basis to ensure that your department is capturing critical demand accurately to affect your order fill and customer satisfaction!

Notes:

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