

Freeze Flags: Knowing When to Take Over the Ordering Controls



Introduction:

The CylTech Inventory Control system does a great job of helping you manage inventory by setting order points and order quantities for each item in inventory. In most cases you can let the system do the calculations and pretty much run on autopilot. There are times however when the software needs help. Something has happened that is out of the ordinary. Something unusual.

Here is a simple example. You normally sell 20 pairs of Tillman 24C gloves each month. So, average usage is easy to calculate. It's 20, but this month you sell 90 pairs and that's three times the normal sales. What do you do? Many software packages would try to "smooth" the unusually high sale. Other packages would throw the month out because it is too high, but either or neither answer may be correct.

One scenario could be that a contractor was in town for the month and bought extra gloves for a one-time job. After the job ends, he will leave and not be back. You do not really want to include the high sale because it would distort your average usage. But what if you picked up a new customer and they buy a lot of that type of glove? In that case you would want to adjust the average usage, but not bump it to 90. In either of these cases, the software needs your help. You need to do some research and find out what should be done.

The Freeze Flag

To help you with these types of situations, the inventory control software uses a feature called Freeze Flags. When the order point calculation program sees an unusual situation like the one above, the program sets a flag in the inventory record for the item. When that flag is set the program will not recalculate the order points until the situation is resolved. The program is saying "I need more information".

So, What Do You Do?

Each of these situations requires a different response. The response may be temporary, semi-permanent or permanent. Here is a brief explanation of each freeze flag and what to do.

1. **Out of Stock for more than two weeks:** The unanswered question is why were you out of stock? Was it on purpose or an oversight? Being out of stock impacts your ability to sell which impacts your average usage. Solution: Determine the problem, manually

calculate an appropriate average usage, order point and set your Freeze Months to six. At the end of six months the system will clear the Freeze Flag and recalculate the order point and order quantity.

2. **Unusual Sale:** First you determine why your sales were unusually high for the item. Then determine what would be an appropriate average usage and calculate your order point and order quantity. Enter those into the record for that item. Set your Freeze Months to six. Just as above, in six months the program will clear the Freeze Flag and correctly recalculate your order point and order quantities.
3. **Single Customer Item:** You may be stocking this item for a single customer. They only buy the item every three months so your average usage would be too low, but you need the item on hand when the customer orders. Determine your order point and order quantity. Set your Freeze Flag to 3 for Single Customers. The program will not recalculate the order points and order quantities because of the Freeze Flag. When the customer orders their stock, the program will automatically reorder based on the order quantity you manually entered. You are essentially saying “Here is my order point and order quantity. Do not change them.”
4. **One Sale or Low Sales:** You may be selling the item but not enough to justify stocking the item. When you see an item with a Freeze Flag of 4 you automatically know it is a poorly selling item. When you look at this item you must decide if you want to continue stocking the item. If you want to keep the item in stock even with low sales, you can manually set the order point and order quantity. Change the Freeze Flag to 6 and the program will not recalculate the order points or order quantities. Or set the Freeze Months to six and the program will check the item again in six months.
5. **New Stock Item:** New stock items do not have any sales history so there is no average usage to base an order point on. For new items you’ll need to estimate the order point and order quantity. Set the Freeze Flag to 5 (New Stock Item) and the Freeze Months to six. At the end of six months the Freeze Flag will be cleared, and the system will use the actual sales history and lead times to calculate average usage, reorder points and reorder quantities.
6. **Users Option (Manual):** Use this Freeze Flag when you want to manually set the controls and do not want the system to change them. The program will not clear this Freeze Flag.
7. **Lead Time:** This Freeze Flag will be set if your lead time for the item changes dramatically. The lead time is a calculation the system makes. It’s the difference between the date the item was ordered and when it was first received. As with the items above, determine the reason, then set your order points and order quantities to what you want them to be. Set the Freeze Months to six. At the end of six months the Flag is cleared, and your order points and order quantities recalculated using the new average usage and lead times.
8. **Service Item:** Many distributors have items on their shelves to repair products they service. These items are not stocked based on average sales. They are stocked for repair purposes. For

repair or service items, set the Freeze Flag to 8, manually put in your order points and order quantities. These items will be ordered when you go below the order point, and order the amount set in the order quantity you entered. The order point and order quantity will stay the same until you change them regardless of how many you use.

9. **Buying Class 13:** Each time you run the program to calculate order points and order quantities, a calculation is made to determine how many of an item have been sold in the past 12 months. If the total value of sales (at cost) in the last 12 months is less than \$10, the Freeze Flag is set to 9 for Buying Class 13. This is a warning to you that the item is not selling very well. You can choose to get rid of it or possibly keep a minimal amount on the shelf. If you decide you wanted to keep a minimal quantity on the shelf, change the Freeze Flag to 6 (Manually Set) and enter your order point and order quantities. An example would be an item that is not selling well, but you have valid reasons to stock it. Let's say you want to keep five on the shelf. Set your order point to something less than five (possibly one or zero) and the order quantity to five. The system will reorder five in this example even though you may have only sold five in the entire last twelve months. The order point and order quantities will not be recalculated regardless of average usage or lead time changes because you have set the Freeze Flag to 6.

Note: buying Class 13 is one of the tools used to help identify inventory you should get rid of.

Freeze Flags are an integral part of the purchasing software. For example, you will be warned if you try to order an item that has a Freeze Flag of 9 (Buying Class 13) because it is a poorly selling item. Freeze Flags are an excellent way of fine tuning your order points and order quantities.

Have questions? Feel welcome to send us an [email](#) or give us a call, we'd love to answer your questions!

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