

5.6. Accounting for Lost Sales

Suppose the sales history includes periods with zero sales due to the lack of inventory or stockout or if there is just no demand for particular items for very different reasons from the perspective of forecasting demand. In such cases, a user may choose one of the options: **'Ignore zero sales,'** **'Stockout days,'** and **'Ignore actual sales'** to prevent Streamline from undervaluing the forecasts.

Several features allow taking lost sales into account; they are

- The **Stockout days** parameter indicates how many days in the period we had run out of stock. This parameter can be modified manually, allowing Streamline to evaluate the model better when forecasting. In this case, Streamline reviews the demand in this period based on the given number of stockout days and assigns a lower weight to the sales data when the model is built.

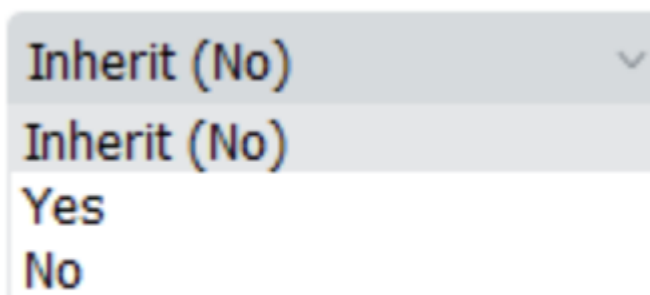
To change the stockout days number, please follow these steps:

- First, go to the Demand forecasting tab.
- Next, select the node in the Tree view.
- Next, click the yellow cell in the Stockout days row of the Table view.
- Finally, enter a new value and press Enter.

When 70 % of a period is stockout days, Streamline marks the period as unreliable and treats it as an outlier

Also, Streamline allows you to ignore stockout days completely. This option can be selected on the Panel. If a user selects **'Yes'**, it ignores all days identified as stockout days by Streamline; as a result, it lowers the overall forecast.

Ignore stockout days



A screenshot of a dropdown menu. The menu is open, showing four options: 'Inherit (No)' (selected), 'Inherit (No)', 'Yes', and 'No'. The 'Inherit (No)' option is highlighted in a darker grey, and a small downward arrow is visible to its right. The other options are in a lighter grey background.

- **Ignore actual sales** feature is designed to omit periods from the history of sales that, for any reason, were not representative of the business. For example, when the COVID-19 situation occurred, some companies faced very unusual demand during the first months of quarantine, which was different from what it usually looks like. Therefore, you might want to ignore that period for a more accurate demand forecast.

To use the feature, go to the **Demand tab** and find the row **Ignore Actual Sales** in the **Table**. Then, check the boxes to select the needed periods.

Once the feature is used, a tree node to which you applied the changes will be marked with the graph

icon.

Except for the marking in the **Table** and **Tree view**, it will also be marked on the **Plot** with black dots on spikes of chosen periods. Streamline won't consider these periods when generating a forecast for a selected item code-location pair or category.

To cancel the **Ignore sales** option, you can uncheck chosen boxes in the **Table** or right-click on a needed item/category in the **Tree view** and choose the **Clear overrides**.

	Jun 2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019
Actual sales	2,400	3,596	6,572	4,620	5,890	4,680
Statistical forecast	4,859	4,940	5,021	5,101	5,182	5,263
Final forecast overrides						
Average sales price	29.49	29.49	29.49	29.49	29.49	29.49
Revenue	70,776	106,046.04	193,808.28	136,243.80	173,696.10	138,013.20
On hand						
Stockout days	0	0	0	0	0	0
Projected inventory levels						
Ordering plan						
Ignore actual sales	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/> ↶	<input checked="" type="checkbox"/> ↶	<input type="checkbox"/>	<input type="checkbox"/>

- **Ignore zero sales**, which, if chosen, makes Streamline ignore periods (months or weeks) when we had inventory but had no sales. So, as a result, the forecast will be higher than supposed to be because we don't consider demand, which is lower than expected.

To do this:

- Choose the item or the category in the **Tree View**
- Select **Yes** in the **'Ignore zero sales'** control in the **Forecasting tab** of the **Properties panel**.

Ignore zero sales

Inherit (No) ▼

Inherit (No)

Yes

No

Search [] Settings [] Approve/Unapprove [] Needs attention [] Checked [] Add note [] Forecast versions [] Show rows [] All items > Food/Beverages > Cereals > MB-50046 — Muesli box, :

Expand Collapse

- All items \$703,586 \$744,801
 - Consumer goods \$178,101
 - Fashion \$703,586 \$426,995
 - Food/Beverages
 - Cereals
 - MB-50046 — Muesli box, 500 g**
 - Chocolate
 - Water
 - Pharmacies \$139,705

	Nov 2018	Dec 2018	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019	Aug 2019	Sep 20
Actual sales	8,888	3,434	4,960	13,440	9,920	9,600	9,920	14,400	16,616	0	0
Statistical forecast	9,540	9,540	9,540	9,540	9,540	9,540	9,540	9,540	9,540	9,540	9,540
Final forecast overrides											
Average sales price			4.29	4.29	4.29	4.29	4.29	4.29	4.29	4.29	4.29
Revenue	0	0	21,278.40	57,657.60	42,556.80	41,184	42,556.80	61,776	71,282.64	0	0
On hand											
Stockout days	0	0	0	0	0	0	0	0	0	0	0
Projected inventory levels											
Ordering plan											
To receive											
To ship											
Ignore actual sales	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Quantity Revenue

Forecasting Model Inventory KPIs

- Forecast approach: Inherit (Bottom-up)
- Model type: Inherit (Automatic selection)
- Ignore trend before: Inherit (Jan 2018)
- Ignore zero sales: Yes**
- Ignore stockout days: Inherit (No)
- Use price elasticity: Inherit (No)
- Use holidays: Inherit (None)
- Seasonality pattern: Inherit (Auto)

ABC analysis
 Hide overstock/stockout
 Hide categories

Next: Accounting for Calendar Events

Download PDF

From: <https://gmdhsoftware.com/documentation-sl/> - **GMDH Streamline Docs**

Permanent link: <https://gmdhsoftware.com/documentation-sl/accounting-for-stockouts>

Last update: **2023/09/14 10:48**

