How to Convert Lost Sales into Buying Demand

By Philip Obal

Should lost sales be tracked with focused attention? Definitely! Tracking lost sales has been problematic on how to properly track it and respond by stocking these items. Whether an operation is utilizing, e-commerce (B2B, B2C), order management systems (OMS), or enterprise resource planning software (ERP), this is an important concern that can be solved.

If one does 'respond' properly to lost sales, then customer satisfaction improves. Responding to an issue takes thought, while reaction just takes nervous energy!

Current Problems at Call Center

Call center staffed with inside sales is too busy to enter lost sales reason code and quantities. Call center personnel have current metrics for number of orders entered per hour, total dollars ordered per day, and so forth. Inside sales staff strongly feels that it is a waste of their time to enter lost sales data manually for every line item the customer does not purchase – as management reviews them on current metrics. Management sees the need for this lost sale data (**long term vision**) but stresses and gives in to inside sales staff complaint of being too busy to enter additional lost sale data.

Problems with E-Commerce - Shopping Cart – Web Order Entry

Customers self-service themselves by accessing products and deciding whether to purchase the items or not. Customer decides not to purchase item. How do you track it to be meaningful for the buyers (purchasing agents)?

How To Solve This Lost Sale Problem

Start counting the number of times that a customer or sales staff has accessed a product, Push this information to the buyers with an additional column on his screen or printout. Our approach is a non-intrusive approach, where the customer and inside sales staff is not required to do any additional work. If this approach is not acceptable, then intrude on their space and request the lost sale data for every line item (lost sale item #, lost sale quantity, lost sale reason code). Our non-intrusive approach permits the inside sales staff and customer to operate as fast as they can go, without slowing them down!

First - Analyze sales staff functions utilized to get inventory inquiries, quotes, and orders. Do likewise for customers entering their own orders. These functions that are commonly used for inventory availability, price quotations, and order entry will have code added to them to track the lost sale.

Second – Add the logic to gather the lost sale data based on 'user type'. Every user on the system must have a 'user type'. Is this user a inside sales representative, outside sales staff, sales support staff, customer, IT, customer service representative, accounting, or another job type?. Decide to track only certain 'user types'. We suggest that all sales staff & customers be tracked only. Do not track IT staff nor purchasing staff. We advise not to track customer service staff unless they are performing inside sales functions.

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Third – Build the lost sales table in the database and start counting. For example, inside sales receives a call on item "Drink MMax" and does an inventory inquiry. None are available, but we have recorded in the lost sales table that on this date, we missed 1 order on this item, without delaying the order taker. The process continues on every inventory inquiry, price quote, and order entry line item, where a sales staff (or customer), reviews an item, but does not order it.

The Buyer - The Key Man

The buyer needs to have this total missed sales count in their buying screen, printout, and algorithm. The buyers should especially appreciate this data for new, not stocked, or slow moving items. The buying algorithm can be carefully adjusted to take the new lost sale count data and a better forecast can be executed every time!

Item	Description	On-Hand	On-Order	Sales-3-Mo	**Total Missed Sales Count**
128260X	Drink MMax	0	0	0	44
128271F	Health Food	0	0	0	33
128445Z	Chocolate ABC	5	100	98	87

One needs to perceive, that "lost sales count" is a demand number, which needs to be part of the buying process. The buyer in our above example should seriously consider buying the first two items. On the third item - if current prices are not competitive on item 128445Z, the buyer should work with sales on better customer prices – but **the buyer now knows** **there is a demand and an indication of the size of it!**

Download this white paper at http://www.idii-consulting.com/wp/idii_lost_sales.pdf
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About the Author

Philip Obal - President of Industrial Data & Information Inc. (IDII). Has designed, developed, researched, and consulted on software for the last 25 years. Software projects span ERP, OMS, WMS, TMS, E-Commerce, Inventory, and much more.

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