QuickStart Guide

Recommended Orders

October 2004

Recommended Orders

ARKONA QuickStart Guide

Use this QuickStart Guide to understand how and why the system recommended an order for a particular part.

- To understand why a particular part appeared on a stock order, the best thing to do is to display the Stock Reorder Criteria screen.
- To display this screen, take option **3=Stock Order Criteria** by the part on a stock order in Edit status.

```
PD1200DA                                                          6/09/04
QENSIGN                    Stock Reorder Criteria
================================================================================
06301-PT3-A10 : DISTRIBUTOR ASSY.                    Understocked: 1

Demand for prior 365 days, open 362.0                                  15
Demand for prior 30 days, open 30.0                                     3
Weight Demand 70% on 365 days and 30% on recent 30 days

Weighted Daily Demand: .70(15/362.0) + .30(3/30.0)                   .059
Dynamic Days Supply                                                    40
Best Stocking Level                                                     3
Less: On Hand (1), On Order (1)                                         2-

Recommended Order                                                       1

Cost of Part 96.09, Order Investment                                96.09
Days supply with current on hand                                     16.9
In Inventory  9/30/95, 3175 days  Last Demand  5/26/04, 14 days


Function* __

F3=Exit   F12=Cancel
```

Stock Reorder Criteria Screen

- To compute the Recommended Order of 1 for this part, the computer takes the following steps:
    1. Determine the stocking group of the part.
    2. Retrieve the stock order criteria from the stocking group setup.
    3. Compute the number of days the parts department was open in the previous 365 days.
        i. **Open 362 days**

    a. Determine the number of days the parts department was closed and subtract it from 365.
        i. The closed days are pulled from the Initial Values screen in the Parts Department Application Environment Preferences.

ii. In this example, the parts department is open 7 days a week and closed New Year's Day, Thanksgiving, and Christmas.

iii. Therefore the parts department is only closed 3 days a year.

4. Compute demand for the previous 365 days.

   i. **15 demands**

   ii. This information is pulled from sales history.

5. Compute the number of days the parts department was open in the recent 30 days.

   i. **Open 30 days**

   ii. There were no holidays or closed days in the last 30 days.

6. Compute the demand for the recent 30 days.

   i. **3 demands**

   ii. This information is pulled from sales history.

7. Determine the weight applied to each demand period.

   i. **70% on previous 365 days**

   ii. **30% on recent 30 days**

   iii. This information is pulled from the Stock Order Criteria screen for the stocking group of this part.

8. Compute the Weighted Daily Demand.

   i. .70(15/362.0) + .30(3/30.0)

   ii. .70(0.041) + .30(.100)

   iii. .029 + .030 **= .059**

   iv. The Weighted Daily Demand means we sell .059 of these parts each day; or we sell 1 every 16.9 days (1.0 ÷ .059).

9. Determine the Dynamic Days Supply.

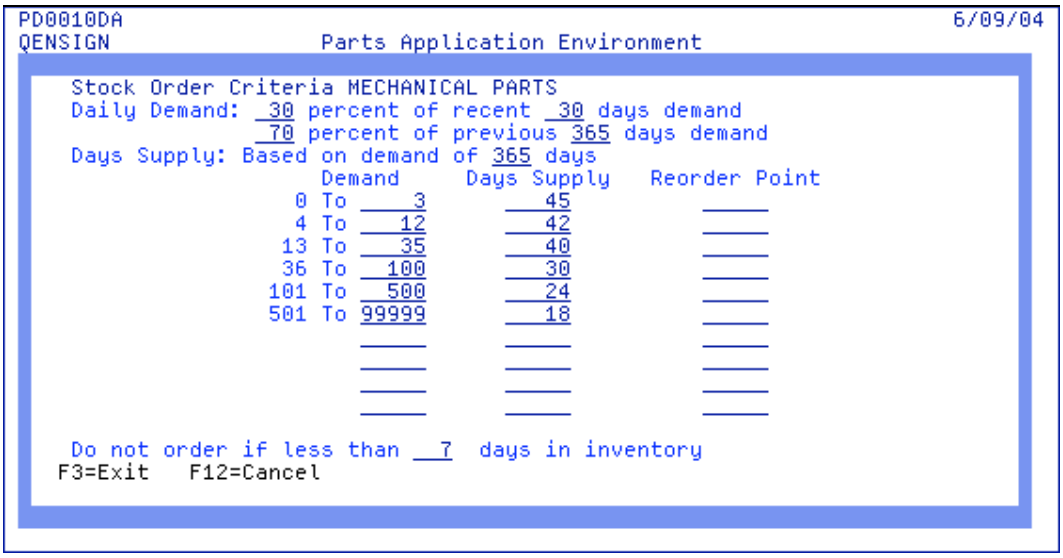
   i. **40 days supply**

   ii. This calculation is called *dynamic* days supply because the days supply *changes* depending on the activity level the part.

   iii. This information is pulled from the table on the Stock Order Criteria screen for the stocking group of this part.

   iv. 15 demands in the previous 365 days put it in the 3rd demand category with a target of 40 days supply.

   v. See the Stock Order Criteria screen for this part's stocking group below:



Stock Order Criteria Screen

10. Compute the Best Stocking Level.
    i. **3 parts**
    ii. BSL = Weighted Daily Demand × Dynamic Days Supply
    iii. BSL = .059 × 40 = 2.36 rounded up to 3
11. Subtract any current on hand or on order parts.
    i. –2
    ii. 1 on hand
    iii. 1 on order
12. Compute the recommended order.
    i. 3 (best stocking level) – 2 (on hand, on order) = 1 recommended order
    ii. Recommended order = Best Stocking Level – On hand – On order.
    iii. If you are using reorder point, there may be no recommended order for a part even though the quantity on hand is less than the best stocking level.
    iv. The reorder point lets the on hand quantity drift below the best stocking level until a certain days supply (the reorder point) is reached before there will be a recommended order.