Customer Deductions:

2015 Benchmark Survey

AttainConsultingGroup

The **Credit Research Foundation** is extremely pleased and honored to have participated in this valuable initiative. Attain Consulting Group and Ms. Jessica Butler are held in very high regard by the Foundation and its members.

This substantive body of work evidences the capabilities and insights offered to our membership, as well as the broader accounts receivable management community.

Thorough and well-conceived, it certainly will provide those who choose to review its contents in detail with significant and actionable data points for use in their management processes.

Our congratulations to Jessica on an extraordinary effort!!!

William F. Balduino
President
Credit Research Foundation

Customer Deductions

2015 Benchmark Survey

The Customer Deduction: Impact on Receivables survey is the preeminent and highly sought after publication of the Credit Research Foundation. First issued in 1998 and updated approximately every three years, the familiar "Red Book" is one of the best sources of benchmark information on customer chargebacks and deductions. Packed with statistics on deduction metrics, internal processes and best practices, companies have long relied on the information contained in the study to measure and evaluate their deduction management performance as well as gain insights for improvement.

Attain Consulting Group has worked with CRF on the deduction survey since 2003 to analyze and prepare the results as well as provide action-oriented tips & strategies. When CRF informed me earlier this year that they were unable to conduct the survey, I requested that Attain Consulting Group be allowed to take over the reins of the survey beginning with the 2015 edition. As a deduction and chargeback management advisory firm committed to providing our clients with practical, constructive solutions to their deduction management challenges, I felt that Attain Consulting Group would be able to continue the tradition of excellence. I thank CRF for granting me this request.

With over 500 companies responding to this year's survey, we have a great sampling across numerous industries. Attain Consulting Group would like to acknowledge the following organizations for their support in endorsing the survey and sending the survey link to its members, contacts and customers.

- Credit Research Foundation (CRF)
- BCI-NACMNE/CT
- Fashion Services Network (FSN)
- Federation of Credit and Financial Professionals (FCFP)
- HighRadius Corporation
- IAB Solutions LLC
- National Manufacturers Deduction & Resolution Group (NMDRG)
- PACM
- Retail Value Chain Federation (RVCF)
- Riemer Reporting Service

If you have questions or comments about the survey, or if you require guidance in understanding how to interpret the data or use the results to improve your company's deduction management performance, please feel free to reach out to me.

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INTRODUCTION

Customer deductions continue to plague companies across dozens of industries selling through multiple distribution channels. Whether you call them deductions, chargebacks or short pays, the results are still the same – erosion of your bottom line.

While deductions will never be completely eliminated, steps can be taken to reduce those that are considered "self-inflicted" and streamline processing of those that are "the cost of doing business".

The 2015 Deduction Survey results provide information from over 500 companies. It can help guide you in evaluating your current deduction management performance as well as developing best practices to "Take Control of Deductions".

This document is organized into the following sections:

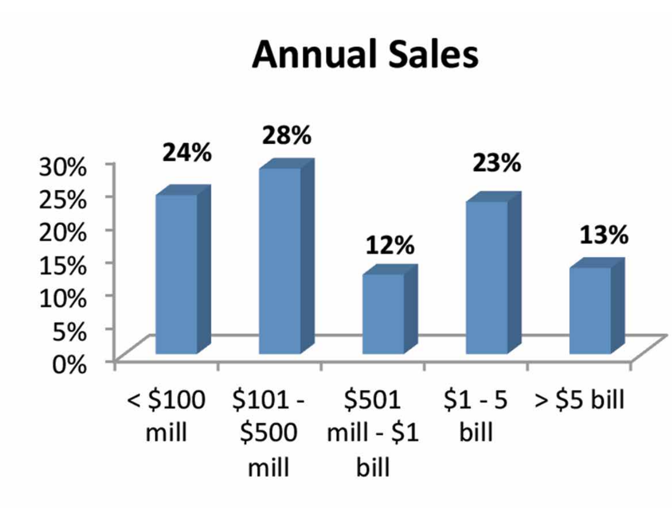
I. SURVEY HIGHLIGHTS

This section provides survey highlights in the following areas:

- Demographics
- Roles & Responsibilities
- Organizational Structure & Accountability
- Deduction Aging & Time Limits
- Allowances & Automatic Write Offs
- Primary Deduction Reasons
- Deduction Percentages & Analytics
- A/R Statistics
- Invalid Deductions & Recoveries
- Internal Challenges
- Deduction Trends & Corrective Strategies
- Post Audit Trends & Corrective Strategies
- Vendor Agreements & Customer Meetings
- Outsourcing & Use of 3rd Party Technologies

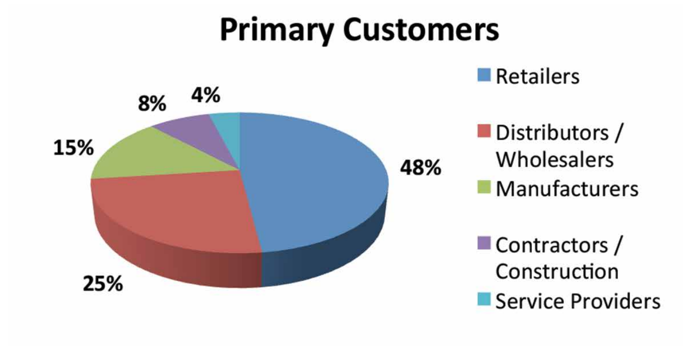
Demographics

Responding companies ranged in size from less than \$100 million to over \$10 billion in annual sales. 52% of the responding companies have total annual sales of \$500 million or less.

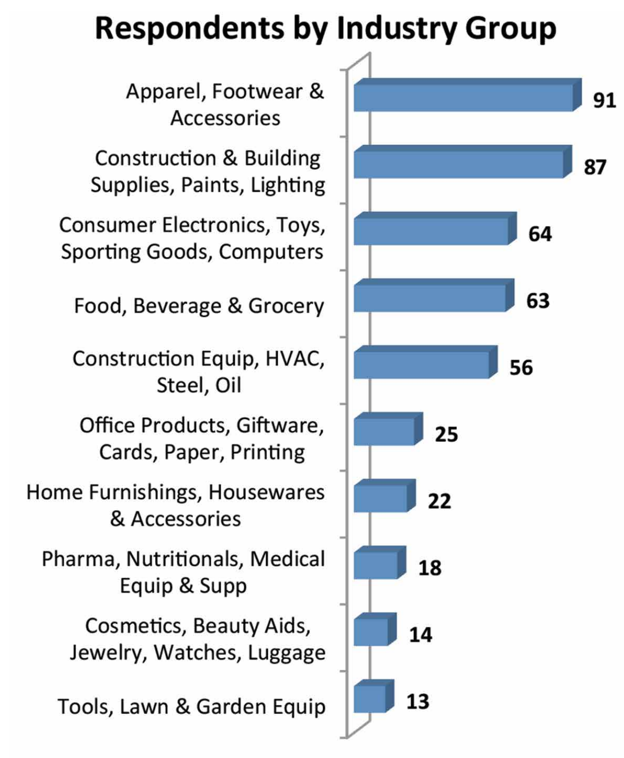


*... **48%** of respondents reported that their primary customers are retailers ...*

Deductions impact numerous distribution channels. While 48% of respondents indicate that retailers are their company's primary revenue source, that leaves 52% with primary distribution channels other than retailers. The chart below summarizes the details:



For the 2015 Deduction Survey, we organized dozens of industries into 10 major industry groups. 453 of the responding companies provided information on their industry group as follows:



Detailed survey responses by industry group are provided in section III of this report.

Roles & Responsibilities

We were interested in understanding who is responsible for the initial research and validation of deductions and whether there is a difference between trade-related deductions (e.g., trade promotions, coop, markdowns) and non trade-related deductions (e.g., compliance, shortages). While overall Credit / AR predominantly handles the initial research and validation of all deductions, as expected, Sales is more involved in the initial research and validation of trade-related deductions. However, the more significant finding is the differences reported across industries.

Overall, 66% of respondents reported that trade-related deductions are initially researched and validated by Credit / Accounts Receivable and 17% by Sales or Brokers. However, as illustrated by the following table, there are wide variations reported by industry:

Initial research / validation of trade-related deductions performed by

Industry Group*	Credit / AR	Sales / Broker
ALL RESPONDENTS	**66%**	**17%**
Apparel, Footwear …	84%	6%
Cons Electronics , Toys …	67%	24%
Food, Beverage & Groceries	61%	16%
Cosmetics, Beauty Aids …	42%	33%

**See Detailed Results by Industry Question 5 for more industries*

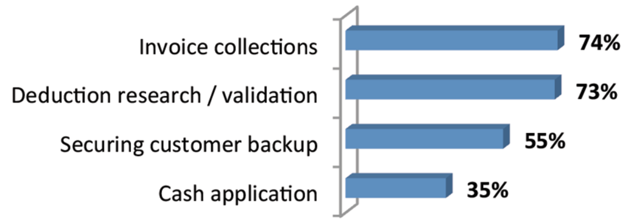
There is more consistency across industries when it comes to non trade-related deductions. Every industry reported that Credit / Accounts Receivable researches the majority of deductions. For all respondents, 71% indicated that primary processing resides within Credit / Accounts Receivable, 9% within Customer Service and 7% within a separate Compliance Group.

… While Credit / AR has primary responsibility for initial research & validation of trade-related deductions, ***Sales is usually responsible for approvals*** *…*

Regardless of which groups researches, validates or approves deductions, if a deduction is determined to be invalid, 82% of responding companies reported that Credit / Accounts Receivable has primary responsibility for following up with customers to collect these claims.

Companies often ask whether the people responsible for deduction collections are also responsible for deduction research, invoice collections or cash application. In an effort to provide an answer, this question was added to the 2015 survey. Overall, over 70% of the people responsible for the collection of invalid deductions are also responsible for deduction research as well as invoice collections. The following table provides statistics on these and other responsibilities.

Staff who collect invalid deductions are also responsible for …

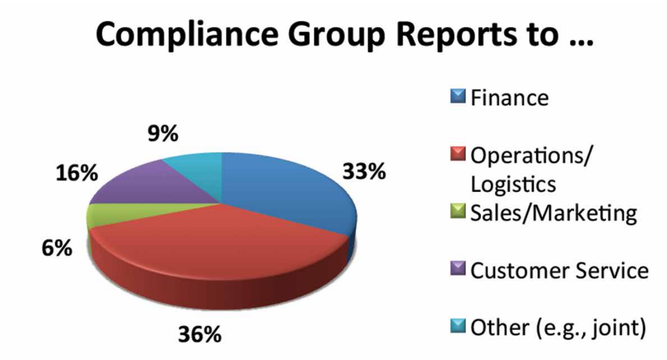


When assigning deduction responsibilities to staff, 85% of respondents reported that they allocate assignments by customer. Only 15% assign deductions based on reason or type. Several respondents also noted that they assign responsibilities by sales person or territory.

Organization Structure & Accountability

21% of survey respondents reported that they have a separate vendor compliance group with primary responsibility for deduction prevention, resolution and recovery. The results varied widely by industry group, which is not surprising if you consider the predominant deduction types faced by different industries. Industries such as Food, Beverage & Grocery, where the vast majority of deductions received are trade related, spend less time dealing with compliance violations and therefore, are less likely to establish internal vendor compliance groups (only 9% of this industry reported having a separate compliance group). On the other hand, industries such as Apparel, Footwear & Accessories, where there are significantly higher levels of non-trade or compliance related deductions, often feel compelled to establish compliance groups to help manage this class of deductions. This is evidenced as 61% of Apparel, Footwear & Accessory respondents reported having separate compliance groups.

For those companies who reported having separate compliance departments, the following chart shows the department this group reports to:



It is also interesting to note that the size of the company impacts the group to which the compliance department reports. As shown in the following table, compliance groups in smaller companies typically report up through finance, while at larger companies they more frequently report up through Operations / Logistics.

Compliance Group Reports to ...

Department	Annual Sales <= $500 million	Annual Sales > $500 million
Finance	43%	24%
Operations/Logistics	28%	42%
Customer Service	9%	22%
Sales/Marketing	7%	5%
Other Department	13%	7%

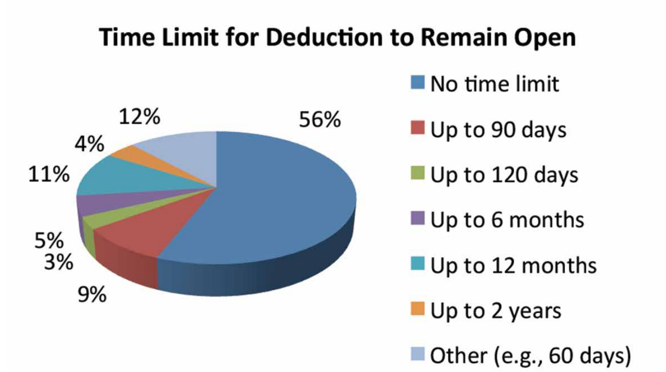
47% of respondents reported that they charge back deductions to the appropriate business unit or department. Results varied by industry group. The Construction / Building Supplies, Paints and Lighting group report the highest amount with 59% charging back the business unit, while only 19% of the Office Products, Giftware, Cards, Paper & Printing group indicate that they charge back the business unit.

The final area of accountability addressed in the survey relates to cross-functional teams. Deductions are a company-wide issue. While personnel in credit, A/R or compliance can help research and recover deductions, they are not responsible for causing the deduction. Therefore, they can do little to prevent them. That responsibility falls upon other departments such as sales, customer service, distribution, logistics, information technology and production. As a result, cross-functional teams can be important when looking to improve the deduction management process. When asked whether companies use cross-functional teams to review some of the deductions and compliance violations, 53% of total respondents answered in the affirmative. Of those companies with cross-functional teams, 65% reported that these teams produced positive results by reducing the number of incoming deductions. *Questions 47 and 48 in section III of this report provide more details by industry group.*

Deduction Aging & Time Limits

Overall, 69% of companies reported that aging begins when the deduction is received. 22% indicated that aging reverts back to the date of the original open item. However, there are considerable differences based on distribution channel with 87% of companies whose primary customers were retailers reporting that aging begins when the deduction is received and only 13% saying that aging reverts back to the date of the original open item. For companies whose primary customers are manufacturers, distributors, wholesalers and service providers the numbers are 68% and 32% respectively.

When asked how long a deduction is permitted to remain open or unresolved before writing the deduction off, 56% of companies reported having no time limit. The chart below illustrates the overall responses for this question.



Since deductions do not improve with age, the speed with which a company is able to reach an initial decision as to the validity of a deduction, as well as the time it takes from that initial decision until a final resolution is reached, is indicative of the effectiveness of its deduction management process. Companies that resolve issues and charge back invalid deductions to their customers earlier, often do a better job in terms of recovery percentages. For the purposes of this survey, the initial decision is defined as the time it takes to research a deduction and make a decision to credit, write-off or charge back the deduction to the customer. The median time it takes survey respondents to reach this initial resolution (or decision) is 30 days – no change from the 2012 CRF survey.

A final resolution is considered achieved when the deduction has been cleared from AR, either by a credit, write-off or through collection from the customer. When asked how many days it takes from the initial decision until final resolution, the median response was 60 days. *(Note: It is likely that valid deductions are cleared shortly after the initial decision and that it may take considerably longer to recover invalid deductions from customers. Therefore, it is assumed that the 60 days reported above represents the "average" time including both).* Adding the initial decision (30 days) and the final resolution (60 days) together, the median time from receipt of deduction until ultimate resolution is 90 days, or 3 months.

Allowances & Automatic Write Offs

In an effort to eliminate the time and cost of processing individual claims, companies frequently establish allowance policies with their customers. The most common allowance reported is for defective returns, with 38% of respondents indicating a defective allowance has been negotiated with customers. This represents a 36% decline from the 2012 CRF survey when defective allowances were reported by 59% of respondents. 46% of responding companies stated that they do not have allowances with their customers. *Question 15 in section III illustrates the dramatic differences reported by industry group.*

Automatically writing off small dollar deductions during cash application can reduce the overall cost of processing and resolving customer short payments.

Consistent with the 2012 CRF survey, 83% of companies reported that they write off at least some small dollar deductions, with 18% of those companies saying that it depends on the deduction type. 17% of all respondents said that they do not automatically write off small dollar deductions. The median dollar write-off threshold across all industries was less than $25, which is also no change from the 2012 (and 2009) CRF surveys. The Cosmetics, Beauty Aids, Jewelry, Watches and Luggage industry group reported the highest auto write-off amount with a median of $101 - $250. Food, Beverage & Grocery was next with a median auto write-off amount of $51 - $100.

*… Across all respondents, the **median auto write-off amount is <$25** and represents **<1% of total deduction dollars received** …*

When looking to select or validate the auto write-off amount that is right for your company, start with a listing of all deductions received over the past 6 or 12 months. Sort the deductions in ascending dollar order and review the number of individual transactions and total dollar amount of several different deduction levels (e.g., $10 or less, $25 or less, $50 or less, etc.). Identify the deduction amount that will include a large percentage of the total individual transactions, but not a large percentage of the total deduction dollars. When asked what percent of total deduction dollars are automatically written off, 69% of respondents indicated that it was less than 1%.

Small dollar auto write-offs are generally considered a best practice as it is not usually cost effective to individually review each of these small dollar claims. However, having auto write-offs should not mean write-off the deductions and forget about them. Rather, it is strongly encouraged for companies to track these auto write-offs so that they can be reviewed and analyzed periodically as a group, most likely by customer. Reviewing a group of small dollar deductions for a single customer might help identify a compliance violation, recurring problem or customer error. In addition, vendors have learned that certain customers test tolerance levels and in some cases, short-pay an amount just below the auto write-off threshold.

Therefore, it is essential to keep an eye on these amounts and identify any patterns. Another alternative is to outsource small dollar deductions – 11% of respondents who reported outsourcing any deduction management tasks said they are outsourcing the research and resolution of small dollar deductions.

Primary Deduction Reasons

When asked to report their top 3 reasons for deductions based on both the number and dollars of deductions received, overall, pricing is the number one response. Advertising, promotional and rebate claims and Allowances and discounts are numbers two and three, which remain unchanged since the 2006 CRF survey. However, as the table below indicates, there are differences by distribution channel.

Top Deduction Reasons ($)

Primary Customers

Rank	Retailers	Other than Retailers
1.	Advertising / promo	Pricing
2.	Allowances / discounts	Allowances / discounts
3.	Shortages	Advertising / promo
4.	Pricing	Shortages
5.	Damage / Unsaleable	Damage / Unsaleable

In an effort to gather additional information on operational issues companies are facing when trying to comply with customer requirements, we asked companies to report on the top 3 non-trade or compliance-related deductions that they receive. Unlike trade-related deductions which can usually be considered "the cost of doing business", compliance-related deductions are frequently preventable or controllable with improved processes and stricter adherence to customer compliance and routing requirements. They might be considered "the cost of doing business poorly". The top compliance reason based on deduction dollars was a tie between concealed shortages and transportation, freight / routing issues, which includes deductions for violations such as incorrect carrier, incorrect ship-to location, multiple same day shipments and consecutive-day shipments. As the following table illustrates, the responses varied somewhat based on distribution channel.

Top Compliance Deduction Reasons ($)

Primary Customers

Rank	Retailers	Other than Retailers
1.	Concealed shortages	Transportation, freight or routing
2.	Early / late delivery	Concealed shortages
3.	EDI / ASN errors	Early / late delivery
4.	Transportation, freight or routing	EDI / ASN errors
5.	Full carton shortage	Bill of Lading errors

Deduction Percentages & Analytics

Because companies track and report deduction information differently, it is challenging to gather benchmark information on deductions as a percent of sales. For example, some companies give their customers discounts and allowances "off-invoice" so they bill at a net number rather than allow the customer to bill them back. Other companies allow customers to deduct discounts and allowances and match the short payments with existing credits at the time of cash application, so they never become deductions. Still other companies allow these short payments to become deductions and then validate them against approved programs or deals. Even if a company has the same discounts and allowances in place, in the first two examples above, the companies would most likely report total deductions as a percentage of sales significantly lower than the company that includes all discounts and allowances in its calculation.

To adjust for this inherent processing difference in calculating total annual deductions as a percentage of sales, we asked companies to EXCLUDE trade-related deductions. The median response across all respondents for non trade deductions is 1–2% of sales.

We included a calculation of DDO (Days Deductions Outstanding) in this year's survey. We asked for it to be calculated as:

$$\frac{\text{Average Open Deduction \$}}{\text{(Annual Deduction \$ Created / 360)}}$$

The median across all respondents is 38 days.

*… The median DDO reported across all respondents is **38 days** …*

AR Statistics

When asked what percentage of outstanding total A/R dollars deductions represent, the median response across all respondents is ½ to 1%. This has not changed since the 2009 CRF survey. Keep in mind that the number reflects not only deduction resolution processes, but a company's overall collection practices as well. For example, a company with a very low percent of deductions as a percent of total A/R may be doing a very good job of resolving deductions quickly. Although upon closer inspection, it may turn out that they have ineffective collection processes and a very large open invoice balance which might makes the deduction balance appear small in comparison. Similarly, if a company reports a high percent of deductions as a percent of total A/R, it may mean that they are not good at resolving deductions or perhaps they have world class collection processes and the only open A/R is unresolved deductions. The fact that there are hundreds of respondents helps "smooth" individual company differences. However, we encourage you to keep this in mind when benchmarking your processes.

Looking at the percentage of total deduction dollars > 90 days outstanding helps to provide an understanding of the processing efficiency of companies in clearing open deductions. The median reported across all respondents was less than 10%. However, 14% of responding companies reported that 50% or more of their open deductions were greater than 90 days outstanding.

As the table below illustrates, the results also varied by company size, with smaller companies appearing to have an easier time in resolving deductions more quickly.

Annual Sales	% Open Deductions > 90 Days
≤ $500mill	Less than 10%
> $500 mill	20%

Invalid Deductions & Recoveries

When asked based on historical information, what percent of total deduction dollars received are invalid or disallowed and charged back to your customers, the median of all respondents is 6-10%. This represents an increase from the 2012 CRF survey when the median response was 3-5%.

*… The median percent of invalid deductions received increased from 3-5% in 2012 to **6–10% in the 2015 survey**, while the median recovery decreased from 70% to **60%** over the same period …*

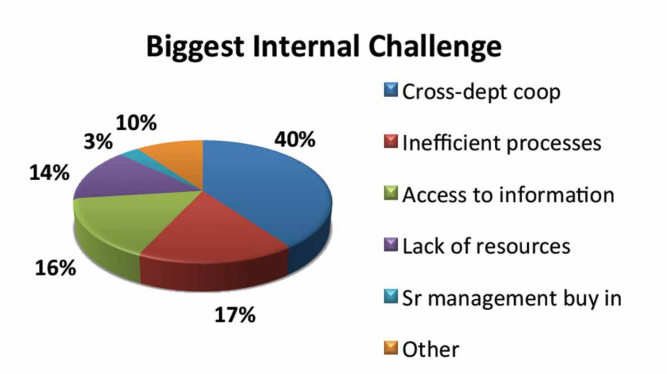
Respondents were also asked what percent of these invalid or disallowed deduction dollars are ultimately recovered from customers. The median percent of invalid deduction dollars recovered is 60%. This reflects a decrease in recoveries from 70% in the 2012 CRF survey. (Note: To use the median numbers, this means that 60% of the 6-10% of invalid deductions are recovered.) *The percentages of both invalid deductions and recoveries vary by industry group and can be found in section III questions 26 & 27.*

Companies frequently offer customers a discount for early payment. Customers often take this discount even when they do not pay within the required terms and are therefore not entitled to the discount. When asked whether they attempt to collect these unearned cash discounts back from customers, 74% of respondents reported that they do, and almost 70% of these companies said that they have been fairly successful in collecting them back. However, as the following table illustrates, it appears that overall success in recovering unearned cash discounts has declined slightly since the 2012 CRF survey and fewer companies are attempting to collect.

Attempt to Collect Unearned Cash Discounts	2015 Survey	2012 Survey
Yes – fairly successful	50%	54%
Yes – not very successful	24%	24%
No – do not attempt	26%	21%

Internal Challenges

When trying to manage and control deductions, companies find that dealing with customers may not be their only challenge. Often, the biggest challenges and obstacles to success reside within their own organization. Deductions are a company-wide issue. Almost every department has to participate in the improvement efforts. Due to a number of reasons, including system limitations, lack of resources and corporate culture, this can often be quite challenging. When asked about their biggest internal challenge when trying to control deductions, 40% of respondents reported cross-departmental cooperation. Cross-departmental cooperation remains the biggest internal obstacle companies face in attempting to manage deductions since the 2003 CRF survey.



Deduction Trends & Corrective Strategies

33% of responding companies reported an increase in deduction dollars taken in the past 12 months. This represents a slight increase over the 30% reported in the 2012 CRF survey. 27% of respondents indicated that deductions have declined during the past 12 months, which is also a slight increase over 2012 when it was 25%. When asked about the decline, 74% of respondents attributed it to improved processes.

Resolving deductions as quickly as possible can improve receivables and free up staff to focus on activities that add greater value to the organization. The best-in-class deduction management strategy is a two-pronged approach: 1) resolve sales-related deductions as quickly as possible and, 2) prevent and avoid controllable or compliance-related deductions from occurring in the first place. We asked respondents to share their strategies for resolving and preventing deductions so that others may consider them in their improvement efforts. The top 5 actions attributed to improvements reported by all respondents are illustrated below:

Key *RESOLUTION* Steps	
1.	Focused on timely review & follow up
2.	Made sales / other depts. accountable
3.	Improved cross-functional teams
4.	Improved deduction reporting
5.	Better communicated policies to customers

Key *PREVENTION* Steps	
1.	Improved order accuracy
T2.	Performed root cause analysis
T2.	Better communicated policies to customers
4.	Made sales / other depts. accountable
5.	Improved cross-functional teams

Post Audit Trends & Corrective Strategies

14% of respondents reported an increase in post audit claims during the past 12 months. This is an increase from the 2012 CRF survey when 9% reported an increase. 17% indicated that post audit claims decreased and 70% of companies reported no change.

The length of time in which customers continue to take post audits claims has long been a sore spot for many suppliers. The longer it takes to receive a claim from the customer, the more likely it is that the back-up or sales personnel may no longer be available. The current industry "buzz" is that most post audit claims are taken within two years, so we added a question to the 2015 survey so that we could either confirm or dispute this.

62% of all respondents confirmed that most post audit claims are taken within 2 years. 11% felt that most post audit claims were not taken within 2 years and 27% were not sure.

*… Excluding those who say they are 'not sure', **85%** of respondents agree that most **post audit claims** are taken **within 2 years** …*

When asked to describe the single most important action companies initiated that has proven to effectively deal with post audit claims, the number one response is to aggressively defend invalid claims. Other top responses are shown below:

Actions to Effectively Deal with POST AUDITS	
1.	Aggressively defend invalid claims
2	Focus on quick resolution
3	Require supporting doc from customer
T4.	Improved sales agreement documentation
T4.	Improved document retention / storage

Vendor Agreements & Customer Meetings

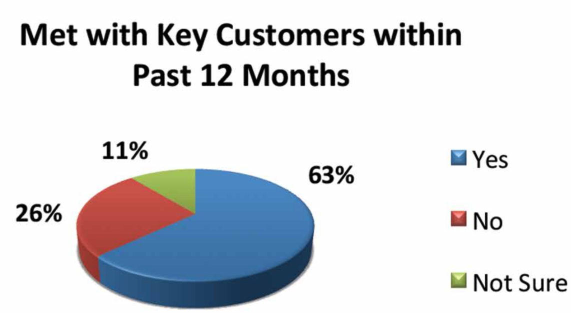
Vendor Agreements often contain information regarding customer's sales policies, terms & conditions and certain compliance requirements. At the beginning of the trading partner relationship and periodically (often annually) during the relationship, customers ask their vendors to review and sign Vendor Agreements. If there are terms, conditions or requirements that the vendor does not agree with or cannot comply with, it should be addressed during this agreement negotiation process. It is MUCH easier to prevent deductions by negotiating changes, waivers and exemptions than to negotiate forgiveness and settlements after a deduction has been taken. Historically, Vendor Agreements were primarily reviewed and signed by the Sales Department with other departments often left to "pick up the pieces" after the sale. However, the best practice, and something we have been seeing more frequently is for other departments to get involved in reviewing and negotiating modifications to Vendor Agreements.

When asked which departments get involved in negotiating vendor agreements with customers, Sales still comes out on top with 94%. However, as illustrated in the table below, other departments are also getting involved and all have shown increases since the 2012 CRF survey.

Departments Involved in Negotiating Vendor Agreements

	2015 Survey	2012 Survey
Sales	94%	91%
Finance / AR	51%	48%
Legal	50%	49%
Logistics / DC Operations	25%	18%
Compliance	19%	11%
Other (e.g., Cust Svc, EDI)	6%	5%

Most companies find that it is beneficial to periodically meet with key customers face-to-face to discuss deductions and compliance issues. These meetings help to both develop and maintain the relationship. They also provide a forum to negotiate and reconcile any outstanding deductions. It is recommended that during these meetings a vendor not only discuss open claims and work towards a mutual resolution, but also uses the opportunity to review business practices (e.g., time it takes to get debit memos / claim documents, type of supporting documentation required to recover invalid deductions, recurring compliance issues) and come to an agreement on the practices to be implemented on a go forward basis. When asked whether they had face-to-face meetings with key customers during the past 12 months to discuss deduction issues, 63% of total respondents answered in the affirmative. This is down slightly from 67% in the 2012 and 72% in the 2009 CRF surveys.



When asked which departments typically attended these meetings, Sales had the highest representation with 83% of respondents indicating that Sales attends. 43% of respondents reported that Finance attends the meetings, 22% said representatives from operating departments with relevant issues attend and 17% reported that Compliance participates.

Outsourcing & Use of 3rd Party Technologies

6% of respondents reported outsourcing one or more of their deduction tasks. Of those who outsource, 39% reported outsourcing the entire process. 28% of companies who outsource, use outside firms to help them with processing post audit claims, research / recovery of specific deduction reasons and collection / recovery of invalid rebilled deductions.

Companies frequently state that their existing ERP systems and/or AR packages do not provide the functionality needed to effectively manage deductions. Whether it is the ability to track the status of a deduction throughout the process, edit reason codes, or automatically pull customer claim information or signed PODs from portals, many traditional systems fall short. Numerous 3rd party technologies have been developed in recent years to automate many of the manual activities associated with deduction management and can dramatically improve processing efficiencies. These new tools are frequently offered as "cloud" or "SaaS" (software-as-a-service) based solutions.

69% of respondents reported that they do not use any 3rd party technologies in deduction management. For the companies who are using 3rd party technologies, the following table illustrates the steps in the deduction management process for which they are being used.

More detailed information by industry group for all of the survey results highlighted above can be found in section III of this document.

II. HOW DOES YOUR COMPANY STACK UP?

Reviewing the survey results to assess your deduction performance is a good starting point in evaluating your company's current practices. However, using the data to truly benchmark operations and identify improvement opportunities can provide you with a roadmap to take your deduction management processes to the next level.

This section outlines two approaches to measure your company's performance and pinpoint your key improvement opportunities.

1. Evaluate your performance against the survey benchmarks
2. Assess your performance using the Deduction Management Maturity Model

1. Evaluate Your Performance Against Survey Benchmarks

To begin to evaluate your company against financial benchmarks, gather your company's results for the following 5 measures for the past 12 months:

- Sales
- Non trade-related deduction $ received
- Invalid deduction $ received
- Deduction $ recovered
- Average open deduction $ > 90 days
- DDO

Section III of this document – *Detailed Results by Industry*, provides a substantial amount of data against which you can measure your performance. Gathering your company's data for the numeric questions will provide a snapshot of various deduction management areas and show whether your company is performing above or below the majority of your peers. Comparing your processes against the responses to the more descriptive questions will show you whether your company is following the most common practices.

Compare the information gathered to the survey results presented in section III for each measure to benchmark your company's performance. For example, let's look at non trade-related deduction $ received. Divide your non trade-related deduction $ received by annual sales to calculate non trade-related deductions as a % of sales. Now look at question 30 in section III to see how your company's percentage compares with the benchmark data. Looking at the responses for all respondents, 43% reported that non trade-related deductions were less than ½% of sales. If your company's calculated % is ½% or less, your company is in good shape as it is beating the average. On the other hand, if your non trade-related deductions as % of sales is 3%, your company's results are closer to the 25th percentile, which leaves quite a bit of room for improvement.

Introducing the Deduction Benchmark Online Assessment Tool *(Available Jan. 2016)*

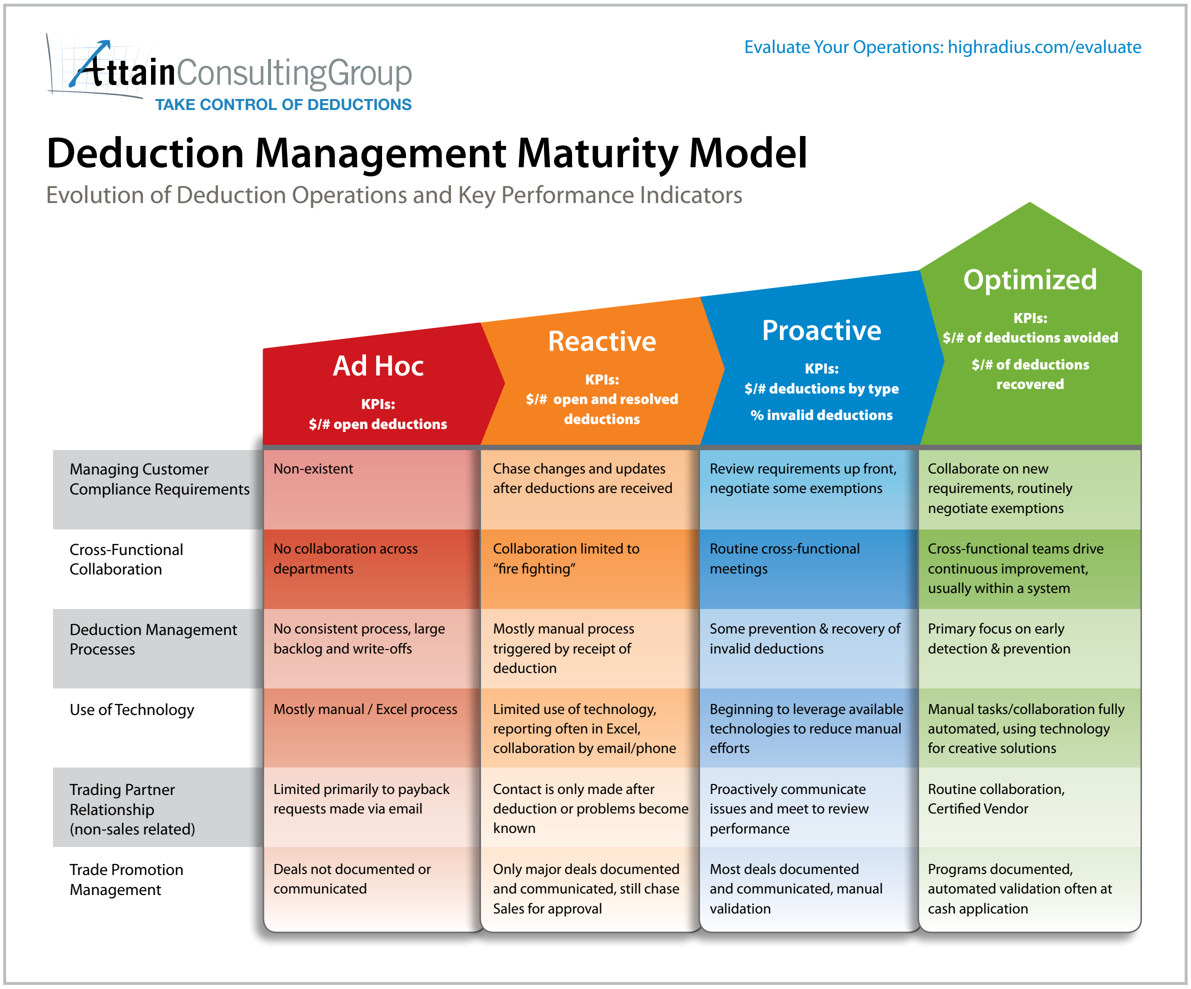
If you are looking for an easier way to benchmark using the survey data, Attain Consulting Group has created an online assessment tool. Enter 6-8 data points such as industry, annual sales, deduction $ recovered, open deduction $ > 90 days, and the tool will calculate your performance against the results from the 2015 Deduction Survey and provide you with a summary of the findings as well as high level tips and suggestions for improvement.

For more on the assessment, visit:

www.attainconsulting.com/benchmark

2. Evaluate Your Performance Using the Deduction Management Maturity Model

The diagram below presents the Deduction Management Maturity Model developed by Attain Consulting Group. The model charts the typical characteristics of companies in various stages of development across the deduction management continuum looking at six different key components, Management of Customer Requirements, Cross-Functional Collaboration, Deduction Management Processes, Use of Technology, Trading Partner Relationship (non-sales related) and Trade Promotion Management.



Look at each of the components (rows) and select the characteristics which best describe your company. This will give you an indication of where your company currently falls on the deduction management continuum – Ad Hoc, Reactive, Proactive or Optimized. The closer your company is to the Optimized section of the diagram, the more advanced your deduction management processes. Consider the characteristics of companies further up the continuum to understand the characteristics of best in class processes and develop your improvement plans. This is a great tool to review with senior management when discussing improvement opportunities.

Attain Consulting Group has partnered with HighRadius Corporation to develop an automated evaluation tool for companies to measure their operations against the Maturity Model. The tool can be found at:

www.highradius.com/evaluate

After answering 6 online questions, users will be given an overall assessment of where on the continuum they fall and will receive recommendations for ways to progress to the next level.

... **52%** of responding companies have total annual sales of $500 million or less ...

... **48%** of respondents reported that their primary customers are retailers ...

III. DETAILED RESULTS BY INDUSTRY

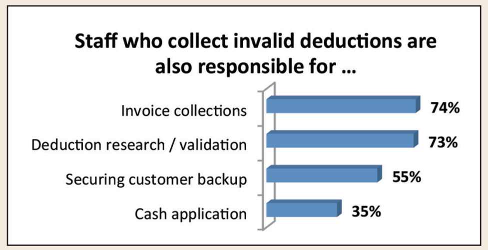
Survey Data by Industry

	All Respondents	Apparel, Footwear & Access	Const Equip, HVAC, Steel, Oil	Const / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Cosmetics, Beauty Aids, Jewelry, Watches, Luggage	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Office Products, Giftware, Cards, Paper, Printing	Pharmaceuticals, Nutritional, Medical Equip & Supp	Tools, Lawn & Garden Equip
TOTAL NUMBER OF SURVEY RESPONDENTS	510	91	56	87	64	14	63	22	25	18	13
1. WHAT ARE YOUR COMPANY'S TOTAL ANNUAL SALES?											
< $100 Million	24%	26%	36%	26%	37%	0%	5%	27%	25%	22%	15%
$101 – 500 Million	28%	30%	30%	26%	24%	14%	24%	46%	25%	11%	39%
$501 Million – 1 Billion	12%	12%	9%	15%	10%	0%	19%	14%	17%	17%	8%
$1 – 5 Billion	23%	26%	14%	20%	22%	36%	32%	14%	33%	22%	31%
$5 – 10 Billion	7%	5%	7%	9%	2%	21%	13%	0%	0%	11%	8%
> $10 Billion	6%	2%	4%	5%	6%	29%	8%	0%	0%	17%	0%
2. PLEASE INDICATE WHICH ACTIVITY BEST DESCRIBES YOUR COMPANY:											
Manufacturer (includes companies that source rather than produce)	68%	67%	71%	64%	64%	93%	86%	64%	52%	83%	62%
Distributor / Wholesaler	28%	30%	27%	35%	33%	7%	13%	32%	44%	11%	31%
Service provider	5%	3%	2%	1%	3%	0%	2%	5%	4%	6%	8%
3. PLEASE INDICATE THE INDUSTRY THAT BEST DESCRIBES YOUR COMPANY'S PRODUCTS.											
Apparel, Footwear & Accessories	20%	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Construction Equipment, Plumbing/HVAC, Rubber & Plastics, Steel, Coal, Oil	12%	0%	100%	0%	0%	0%	0%	0%	0%	0%	0%
Construction/Building Supplies & Materials, Paints, Chemicals, Lighting/Electrical, Vehicles & Parts	19%	0%	0%	100%	0%	0%	0%	0%	0%	0%	0%
Consumer Electronics, Computer Hardware/Software, Toys, Games, Sporting Goods	14%	0%	0%	0%	100%	0%	0%	0%	0%	0%	0%
Cosmetics, Beauty Aids, Personal Care Products, Jewelry, Watches, Luggage	3%	0%	0%	0%	0%	100%	0%	0%	0%	0%	0%
Food, Beverage & Grocery	14%	0%	0%	0%	0%	0%	100%	0%	0%	0%	0%
Home Furnishings, Fixtures, Housewares & Accessories	5%	0%	0%	0%	0%	0%	0%	100%	0%	0%	0%
Office Products/Supplies, Giftware, Wrap & Cards, Paper, Printing & Publishing	6%	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%
Pharmaceutical, Nutritional & Sundries, Medical Equipment & Supplies	4%	0%	0%	0%	0%	0%	0%	0%	0%	100%	0%
Tools, Hardware & Accessories, Lawn & Garden Equipment	3%	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%
4. YOUR COMPANY'S PRIMARY REVENUE COMES FROM CUSTOMERS WHO ARE:											
Retailers	48%	88%	4%	14%	63%	100%	60%	82%	52%	11%	54%
Distributors / Wholesalers	25%	10%	39%	36%	30%	0%	27%	9%	12%	50%	31%
Contractors / Construction Companies	8%	0%	14%	29%	0%	0%	0%	5%	0%	0%	0%
Manufacturers	15%	1%	41%	22%	5%	0%	10%	5%	28%	11%	15%
Service Providers (e.g., telecom, health care, legal, business, personal)	4%	1%	2%	0%	3%	0%	3%	0%	8%	28%	0%

… While Credit / AR has primary responsibility for initial research & validation of trade-related deductions, ***Sales is usually responsible for approvals*** *…*

Survey Data by Industry

	All Respondents	Apparel, Footwear & Access	Const Equip, HVAC, Steel, Oil	Const / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Cosmetics, Beauty Aids, Jewelry, Watches, Luggage	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Office Products, Giftware, Cards, Paper, Printing	Pharmaceuticals, Nutritional, Medical Equip & Supp	Tools, Lawn & Garden Equip
5. WHAT AREA IS RESPONSIBLE FOR PERFORMING THE INITIAL RESEARCH OR VALIDATION OF TRADE-RELATED CUSTOMER DEDUCTIONS? (e.g., trade promotions, coop advertising, markdowns)											
Credit / Accounts Receivable	66%	84%	71%	57%	67%	42%	61%	75%	48%	67%	55%
An Internal Compliance Group (separate from Credit / AR)	4%	6%	0%	5%	2%	0%	4%	10%	0%	6%	9%
Sales, Sales Administration, Field Sales Reps or Broker	17%	6%	22%	16%	24%	33%	16%	15%	29%	22%	18%
Customer Service	6%	3%	6%	9%	4%	8%	11%	0%	5%	6%	18%
Outsourced Service Provider	0%	0%	0%	0%	0%	0%	2%	0%	0%	0%	0%
Other (e.g., dispute mgmt team, collaborative effort, claims group)	6%	3%	2%	13%	4%	17%	7%	0%	19%	0%	0%
6. WHAT AREA IS RESPONSIBLE FOR PERFORMING THE INITIAL INVESTIGATION OR RESEARCH OF NON TRADE-RELATED CUSTOMER DEDUCTIONS?											
Credit/Accounts Receivable	71%	78%	70%	70%	76%	75%	70%	75%	57%	67%	55%
An Internal Compliance Group (separate from Credit/AR)	7%	13%	0%	4%	8%	0%	5%	25%	5%	6%	0%
Sales, Sales Administration, Field Sales Reps or Broker	5%	1%	15%	4%	6%	0%	0%	0%	14%	6%	9%
Customer Service	9%	3%	13%	11%	6%	8%	14%	0%	10%	0%	27%
Outsourced Service Provider	1%	0%	2%	0%	2%	0%	2%	0%	0%	0%	0%
Other (e.g., dispute mgmt team, collaborative effort, claims group)	7%	6%	0%	11%	2%	17%	9%	0%	14%	22%	9%
7. WHAT AREA IS RESPONSIBLE FOR APPROVING TRADE-RELATED DEDUCTIONS?											
Credit/Accounts Receivable	23%	35%	19%	17%	29%	0%	12%	20%	33%	17%	27%
An Internal Compliance Group (separate from Credit/AR)	4%	4%	4%	5%	2%	0%	12%	5%	5%	0%	0%
Sales, Sales Administration, Field Sales Reps or Broker	55%	51%	54%	54%	57%	92%	58%	65%	57%	67%	27%
Customer Service	8%	6%	17%	12%	0%	0%	7%	0%	0%	17%	9%
Outsourced Service Provider	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other (e.g., collaborative effort among multiple areas)	9%	4%	7%	12%	12%	8%	11%	10%	5%	0%	36%
8. WHICH DEPARTMENT HAS PRIMARY RESPONSIBILITY FOR FOLLOWING UP WITH CUSTOMERS TO COLLECT INVALID / UNJUSTIFIED DEDUCTIONS?											
Credit/Accounts Receivable	82%	82%	91%	74%	92%	58%	72%	80%	81%	100%	100%
An Internal Compliance Group (separate from Credit/AR)	5%	11%	0%	1%	2%	8%	5%	20%	0%	0%	0%
Sales, Sales Administration, Field Sales Reps or Broker	6%	1%	7%	12%	4%	0%	9%	0%	10%	0%	0%
Customer Service	2%	0%	2%	4%	2%	8%	4%	0%	0%	0%	0%
Outsourced Service Provider	0%	0%	0%	0%	0%	0%	2%	0%	0%	0%	0%
Other (e.g., different areas for trade vs non-trade)	5%	6%	0%	9%	0%	25%	9%	0%	10%	0%	0%



Survey Data by Industry

	All Respondents		Apparel, Footwear & Access	Const Equip, HVAC, Steel, Oil	Const / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Cosmetics, Beauty Aids, Jewelry, Watches, Luggage	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Office Products, Giftware, Cards, Paper, Printing	Pharmaceuticals, Nutritional, Medical Equip & Supp	Tools, Lawn & Garden Equip
9. THE PEOPLE RESPONSIBLE FOR COLLECTION OF INVALID / UNJUSTIFIED DEDUCTIONS ARE ALSO RESPONSIBLE FOR WHICH OF THE FOLLOWING ACTIVITIES? (select all that apply)												
Cash application	35%		33%	42%	27%	47%	17%	20%	55%	43%	39%	20%
Securing customer back up	55%		69%	53%	43%	61%	92%	50%	65%	52%	56%	30%
Deduction research / validation	73%		89%	71%	59%	78%	92%	71%	85%	67%	78%	50%
Invoice collections	74%		58%	87%	84%	73%	58%	54%	80%	95%	100%	70%
None of the above	3%		0%	4%	5%	4%	0%	5%	0%	0%	0%	0%
Other (e.g., reconciling returns, clearing valid deductions, risk analysis)												
10. HOW ARE DEDUCTION RESPONSIBILITIES ASSIGNED / DIVIDED AMONG STAFF IN THE SAME DEPARTMENT?												
By deduction reason / type	15%		20%	13%	21%	9%	0%	13%	17%	6%	0%	36%
By customer	85%		80%	87%	79%	91%	100%	88%	83%	94%	100%	64%
Other (e.g., by region, sales channel / business segment, salesperson)												
11. INDICATE THE METHOD THAT MOST CLOSELY RESEMBLES YOUR COMPANY'S HANDLING OF DEDUCTION AGING.												
Aging begins when the deduction is taken and ages routinely with other open items	69%		82%	53%	58%	75%	92%	76%	85%	67%	72%	82%
Aging reverts back to the date of the original open item	22%		10%	36%	28%	18%	8%	18%	5%	29%	28%	9%
Deductions do not age at all	2%		1%	2%	5%	2%	0%	0%	5%	0%	0%	0%
Deductions age only after investigation and determined to be invalid	1%		1%	2%	3%	0%	0%	4%	0%	0%	0%	0%
Aging begins when deduction taken. If deemed to be invalid, then it re-ages (becomes current again)	5%		6%	7%	6%	6%	0%	2%	5%	5%	0%	9%
12. DO YOU HAVE A TIME LIMIT ON HOW LONG A DEDUCTION IS PERMITTED TO REMAIN OPEN OR UNRESOLVED AFTER WHICH THE DEDUCTION IS WRITTEN-OFF?												
No time limit	56%		44%	62%	65%	63%	67%	44%	35%	52%	50%	55%
Yes, up to 90 days	9%		4%	11%	10%	12%	8%	7%	20%	14%	6%	18%
Yes, up to 120 days	3%		3%	0%	4%	2%	0%	7%	5%	5%	0%	0%
Yes, up to 6 months	5%		10%	4%	4%	0%	0%	4%	15%	0%	6%	9%
Yes, up to 12 months	11%		14%	15%	6%	8%	25%	12%	10%	19%	6%	18%
Yes, up to 2 years	4%		9%	2%	1%	2%	0%	7%	5%	0%	28%	0%
Other (e.g., 60 days, different for trade vs non-trade, varies by reason)	12%		17%	7%	11%	14%	0%	19%	10%	10%	6%	0%

*… When asked how long a deduction is permitted to remain open or unresolved before it is written off, **56%** of companies report having no time limit …*

*… **74%** of respondents attempt to collect unearned cash discounts from customers – **70%** reported being fairly successful …*

… Auto write-off amounts vary by company size …

Annual Sales	Auto Write-Off Amount
≤ $1B	< $25
> $1B	$25–$50

Survey Data by Industry

	All Respondents	Apparel, Footwear & Access	Const Equip, HVAC, Steel, Oil	Const / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Cosmetics, Beauty Aids, Jewelry, Watches, Luggage	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Office Products, Giftware, Cards, Paper, Printing	Pharmaceuticals, Nutritional, Medical Equip & Supp	Tools, Lawn & Garden Equip
13. DO YOU CHARGE BACK DEDUCTIONS TO THE APPROPRIATE BUSINESS UNIT OR DEPARTMENT?											
Yes	47%	51%	48%	59%	35%	33%	50%	47%	19%	29%	46%
No	28%	20%	26%	20%	39%	33%	20%	32%	57%	47%	36%
Depends on deduction type	26%	30%	26%	22%	26%	33%	30%	21%	24%	24%	18%
14. DO YOU ATTEMPT TO COLLECT UNEARNED CASH DISCOUNTS BACK FROM CUSTOMERS?											
Yes — and we have been fairly successful	50%	63%	55%	55%	66%	25%	28%	20%	29%	53%	36%
Yes — however we have not been very successful	24%	19%	17%	26%	16%	33%	30%	25%	43%	29%	46%
No	26%	18%	28%	20%	18%	42%	42%	55%	29%	18%	18%
15. IN AN EFFORT TO REDUCE INDIVIDUAL DEDUCTIONS, HAS YOUR COMPANY ESTABLISHED AN ALLOWANCE POLICY WITH YOUR CUSTOMERS BASED ON ANY OF THE FOLLOWING CATEGORIES? Choose all that apply.											
We have no allowances with customers	46%	10%	70%	66%	38%	25%	50%	5%	52%	61%	46%
Unsaleables	16%	11%	6%	8%	2%	58%	37%	45%	14%	28%	9%
Defective returns	38%	87%	16%	21%	52%	33%	11%	85%	33%	17%	36%
Shortages (short-ship)	15%	21%	16%	19%	12%	17%	7%	5%	14%	6%	18%
Freight	22%	33%	10%	11%	32%	33%	20%	55%	24%	6%	27%
Other (e.g., Unloading, spoils, co-op)	8%	4%	10%	10%	6%	0%	9%	10%	14%	11%	18%
16. DOES YOUR COMPANY WRITE OFF DEDUCTIONS UNDER A SPECIFIC DOLLAR AMOUNT AT CASH APPLICATION?											
Yes	65%	62%	58%	66%	61%	82%	82%	50%	67%	72%	55%
No	17%	20%	16%	23%	20%	18%	6%	15%	14%	6%	18%
Depends upon type of deduction	18%	18%	26%	11%	20%	0%	13%	35%	19%	22%	27%
17. IF YOU ANSWERED "YES" TO THE QUESTION ABOVE, WHAT IS YOUR AUTO-WRITE-OFF TOLERANCE?											
Less than $25	52%	59%	71%	50%	69%	0%	23%	71%	64%	46%	17%
$25 to $50	19%	28%	16%	24%	9%	0%	17%	14%	21%	23%	33%
$51 to 100	16%	12%	13%	14%	13%	25%	26%	7%	7%	8%	33%
$101 to $250	11%	2%	0%	10%	9%	38%	26%	7%	7%	23%	0%
$251 to $500	3%	0%	0%	2%	0%	38%	9%	0%	0%	0%	17%
$501 to $750	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
$751 to $1,000	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Survey Data by Industry

	All Respondents	Apparel, Footwear & Access	Const Equip, HVAC, Steel, Oil	Const / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Cosmetics, Beauty Aids, Jewelry, Watches, Luggage	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Office Products, Giftware, Cards, Paper, Printing	Pharmaceuticals, Nutritional, Medical Equip & Supp	Tools, Lawn & Garden Equip
Greater than $1,000	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
18. WHAT % OF TOTAL DEDUCTION DOLLARS ARE AUTOMATICALLY WRITTEN OFF?											
Less than 1%	69%	61%	74%	70%	85%	17%	63%	65%	75%	80%	43%
1 – 3%	19%	24%	16%	14%	4%	83%	24%	29%	19%	20%	0%
4 – 5%	5%	10%	5%	6%	6%	0%	6%	0%	0%	0%	14%
6 – 10%	3%	4%	5%	1%	0%	0%	4%	0%	6%	0%	0%
11 – 15%	2%	0%	0%	4%	2%	0%	4%	0%	0%	0%	0%
16 – 20%	2%	0%	0%	3%	2%	0%	0%	6%	0%	0%	14%
Greater than 20%	1%	2%	0%	1%	0%	0%	0%	0%	0%	0%	29%
19. HAS YOUR COMPANY ESTABLISHED A SEPARATE VENDOR COMPLIANCE GROUP WITH PRIMARY RESPONSIBILITY FOR DEDUCTION PREVENTION, RESOLUTION AND RECOVERY?											
Yes	21%	61%	6%	13%	20%	8%	9%	55%	19%	0%	9%
No	74%	34%	89%	82%	78%	92%	84%	45%	81%	100%	82%
Not sure	4%	4%	6%	5%	2%	0%	7%	0%	0%	0%	9%
20. IF YOU ANSWERED "YES" TO THE QUESTION ABOVE, WHO DOES THIS VENDOR COMPLIANCE GROUP REPORT TO?											
Finance	33%	22%	33%	64%	20%	0%	25%	46%	75%	0%	67%
Operations/Logistics	36%	48%	0%	0%	60%	50%	13%	36%	25%	0%	0%
Sales/Marketing	6%	0%	33%	9%	10%	0%	13%	9%	0%	0%	33%
Customer Service	16%	22%	0%	0%	0%	0%	50%	0%	0%	0%	0%
Other (e.g., Supply Chain, Cross Functional Team, Order Mgmt)	9%	8%	33%	27%	10%	50%	0%	9%	0%	0%	0%
21. WHAT IS YOUR BIGGEST INTERNAL CHALLENGE WHEN TRYING TO CONTROL DEDUCTIONS?											
Senior management buy-in	3%	6%	0%	5%	2%	0%	2%	11%	0%	0%	0%
Cross-departmental cooperation	40%	44%	46%	34%	39%	27%	33%	37%	29%	50%	36%
Lack of resources	14%	13%	18%	11%	12%	36%	14%	11%	19%	17%	18%
Timely access to information	16%	9%	18%	18%	18%	0%	19%	16%	24%	17%	27%
Inefficient processes	17%	21%	15%	18%	18%	9%	23%	5%	14%	17%	9%
Other (e.g., Systems, accountability, acquisitions, volume, sales area)	10%	7%	4%	13%	10%	27%	9%	21%	14%	0%	9%

*… **36%** of companies with separate compliance groups report that these groups report up through Operations / Logistics …*

*… **40%** of responding companies report cross-functional cooperation as the biggest internal challenge in controlling deductions …*

Survey Data by Industry

	All Respondents		Apparel, Footwear & Access	Const Equip, HVAC, Steel, Oil	Const / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Cosmetics, Beauty Aids, Jewelry, Watches, Luggage	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Office Products, Giftware, Cards, Paper, Printing	Pharmaceuticals, Nutritional, Medical Equip & Supp	Tools, Lawn & Garden Equip
22. ALL DEDUCTION TYPES — INDICATE THE 3 MOST SIGNIFICANT CLASSIFICATIONS OF CUSTOMER DEDUCTIONS BASED ON THE NUMBER OF DEDUCTIONS TAKEN.												
Advertising, promotional and rebate claims (coupons, deals, etc.)	36%		43%	16%	12%	39%	71%	67%	63%	25%	44%	67%
Allowances & discounts (excl. markdown allow, but incl. cash disc)	37%		57%	28%	35%	47%	43%	29%	42%	50%	19%	33%
Damaged / unsaleable	28%		4%	28%	31%	14%	29%	58%	53%	38%	25%	0%
Early / Late delivery	5%		2%	5%	9%	0%	14%	4%	16%	0%	0%	17%
EDI deductions (e.g., ASN errors)	6%		15%	2%	2%	14%	0%	2%	5%	0%	0%	0%
Fill Rate	1%		0%	0%	3%	0%	14%	2%	0%	0%	0%	0%
Labeling and ticketing (carton and/or product)	4%		11%	2%	0%	0%	0%	4%	5%	13%	6%	0%
Markdown allowance claims	4%		19%	0%	0%	3%	14%	0%	5%	0%	0%	0%
Pricing	55%		40%	88%	76%	25%	14%	58%	16%	69%	50%	17%
Non quality-related returns or refused merchandise	11%		23%	9%	3%	11%	14%	4%	0%	13%	31%	17%
Transportation, freight or routing disputes	22%		19%	28%	22%	28%	0%	13%	21%	13%	31%	0%
Order entry / billing errors	20%		9%	35%	29%	25%	0%	18%	5%	13%	19%	0%
Post audit claims	3%		0%	0%	0%	6%	0%	9%	5%	6%	0%	0%
Shortages	42%		57%	28%	35%	56%	71%	27%	58%	63%	31%	100%
Taxes billed or unbilled	9%		0%	21%	17%	6%	0%	7%	0%	6%	19%	0%
Warranty claims	7%		0%	12%	14%	11%	0%	2%	5%	0%	6%	33%
Other (e.g., Returns)												
23. ALL DEDUCTION TYPES — INDICATE THE 3 MOST SIGNIFICANT CLASSIFICATIONS OF CUSTOMER DEDUCTIONS IN DOLLARS OF DEDUCTIONS TAKEN.												
Advertising, promotional and rebate claims (coupons, deals, etc.)	48%		67%	21%	21%	51%	71%	73%	84%	38%	44%	100%
Allowances & discounts (excl. markdown allow, but incl. cash disc)	41%		69%	26%	33%	54%	43%	29%	58%	56%	19%	17%
Damaged / unsaleable	24%		8%	30%	24%	19%	43%	42%	37%	19%	25%	0%
Early / Late delivery	4%		2%	7%	5%	3%	14%	2%	16%	0%	0%	0%
EDI deductions (e.g., ASN errors)	5%		8%	2%	0%	11%	0%	2%	5%	0%	0%	0%
Fill Rate	2%		0%	0%	3%	0%	14%	2%	0%	6%	0%	0%
Labeling and ticketing (carton and/or product)	4%		6%	2%	0%	5%	0%	2%	5%	0%	6%	0%
Markdown allowance claims	11%		42%	0%	0%	11%	14%	7%	21%	6%	0%	17%
Pricing	51%		29%	81%	78%	22%	0%	58%	11%	50%	56%	0%
Non quality-related returns or refused merchandise	13%		25%	9%	7%	14%	14%	0%	5%	25%	31%	33%
Transportation, freight or routing disputes	16%		4%	23%	21%	14%	0%	13%	11%	19%	25%	17%
Order entry / billing errors	16%		4%	28%	31%	8%	0%	16%	0%	6%	19%	0%
Post audit claims	5%		0%	0%	2%	8%	0%	18%	5%	6%	0%	0%
Shortages	33%		29%	28%	29%	41%	57%	20%	37%	56%	25%	83%
Taxes billed or unbilled	9%		2%	21%	17%	5%	0%	4%	0%	0%	19%	0%
Warranty claims	8%		2%	12%	17%	11%	0%	2%	5%	0%	6%	33%
Other (e.g., Returns)												

Top Deduction Reasons ($)

Primary Customers

Rank	Retailers	Other than Retailers
1.	Advertising / promo	Pricing
2.	Allowances / discounts	Allowances / discounts
3.	Shortages	Advertising / promo
4.	Pricing	Shortages
5.	Damage / Unsaleable	Damage / Unsaleable

Survey Data by Industry

	All Respondents	Apparel, Footwear & Access	Const Equip, HVAC, Steel, Oil	Const / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Cosmetics, Beauty Aids, Jewelry, Watches, Luggage	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Office Products, Giftware, Cards, Paper, Printing	Pharmaceuticals, Nutritional, Medical Equip & Supp	Tools, Lawn & Garden Equip
24. NON TRADE / COMPLIANCE DEDUCTIONS ONLY — INDICATE THE 3 MOST SIGNIFICANT CLASSIFICATIONS OF COMPLIANCE DEDUCTIONS BASED ON NUMBER OF DEDUCTIONS TAKEN.											
Bill of lading errors	14%	2%	17%	19%	18%	0%	18%	5%	21%	25%	0%
Carton labeling	20%	46%	14%	14%	24%	17%	8%	21%	21%	0%	17%
Concealed shortages	49%	57%	31%	40%	49%	50%	63%	68%	43%	67%	50%
Early / late delivery	38%	26%	34%	33%	24%	83%	58%	58%	50%	33%	50%
EDI / ASN errors	31%	57%	26%	16%	39%	33%	21%	37%	29%	17%	17%
Fill rate	16%	9%	9%	16%	21%	17%	21%	26%	36%	0%	33%
Freight / routing (e.g., incorrect carrier / ship-to location, multiple same day shipments)	44%	54%	60%	54%	36%	0%	32%	26%	36%	42%	50%
Full carton shortages	23%	15%	14%	21%	33%	67%	34%	32%	14%	8%	0%
Product ticketing / labeling	13%	15%	17%	21%	15%	0%	13%	11%	0%	0%	0%
Substitution	10%	4%	11%	12%	9%	0%	11%	5%	14%	17%	0%
Other (e.g., Pallet charges, generic compliance violations)											
25. NON TRADE / COMPLIANCE DEDUCTIONS ONLY — INDICATE THE 3 MOST SIGNIFICANT CLASSIFICATIONS OF COMPLIANCE DEDUCTIONS IN DOLLARS OF DEDUCTIONS TAKEN.											
Bill of lading errors	15%	10%	15%	21%	19%	0%	18%	11%	14%	27%	0%
Carton labeling	16%	31%	9%	9%	25%	17%	11%	11%	14%	0%	17%
Concealed shortages	46%	56%	27%	40%	41%	50%	61%	67%	43%	73%	50%
Early / late delivery	38%	29%	35%	30%	28%	67%	55%	56%	50%	36%	33%
EDI / ASN errors	33%	58%	21%	19%	47%	17%	24%	33%	29%	18%	17%
Fill rate	16%	4%	9%	14%	16%	33%	26%	22%	36%	0%	50%
Freight / routing (e.g., incorrect carrier / ship-to location, multiple same day shipments)	46%	52%	62%	51%	44%	17%	32%	28%	43%	36%	33%
Full carton shortages	27%	25%	12%	23%	31%	83%	37%	39%	7%	18%	0%
Product ticketing / labeling	12%	10%	27%	26%	13%	0%	3%	11%	0%	0%	0%
Substitution	8%	4%	9%	7%	6%	0%	11%	6%	7%	18%	0%
Other (e.g., Pallet charges, generic compliance violations)											
26. BASED ON HISTORICAL INFORMATION, WHAT PERCENT OF YOUR COMPANY'S TOTAL DEDUCTION DOLLARS ARE INVALID OR DISALLOWED AND CHARGED BACK TO YOUR CUSTOMER?											
Less than 1%	17%	15%	18%	28%	11%	17%	19%	6%	7%	8%	17%
1 – 5%	27%	11%	36%	26%	22%	33%	33%	39%	33%	25%	17%
6 – 10%	15%	33%	8%	9%	17%	0%	23%	6%	20%	0%	0%
11 – 15%	6%	4%	5%	6%	3%	50%	5%	6%	7%	17%	0%

Top Compliance Deduction Reasons ($)

Primary Customers

Rank	Retailers	Other than Retailers
1.	Concealed shortages	Transportation, freight or routing
2.	Early / late delivery	Concealed shortages
3.	EDI / ASN errors	Early / late delivery
4.	Transportation, freight or routing	EDI / ASN errors
5.	Full carton shortage	Bill of Lading errors

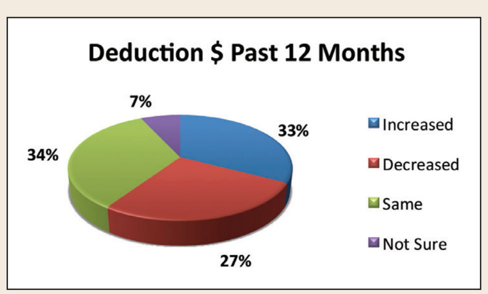
… The median percent of invalid deductions received increased from 3-5% in 2012 to ***6–10% in the 2015 survey****, while the median recovery decreased from 70% to* ***60%*** *over the same period …*

Annual Sales	Deductions % of AR
≤ $500 mill	½ – 1%
> $500 mill	2 – 3%

Survey Data by Industry

	All Respondents	Apparel, Footwear & Access	Const Equip, HVAC, Steel, Oil	Const / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Cosmetics, Beauty Aids, Jewelry, Watches, Luggage	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Office Products, Giftware, Cards, Paper, Printing	Pharmaceuticals, Nutritional, Medical Equip & Supp	Tools, Lawn & Garden Equip
26. Continued											
16 – 20%	10%	9%	8%	15%	8%	0%	7%	11%	13%	8%	0%
21 – 30%	11%	15%	8%	9%	17%	0%	9%	11%	13%	0%	33%
31 – 40%	3%	7%	5%	0%	6%	0%	2%	0%	0%	0%	0%
41 – 50%	3%	0%	0%	6%	3%	0%	0%	6%	0%	8%	17%
Greater than 50%	9%	7%	13%	0%	14%	0%	2%	17%	7%	33%	17%
27. WHAT PERCENT OF DEDUCTION DOLLARS THAT ARE INVALID OR DISALLOWED ABOVE ARE ULTIMATELY RECOVERED FROM YOUR CUSTOMERS?											
90% or more	22%	7%	35%	17%	47%	0%	9%	11%	15%	58%	0%
80%	14%	13%	14%	17%	11%	33%	12%	17%	8%	17%	50%
70%	10%	13%	8%	4%	8%	17%	12%	22%	15%	0%	17%
60%	8%	7%	8%	6%	6%	0%	16%	11%	8%	8%	0%
50%	14%	22%	3%	24%	6%	17%	12%	11%	23%	0%	33%
40%	4%	4%	5%	2%	3%	0%	2%	6%	0%	8%	0%
30%	5%	13%	3%	2%	6%	0%	7%	6%	0%	8%	0%
20%	7%	4%	3%	7%	6%	17%	12%	6%	0%	0%	0%
10%	4%	4%	5%	11%	0%	17%	0%	0%	0%	0%	0%
Less than 10%	12%	13%	16%	11%	8%	0%	19%	11%	31%	0%	0%
28. ON AVERAGE, WHAT PERCENTAGE OF OUTSTANDING TOTAL A/R DOLLARS ARE DEDUCTIONS? (TOTAL A/R DOLLARS ARE ALL ITEMS IN YOUR A/R, INCLUDING INVOICES, CREDITS, DEDUCTIONS, ETC.)											
Less than ½%	28%	9%	46%	42%	29%	0%	19%	11%	39%	33%	17%
½ – 1%	24%	38%	31%	22%	17%	0%	12%	39%	0%	25%	33%
2 – 3%	18%	24%	13%	16%	14%	17%	31%	11%	23%	8%	17%
4 – 5%	13%	7%	8%	9%	17%	17%	14%	28%	23%	17%	17%
6 – 10%	13%	18%	0%	9%	20%	50%	19%	11%	8%	17%	17%
Greater than 10%	3%	4%	3%	2%	3%	17%	5%	0%	8%	0%	0%
29. ON AVERAGE, WHAT PERCENTAGE OF YOUR OPEN DEDUCTION DOLLARS ARE > 90 DAYS OUTSTANDING?											
Less than 10%	52%	40%	56%	62%	71%	50%	42%	44%	57%	39%	67%
10%	8%	4%	3%	6%	6%	17%	14%	11%	14%	8%	0%
20%	11%	11%	5%	9%	6%	0%	16%	6%	7%	23%	0%
30%	9%	13%	10%	7%	6%	17%	9%	11%	0%	0%	17%
40%	8%	16%	10%	7%	0%	0%	7%	6%	14%	8%	17%
50%	8%	13%	8%	4%	6%	0%	7%	11%	7%	8%	0%
Greater than 50%	6%	2%	8%	6%	6%	17%	5%	11%	0%	15%	0%

… The median percent of non-trade deductions as % of sales across all respondents is ***1 – 2%*** *…*



Survey Data by Industry

30. EXCLUDING TRADE-RELATED DEDUCTIONS (E.G., PROMOTIONS, ADVERTISING, MARKDOWNS, REBATES) TOTAL ANNUAL DEDUCTIONS RECEIVED REPRESENT APPROXIMATELY WHAT PERCENTAGE OF ANNUAL SALES?	All Respondents	Apparel, Footwear & Access	Const Equip, HVAC, Steel, Oil	Const / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Cosmetics, Beauty Aids, Jewelry, Watches, Luggage	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Office Products, Giftware, Cards, Paper, Printing	Pharmaceuticals, Nutritional, Medical Equip & Supp	Tools, Lawn & Garden Equip
Less than ½%	43%	30%	65%	54%	32%	0%	37%	18%	54%	50%	75%
1 – 2%	34%	48%	22%	34%	27%	60%	37%	59%	31%	33%	0%
3 – 4%	12%	14%	8%	8%	27%	20%	5%	18%	8%	8%	0%
5 – 6%	5%	5%	5%	4%	6%	0%	7%	6%	0%	0%	0%
7 – 8%	1%	0%	0%	0%	3%	0%	5%	0%	0%	0%	0%
9 – 10%	1%	0%	0%	0%	0%	0%	2%	0%	0%	8%	0%
Greater than 10%	4%	5%	0%	0%	6%	20%	7%	0%	8%	0%	25%

31. SHORTAGE DEDUCTIONS (FULL CARTON & CONCEALED) REPRESENT WHAT % OF TOTAL ANNUAL NON TRADE-RELATED DEDUCTION DOLLARS RECEIVED?	All Respondents	Apparel, Footwear & Access	Const Equip, HVAC, Steel, Oil	Const / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Cosmetics, Beauty Aids, Jewelry, Watches, Luggage	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Office Products, Giftware, Cards, Paper, Printing	Pharmaceuticals, Nutritional, Medical Equip & Supp	Tools, Lawn & Garden Equip
Less than 10%	73%	62%	74%	84%	77%	60%	78%	53%	82%	83%	67%
10 – 20%	11%	10%	15%	9%	6%	0%	15%	13%	9%	8%	33%
21 – 30%	7%	14%	9%	5%	6%	0%	3%	7%	9%	0%	0%
31 – 40%	4%	5%	3%	0%	3%	40%	3%	13%	0%	8%	0%
41 – 50%	3%	5%	0%	2%	9%	0%	0%	7%	0%	0%	0%
51 – 60%	0%	0%	0%	0%	0%	0%	3%	0%	0%	0%	0%
61 – 70%	1%	2%	0%	0%	0%	0%	0%	7%	0%	0%	0%
More than 70%	0%	2%	0%	0%	0%	0%	0%	0%	0%	0%	0%

32. PLEASE INDICATE WHAT % OF YOUR SHORTAGE DEDUCTIONS ARE CONCEALED SHORTAGES AND WHAT % ARE FULL CARTON SHORTAGES. (The sum of the two should equal 100)	All Respondents	Apparel, Footwear & Access	Const Equip, HVAC, Steel, Oil	Const / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Cosmetics, Beauty Aids, Jewelry, Watches, Luggage	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Office Products, Giftware, Cards, Paper, Printing	Pharmaceuticals, Nutritional, Medical Equip & Supp	Tools, Lawn & Garden Equip
Concealed Shortages	50%	80%	70%	50%	45%	20%	10%	80%	75%	60%	75%
Full Carton Shortages	50%	20%	30%	50%	55%	80%	90%	20%	25%	40%	25%

33. PLEASE CALCULATE YOUR DAYS DEDUCTIONS OUTSTANDING (DDO) AND ENTER IT BELOW. DDO IS CALCULATED AS AVERAGE OPEN DEDUCTION $ / (ANNUAL DEDUCTION $ CREATED/360)	All Respondents	Apparel, Footwear & Access	Const Equip, HVAC, Steel, Oil	Const / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Cosmetics, Beauty Aids, Jewelry, Watches, Luggage	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Office Products, Giftware, Cards, Paper, Printing	Pharmaceuticals, Nutritional, Medical Equip & Supp	Tools, Lawn & Garden Equip
DDO =	38 days	62 days	57 days	36 days	20 days	14 days	30 days	36 days	30 days	28 days	62 days

34. HAVE YOUR COMPANY'S DEDUCTION DOLLARS (DOLLARS OF DEDUCTIONS TAKEN) INCREASED, DECREASED OR STAYED THE SAME IN THE PAST 12 MONTHS?	All Respondents	Apparel, Footwear & Access	Const Equip, HVAC, Steel, Oil	Const / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Cosmetics, Beauty Aids, Jewelry, Watches, Luggage	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Office Products, Giftware, Cards, Paper, Printing	Pharmaceuticals, Nutritional, Medical Equip & Supp	Tools, Lawn & Garden Equip
Increased	33%	45%	22%	33%	17%	86%	41%	28%	36%	29%	33%
Decreased	27%	32%	29%	32%	37%	0%	14%	22%	14%	21%	0%
Stayed the same	34%	19%	37%	30%	37%	14%	38%	50%	36%	43%	50%
Not sure	7%	4%	12%	6%	9%	0%	7%	0%	14%	7%	17%

Survey Data by Industry

	All Respondents	Apparel, Footwear & Access	Const Equip, HVAC, Steel, Oil	Const / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Cosmetics, Beauty Aids, Jewelry, Watches, Luggage	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Office Products, Giftware, Cards, Paper, Printing	Pharmaceuticals, Nutritional, Medical Equip & Supp	Tools, Lawn & Garden Equip
35. IF YOUR DEDUCTIONS HAVE DECREASED IN THE PAST 12 MONTHS, TO WHAT DO YOU ATTRIBUTE THIS DECREASE?											
Decline in sales	8%	6%	6%	8%	8%	100%	13%	0%	0%	0%	0%
Improved processes	74%	69%	77%	77%	62%	0%	88%	83%	50%	100%	0%
Other (e.g., West Coast port issues, new hires, communications)	18%	25%	18%	15%	31%	0%	0%	17%	50%	0%	0%
36. PLEASE INDICATE THE 3 MOST IMPORTANT THINGS YOU BELIEVE YOUR COMPANY HAS DONE THAT HAS PROVEN TO EFFECTIVELY PREVENT FUTURE DEDUCTIONS. (PLEASE SELECT 3 ONLY)											
Implemented / strengthened cross-functional teams	29%	47%	13%	26%	24%	43%	28%	44%	14%	29%	33%
Better managed retailer's compliance information	18%	44%	5%	0%	12%	29%	9%	56%	29%	21%	17%
Better communicated our policies with customers (e.g., pricing changes, terms) or simplified promotions / deals	37%	27%	44%	44%	41%	43%	40%	11%	36%	29%	33%
Involved other departments in customer onboarding / deal prep to ID potential issues which could lead to deductions	25%	42%	10%	12%	32%	14%	21%	50%	43%	21%	0%
Focused on improving order accuracy (e.g., order entry, invoicing)	38%	33%	56%	54%	27%	29%	35%	28%	21%	21%	17%
Made sales / departments responsible and accountable	33%	24%	31%	36%	38%	14%	40%	22%	43%	36%	33%
Improved relationship with customer through face-to-face meetings or calls	13%	20%	8%	10%	9%	29%	9%	0%	14%	29%	17%
Performed root cause analysis to understand underlying reason for deductions	37%	36%	41%	38%	32%	57%	26%	44%	36%	50%	50%
Improved / implemented deduction reporting	23%	18%	18%	24%	24%	29%	28%	39%	14%	14%	67%
Implemented software solution	7%	7%	3%	8%	12%	0%	14%	6%	0%	0%	0%
Not sure	10%	7%	13%	8%	12%	0%	14%	0%	14%	14%	0%
Other (e.g., focus on quality, visibility — metrics, greater ownership)											
37. PLEASE INDICATE THE 3 MOST IMPORTANT THINGS YOU BELIEVE YOUR COMPANY HAS DONE THAT HAS PROVEN TO EFFECTIVELY RESOLVE EXISTING DEDUCTIONS. (PLEASE SELECT 3 ONLY)											
Focused on timely review and follow up	77%	87%	73%	68%	82%	86%	74%	78%	77%	92%	83%
Implemented / strengthened cross-functional teams	38%	53%	23%	42%	35%	43%	30%	72%	31%	17%	33%
Better communicated our policies with customers (e.g., pricing changes, terms) or simplified promotions / deals	30%	33%	35%	32%	24%	14%	28%	28%	31%	33%	33%
Made sales / departments responsible and accountable	47%	47%	50%	48%	47%	29%	61%	39%	46%	42%	33%
Improved relationship with customer through face-to-face settlement meetings or calls	18%	24%	10%	20%	18%	14%	14%	0%	31%	42%	50%
Improved / implemented deduction reporting	32%	22%	30%	30%	29%	57%	37%	56%	31%	25%	50%
Implemented software solution	7%	9%	3%	6%	9%	14%	12%	11%	0%	0%	0%
Utilized 3rd party service provider	2%	0%	0%	2%	0%	14%	5%	6%	0%	0%	0%
Not sure	9%	0%	8%	8%	18%	0%	9%	0%	23%	8%	0%
Other (e.g., more dedicated resources, developed approval matrix)											

Key *RESOLUTION* Steps	
1.	Focused on timely review & follow up
2.	Made sales / other depts. accountable
3.	Improved cross-functional teams
4.	Improved deduction reporting
5.	Better communicated policies to customers

Key *PREVENTION* Steps	
1.	Improved order accuracy
T2.	Performed root cause analysis
T2.	Better communicated policies to customers
4.	Made sales / other depts. accountable
5.	Improved cross-functional teams

… *Excluding those who say they are ‘not sure’, **85%** of respondents agree that most **post audit claims** are taken **within 2 years** …*

Actions to Effectively Deal with POST AUDITS	
1.	Aggressively defend invalid claims
2	Focus on quick resolution
3	Require supporting doc from customer
T4.	Improved sales agreement documentation
T4.	Improved document retention / storage

Survey Data by Industry

38. HAVE YOU ENCOUNTERED AN INCREASE, DECREASE OR NO CHANGE IN THE LAST 12 MONTHS FOR POST AUDIT CLAIMS?

	All Respondents	Apparel, Footwear & Access	Const Equip, HVAC, Steel, Oil	Const / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Cosmetics, Beauty Aids, Jewelry, Watches, Luggage	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Office Products, Giftware, Cards, Paper, Printing	Pharmaceuticals, Nutritional, Medical Equip & Supp	Tools, Lawn & Garden Equip
Increase	14%	11%	8%	8%	15%	43%	18%	22%	8%	15%	17%
Decrease	17%	17%	21%	8%	29%	29%	15%	28%	15%	0%	17%
No change	70%	72%	71%	84%	56%	29%	68%	50%	77%	85%	67%

39. BASED ON YOUR EXPERIENCE, WOULD YOU AGREE THAT MOST POST AUDITS ARE TAKEN WITHIN 2 YEARS OF THE SHIPMENT DATE?

	All Respondents	Apparel, Footwear & Access	Const Equip, HVAC, Steel, Oil	Const / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Cosmetics, Beauty Aids, Jewelry, Watches, Luggage	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Office Products, Giftware, Cards, Paper, Printing	Pharmaceuticals, Nutritional, Medical Equip & Supp	Tools, Lawn & Garden Equip
Yes, most audits are taken within 2 years of the shipment date	62%	76%	46%	43%	62%	86%	71%	83%	43%	75%	50%
No, most audits are not taken within 2 years of the shipment date	11%	9%	5%	14%	15%	0%	12%	6%	14%	0%	50%
Not sure	27%	15%	49%	43%	24%	14%	17%	11%	43%	25%	0%

40. PLEASE INDICATE THE SINGLE, MOST IMPORTANT THING YOU BELIEVE YOUR COMPANY HAS DONE THAT HAS PROVEN TO EFFECTIVELY DEAL WITH POST AUDIT CLAIMS.

	All Respondents	Apparel, Footwear & Access	Const Equip, HVAC, Steel, Oil	Const / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Cosmetics, Beauty Aids, Jewelry, Watches, Luggage	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Office Products, Giftware, Cards, Paper, Printing	Pharmaceuticals, Nutritional, Medical Equip & Supp	Tools, Lawn & Garden Equip
Aggressively defend invalid claims	25%	34%	11%	14%	21%	29%	38%	47%	20%	8%	50%
Negotiated customer / our own post audit policy as part of initial contract / vendor agreement	2%	6%	0%	4%	0%	0%	0%	6%	0%	0%	0%
Improved sales agreement documentation to be more specific and reduce opportunity for misinterpretation	8%	2%	8%	8%	18%	0%	5%	18%	13%	8%	0%
Improved document retention / storage so it is easier to find information to support our position	8%	9%	13%	10%	3%	14%	5%	12%	7%	8%	0%
Focused on addressing post audit claims quickly	13%	13%	8%	16%	15%	14%	17%	6%	13%	23%	0%
Required supporting documentation from the customer / audit firm and try to put the burden of proof on them	12%	11%	8%	16%	12%	14%	14%	6%	13%	8%	50%
Not sure	26%	19%	47%	29%	27%	14%	17%	0%	33%	31%	0%
Other (e.g., centralized post audit team, require legal document outlining process)	6%	6%	5%	4%	6%	14%	5%	6%	0%	15%	0%

41. INDICATE THE AVERAGE TIME PERIOD THAT MOST CLOSELY MATCHES YOUR COMPANY’S EXPERIENCE FROM THE TIME A DEDUCTION IS TAKEN UNTIL IT IS DETERMINED TO BE VALID OR NOT.

	All Respondents	Apparel, Footwear & Access	Const Equip, HVAC, Steel, Oil	Const / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Cosmetics, Beauty Aids, Jewelry, Watches, Luggage	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Office Products, Giftware, Cards, Paper, Printing	Pharmaceuticals, Nutritional, Medical Equip & Supp	Tools, Lawn & Garden Equip
1 day	3%	0%	5%	2%	9%	0%	0%	6%	7%	0%	0%
5 days	17%	20%	23%	17%	15%	0%	12%	17%	36%	8%	17%
10 days	12%	11%	13%	13%	15%	0%	14%	11%	7%	31%	0%
15 days	12%	15%	5%	13%	15%	29%	7%	22%	0%	31%	0%
30 days	22%	22%	10%	17%	21%	43%	33%	33%	21%	8%	17%
45 days	10%	7%	13%	11%	21%	0%	10%	6%	0%	0%	17%
60 days	13%	11%	23%	15%	0%	29%	12%	6%	14%	15%	33%
90 days	8%	13%	5%	8%	3%	0%	10%	0%	0%	8%	17%
120 days	2%	0%	3%	4%	0%	0%	2%	0%	14%	0%	0%
6 months	0%	2%	0%	0%	0%	0%	0%	0%	0%	0%	0%
More than 6 months	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

… the median time it takes companies to resolve deductions from receipt through final resolution is ***90 days*** *…*

… ***69%*** *of companies report using no 3rd party technologies to further automate deduction management processing …*

… For those companies using 3rd party technologies, ***cash application preprocessing & deduction creation*** *is most frequently cited …*

Survey Data by Industry

	All Respondents	Apparel, Footwear & Access	Const Equip, HVAC, Steel, Oil	Const / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Cosmetics, Beauty Aids, Jewelry, Watches, Luggage	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Office Products, Giftware, Cards, Paper, Printing	Pharmaceuticals, Nutritional, Medical Equip & Supp	Tools, Lawn & Garden Equip
42. FOR DEDUCTIONS THAT HAVE BEEN DETERMINED TO BE INVALID, INDICATE THE AVERAGE NUMBER OF DAYS FROM THE TIME THE CHARGEBACK COLLECTION PROCESS BEGINS (WHEN THE PROCESS IN ABOVE QUESTION TYPICALLY ENDS) UNTIL A DEDUCTION IS COLLECTED OR WRITTEN-OFF.											
1 day	1%	4%	0%	2%	0%	0%	0%	0%	0%	0%	0%
5 days	2%	4%	3%	4%	3%	0%	0%	0%	7%	0%	0%
10 days	1%	0%	0%	0%	3%	0%	5%	0%	0%	0%	0%
15 days	4%	2%	5%	8%	6%	0%	0%	0%	7%	0%	0%
30 days	18%	9%	29%	20%	15%	0%	14%	11%	14%	31%	33%
45 days	13%	11%	11%	22%	15%	0%	10%	22%	0%	0%	0%
60 days	19%	20%	16%	14%	27%	14%	21%	28%	21%	15%	17%
90 days	20%	26%	21%	10%	12%	14%	24%	11%	36%	39%	17%
120 days	12%	15%	8%	8%	15%	29%	12%	17%	7%	0%	17%
6 months	7%	7%	8%	4%	3%	43%	7%	6%	7%	8%	17%
More than 6 months	4%	2%	0%	10%	0%	0%	7%	6%	0%	8%	0%
43. WHO GETS INVOLVED IN NEGOTIATING VENDOR AGREEMENTS WITH YOUR CUSTOMERS?											
Sales	94%	85%	100%	96%	97%	100%	92%	95%	93%	100%	100%
Legal	50%	49%	26%	50%	49%	100%	59%	42%	53%	86%	67%
Logistics / DC Operations	25%	34%	8%	12%	46%	50%	28%	16%	20%	43%	33%
Compliance	19%	55%	0%	6%	15%	17%	13%	32%	13%	36%	17%
Finance / Accounts Receivable	51%	64%	45%	54%	64%	50%	44%	26%	33%	79%	50%
Other (e.g., Senior management, customer service, EDI)											
44. FOR WHICH STEPS IN THE DEDUCTION MANAGEMENT PROCESS DO YOU USE 3RD PARTY TECHNOLOGIES WHICH ARE NOT PART OF YOUR CORE FINANCIAL SYSTEM OR ERP? (TECHNOLOGIES CAN EITHER BE PURCHASED SOFTWARE OR SOFTWARE-AS-A-SERVICE).											
We do not use any 3rd Party technologies for deduction management	69%	76%	75%	75%	71%	29%	53%	78%	67%	77%	83%
Cash Application preprocessing / deduction creation	10%	11%	3%	8%	10%	57%	21%	0%	7%	8%	0%
Claims reconciliation and validation	5%	2%	6%	2%	3%	29%	8%	11%	13%	0%	0%
Collections	9%	4%	11%	12%	7%	14%	11%	11%	13%	8%	0%
Deduction reporting	9%	7%	14%	8%	13%	0%	8%	11%	0%	8%	0%
Deduction workflow	7%	2%	8%	6%	7%	29%	13%	6%	7%	8%	17%
OCR / Scanning	5%	4%	3%	2%	3%	29%	8%	6%	0%	15%	0%
Overall deduction management	8%	4%	11%	2%	13%	14%	13%	6%	7%	8%	0%
POD / Claims / Document Retrieval Automation	6%	4%	0%	2%	3%	43%	11%	11%	7%	8%	0%
Trade promotion management	5%	0%	3%	0%	0%	29%	21%	11%	0%	0%	0%
Not sure	7%	7%	11%	8%	7%	0%	3%	6%	13%	0%	0%

… Other than outsourcing the entire deduction management process, one of the ***most common outsourced tasks is processing of post audit claims*** *…*

… ***65%*** *of companies with cross-functional teams feel that these teams have produced positive results by reducing the number of incoming deductions …*

Survey Data by Industry

	All Respondents	Apparel, Footwear & Access	Const Equip, HVAC, Steel, Oil	Const / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Cosmetics, Beauty Aids, Jewelry, Watches, Luggage	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Office Products, Giftware, Cards, Paper, Printing	Pharmaceuticals, Nutritional, Medical Equip & Supp	Tools, Lawn & Garden Equip
45. DO YOU OUTSOURCE ANY OF THE DEDUCTION MANAGEMENT TASKS?											
Yes	6%	2%	0%	2%	3%	29%	21%	6%	0%	7%	17%
No	94%	98%	100%	98%	97%	71%	80%	94%	100%	93%	83%
46. IF YOU DO OUTSOURCE SOME OR ALL OF THE DEDUCTION PROCESS, PLEASE INDICATE WHICH TASKS: Check all that apply.											
The entire process from the time the deduction is recognized at cash application	39%	100%	0%	100%	100%	0%	14%	100%	0%	0%	0%
Deduction identification and/or analysis	11%	50%	0%	0%	0%	0%	14%	0%	0%	0%	0%
Processing of post audit claims	28%	0%	0%	0%	0%	67%	43%	0%	0%	0%	0%
Research / recovery of small dollar deductions	11%	0%	0%	0%	0%	33%	0%	0%	0%	100%	0%
Research / recovery of specific deduction reasons (e.g., shortages)	28%	50%	0%	0%	0%	33%	14%	0%	0%	100%	100%
Collection / recovery of invalid rebilled deductions	28%	50%	0%	0%	0%	0%	43%	0%	0%	100%	0%
Deduction management reporting	6%	50%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other (e.g., trade promotion management)											
47. DOES YOUR COMPANY USE CROSS-FUNCTIONAL TEAMS TO REVIEW SOME OR ALL DEDUCTIONS AND COMPLIANCE VIOLATIONS?											
Yes	53%	75%	44%	41%	66%	57%	52%	83%	38%	36%	50%
No	47%	25%	56%	59%	34%	43%	48%	17%	62%	64%	50%
48. HAVE THE CROSS-FUNCTIONAL TEAMS PRODUCED POSITIVE RESULTS BY REDUCING THE NUMBER OF INCOMING DEDUCTIONS?											
Yes	65%	75%	59%	50%	80%	60%	62%	88%	50%	44%	33%
No	35%	25%	41%	50%	20%	40%	39%	13%	50%	56%	67%
49. HAS ANYONE IN YOUR COMPANY HAD FACE-TO-FACE MEETINGS WITH KEY CUSTOMERS WITHIN THE PAST 12 MONTHS TO DISCUSS DEDUCTION OR COMPLIANCE ISSUES?											
Yes	63%	72%	50%	72%	58%	83%	65%	67%	63%	64%	50%
No	26%	26%	24%	19%	30%	17%	20%	33%	31%	29%	50%
Not sure	11%	2%	26%	9%	12%	0%	15%	0%	6%	7%	0%
50. IF YOU ANSWERED "YES" TO THE QUESTION ABOVE, WHO TYPICALLY ATTENDS THESE COMPLIANCE / DEDUCTION RELATED CUSTOMER MEETINGS? (please check all that apply)											
Finance (Credit / AR / Collections)	43%	44%	46%	47%	25%	100%	30%	29%	60%	67%	100%
Compliance (separate department)	17%	59%	0%	0%	10%	0%	4%	36%	30%	0%	0%
Representatives from operating departments with relevant issues (e.g., IT, Warehouse)	22%	29%	9%	16%	5%	50%	33%	21%	20%	22%	67%
Sales	83%	65%	82%	92%	90%	50%	85%	71%	80%	100%	100%
Not sure	2%	0%	9%	0%	5%	0%	0%	0%	0%	0%	0%
Other (e.g., Supply Chain, Order Mgmt, Cust Svc, Quality, President)											

About Attain Consulting Group

Attain Consulting Group is a deduction management advisory firm dedicated to helping companies improve profitability by reducing and controlling chargebacks and deductions. Founded by Jessica Butler, Attain prides itself in providing our clients with practical, experience-based solutions to address their deduction management and compliance challenges to help companies *"Take Control of Deductions"*.

About Jessica Butler

Jessica Butler founded Attain Consulting Group in 2004 after discovering her passion and talent for helping companies reduce and control chargebacks and deductions. Personally involved with every client, Jessica is known throughout the industry as an expert and thought leader in the area of deduction management and negotiation. As the founder of the Compliance Advisory Board, Jessica leads a prestigious group of companies in the development of best practices surrounding current chargeback and deduction issues. A former partner with Grant Thornton, LLP, Jessica is a CPA and received her MBA in Finance from New York University.

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