

# Customer Deductions:

## 2018 Benchmark Survey



Over the years, **The Credit Research Foundation (CRF)** has been fortunate to have forged and developed some wonderful friends and business relationships with key constituents to our community. One that it is especially proud of is the association with Ms. Jessica Butler of Attain Consulting Group. Jessica is well recognized by the accounts receivable management community as an expert in deduction practices, resolution and management. Her efforts in support of this critical topic are consistently applauded as being substantive, insightful and critically valued. The Foundation and the CRF community wish to thank Ms. Butler for again applying her skills and insights to this 2018 body of work, as it is complete with actionable data points for use in your business processes.

***Our congratulations to Jessica on an extraordinary effort!!!***



William F. Balduino  
President  
Credit Research Foundation

# Customer Deductions

## 2018 Benchmark Survey

The **Customer Deduction: Impact on Receivables** survey was first issued by the Credit Research Foundation in 1998. Updated approximately every three years, the familiar “Red Book” became one of the best sources of benchmark information on customer chargebacks and deductions. Including statistics on deduction metrics, internal processes and best practices, companies have long relied on the survey results to measure and evaluate their deduction management performance as well as gain insights for improvement.

Attain Consulting Group worked with CRF on the deduction survey from 2003 – 2012 to analyze and prepare the results as well as provide action-oriented tips & strategies. Beginning with the 2015 edition, Attain Consulting Group has taken primary ownership of the survey with the support and endorsement of CRF. As a deduction and chargeback management advisory firm committed to providing our clients with practical, constructive solutions to their deduction management challenges, Attain Consulting Group is committed to ensuring that the survey continues to provide meaningful information and insights to help companies improve their deduction practices.

Over 200 companies responded to this year’s survey, across numerous industry groups. 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.

- Acosta Sales and Marketing
- BPCA Credit Group
- Credit Research Foundation (CRF)
- Dynamic Worldwide
- Fashion Service Network
- Friedman LLP
- HighRadius Corporation
- IAB Solutions, LLC
- Retail Value Chain Federation (RVCF)
- Riemer Reporting Services
- The Food Industry Credit Bureau

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 affect companies across dozens of industries selling through multiple distribution channels. Called a variety of names, including deductions, chargebacks or short-pays, the impact on the business is still the same – erosion of the bottom line.

All deductions are not created equal. Some, such as trade promotions and allowances, are considered “the cost of doing business”. The goal for these deductions is to streamline their validation and identify any which have been taken in error. However, other deductions, such as vendor violations and compliance errors are often considered “self-inflicted”, and the goal is to take corrective actions to prevent their reoccurrence. While deductions will never be completely eliminated, taking steps to improve processing and correct operational inefficiencies can result in an overall reduction in deductions.

The 2018 Deduction Survey results include data from over 200 companies. The information in this document can help guide you in evaluating your current deduction management performance as well as developing best practices to take your deduction processing to the next level.

This document is organized into the following sections:

- I. **Survey Highlights**..... **page 5**
- II. **How Does Your Company Stack Up** ..... **page 15**  
*Evaluating Your Deduction Performance*
- III. **Detailed Results by Industry** ..... **page 18**

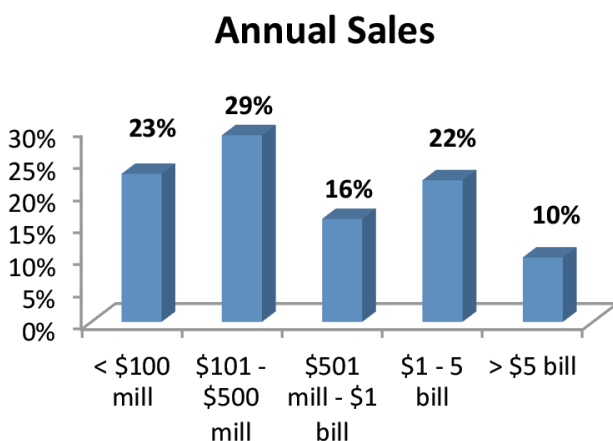
## I. SURVEY HIGHLIGHTS

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
- ERP & Deduction Reporting
- Outsourcing & Use of 3<sup>rd</sup> Party Technologies

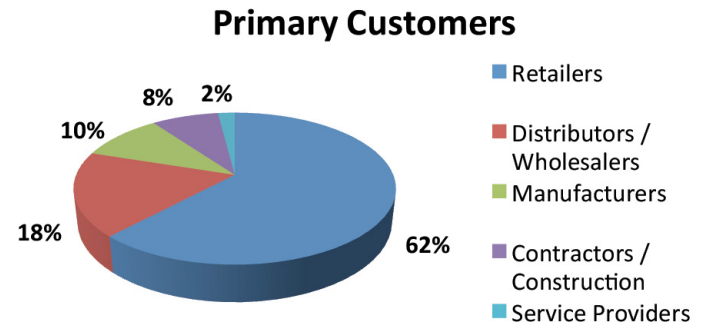
### Demographics

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.

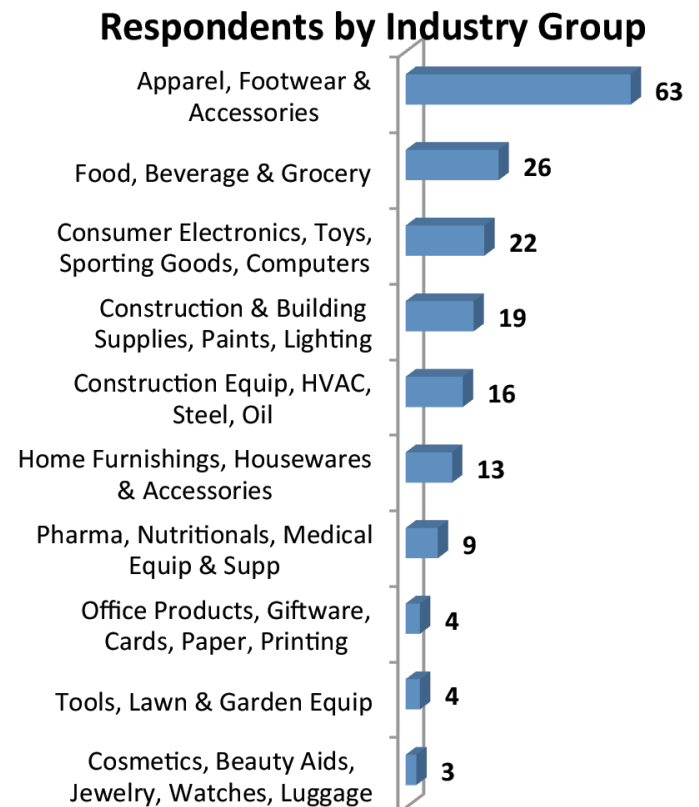


... **62%** of respondents reported that their primary customers are retailers ...

Deductions impact numerous distribution channels. 62% of respondents indicate that retailers are their company's primary revenue source. This is up from 48% in the 2015 survey. The chart below summarizes the primary distribution channel of all respondents:



Survey respondents were asked to select their company's primary industry from a list of 10 industry groups. 203 companies responded as follows:



Detailed survey responses by industry group are provided in section III of this report. Industry groups with fewer than 5 responding companies were included with 'All Respondents'.

## Roles & Responsibilities

We continue to be 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, while Compliance Groups and Customer Service are involved with non trade-related deductions. More significant are the differences reported across industries as illustrated below.

### Initial research / validation of trade-related deductions performed by

Industry Group*	Credit / AR	Sales / Broker
<b>ALL RESPONDENTS</b>	<b>83%</b>	<b>8%</b>
Cons Elect, Toys, Sports ...	95%	0%
Apparel, Footwear ...	90%	2%
Pharma, Nutritionals ...	75%	13%
Food, Beverage & Groceries	64%	23%

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

### Initial research / validation of non trade-related deductions performed by

Industry Group*	Credit / AR	Compliance Group	Cust. Svc.
<b>ALL RESPONDENTS</b>	<b>67%</b>	<b>15%</b>	<b>12%</b>
Cons Elect, Toys, Sports	79%	5%	11%
Food, Beverage, Groc.	68%	14%	14%
Apparel, Footwear ...	67%	22%	10%
Pharma, Nutritionals ...	50%	13%	38%

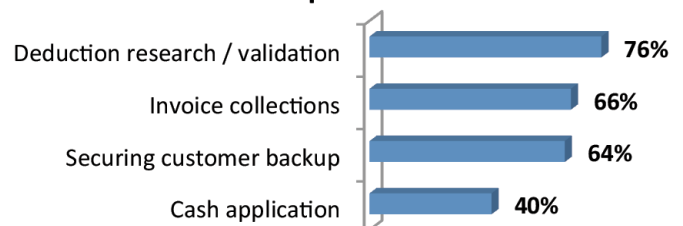
\*See Detailed Results by Industry Question 6 for more industries

Regardless of which group researches, validates or approves deductions, if a deduction is determined to be invalid, 84% of responding companies reported that Credit / Accounts Receivable has primary responsibility for following up with customers to collect these claims.

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

Companies often ask whether the people responsible for deduction collections are also responsible for deduction research, invoice collections or cash application. Overall, over 70% of the people responsible for the collection of invalid deductions are also responsible for deduction research and validation. Over 60% indicated that the same people also handle invoice collections and securing customer backup. The following table provides the statistics:

### Staff who collect invalid deductions are also responsible for ...



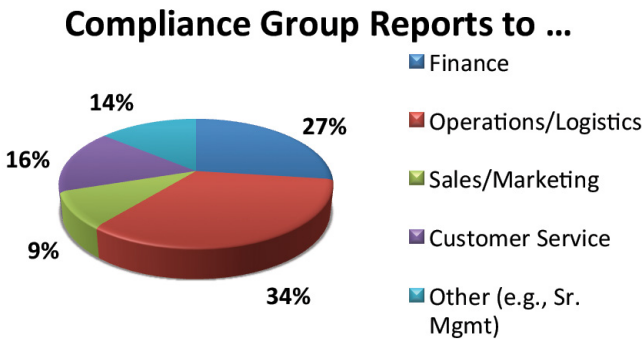
When assigning deduction responsibilities to staff, 66% of respondents reported that they allocate assignments by customer and 17% assign deductions by reason or type. 17% of responding companies selected 'Other'. Most of these were smaller companies who indicated that they had only one person handling all deductions. A few companies noted that they assign responsibilities by sales person or territory or a combination of customer and reason code.

## Organization Structure & Accountability

32% of survey respondents reported that they have a separate vendor compliance group with primary responsibility for deduction prevention, resolution and recovery. Similar to 2015, 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 14% 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 57% 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:



52% 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 68% charging back the business unit, while only 48% of the Food, Beverage & Grocery group indicate that they charge back the business unit.

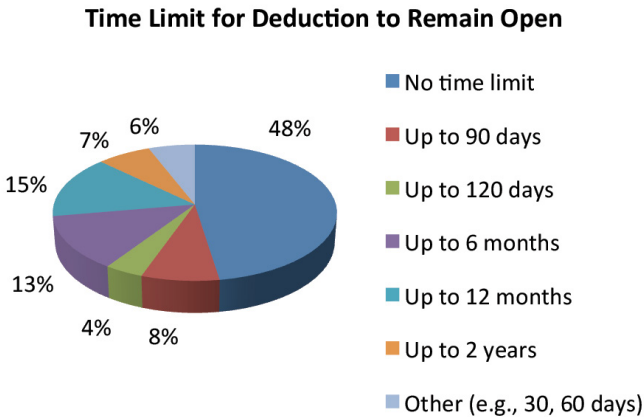
The final area of accountability addressed in the survey relates to cross-functional teams. Deductions are a company-wide issue. While personnel in credit, A/R or compliance can help research and recover deductions, they are not responsible for causing the deduction. Therefore, they can do little to 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, 65% of total respondents answered in the affirmative. Of those companies with cross-functional

teams, 69% reported that these teams produced positive results by reducing the number of incoming deductions. Questions 57 and 58 in section III of this report provide more details by industry group.

### Deduction Aging & Time Limits

Overall, 73% of companies reported that aging begins when the deduction is received. 15% indicated that aging reverts back to the date of the original open item.

When asked how long a deduction is permitted to remain open or unresolved before writing the deduction off, 48% of companies reported having no time limit. This is down from 56% in 2015. The chart below illustrates the overall responses for this question.



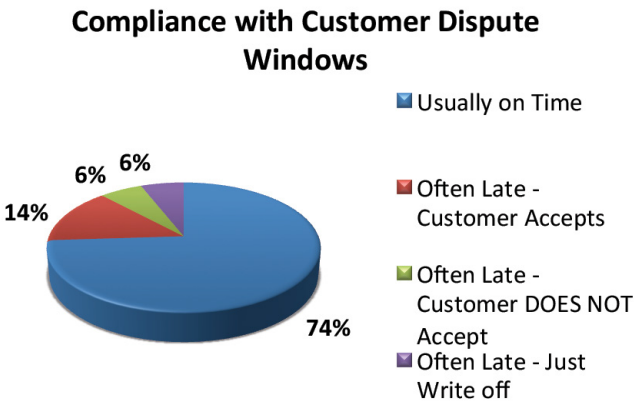
In many organizations, deductions are given to various departments to research or validate often after they have been initially reviewed. When asked whether there was a time limit on how long these departments have to research and respond before the deductions are just written off, 54% of responding companies indicated that there is no time limit enforced. 13% indicated that outside departments have 30 days to respond.

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 2015 survey.

Many customers have a defined ‘dispute window’ giving vendors only a set number of days (e.g., 30, 45) in which to dispute a deduction. A question was added to the 2018 survey asking companies how well they are able to comply with these mandated timeframes. 74% of overall respondents reported that they prioritize their research and validation activity so that they are usually on time. 14% reported that despite efforts to prioritize, they are often outside of the customer’s dispute window, however they still submit disputes and the customers still accept them. The table below summarizes the responses to this question.



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 55% of respondents indicating a defective allowance has been negotiated with customers. This represents a 45% increase from the 2015 survey when defective allowances were reported by 38% of respondents. The 2018 survey also showed an increase in companies offering unsaleable allowances over 2015 from 16% in 2015 to 27% in 2018. The following table summarizes some of the dramatic increases in unsaleable allowances by industry.

**Change in companies offering Unsaleable allowances**

Industry Group	2018 Survey	2015 Survey
ALL RESPONDENTS	27%	16%
Food, Beverage & Groceries	57%	37%
Pharma, Nutritionals ...	57%	28%
Apparel, Footwear ...	29%	11%
Cons Elect, Toys, Sports	11%	2%

32% of responding companies stated that they do not have allowances with their customers. This is down from 46% in 2015. Question 16 in section III illustrates additional 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 prior surveys, 87% of companies reported that they write off at least some small dollar deductions, with 20% of those companies saying that it depends on the deduction type. 13% of all respondents said that they do not automatically write off small dollar deductions, however there was a difference based on company size. 19% of companies with annual revenue ≤ \$500 million reported no automatic small dollar write-offs while those with annual revenue > \$500 million reported only 7%. The median dollar write-off threshold across all industries was \$10 - \$25. The Food, Beverage & Grocery industry group reported the highest auto write-off amount with a median of \$50.01 - \$100.



**... Across all respondents, the median auto write-off amount is \$10 - \$25 and represents <½% 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, 70% of respondents indicated that it was less than ½%.

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 – 16% 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, shortages showed the biggest increase this

year over responses from 2015. In terms of number of deductions, shortages moved up to the number one spot from its second place finish in 2015. As far as dollars of deductions received, shortages moved from the 4th position in 2015 to 2nd overall in 2018. Advertising, promotional and rebate claims was the number one reason for deduction dollars reported in 2018. The following table illustrates the top deduction reasons by number and dollars received.

**Top Deduction Reasons (\$)**

Rank	# Received	\$ Received
1.	Shortages	Advertising / Promo / Rebate
2.	Pricing	Shortages
3.	Advertising / Promo / Rebate	Tie: Allowances / Discounts / Pricing
4.	Allowances / Discounts	
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. Non trade-related deductions were defined to include all compliance and shortage deductions, while excluding returns and unsaleables. 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”. Concealed shortages remains at the top of the list for both the number and dollars of deductions received. The top non trade-related deduction issues by both number and dollar are summarized below.

**Top Compliance Deduction Reasons (\$)**

Rank	# Received	\$ Received
1.	Concealed shortages	Concealed shortages
2.	Transportation, freight or routing	Transportation, freight or routing
3.	Early / late delivery	Early / late delivery
4.	EDI / ASN errors	Full carton shortages
5.	Full carton shortages	EDI / ASN 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 and report only non trade-related deductions as a percentage of sales. Non trade-related deductions were defined to include compliance deductions and shortages while excluding returns, unsaleables and all trade related items. The median response across all respondents was non trade deductions were ¼ - ½% of sales.

*... Across all respondents, non trade-related deductions represent ¼ - ½% of sales ...*

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

Average Open Deduction \$

(Annual Deduction \$ Created / 360)

The median DDO reported across all respondents is 44 days.

A/R Statistics

When asked what percentage of outstanding total A/R dollars deductions represent, the median response across all respondents was ½ to 1%. When slicing the data based on company size, the median response for companies with annual revenue ≤ \$500 million was ½ to 1%, however larger companies with annual revenue > \$500 million reported this amount to be 1.1 – 3%. 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 make 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 10%. However, 13% 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 5.1-10%. This is consistent with the results of the 2015 survey.

*... The median percent of invalid deductions received remained steady from the 2015 survey at **5.1-10%**, as did the recovery amount of **60%** ...*

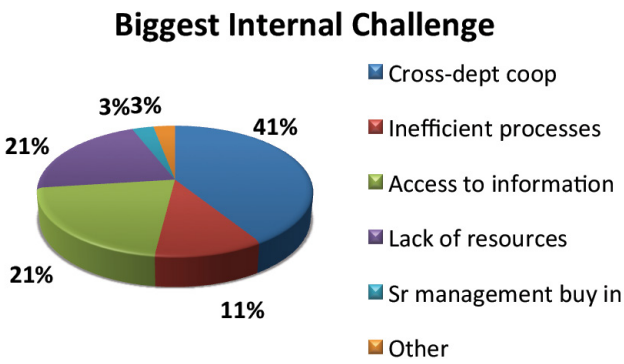
Respondents were also asked what percent of these invalid or disallowed deduction dollars are ultimately recovered from customers. The median percent of invalid deduction dollars recovered is 60%. (Note: To use the median numbers, this means that 60% of the 5.1-10% of invalid deductions are recovered.) The percentages of both invalid deductions and recoveries vary by industry group and can be found in section III questions 33 and 34.

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, 75% of respondents reported that they do, and almost 65% 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 2015 survey.

Attempt to Collect Unearned Cash Discounts	2018 Survey	2015 Survey
Yes – fairly successful	48%	50%
Yes – not very successful	27%	24%
No – do not attempt	25%	26%

## 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, 41% 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

32% of responding companies reported an increase in deduction dollars taken in the past 12 months. 29% of respondents indicated that deductions have declined. These results are fairly consistent with those reported in 2015, which were 33% and 27% respectively.

We added a question to the 2018 survey asking whether respondents noticed any changes in the types of deductions received in the past 12 months. 37% of respondents indicated that they have not noticed any changes, however 27% reported noticing that new compliance rules or deduction types were being taken.

## ... **27%** of responding companies reported **new compliance rules or deduction types** being taken ...

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

Key <b>PREVENTION</b> Steps	
1.	Improved order accuracy
2.	Made sales / other depts. accountable
3.	Involved other depts. in customer onboarding and/or deal/promotion
4.	Better communicated policies to customers
T5.	Performed root cause analysis
T5.	Improved cross-functional teams

### Post Audit Trends & Corrective Strategies

19% of respondents reported an increase in post audit claims during the past 12 months. This is an increase from the 2015 survey when 14% reported an increase. 21% indicated that post audit claims decreased and 60% of companies reported no change.

The length of time in which customers continue to take post audit 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 like to include this question in the survey to either confirm or dispute this.

70% of all respondents confirmed that most post audit claims are taken within 2 years. 12% felt that most post audit claims were not taken within 2 years and 18% were not sure.

## ... **Excluding those who say they are 'not sure', 86%** 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 customers' 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

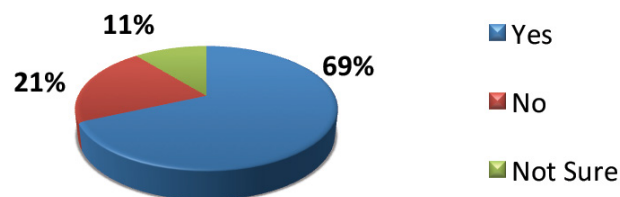
taken. Historically, Vendor Agreements were primarily reviewed and signed by the Sales Departments with other departments often left to “pick up the pieces” after the sale. However, the best practice, and something we have been seeing more frequently is for other departments to get involved in reviewing 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 86%, however this is down from 94% in 2015. As illustrated in the table below, other departments are also involved and all have shown increases since the 2015 survey.

**Departments Involved in Negotiating Vendor Agreements**

	2018 Survey	2015 Survey
Sales	86%	94%
Finance / AR	54%	51%
Legal	52%	50%
Logistics / DC Operations	32%	25%
Compliance	31%	19%
Other (e.g., Cust Svc, EDI)	6%	6%

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 use 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, 69% of total respondents answered in the affirmative. This is up slightly from 63% reported in 2015.

## Met with Key Customers within Past 12 Months



When asked which departments typically attended these meetings, Sales had the highest representation with 73% of respondents indicating that Sales attends. 37% of respondents reported that Finance attends the meetings, 28% said representatives from supply chain or operating departments with relevant issues attend and 23% reported that Compliance participates.

## ERP & Deduction Reporting

When asked what ERP systems they use, 61% of companies with annual revenue > \$500 million reported using SAP as compared with only 18% of companies with annual revenue ≤ \$500 million.

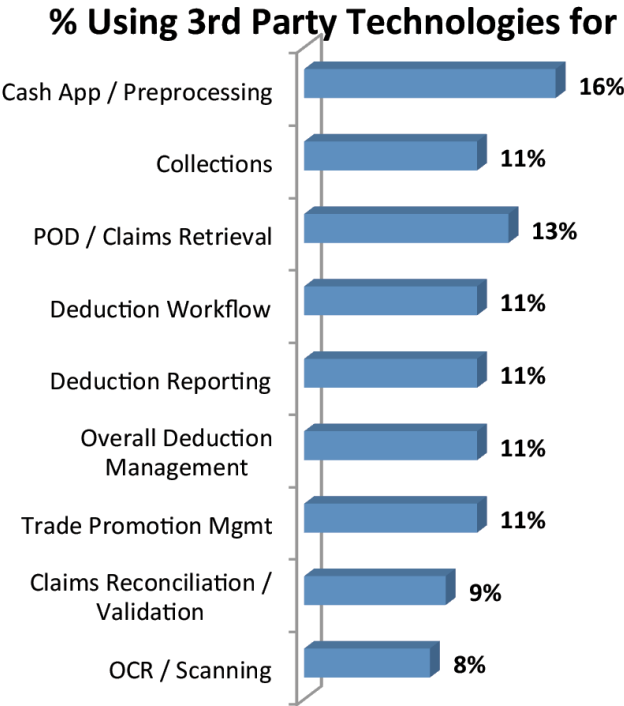
The ability to report on customer deductions is critical to identifying areas of improvement and customers who may need additional monitoring. When asked to rate their deduction reporting capabilities, only 22% feel they are ‘Excellent’. 59% rate them as ‘Average’ and 15% give them a ‘Poor’. 54% of respondents reported that they have a deduction ‘Dashboard’ or summary deduction information that is shared with senior management on a routine basis.

## Outsourcing & Use of 3<sup>rd</sup> Party Technologies

9% of respondents reported outsourcing one or more of their deduction tasks. This is up from 6% in 2015. Of those who outsource, 42% reported outsourcing the collection / recovery of invalid rebilled deductions. 32% outsource trade promotion management and 26% use outside firms for deduction identification and/or analysis. 21% of those who outsource reported outsourcing the entire process from the time the deduction is taken at cash application.

Companies frequently state that their existing ERP systems and/or A/R 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 tools are frequently offered as “cloud” or “SaaS” (software-as-a-service) based solutions.

56% of respondents reported that they do not use any 3rd party technologies in deduction management. In 2015, this number was 69%. This would indicate that there has been a trend in the adoption and use of 3rd party tools to assist in managing deductions. The following table illustrates the steps in the deduction management process where 3rd party technologies 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 Maturity Model

### 1. Evaluate Your Performance Against Survey Benchmarks

To begin evaluating 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 37 in section III to see how your company's percentage compares with the benchmark data. Looking at the responses for all respondents, 40% 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 2%, your company's results are closer to the 25th percentile, which leaves quite a bit of room for improvement.

#### ***Online Deduction Benchmark Assessment Tool***

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 2018 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](http://www.attainconsulting.com/benchmark)**



## 2. Evaluate Your Performance Using the Deduction Management Maturity Model

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The diagram at right 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 2018 survey included questions to benchmark where companies were operating along the deduction management model’s continuum. The percentages found in each ‘cell’ reflect the percent of respondents selecting this response. For example, looking at Cross-Functional Collaboration, 11% of respondents indicated that they have no collaboration across departments (Ad Hoc) and 38% responded that collaboration is typically limited to fire-fighting (Reactive). As shown by the yellow highlighted cells, the median company is Reactive for all components of the model other than Cross-Functional Collaboration, where it is Proactive.

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 along 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.

# Deduction Management Maturity Model

Evolution of Deduction Operations and Key Performance Indicators

	Ad Hoc	Reactive	Proactive	Optimized
	KPIs: \$/# open deductions	KPIs: \$/# open and resolved deductions	KPIs: \$/# deductions by type % invalid deductions	KPIs: \$/# of deductions avoided \$/# of deductions recovered by type
Managing Customer Compliance Requirements	Non-existent (14%)	Chase changes and updates after deductions are received (45%)	Review requirements up front, negotiate some exemptions (24%)	Collaborate on new requirements, routinely negotiate exemptions (17%)
Cross-Functional Collaboration	No collaboration across departments (11%)	Collaboration limited to "fire fighting" (38%)	Routine cross-functional meetings (24%)	Cross-functional teams drive continuous improvement, usually within a system (27%)
Deduction Management Processes	No consistent process, large backlog and write-offs (3%)	Mostly manual process triggered by receipt of deduction (49%)	Some prevention & recovery of invalid deductions (32%)	Primary focus on early detection & prevention (16%)
Use of Technology	Mostly manual / Excel process (36%)	Limited use of technology, reporting often in Excel, collaboration by email/phone (36%)	Beginning to leverage available technologies to reduce manual efforts (21%)	Manual tasks/collaboration fully automated, using technology for creative solutions (7%)
Trading Partner Relationship (non-sales related)	Limited primarily to payback requests made via email (29%)	Contact is only made after deduction or problems become known (45%)	Proactively communicate issues and meet to review performance (18%)	Routine collaboration, Certified Vendor (8%)
Trade Promotion Management	Deals not documented or communicated (18%)	Only major deals documented and communicated, still chase Sales for approval (34%)	Most deals documented and communicated, manual validation (38%)	Programs documented, automated validation often at cash application (10%)

Yellow highlighted cells represent median company response.

III. DETAILED RESULTS BY INDUSTRY

Survey Data by Industry & Size

	All Respondents		Apparel, Footwear & Acces.	Const. Equip., HVAC, Steel, Oil	Const. / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Pharma, Nutritionals, Medical Equip & Supplies	Revenue <= \$500 million	Revenue > \$500 million
TOTAL NUMBER OF SURVEY RESPONDENTS	203		63	16	19	22	26	13	9	104	97
1. WHAT WERE YOUR COMPANY’S TOTAL ANNUAL GROSS SALES FOR THE MOST RECENT CALENDAR OR FISCAL YEAR?											
< Than \$100 Million	22.89%		25.40%	37.50%	10.53%	22.73%	8.00%	25.00%	22.22%	44.23%	0.00%
\$101 - 500 Million	28.86%		33.33%	31.25%	26.32%	31.82%	12.00%	41.67%	22.22%	55.77%	0.00%
\$501 Million - 1 Billion	15.92%		15.87%	12.50%	21.05%	9.09%	24.00%	16.67%	11.11%	0.00%	32.99%
\$1 - 5 Billion	22.39%		15.87%	18.75%	31.58%	31.82%	32.00%	16.67%	33.33%	0.00%	46.39%
\$5 - 10 Billion	5.97%		6.35%	0.00%	0.00%	0.00%	20.00%	0.00%	0.00%	0.00%	12.37%
> Than \$10 Billion	3.98%		3.17%	0.00%	10.53%	4.55%	4.00%	0.00%	11.11%	0.00%	8.25%
2. PLEASE INDICATE WHICH ACTIVITY BEST DESCRIBES YOUR COMPANY:											
Manufacturer (includes companies that source rather than produce)	71.43%		59.68%	50.00%	68.42%	90.91%	84.62%	69.23%	77.78%	67.96%	75.26%
Distributor / Wholesaler	25.62%		40.32%	43.75%	31.58%	9.09%	11.54%	30.77%	11.11%	29.13%	21.65%
Service provider	2.96%		0.00%	6.25%	0.00%	0.00%	3.85%	0.00%	11.11%	2.91%	3.09%
3. PLEASE INDICATE THE INDUSTRY GROUP THAT BEST DESCRIBES YOUR COMPANY’S PRODUCTS.											
Apparel, Footwear, & Accessories	31.03%		100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	35.92%	26.80%
Construction Equipment, Plumbing/HVAC, Rubber & Plastics, Steel, Coal, Oil	7.88%		0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	10.68%	5.15%
Construction/Building Supplies & Materials, Paints, Chemicals, Lighting/Electrical, Vehicles & Parts	9.36%		0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	6.80%	12.37%
Consumer Electronics, Computer Hardware/Software, Toys, Games, Sporting Goods	10.84%		0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	11.65%	10.31%
Cosmetics, Beauty Aids, Health & Personal Care Products, Jewelry, Watches, Luggage	1.48%		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.09%
Food, Beverage, Grocery Products	12.81%		0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	4.85%	20.62%
Home Furnishings, Fixtures, Housewares & Accessories	6.40%		0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	7.77%	4.12%
Office Products/Supplies, Business Furniture & Fixtures, Giftware, Wrap & Cards, Paper, Printing & Publishing	1.97%		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.91%	1.03%
Pharmaceuticals, Nutritionals & Sundries, Medical Equipment & Supplies	4.43%		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	3.88%	5.15%
Tools, Hardware & Accessories, Lawn & Garden Equipment	1.97%		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.97%	3.09%
Other (please specify)	11.82%		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	14.56%	8.25%

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

Survey Data by Industry & Size

	All Respondents		Apparel, Footwear & Acces.	Const. Equip., HVAC, Steel, Oil	Const. / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Pharma, Nutritional, Medical Equip & Supplies	Revenue <= \$500 million	Revenue > \$500 million
4. YOUR COMPANY'S PRIMARY REVENUE COMES FROM CUSTOMERS WHO ARE:											
Retailers	61.69%		91.94%	6.25%	10.53%	80.95%	61.54%	100.00%	44.44%	60.78%	63.54%
Distributors / Wholesalers	17.91%		6.45%	12.50%	31.58%	9.52%	34.62%	0.00%	22.22%	17.65%	17.71%
Contractors / Construction Companies	7.96%		0.00%	31.25%	36.84%	9.52%	0.00%	0.00%	0.00%	8.82%	7.29%
Manufacturers	10.45%		1.61%	50.00%	21.05%	0.00%	3.85%	0.00%	11.11%	10.78%	9.38%
Service Providers (telecom, health care, legal, business, personal, etc)	1.99%		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	22.22%	1.96%	2.08%
5. WHAT AREA IS RESPONSIBLE FOR PERFORMING THE INITIAL INVESTIGATION OR RESEARCH OF TRADE-RELATED CUSTOMER DEDUCTIONS? (Trade-related deductions include deductions resulting from trade programs and allowances, such as trade promotions, coop advertising, markdowns, etc.)											
Credit / Accounts Receivable	82.63%		90.00%	66.67%	73.68%	94.74%	63.64%	100.00%	75.00%	89.69%	75.82%
An Internal Compliance Group (separate from Credit / AR)	4.21%		5.00%	0.00%	5.26%	0.00%	9.09%	0.00%	12.50%	0.00%	8.79%
Sales, Sales Administration, Field Sales Reps or Broker	8.42%		1.67%	20.00%	10.53%	0.00%	22.73%	0.00%	12.50%	5.15%	10.99%
Customer Service	3.68%		1.67%	6.67%	10.53%	5.26%	4.55%	0.00%	0.00%	3.09%	4.40%
Outsourced Service Provider	0.00%		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other (e.g., marketing, accounting)	1.05%		1.67%	6.67%	0.00%	0.00%	0.00%	0.00%	0.00%	2.06%	0.00%
6. WHAT AREA IS RESPONSIBLE FOR PERFORMING THE INITIAL INVESTIGATION OR RESEARCH OF NON TRADE-RELATED CUSTOMER DEDUCTIONS? (Non trade-related deductions include all compliance and shortage deductions, excludes returns and unsaleables)											
Credit/Accounts Receivable	67.02%		66.67%	75.00%	68.42%	78.95%	68.18%	58.33%	50.00%	72.45%	61.54%
An Internal Compliance Group (separate from Credit/AR)	14.66%		21.67%	0.00%	0.00%	5.26%	13.64%	41.67%	12.50%	8.16%	21.98%
Sales, Sales Administration, Field Sales Reps or Broker	4.71%		0.00%	12.50%	15.79%	0.00%	0.00%	0.00%	0.00%	5.10%	3.30%
Customer Service	12.04%		10.00%	12.50%	15.79%	10.53%	13.64%	0.00%	37.50%	14.29%	9.89%
Outsourced Service Provider	0.52%		0.00%	0.00%	0.00%	5.26%	0.00%	0.00%	0.00%	0.00%	1.10%
Other (e.g., logistics)	1.05%		1.67%	0.00%	0.00%	0.00%	4.55%	0.00%	0.00%	0.00%	2.20%
7. WHAT AREA IS RESPONSIBLE FOR APPROVING TRADE-RELATED DEDUCTIONS? (Trade-related deductions include deductions resulting from trade programs and allowances, such as trade promotions, coop advertising, markdowns, etc.)											
Credit/Accounts Receivable	31.05%		35.00%	25.00%	38.89%	42.11%	13.64%	25.00%	25.00%	36.08%	26.37%
An Internal Compliance Group (separate from Credit/AR)	7.37%		6.67%	18.75%	0.00%	5.26%	13.64%	8.33%	0.00%	7.22%	7.69%
Sales, Sales Administration, Field Sales Reps or Broker	51.58%		48.33%	50.00%	44.44%	36.84%	72.73%	66.67%	50.00%	49.48%	52.75%
Customer Service	5.79%		3.33%	6.25%	16.67%	10.53%	0.00%	0.00%	25.00%	2.06%	9.89%
Outsourced Service Provider	0.00%		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other (e.g., senior management, collaborative effort, controller)	4.21%		6.67%	0.00%	0.00%	5.26%	0.00%	0.00%	0.00%	5.15%	3.30%

... **62%** of respondents reported that their primary customers are retailers ...

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

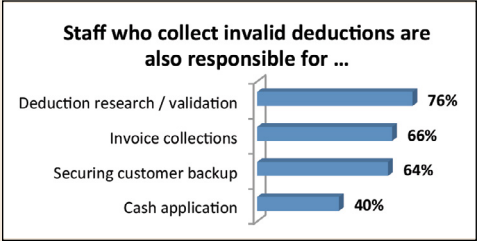
Survey Data by Industry & Size

	All Respondents		Apparel, Footwear & Acces.	Const. Equip., HVAC, Steel, Oil	Const. / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Pharma, Nutritional, Medical Equip & Supplies	Revenue <= \$500 million	Revenue > \$500 million
8. WHICH DEPARTMENT HAS PRIMARY RESPONSIBILITY FOR FOLLOWING UP WITH CUSTOMERS TO COLLECT INVALID / UNJUSTIFIED DEDUCTIONS?											
Credit/Accounts Receivable	84.29%		76.67%	87.50%	84.21%	89.47%	81.82%	83.33%	75.00%	88.78%	79.12%
An Internal Compliance Group (separate from Credit/AR)	8.38%		18.33%	0.00%	0.00%	0.00%	9.09%	16.67%	12.50%	5.10%	12.09%
Sales, Sales Administration, Field Sales Reps or Broker	3.66%		1.67%	12.50%	10.53%	5.26%	4.55%	0.00%	0.00%	5.10%	2.20%
Customer Service	3.14%		3.33%	0.00%	5.26%	5.26%	0.00%	0.00%	12.50%	1.02%	5.49%
Outsourced Service Provider	0.00%		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other (e.g., varies based on deduction type)	0.52%		0.00%	0.00%	0.00%	0.00%	4.55%	0.00%	0.00%	0.00%	1.10%

9. THE PEOPLE RESPONSIBLE FOR COLLECTION OF INVALID/UNJUSTIFIED DEDUCTIONS ARE ALSO RESPONSIBLE FOR WHICH OF THE FOLLOWING ACTIVITIES? (please select all that apply)											
Cash application	40.00%		30.00%	62.50%	42.11%	47.37%	31.82%	33.33%	37.50%	54.08%	24.18%
Securing customer back up	63.68%		65.00%	62.50%	47.37%	63.16%	68.18%	58.33%	62.50%	65.31%	62.64%
Deduction research / validation	76.32%		81.67%	81.25%	57.89%	68.42%	77.27%	83.33%	75.00%	74.49%	79.12%
Invoice collections	66.32%		55.00%	81.25%	84.21%	84.21%	50.00%	50.00%	75.00%	74.49%	57.14%
None of the above	3.16%		1.67%	6.25%	0.00%	5.26%	4.55%	8.33%	12.50%	3.06%	3.30%
Other (e.g., new account set up, credit release, contract review, prevention)	4.21%		3.33%	12.50%	5.26%	5.26%	0.00%	0.00%	0.00%	6.12%	2.20%

10. HOW ARE DEDUCTION RESPONSIBILITIES ASSIGNED / DIVIDED AMONG STAFF IN THE SAME DEPARTMENT?											
By deduction reason / type	16.84%		23.33%	18.75%	10.53%	10.53%	4.76%	16.67%	12.50%	18.37%	15.56%
By customer	65.79%		66.67%	68.75%	63.16%	89.47%	71.43%	66.67%	50.00%	62.24%	68.89%
Other (e.g., all handled by single person, combination of customer/ reason code)	17.37%		10.00%	12.50%	26.32%	0.00%	23.81%	16.67%	37.50%	19.39%	15.56%

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	73.30%		80.00%	50.00%	47.37%	73.68%	90.91%	83.33%	62.50%	68.37%	78.02%
Aging reverts back to the date of the original open item	15.18%		6.67%	43.75%	36.84%	15.79%	9.09%	8.33%	12.50%	18.37%	12.09%
Deductions do not age at all	4.71%		8.33%	0.00%	0.00%	5.26%	0.00%	8.33%	12.50%	5.10%	4.40%
Deductions age only after investigation and determined to be invalid	1.57%		0.00%	0.00%	5.26%	0.00%	0.00%	0.00%	0.00%	2.04%	1.10%
Aging begins when the deduction is taken and ages routinely with other open items until it is investigated and deemed to be invalid, then it re-ages (becomes current again)	5.24%		5.00%	6.25%	10.53%	5.26%	0.00%	0.00%	12.50%	6.12%	4.40%



... **66%** of companies indicated that they assign deductions by customer ...

Survey Data by Industry & Size

	All Respondents		Apparel, Footwear & Acces.	Const. Equip., HVAC, Steel, Oil	Const. / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Pharma, Nutritional, Medical Equip & Supplies	Revenue <= \$500 million	Revenue > \$500 million
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	47.64%		36.67%	50.00%	57.89%	73.68%	59.09%	41.67%	37.50%	50.00%	45.05%
Yes, up to 90 days	8.38%		5.00%	18.75%	15.79%	0.00%	0.00%	8.33%	25.00%	8.16%	8.79%
Yes, up to 120 days	3.66%		5.00%	0.00%	5.26%	0.00%	0.00%	0.00%	12.50%	3.06%	4.40%
Yes, up to 6 months	12.57%		16.67%	6.25%	5.26%	15.79%	22.73%	16.67%	12.50%	10.20%	14.29%
Yes, up to 12 months	14.66%		21.67%	6.25%	5.26%	0.00%	13.64%	8.33%	12.50%	15.31%	14.29%
Yes, up to 2 years	6.81%		3.33%	12.50%	5.26%	10.53%	4.55%	8.33%	0.00%	6.12%	7.69%
Other (e.g., 30 days, 60 days, varies based on situation / reason code)	6.28%		11.67%	6.25%	5.26%	0.00%	0.00%	16.67%	0.00%	7.14%	5.49%

13. IF DEDUCTIONS ARE GIVEN TO OTHER DEPARTMENTS TO RESEARCH / VALIDATE, IS THERE A TIME LIMIT ON HOW LONG THEY HAVE TO RESEARCH / RESPOND BEFORE THE DEDUCTIONS ARE JUST WRITTEN OFF?											
No time limit	53.80%		51.67%	66.67%	42.11%	52.63%	65.00%	33.33%	50.00%	51.58%	56.32%
Yes, they have 1 week or less to respond	9.78%		6.67%	13.33%	10.53%	15.79%	5.00%	0.00%	12.50%	12.63%	6.90%
Yes, they have 2 weeks to respond	10.33%		11.67%	0.00%	21.05%	10.53%	0.00%	25.00%	12.50%	13.68%	6.90%
Yes, they have 30 days to respond	12.50%		15.00%	6.67%	10.53%	15.79%	5.00%	25.00%	12.50%	11.58%	13.79%
Yes, they have 60 days to respond	4.35%		3.33%	6.67%	5.26%	0.00%	10.00%	8.33%	0.00%	2.11%	5.75%
Other (e.g., 90 days, depends on situation / customer dispute time limit / reason code)	9.24%		11.67%	6.67%	10.53%	5.26%	15.00%	8.33%	12.50%	8.42%	10.34%

14. DO YOU CHARGE BACK DEDUCTIONS TO THE APPROPRIATE BUSINESS UNIT OR DEPARTMENT WITHIN YOUR COMPANY?											
Yes	52.11%		48.33%	56.25%	68.42%	52.63%	47.62%	58.33%	50.00%	50.00%	54.44%
No	30.53%		38.33%	25.00%	21.05%	31.58%	9.52%	41.67%	25.00%	35.71%	24.44%
Depends on deduction type	17.37%		13.33%	18.75%	10.53%	15.79%	42.86%	0.00%	25.00%	14.29%	21.11%

15. DO YOU ATTEMPT TO COLLECT UNEARNED CASH DISCOUNTS BACK FROM CUSTOMERS?											
Yes – and we have been fairly successful	48.13%		59.65%	37.50%	52.63%	42.11%	31.82%	41.67%	25.00%	48.45%	47.73%
Yes – however we have not been very successful	26.74%		22.81%	25.00%	36.84%	42.11%	13.64%	8.33%	37.50%	26.80%	26.14%
No	25.13%		17.54%	37.50%	10.53%	15.79%	54.55%	50.00%	37.50%	24.74%	26.14%

... When asked how long a deduction is permitted to remain open or unresolved before it is written off, **54%** of companies report having no time limit ...

... **75%** of respondents attempt to collect unearned cash discounts from customers – **64%** of those reported being fairly successful ...



Survey Data by Industry & Size

	All Respondents		Apparel, Footwear & Acces.	Const. Equip., HVAC, Steel, Oil	Const. / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Pharma, Nutritional, Medical Equip & Supplies	Revenue <= \$500 million	Revenue > \$500 million
16. IN AN EFFORT TO REDUCE INDIVIDUAL DEDUCTIONS, HAS YOUR COMPANY ESTABLISHED AN ALLOWANCE POLICY WITH YOUR CUSTOMERS BASED ON ANY OF THE FOLLOWING CATEGORIES? (please select all that apply.)											
We have no allowances with customers	31.72%		10.17%	81.25%	42.11%	38.89%	33.33%	16.67%	28.57%	34.74%	29.21%
Unsaleables	27.42%		28.81%	6.25%	15.79%	11.11%	57.14%	41.67%	57.14%	24.21%	31.46%
Defective returns	55.38%		83.05%	18.75%	47.37%	55.56%	38.10%	75.00%	28.57%	61.05%	49.44%
Shortages (short-ship)	20.43%		18.64%	18.75%	21.05%	22.22%	33.33%	16.67%	14.29%	21.05%	20.22%
Freight	27.42%		42.37%	6.25%	21.05%	22.22%	33.33%	16.67%	0.00%	29.47%	25.84%
Other (e.g., coop, markdown)	11.83%		13.56%	6.25%	15.79%	11.11%	9.52%	16.67%	0.00%	8.42%	14.61%
17. DOES YOUR COMPANY WRITE OFF DEDUCTIONS UNDER A SPECIFIC DOLLAR AMOUNT AT CASH APPLICATION?											
Yes	66.49%		53.33%	43.75%	89.47%	52.63%	100.00%	66.67%	62.50%	55.10%	78.02%
No	13.09%		20.00%	25.00%	5.26%	26.32%	0.00%	16.67%	0.00%	19.39%	6.59%
Depends upon type of deduction	20.42%		26.67%	31.25%	5.26%	21.05%	0.00%	16.67%	37.50%	25.51%	15.38%
18. IF YOU ANSWERED "YES" TO THE QUESTION ABOVE, WHAT IS YOUR AUTO-WRITE-OFF TOLERANCE?											
Less than \$10	23.23%		31.91%	12.50%	35.29%	15.38%	23.81%	0.00%	0.00%	32.39%	15.85%
\$10 to \$25	27.10%		27.66%	50.00%	17.65%	53.85%	19.05%	20.00%	28.57%	30.99%	23.17%
\$25.01 to \$50	20.65%		19.15%	37.50%	5.88%	15.38%	4.76%	40.00%	28.57%	22.54%	18.29%
\$50.01 to 100	16.13%		14.89%	0.00%	17.65%	15.38%	23.81%	40.00%	14.29%	12.68%	19.51%
\$100.01 to \$250	9.03%		2.13%	0.00%	17.65%	0.00%	19.05%	0.00%	28.57%	1.41%	15.85%
\$250.01 to \$500	2.58%		4.26%	0.00%	5.88%	0.00%	4.76%	0.00%	0.00%	0.00%	4.88%
Greater than \$500	1.29%		0.00%	0.00%	0.00%	0.00%	4.76%	0.00%	0.00%	0.00%	2.44%
19. WHAT % OF TOTAL DEDUCTION DOLLARS ARE AUTOMATICALLY WRITTEN OFF?											
Less than 0.5%	70.41%		71.15%	92.86%	64.71%	92.86%	55.00%	83.33%	50.00%	81.61%	57.50%
0.6 – 1%	15.38%		11.54%	0.00%	29.41%	7.14%	20.00%	16.67%	25.00%	10.34%	21.25%
1.1 – 3%	7.69%		7.69%	0.00%	0.00%	0.00%	20.00%	0.00%	12.50%	2.30%	13.75%
3.1 – 5%	3.55%		1.92%	7.14%	5.88%	0.00%	5.00%	0.00%	0.00%	3.45%	3.75%
5.1 – 10%	1.78%		3.85%	0.00%	0.00%	0.00%	0.00%	0.00%	12.50%	2.30%	1.25%
Greater than 10%	1.18%		3.85%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.50%
20. HAS YOUR COMPANY ESTABLISHED A SEPARATE VENDOR COMPLIANCE GROUP WITH PRIMARY RESPONSIBILITY FOR DEDUCTION PREVENTION, RESOLUTION AND RECOVERY?											
Yes	31.94%		56.67%	18.75%	10.53%	15.79%	13.64%	58.33%	12.50%	27.55%	36.26%
No	65.45%		41.67%	81.25%	84.21%	78.95%	81.82%	41.67%	87.50%	71.43%	59.34%
Not sure	2.62%		1.67%	0.00%	5.26%	5.26%	4.55%	0.00%	0.00%	1.02%	4.40%

... Auto write-off amounts vary by company size ...

Annual Sales	Auto Write-Off Amount
≤ \$500 mill	\$10 – \$25
> \$500 mill	\$25.01 – \$50



... **34%** 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 & Size

	All Respondents		Apparel, Footwear & Acces.	Const. Equip., HVAC, Steel, Oil	Const. / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Pharma, Nutritional, Medical Equip & Supplies	Revenue <= \$500 million	Revenue > \$500 million
21. IF YOU ANSWERED "YES" TO THE QUESTION ABOVE, WHO DOES THIS VENDOR COMPLIANCE GROUP REPORT TO?											
Finance	26.58%		17.95%	25.00%	20.00%	33.33%	83.33%	42.86%	0.00%	30.77%	23.08%
Operations/Logistics	34.18%		43.59%	25.00%	20.00%	66.67%	0.00%	28.57%	50.00%	33.33%	35.90%
Sales/Marketing	8.86%		2.56%	25.00%	40.00%	0.00%	0.00%	0.00%	50.00%	2.56%	15.38%
Customer Service	16.46%		17.95%	25.00%	0.00%	0.00%	16.67%	28.57%	0.00%	17.95%	12.82%
Other (e.g., senior management, supply chain, order management)	13.92%		17.95%	0.00%	20.00%	0.00%	0.00%	0.00%	0.00%	15.38%	12.82%
22. WHAT IS YOUR BIGGEST INTERNAL CHALLENGE WHEN TRYING TO CONTROL DEDUCTIONS?											
Senior management buy-in	2.81%		5.56%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.33%	2.35%
Cross-departmental cooperation	40.45%		33.33%	50.00%	44.44%	50.00%	47.62%	16.67%	50.00%	40.00%	41.18%
Lack of resources	21.35%		27.78%	25.00%	5.56%	16.67%	14.29%	16.67%	12.50%	20.00%	21.18%
Timely access to information	21.35%		24.07%	12.50%	27.78%	16.67%	19.05%	25.00%	25.00%	23.33%	20.00%
Inefficient Processes	11.24%		7.41%	6.25%	16.67%	16.67%	14.29%	33.33%	12.50%	8.89%	14.12%
Other (e.g., poor data analytics, training)	2.81%		1.85%	6.25%	5.56%	0.00%	4.76%	8.33%	0.00%	4.44%	1.18%
23. HOW DO YOU MANAGE CUSTOMER COMPLIANCE REQUIREMENTS?											
We don't really have a process	13.68%		6.67%	25.00%	21.05%	16.67%	13.64%	0.00%	0.00%	17.35%	10.00%
Our review is usually triggered by receiving deductions and is mostly an individual effort	44.74%		33.33%	62.50%	47.37%	44.44%	54.55%	33.33%	50.00%	43.88%	45.56%
We have a formal defined process in place to routinely review requirements and changes	24.21%		30.00%	0.00%	21.05%	27.78%	18.18%	50.00%	50.00%	22.45%	26.67%
We have a defined process in place and collaborate with our key customers on changes or new initiatives	17.37%		30.00%	12.50%	10.53%	11.11%	13.64%	16.67%	0.00%	16.33%	17.78%
24. HOW WOULD YOU DESCRIBE YOUR COMPANY'S CROSS-FUNCTIONAL COMMUNICATION AND COLLABORATION?											
No cross-functional communication – limited accountability outside of finance	10.53%		1.69%	12.50%	15.79%	21.05%	9.09%	0.00%	0.00%	17.35%	3.33%
Cross-functional communication regarding deductions is typically limited to "fire-fighting"	38.42%		28.81%	62.50%	42.11%	47.37%	40.91%	58.33%	25.00%	33.67%	43.33%
Routine cross-functional meetings to discuss deductions	23.68%		33.90%	6.25%	21.05%	15.79%	18.18%	16.67%	25.00%	24.49%	22.22%
Teams actively work to continuously improve deduction performance	27.37%		35.59%	18.75%	21.05%	15.79%	31.82%	25.00%	50.00%	24.49%	31.11%
25. HOW WOULD YOU DESCRIBE YOUR PROCESS FOR MANAGING DEDUCTIONS?											
No consistent process – large backlog, high write-off %	2.63%		1.67%	0.00%	5.26%	0.00%	4.55%	0.00%	0.00%	4.12%	1.10%
Process triggered when deduction is received – most research manual	48.95%		40.00%	62.50%	73.68%	68.42%	36.36%	33.33%	50.00%	55.67%	42.86%

Survey Data by Industry & Size

	All Respondents		Apparel, Footwear & Acces.	Const. Equip., HVAC, Steel, Oil	Const. / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Pharma, Nutritional, Medical Equip & Supplies	Revenue <= \$500 million	Revenue > \$500 million
25. (continued)											
Use some pre-deduction information from customers to research problems before deduction is taken. Some prevention of recurring deductions and recovery / reversal of invalid deductions	32.11%		40.00%	18.75%	10.53%	21.05%	27.27%	58.33%	50.00%	24.74%	39.56%
Primary focus is on early detection and prevention. Invalid deductions are typically recovered / reversed	16.32%		18.33%	18.75%	10.53%	10.53%	31.82%	8.33%	0.00%	15.46%	16.48%
26. WHAT KIND OF TECHNOLOGY DO YOU USE TO MANAGE DEDUCTIONS?											
Not a lot – report through Excel	36.32%		36.67%	31.25%	42.11%	47.37%	31.82%	41.67%	37.50%	48.98%	23.33%
Automated system to track deductions (e.g., ERP). Reporting may be done through Excel / Access	35.79%		36.67%	56.25%	31.58%	36.84%	18.18%	41.67%	12.50%	32.65%	37.78%
Automated system to track deductions and some research tasks are automated (e.g., claims aggregation, POD retrieval, returns reconciliations)	20.53%		18.33%	12.50%	26.32%	0.00%	27.27%	16.67%	50.00%	14.29%	27.78%
Systems are automated to take advantage of current technology to reduce manual activities and streamline deduction processing	7.37%		8.33%	0.00%	0.00%	15.79%	22.73%	0.00%	0.00%	4.08%	11.11%
27. OTHER THAN THE SALES/BUYER RELATIONSHIP, WHICH OF THE FOLLOWING BEST DESCRIBES YOUR TRADING PARTNER RELATIONSHIPS?											
Limited communication – usually via email requesting supporting documentation or payback / reversal on invalid deductions	28.80%		21.67%	18.75%	36.84%	31.58%	40.91%	25.00%	25.00%	31.63%	26.37%
Usually communicate only if there is a deduction or a problem	45.55%		46.67%	62.50%	26.32%	47.37%	40.91%	33.33%	37.50%	47.96%	42.86%
Meet with key customers periodically to review performance. Proactively call customers if there is a problem prior to deduction being taken	17.80%		23.33%	6.25%	21.05%	15.79%	18.18%	33.33%	25.00%	15.31%	19.78%
Routine cross-functional calls / meetings with key customers to collaborate on performance issues or upcoming initiatives. Have usually met requirements to become “Certified Vendor”	7.85%		8.33%	12.50%	15.79%	5.26%	0.00%	8.33%	12.50%	5.10%	10.99%
28. HOW DOES YOUR COMPANY MANAGE TRADE PROMOTIONS?											
Sales team does NOT do a good job of documenting or communicating deals. We typically have to “chase” them for approvals after we have received a deduction	17.49%		12.07%	33.33%	27.78%	21.05%	15.00%	8.33%	0.00%	18.75%	15.29%
Major deals are documented / communicated. We still have to frequently “chase” Sales for approval after a deduction is received	34.43%		27.59%	13.33%	33.33%	31.58%	45.00%	58.33%	42.86%	30.21%	38.82%
Most deals are documented / communicated. Some deductions can be matched and cleared during cash application, however validation is still a manual process	38.25%		50.00%	40.00%	33.33%	31.58%	35.00%	33.33%	57.14%	39.58%	37.65%
Deals are documented / communicated. Most deals are auto-matched during cash application and validation is automated	9.84%		10.34%	13.33%	5.56%	15.79%	5.00%	0.00%	0.00%	11.46%	8.24%

Survey Data by Industry & Size

All Respondents		Apparel, Footwear & Acces.	Const. Equip., HVAC, Steel, Oil	Const. / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Pharma, Nutritionals, Medical Equip & Supplies	Revenue <= \$500 million	Revenue > \$500 million
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29. ALL DEDUCTION TYPES - Indicate the 3 most significant classifications of customer deductions based on the NUMBER of deductions taken during the most recent calendar or fiscal year. (Please limit your selection to 3.)											
Advertising, promotional and rebate claims (coupons, deals, etc.)	40.96%		32.69%	0.00%	5.88%	62.50%	80.95%	44.44%	42.86%	38.55%	44.44%
Allowances and discounts (excluding markdown allowances, but including cash discounts)	33.73%		40.38%	28.57%	29.41%	31.25%	23.81%	44.44%	28.57%	33.73%	34.57%
Damaged / unsaleable	25.90%		7.69%	21.43%	41.18%	12.50%	38.10%	44.44%	57.14%	21.69%	29.63%
Early / Late delivery	7.83%		9.62%	0.00%	11.76%	0.00%	0.00%	22.22%	14.29%	8.43%	7.41%
EDI deductions (e.g., ASN errors)	10.84%		19.23%	0.00%	11.76%	18.75%	0.00%	0.00%	0.00%	14.46%	6.17%
Fill Rate	4.82%		7.69%	0.00%	0.00%	0.00%	4.76%	11.11%	14.29%	4.82%	4.94%
Labeling and ticketing (carton and/or product)	13.25%		26.92%	0.00%	5.88%	12.50%	0.00%	22.22%	14.29%	15.66%	9.88%
Markdown allowance claims	10.84%		19.23%	14.29%	0.00%	12.50%	4.76%	0.00%	0.00%	15.66%	6.17%
Pricing	41.57%		30.77%	50.00%	70.59%	31.25%	57.14%	11.11%	42.86%	36.14%	46.91%
Non quality-related returns or refused merchandise	16.27%		21.15%	7.14%	35.29%	18.75%	0.00%	0.00%	0.00%	14.46%	18.52%
Transportation, freight or routing disputes	21.69%		21.15%	50.00%	17.65%	12.50%	4.76%	11.11%	28.57%	19.28%	24.69%
Order entry / billing errors	15.66%		3.85%	28.57%	35.29%	6.25%	4.76%	0.00%	28.57%	18.07%	12.35%
Post audit claims	4.22%		1.92%	0.00%	0.00%	6.25%	14.29%	11.11%	0.00%	2.41%	6.17%
Shortages	56.63%		57.69%	42.86%	41.18%	68.75%	52.38%	77.78%	57.14%	50.60%	62.96%
Taxes billed or unbilled	9.04%		1.92%	21.43%	29.41%	12.50%	0.00%	0.00%	14.29%	7.23%	11.11%
Warranty claims	3.61%		0.00%	7.14%	5.88%	0.00%	0.00%	0.00%	0.00%	2.41%	4.94%
Other (e.g., denied claims, duplicate deductions, returns)	5.42%		3.85%	0.00%	17.65%	6.25%	4.76%	0.00%	14.29%	3.61%	7.41%

30. ALL DEDUCTION TYPES - Indicate the 3 most significant classifications of customer deductions in DOLLARS of deductions taken during the most recent calendar or fiscal year. (Please limit your selection to 3.)											
Advertising, promotional and rebate claims (coupons, deals, etc.)	57.23%		55.77%	14.29%	29.41%	75.00%	90.48%	100.00%	42.86%	53.01%	62.96%
Allowances and discounts (excluding markdown allowances, but including cash discounts)	37.95%		46.15%	35.71%	29.41%	43.75%	28.57%	33.33%	28.57%	36.14%	39.51%
Damaged / unsaleable	25.30%		9.62%	35.71%	29.41%	12.50%	42.86%	44.44%	42.86%	21.69%	28.40%
Early / Late delivery	4.82%		5.77%	0.00%	0.00%	0.00%	0.00%	11.11%	14.29%	6.02%	2.47%
EDI deductions (e.g., ASN errors)	6.02%		11.54%	0.00%	5.88%	12.50%	0.00%	0.00%	0.00%	8.43%	3.70%
Fill Rate	2.41%		1.92%	0.00%	0.00%	0.00%	4.76%	11.11%	14.29%	1.20%	3.70%
Labeling and ticketing (carton and/or product)	7.23%		15.38%	0.00%	0.00%	6.25%	4.76%	0.00%	14.29%	9.64%	4.94%
Markdown allowance claims	19.88%		42.31%	14.29%	0.00%	25.00%	4.76%	22.22%	0.00%	26.51%	13.58%
Pricing	37.95%		26.92%	57.14%	82.35%	18.75%	52.38%	0.00%	28.57%	33.73%	41.98%
Non quality-related returns or refused merchandise	15.06%		26.92%	14.29%	5.88%	18.75%	0.00%	0.00%	0.00%	13.25%	17.28%
Transportation, freight or routing disputes	12.65%		7.69%	42.86%	11.76%	12.50%	4.76%	11.11%	14.29%	12.05%	13.58%
Order entry / billing errors	10.24%		1.92%	21.43%	29.41%	0.00%	0.00%	0.00%	14.29%	14.46%	4.94%
Post audit claims	4.22%		1.92%	0.00%	5.88%	0.00%	19.05%	0.00%	0.00%	2.41%	6.17%
Shortages	44.58%		42.31%	35.71%	35.29%	56.25%	33.33%	66.67%	71.43%	46.99%	41.98%
Taxes billed or unbilled	6.02%		0.00%	21.43%	23.53%	12.50%	0.00%	0.00%	0.00%	6.02%	6.17%
Warranty claims	3.01%		1.92%	7.14%	0.00%	0.00%	0.00%	0.00%	0.00%	4.82%	1.23%
Other (duplicate deductions, returns)	4.22%		1.92%	0.00%	11.76%	6.25%	9.52%	0.00%	14.29%	3.61%	4.94%

Top Deduction Reasons (\$)		
Rank	# Received	\$ Received
1.	Shortages	Advertising / Promo / Rebate
2.	Pricing	Shortages
3.	Advertising / Promo / Rebate	Tie: Allowances / Discounts / Pricing
4.	Allowances / Discounts	
5.	Damage / Unsaleable	Damage / Unsaleable

Survey Data by Industry & Size

All Respondents		Apparel, Footwear & Acces.	Const. Equip., HVAC, Steel, Oil	Const. / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Pharma, Nutritionals, Medical Equip & Supplies	Revenue <= \$500 million	Revenue > \$500 million
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31. NON TRADE / COMPLIANCE DEDUCTIONS ONLY – Indicate the 3 most significant classifications of non-trade / compliance deductions based on NUMBER of deductions taken during the most recent calendar or fiscal year. (Please limit your selection to 3.)

Bill of lading errors	13.21%		5.88%	8.33%	26.67%	6.67%	28.57%	0.00%	14.29%	13.58%	13.16%
Carton labeling	19.50%		35.29%	0.00%	0.00%	33.33%	0.00%	22.22%	14.29%	24.69%	13.16%
Concealed shortages	64.15%		82.35%	33.33%	66.67%	60.00%	57.14%	77.78%	28.57%	62.96%	64.47%
Early / late delivery	33.96%		21.57%	33.33%	26.67%	60.00%	38.10%	77.78%	42.86%	33.33%	35.53%
EDI / ASN errors	28.93%		41.18%	25.00%	40.00%	20.00%	0.00%	11.11%	14.29%	33.33%	25.00%
Fill rate	21.38%		13.73%	0.00%	13.33%	20.00%	42.86%	22.22%	28.57%	18.52%	23.68%
Freight / routing (e.g., incorrect carrier / ship-to location, multiple same day shipments)	45.28%		39.22%	75.00%	60.00%	40.00%	42.86%	44.44%	28.57%	41.98%	47.37%
Full carton shortages	25.79%		23.53%	16.67%	20.00%	26.67%	33.33%	33.33%	28.57%	20.99%	31.58%
Product ticketing / labeling	10.69%		15.69%	0.00%	6.67%	13.33%	9.52%	11.11%	0.00%	13.58%	7.89%
Substitution	7.55%		5.88%	16.67%	6.67%	0.00%	14.29%	0.00%	14.29%	6.17%	9.21%
Other (e.g., packaging, handling)	6.29%		5.88%	0.00%	20.00%	0.00%	14.29%	0.00%	0.00%	2.47%	10.53%

32. NON TRADE / COMPLIANCE DEDUCTIONS ONLY – Indicate the 3 most significant classifications of non-trade / compliance deductions in DOLLARS of deductions taken during the most recent calendar or fiscal year. (Please limit your selection to 3.)

Bill of lading errors	15.92%		7.84%	9.09%	43.75%	6.67%	33.33%	0.00%	14.29%	13.92%	18.42%
Carton labeling	18.47%		31.37%	0.00%	0.00%	33.33%	0.00%	11.11%	28.57%	22.78%	14.47%
Concealed shortages	59.24%		66.67%	36.36%	50.00%	66.67%	57.14%	77.78%	28.57%	62.03%	55.26%
Early / late delivery	35.67%		27.45%	36.36%	31.25%	53.33%	38.10%	77.78%	42.86%	30.38%	42.11%
EDI / ASN errors	30.57%		45.10%	27.27%	37.50%	20.00%	4.76%	11.11%	14.29%	34.18%	26.32%
Fill rate	24.84%		15.69%	9.09%	12.50%	20.00%	47.62%	44.44%	28.57%	20.25%	28.95%
Freight / routing (e.g., incorrect carrier / ship-to location, multiple same day shipments)	37.58%		31.37%	54.55%	43.75%	33.33%	38.10%	33.33%	28.57%	37.97%	35.53%
Full carton shortages	28.66%		27.45%	27.27%	18.75%	40.00%	28.57%	44.44%	28.57%	26.58%	31.58%
Product ticketing / labeling	10.19%		17.65%	0.00%	12.50%	13.33%	4.76%	0.00%	0.00%	12.66%	7.89%
Substitution	5.10%		5.88%	9.09%	0.00%	0.00%	9.52%	0.00%	0.00%	3.80%	6.58%
Other (e.g., packaging, handling, hangers, sizers)	6.37%		5.88%	0.00%	12.50%	0.00%	19.05%	0.00%	0.00%	3.80%	9.21%

33. 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%	27.78%		21.57%	50.00%	31.25%	25.00%	25.00%	22.22%	14.29%	34.15%	20.51%
1.1 – 5%	19.75%		15.69%	7.14%	37.50%	18.75%	40.00%	0.00%	14.29%	17.07%	21.79%
5.1 – 10%	9.26%		1.96%	14.29%	6.25%	12.50%	15.00%	11.11%	28.57%	6.10%	12.82%

Top Non-Trade Deduction Reasons

Rank	# Received	\$ Received
1.	Concealed shortages	Concealed shortages
2.	Transportation, freight or routing	Transportation, freight or routing
3.	Early / late delivery	Early / late delivery
4.	EDI / ASN errors	Full carton shortages
5.	Full carton shortages	EDI / ASN errors

... The median percent of invalid deductions received remained steady from the 2015 survey at **5.1-10%**, as did the recovery amount of **60%** ...

... Deductions as a % of A/R vary by company size ...

Annual Sales	Deductions % of AR
≤ \$500 mill	½ – 1%
> \$500 mill	1.1 – 3%

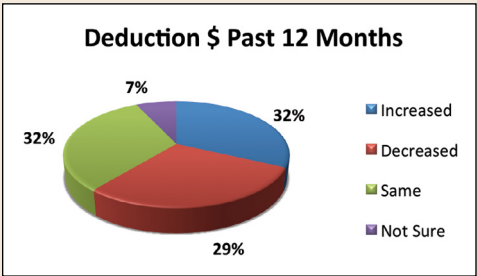
Survey Data by Industry & Size

	All Respondents		Apparel, Footwear & Acces.	Const. Equip., HVAC, Steel, Oil	Const. / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Pharma, Nutritional, Medical Equip & Supplies	Revenue <= \$500 million	Revenue > \$500 million
33. (continued)											
10.1 – 15%	10.49%		7.84%	0.00%	6.25%	6.25%	15.00%	33.33%	28.57%	9.76%	11.54%
15.1 – 20%	6.79%		5.88%	0.00%	6.25%	18.75%	0.00%	11.11%	0.00%	3.66%	10.26%
20.1 – 30%	8.64%		19.61%	21.43%	0.00%	0.00%	5.00%	0.00%	0.00%	10.98%	6.41%
30.1 – 40%	4.94%		3.92%	0.00%	6.25%	12.50%	0.00%	0.00%	14.29%	4.88%	5.13%
40.1 – 50%	1.85%		5.88%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.44%	1.28%
Greater than 50%	10.49%		17.65%	7.14%	6.25%	6.25%	0.00%	22.22%	0.00%	10.98%	10.26%
34. WHAT PERCENT OF DEDUCTION DOLLARS THAT ARE INVALID OR DISALLOWED ABOVE ARE ULTIMATELY RECOVERED / REVERSED FROM YOUR CUSTOMERS?											
100%	2.48%		0.00%	7.14%	0.00%	6.25%	0.00%	0.00%	0.00%	2.47%	2.56%
90%	14.91%		2.00%	14.29%	12.50%	12.50%	35.00%	33.33%	28.57%	14.81%	15.38%
80%	17.39%		24.00%	14.29%	25.00%	18.75%	10.00%	11.11%	0.00%	18.52%	16.67%
70%	11.18%		8.00%	28.57%	6.25%	18.75%	5.00%	22.22%	14.29%	13.58%	8.97%
60%	8.07%		6.00%	0.00%	0.00%	18.75%	20.00%	22.22%	14.29%	3.70%	12.82%
50%	11.80%		20.00%	7.14%	6.25%	0.00%	5.00%	11.11%	14.29%	13.58%	8.97%
40%	3.73%		8.00%	0.00%	6.25%	0.00%	0.00%	0.00%	0.00%	2.47%	5.13%
30%	4.35%		4.00%	7.14%	12.50%	0.00%	0.00%	0.00%	14.29%	3.70%	5.13%
20%	7.45%		8.00%	7.14%	0.00%	6.25%	5.00%	0.00%	0.00%	6.17%	7.69%
10%	3.73%		4.00%	0.00%	6.25%	0.00%	0.00%	0.00%	0.00%	4.94%	2.56%
Less than 10%	14.91%		16.00%	14.29%	25.00%	18.75%	20.00%	0.00%	14.29%	16.05%	14.10%
35. ON AVERAGE, WHAT PERCENT OF OUTSTANDING TOTAL A/R DOLLARS ARE DEDUCTIONS? (Total A/R dollars are all items in your A/R: invoices, credits, deductions, etc.)											
Less than .5%	31.87%		28.00%	57.14%	37.50%	26.67%	19.05%	11.11%	42.86%	35.00%	26.92%
.5 - 1%	20.63%		36.00%	21.43%	12.50%	20.00%	14.29%	11.11%	14.29%	28.75%	12.82%
1.1 – 3%	18.75%		10.00%	0.00%	37.50%	26.67%	23.81%	22.22%	14.29%	17.50%	20.51%
3.1 – 5%	8.75%		12.00%	14.29%	0.00%	0.00%	9.52%	22.22%	0.00%	3.75%	14.10%
5.1 – 10%	15.00%		10.00%	7.14%	12.50%	13.33%	28.57%	33.33%	14.29%	10.00%	20.51%
Greater than 10%	5.00%		4.00%	0.00%	0.00%	13.33%	4.76%	0.00%	14.29%	5.00%	5.13%
36. ON AVERAGE, WHAT PERCENT OF YOUR OPEN DEDUCTION DOLLARS ARE > 90 DAYS OUTSTANDING?											
Less than 10%	48.43%		44.00%	64.29%	43.75%	62.50%	42.11%	44.44%	42.86%	60.00%	35.06%
10%	11.32%		10.00%	7.14%	6.25%	6.25%	15.79%	22.22%	14.29%	10.00%	12.99%
20%	12.58%		12.00%	14.29%	12.50%	12.50%	15.79%	0.00%	0.00%	5.00%	20.78%
30%	8.18%		6.00%	0.00%	25.00%	12.50%	10.53%	0.00%	14.29%	3.75%	12.99%
40%	6.92%		10.00%	0.00%	6.25%	0.00%	0.00%	11.11%	14.29%	3.75%	10.39%
50%	7.55%		10.00%	7.14%	0.00%	6.25%	5.26%	22.22%	14.29%	11.25%	3.90%
Greater than 50%	5.03%		8.00%	7.14%	6.25%	0.00%	10.53%	0.00%	0.00%	6.25%	3.90%



Survey Data by Industry & Size

	All Respondents		Apparel, Footwear & Acces.	Const. Equip., HVAC, Steel, Oil	Const. / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Pharma, Nutritional, Medical Equip & Supplies	Revenue <= \$500 million	Revenue > \$500 million
37. TOTAL ANNUAL NON TRADE-RELATED DEDUCTIONS RECEIVED REPRESENT APPROXIMATELY WHAT PERCENTAGE OF ANNUAL SALES? (NON TRADE-RELATED DEDUCTIONS INCLUDE COMPLIANCE DEDUCTIONS AND SHORTAGES – excludes returns, unsaleables and trade-related deductions, such as promotions, advertising, markdowns, etc.)											
Less than .25%	40.26%		46.00%	64.29%	35.71%	50.00%	21.05%	11.11%	28.57%	48.10%	31.51%
.25% - .5%	22.08%		16.00%	21.43%	28.57%	21.43%	31.58%	33.33%	14.29%	18.99%	24.66%
.5% - 1%	14.94%		14.00%	0.00%	14.29%	14.29%	26.32%	22.22%	28.57%	13.92%	16.44%
1.1% – 2%	10.39%		10.00%	7.14%	14.29%	7.14%	5.26%	22.22%	14.29%	7.59%	13.70%
2.1% – 3%	4.55%		4.00%	0.00%	0.00%	7.14%	0.00%	11.11%	0.00%	5.06%	4.11%
3.1% – 5%	1.95%		2.00%	0.00%	0.00%	0.00%	5.26%	0.00%	0.00%	1.27%	2.74%
5.1% – 10%	3.90%		4.00%	7.14%	0.00%	0.00%	10.53%	0.00%	14.29%	3.80%	4.11%
Greater than 10%	1.95%		4.00%	0.00%	7.14%	0.00%	0.00%	0.00%	0.00%	1.27%	2.74%
38. SHORTAGE DEDUCTIONS (FULL CARTON & CONCEALED) REPRESENT WHAT % OF TOTAL ANNUAL NON TRADE-RELATED DEDUCTION DOLLARS RECEIVED? (Calculated as shortage deduction \$ / non trade-related deduction dollars used in question above)											
Less than 10%	58.44%		50.98%	69.23%	64.29%	60.00%	61.11%	55.56%	28.57%	69.23%	47.30%
10 – 20%	8.44%		9.80%	7.69%	14.29%	20.00%	5.56%	11.11%	0.00%	8.97%	8.11%
21 – 30%	9.09%		7.84%	0.00%	7.14%	6.67%	16.67%	11.11%	0.00%	5.13%	13.51%
31 – 40%	6.49%		11.76%	0.00%	0.00%	0.00%	5.56%	0.00%	28.57%	6.41%	5.41%
41 – 50%	5.19%		3.92%	23.08%	0.00%	6.67%	5.56%	0.00%	14.29%	2.56%	8.11%
51 – 60%	5.84%		5.88%	0.00%	7.14%	0.00%	5.56%	22.22%	28.57%	3.85%	8.11%
61 – 70%	1.95%		3.92%	0.00%	7.14%	0.00%	0.00%	0.00%	0.00%	0.00%	4.05%
More than 70%	4.55%		5.88%	0.00%	0.00%	6.67%	0.00%	0.00%	0.00%	3.85%	5.41%
39. PLEASE CALCULATE YOUR DAYS DEDUCTIONS OUTSTANDING (DDO) AND ENTER IT BELOW. DDO IS CALCULATED AS AVERAGE OPEN DEDUCTION \$ / (ANNUAL DEDUCTION \$ CREATED / 360)											
DDO =	44 days		46 days	52 days	38 days	50 days	36 days	56 days	40 days	48 days	38 days
40. HAVE YOUR COMPANY’S DEDUCTION DOLLARS (dollars of deductions taken) AS % OF SALES INCREASED, DECREASED OR STAYED THE SAME IN THE MOST RECENT CALENDAR OR FISCAL YEAR AS COMPARED WITH THE PRIOR YEAR?											
Increased	32.10%		27.45%	35.71%	31.25%	46.67%	38.10%	44.44%	14.29%	31.25%	32.50%
Decreased	29.01%		45.10%	14.29%	37.50%	6.67%	23.81%	22.22%	28.57%	30.00%	28.75%
Stayed the same	32.10%		23.53%	42.86%	31.25%	20.00%	28.57%	22.22%	57.14%	31.25%	32.50%
Not sure	6.79%		3.92%	7.14%	0.00%	26.67%	9.52%	11.11%	0.00%	7.50%	6.25%



Survey Data by Industry & Size

		All Respondents		Apparel, Footwear & Acces.	Const. Equip., HVAC, Steel, Oil	Const. / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Pharma, Nutritionals, Medical Equip & Supplies	Revenue <= \$500 million	Revenue > \$500 million
41. HAVE YOU NOTICED ANY CHANGE IN THE TYPES OF DEDUCTIONS YOU HAVE RECEIVED IN THE MOST RECENT CALENDAR OR FISCAL YEAR AS COMPARED WITH PRIOR YEARS?												
Yes, less non-trade deductions and more trade deductions		13.66%		19.61%	7.14%	25.00%	6.67%	14.29%	33.33%	0.00%	16.25%	11.39%
Yes, less trade deductions and more non-trade deductions		10.56%		15.69%	0.00%	6.25%	33.33%	0.00%	0.00%	0.00%	8.75%	12.66%
New compliance rules or deduction types being created		27.33%		27.45%	21.43%	0.00%	26.67%	42.86%	22.22%	42.86%	22.50%	31.65%
Have not noticed any changes		36.65%		31.37%	57.14%	50.00%	6.67%	33.33%	33.33%	57.14%	38.75%	34.18%
Not sure		11.80%		5.88%	14.29%	18.75%	26.67%	9.52%	11.11%	0.00%	13.75%	10.13%
42. PLEASE INDICATE THE 3 MOST IMPORTANT THINGS YOU BELIEVE YOUR COMPANY HAS DONE THAT HAS PROVEN TO EFFECTIVELY RESOLVE EXISTING DEDUCTIONS. (Please limit your selection to 3.)												
Focused on timely review and follow up		80.25%		80.39%	78.57%	88.24%	78.57%	76.19%	77.78%	85.71%	78.75%	81.25%
Implemented / strengthened cross-functional teams		40.12%		45.10%	42.86%	41.18%	21.43%	33.33%	55.56%	57.14%	36.25%	43.75%
Better communicated our policies with customers (e.g., pricing changes, terms) or simplified promotions / deals		29.63%		31.37%	28.57%	41.18%	35.71%	23.81%	33.33%	28.57%	25.00%	33.75%
Made sales / other departments responsible and accountable		43.83%		45.10%	50.00%	23.53%	50.00%	42.86%	66.67%	0.00%	52.50%	35.00%
Improved relationship with customer through face-to-face settlement meetings or calls		19.14%		19.61%	28.57%	29.41%	14.29%	4.76%	0.00%	14.29%	17.50%	20.00%
Improved / implemented deduction reporting		27.16%		31.37%	21.43%	23.53%	7.14%	33.33%	44.44%	42.86%	20.00%	35.00%
Implemented software solution		10.49%		5.88%	0.00%	17.65%	14.29%	38.10%	0.00%	0.00%	3.75%	17.50%
Utilized 3rd party service provider		1.23%		1.96%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.50%
Not sure		4.94%		1.96%	7.14%	0.00%	14.29%	14.29%	0.00%	0.00%	5.00%	5.00%
Other (e.g., identify root cause, hold orders, implement new ERP)		2.47%		1.96%	14.29%	0.00%	0.00%	0.00%	0.00%	0.00%	3.75%	1.25%
43. PLEASE INDICATE THE 3 MOST IMPORTANT THINGS YOU BELIEVE YOUR COMPANY HAS DONE THAT HAVE PROVEN TO EFFECTIVELY PREVENT FUTURE DEDUCTIONS. (Please limit your selection to 3.)												
Implemented / strengthened cross-functional teams		29.01%		35.29%	21.43%	23.53%	21.43%	15.00%	44.44%	57.14%	25.93%	32.91%
Better managed retailer's compliance information		25.31%		35.29%	0.00%	17.65%	42.86%	20.00%	33.33%	0.00%	27.16%	22.78%
Better communicated our policies with customers (e.g., pricing changes, terms) or simplified promotions / deals		30.25%		21.57%	35.71%	35.29%	14.29%	35.00%	33.33%	28.57%	39.51%	20.25%
Involved other departments in customer onboarding and/or deal/ promotion preparation to identify potential issues which could lead to deductions		32.72%		50.98%	21.43%	11.76%	35.71%	30.00%	55.56%	14.29%	39.51%	26.58%
Focused on improving order accuracy (e.g., order entry, invoicing)		37.04%		31.37%	50.00%	58.82%	35.71%	25.00%	33.33%	42.86%	37.04%	36.71%
Made sales / other departments responsible and accountable		35.80%		37.25%	42.86%	41.18%	28.57%	30.00%	33.33%	14.29%	43.21%	27.85%
Improved relationship with customer through face-to-face meetings or calls		14.20%		13.73%	28.57%	23.53%	21.43%	0.00%	11.11%	0.00%	11.11%	16.46%
Performed root cause analysis to understand underlying reason for deductions		29.01%		33.33%	14.29%	29.41%	28.57%	25.00%	33.33%	42.86%	16.05%	41.77%
Improved / implemented deduction reporting		19.75%		19.61%	21.43%	17.65%	14.29%	30.00%	11.11%	28.57%	13.58%	26.58%
Implemented software solution		6.17%		1.96%	0.00%	5.88%	0.00%	35.00%	0.00%	0.00%	4.94%	7.59%
Not sure		6.79%		1.96%	14.29%	0.00%	7.14%	15.00%	11.11%	14.29%	4.94%	8.86%
Other (e.g., timely review and follow up, implement new ERP, process improvement)		1.85%		1.96%	7.14%	0.00%	0.00%	0.00%	0.00%	0.00%	3.70%	0.00%

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

Key PREVENTION Steps	
1.	Improved order accuracy
2.	Made sales / other depts. accountable
3.	Involved other depts. in customer onboarding and/or deal/promotion prep
4.	Better communicated policies to customers
T5.	Performed root cause analysis
T5.	Improved cross-functional teams



Survey Data by Industry & Size

	All Respondents		Apparel, Footwear & Acces.	Const. Equip., HVAC, Steel, Oil	Const. / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Pharma, Nutritional, Medical Equip & Supplies	Revenue <= \$500 million	Revenue > \$500 million
44. HAVE YOU ENCOUNTERED AN INCREASE, DECREASE OR NO CHANGE IN POST AUDIT CLAIMS OVER THE LAST 12 MONTHS?											
Increase	19.02%		19.23%	0.00%	17.65%	25.00%	28.57%	11.11%	14.29%	13.75%	23.46%
Decrease	21.47%		26.92%	7.69%	23.53%	18.75%	19.05%	33.33%	28.57%	21.25%	22.22%
No change	59.51%		53.85%	92.31%	58.82%	56.25%	52.38%	55.56%	57.14%	65.00%	54.32%
45. BASED ON YOUR EXPERIENCE, WOULD YOU AGREE THAT MOST POST AUDITS ARE TAKEN WITHIN 2 YEARS OF THE SHIPMENT DATE?											
Yes, most audits are taken within 2 years of the shipment date	70.12%		75.00%	61.54%	62.50%	68.75%	80.95%	100.00%	42.86%	68.29%	71.25%
No, most audits are not taken within 2 years of the shipment date	11.59%		17.31%	0.00%	0.00%	18.75%	9.52%	0.00%	14.29%	9.76%	13.75%
Not sure	18.29%		7.69%	38.46%	37.50%	12.50%	9.52%	0.00%	42.86%	21.95%	15.00%
46. PLEASE INDICATE THE SINGLE, MOST IMPORTANT THING YOU BELIEVE YOUR COMPANY HAS DONE THAT HAS PROVEN TO EFFECTIVELY DEAL WITH POST AUDIT CLAIMS.											
Aggressively defend invalid claims	37.34%		42.86%	18.18%	56.25%	31.25%	19.05%	55.56%	14.29%	36.71%	37.66%
Negotiate customer / our own post audit policy as part of initial contract / vendor agreement	3.80%		6.12%	9.09%	0.00%	6.25%	4.76%	0.00%	0.00%	5.06%	2.60%
Improved sales agreement documentation to be more specific and reduce opportunity for misinterpretation	7.59%		0.00%	0.00%	12.50%	18.75%	9.52%	0.00%	14.29%	7.59%	7.79%
Improved document retention / storage so it is easier to find information to support our position.	7.59%		6.12%	18.18%	6.25%	6.25%	4.76%	0.00%	28.57%	8.86%	6.49%
Focused on addressing post audit claims quickly	14.56%		10.20%	18.18%	12.50%	12.50%	33.33%	11.11%	0.00%	8.86%	19.48%
Required supporting documentation from the customer / audit firm and try to put the burden of proof on them	10.76%		16.33%	0.00%	0.00%	0.00%	9.52%	33.33%	28.57%	10.13%	11.69%
Not sure	16.46%		14.29%	27.27%	12.50%	25.00%	19.05%	0.00%	14.29%	20.25%	12.99%
Other (e.g., don't accept claims older than 1 year, say 'no books are closed')	1.90%		4.08%	9.09%	0.00%	0.00%	0.00%	0.00%	0.00%	2.53%	1.30%
47. MANY CUSTOMERS HAVE A DEFINED 'DISPUTE WINDOW' GIVING VENDORS ONLY A SET NUMBER OF DAYS (E.G., 30, 45) IN WHICH TO DISPUTE A DEDUCTION. HOW WELL ARE YOU ABLE TO COMPLY WITH CUSTOMER'S DISPUTE WINDOWS?											
USUALLY ON TIME. We prioritize our research / validation activity so that we are usually able to complete our work within the customer's dispute window	74.21%		76.92%	75.00%	68.75%	73.33%	76.19%	100.00%	66.67%	79.49%	69.62%
OFTEN LATE – CUSTOMER STILL ACCEPTS. We try to prioritize our work, however find that for some customers we are often not able to complete our research / validation within their dispute window – the customers usually still accepts and reviews our disputes when outside their dispute window.	13.84%		11.54%	16.67%	25.00%	13.33%	9.52%	0.00%	16.67%	11.54%	15.19%

... Excluding those who say they are 'not sure', **86%** of respondents agree that most **post audit claims** are taken **within 2 years** ...

... **74%** of respondents said they are usually able to dispute deductions within the customer's defined 'dispute window' ...

Survey Data by Industry & Size

	All Respondents		Apparel, Footwear & Acces.	Const. Equip., HVAC, Steel, Oil	Const. / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Pharma, Nutritional, Medical Equip & Supplies	Revenue <= \$500 million	Revenue > \$500 million
47. (continued)											
OFTEN LATE – CUSTOMER WON’T ACCEPT. We try to prioritize our work, however find that for some customers we are often not able to complete our research / validation within their dispute window – the customers usually WILL NOT accept our disputes or review when outside their dispute window	5.66%		7.69%	8.33%	6.25%	6.67%	0.00%	0.00%	0.00%	3.85%	7.59%
OFTEN LATE – JUST WRITE OFF. We try to prioritize our work, however find that for some customers we are often not able to complete our research / validation within their dispute window – we usually do not dispute with the customer when outside their dispute window (just write off / issue credit)	6.29%		3.85%	0.00%	0.00%	6.67%	14.29%	0.00%	16.67%	5.13%	7.59%

48. 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.											
1 day	1.23%		1.92%	0.00%	0.00%	0.00%	5.00%	0.00%	0.00%	1.23%	1.27%
5 days	14.20%		13.46%	21.43%	5.88%	28.57%	10.00%	22.22%	0.00%	20.99%	7.59%
10 days	14.81%		11.54%	7.14%	11.76%	21.43%	10.00%	33.33%	28.57%	19.75%	10.13%
15 days	16.05%		19.23%	0.00%	17.65%	14.29%	20.00%	0.00%	0.00%	11.11%	20.25%
30 days	24.69%		23.08%	14.29%	41.18%	21.43%	35.00%	11.11%	57.14%	19.75%	30.38%
45 days	11.11%		9.62%	14.29%	11.76%	7.14%	5.00%	33.33%	14.29%	11.11%	11.39%
60 days	7.41%		7.69%	28.57%	0.00%	0.00%	5.00%	0.00%	0.00%	4.94%	8.86%
90 days	5.56%		7.69%	7.14%	5.88%	7.14%	5.00%	0.00%	0.00%	6.17%	5.06%
120 days	1.85%		3.85%	0.00%	0.00%	0.00%	5.00%	0.00%	0.00%	1.23%	2.53%
More than 120 days	3.09%		1.92%	7.14%	5.88%	0.00%	0.00%	0.00%	0.00%	3.70%	2.53%

49. 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	1.26%		0.00%	0.00%	5.88%	0.00%	0.00%	0.00%	0.00%	2.50%	0.00%
5 days	6.92%		7.84%	0.00%	5.88%	21.43%	5.56%	0.00%	0.00%	5.00%	9.09%
10 days	3.14%		3.92%	7.14%	5.88%	0.00%	0.00%	0.00%	0.00%	3.75%	2.60%
15 days	3.14%		5.88%	0.00%	5.88%	0.00%	0.00%	0.00%	14.29%	3.75%	2.60%
30 days	15.09%		13.73%	14.29%	17.65%	28.57%	11.11%	11.11%	14.29%	18.75%	11.69%
45 days	10.69%		9.80%	14.29%	5.88%	7.14%	11.11%	22.22%	14.29%	12.50%	9.09%
60 days	23.27%		15.69%	28.57%	29.41%	21.43%	22.22%	33.33%	14.29%	21.25%	23.38%
90 days	12.58%		19.61%	14.29%	5.88%	7.14%	5.56%	33.33%	14.29%	13.75%	11.69%
120 days	10.06%		13.73%	7.14%	5.88%	0.00%	22.22%	0.00%	0.00%	7.50%	12.99%
6 months or more	13.84%		9.80%	14.29%	11.76%	14.29%	22.22%	0.00%	28.57%	11.25%	16.88%

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

Survey Data by Industry & Size

	All Respondents		Apparel, Footwear & Acces.	Const. Equip., HVAC, Steel, Oil	Const. / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Pharma, Nutritional, Medical Equip & Supplies	Revenue <= \$500 million	Revenue > \$500 million
50. WHO GETS INVOLVED IN REVIEWING / NEGOTIATING VENDOR AGREEMENTS WITH YOUR CUSTOMERS? (please select all that apply.)											
Sales	85.89%		86.27%	84.62%	70.59%	100.00%	100.00%	88.89%	71.43%	83.95%	88.75%
Legal	51.53%		35.29%	46.15%	76.47%	73.33%	80.95%	44.44%	42.86%	30.86%	72.50%
Logistics / DC Operations	31.90%		41.18%	7.69%	11.76%	33.33%	33.33%	66.67%	42.86%	28.40%	36.25%
Compliance	31.29%		64.71%	0.00%	11.76%	13.33%	4.76%	55.56%	28.57%	32.10%	30.00%
Finance / Accounts Receivable	53.99%		60.78%	84.62%	47.06%	53.33%	42.86%	77.78%	42.86%	62.96%	46.25%
Other (e.g., customer service, order management, contracts, operations)	6.13%		5.88%	0.00%	0.00%	6.67%	4.76%	22.22%	28.57%	3.70%	8.75%

51. WHAT ERP SYSTEM(S) DO YOU USE? (please select all that apply.)											
SAP	39.62%		38.00%	16.67%	52.94%	42.86%	33.33%	44.44%	71.43%	17.95%	60.76%
Oracle	10.69%		4.00%	16.67%	17.65%	7.14%	19.05%	11.11%	0.00%	6.41%	13.92%
JDEdwards	8.81%		4.00%	0.00%	17.65%	0.00%	14.29%	11.11%	0.00%	8.97%	8.86%
Peoplesoft	1.89%		2.00%	8.33%	0.00%	7.14%	0.00%	0.00%	0.00%	2.56%	1.27%
Legacy system	7.55%		8.00%	8.33%	11.76%	0.00%	4.76%	11.11%	0.00%	10.26%	5.06%
Other (e.g., blue cherry, microsoft dynamics, netsuite, QAD)	40.25%		54.00%	66.67%	5.88%	42.86%	42.86%	22.22%	28.57%	58.97%	22.78%

52. 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 CLOUD SOLUTIONS). (please select all that apply.)											
We do not use any 3rd Party technologies	56.25%		62.00%	53.85%	52.94%	78.57%	33.33%	77.78%	0.00%	70.00%	42.31%
Cash Application preprocessing / deduction creation	16.25%		16.00%	7.69%	5.88%	7.14%	38.10%	11.11%	28.57%	6.25%	25.64%
Claims reconciliation and validation	8.75%		8.00%	15.38%	0.00%	7.14%	19.05%	0.00%	14.29%	10.00%	6.41%
Collections	15.63%		8.00%	15.38%	11.76%	14.29%	33.33%	11.11%	28.57%	10.00%	20.51%
Deduction reporting	10.63%		12.00%	15.38%	5.88%	7.14%	23.81%	0.00%	14.29%	10.00%	11.54%
Deduction workflow	11.25%		8.00%	0.00%	0.00%	7.14%	47.62%	0.00%	14.29%	5.00%	17.95%
OCR / Scanning	8.13%		4.00%	0.00%	5.88%	0.00%	28.57%	0.00%	42.86%	1.25%	15.38%
Overall deduction management	10.63%		6.00%	0.00%	0.00%	7.14%	47.62%	11.11%	14.29%	3.75%	17.95%
POD / Claims / Document Retrieval Automation	13.13%		10.00%	0.00%	11.76%	14.29%	28.57%	11.11%	28.57%	7.50%	19.23%
Trade promotion management	10.63%		8.00%	0.00%	0.00%	7.14%	38.10%	11.11%	28.57%	2.50%	19.23%
Not sure	7.50%		4.00%	7.69%	23.53%	7.14%	4.76%	0.00%	14.29%	3.75%	11.54%
Other (e.g., invoicing, coupon redemption)	2.50%		0.00%	15.38%	0.00%	0.00%	4.76%	0.00%	0.00%	3.75%	1.28%

... **61%** of companies with annual revenue > \$500 million reported using SAP as their ERP ...

... **44%** of companies report using 3rd party technologies to further automate deduction management processing ...

Survey Data by Industry & Size

	All Respondents		Apparel, Footwear & Acces.	Const. Equip., HVAC, Steel, Oil	Const. / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Pharma, Nutritional, Medical Equip & Supplies	Revenue <= \$500 million	Revenue > \$500 million
53. HOW WOULD YOU RATE YOUR DEDUCTION REPORTING CAPABILITIES?											
Excellent	22.29%		22.92%	7.69%	11.76%	26.67%	26.32%	33.33%	28.57%	16.88%	28.21%
Average	59.24%		58.33%	69.23%	64.71%	53.33%	47.37%	44.44%	71.43%	67.53%	50.00%
Poor	14.65%		16.67%	15.38%	11.76%	20.00%	21.05%	22.22%	0.00%	9.09%	20.51%
None	3.82%		2.08%	7.69%	11.76%	0.00%	5.26%	0.00%	0.00%	6.49%	1.28%
54. DO YOU HAVE A DEDUCTION "DASHBOARD" OR SUMMARY DEDUCTION INFORMATION THAT YOU SHARE WITH SENIOR MANAGEMENT ON A ROUTINE BASIS (e.g., monthly)?											
Yes	54.32%		62.75%	46.15%	50.00%	46.67%	61.90%	66.67%	57.14%	47.50%	60.00%
No	44.44%		37.25%	38.46%	50.00%	53.33%	38.10%	33.33%	42.86%	51.25%	38.75%
Not sure	1.23%		0.00%	15.38%	0.00%	0.00%	0.00%	0.00%	0.00%	1.25%	1.25%
55. DO YOU OUTSOURCE ANY OF THE DEDUCTION MANAGEMENT TASKS?											
Yes	8.64%		3.92%	0.00%	5.88%	7.14%	28.57%	0.00%	14.29%	0.00%	17.72%
No	91.36%		96.08%	100.00%	94.12%	92.86%	71.43%	100.00%	85.71%	100.00%	82.28%
56. IF YOU DO OUTSOURCE SOME OR ALL OF THE DEDUCTION PROCESS, PLEASE INDICATE WHICH TASKS: (please select all that apply.)											
The entire process from the time the deduction is recognized at cash application	21.05%		0.00%	0.00%	0.00%	100.00%	12.50%	0.00%	0.00%	0.00%	22.22%
Deduction identification and/or analysis	26.32%		50.00%	0.00%	0.00%	100.00%	25.00%	0.00%	0.00%	100.00%	22.22%
Trade Promotion management	31.58%		50.00%	0.00%	0.00%	0.00%	37.50%	0.00%	0.00%	0.00%	33.33%
Processing of post audit claims	5.26%		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	50.00%	0.00%	5.56%
Research / recovery of small dollar deductions	15.79%		50.00%	0.00%	33.33%	100.00%	0.00%	0.00%	0.00%	0.00%	16.67%
Research / recovery of specific deduction reasons (e.g., shortages)	15.79%		50.00%	0.00%	0.00%	100.00%	12.50%	0.00%	0.00%	0.00%	16.67%
Collection / recovery of invalid rebilled deductions	42.11%		100.00%	0.00%	33.33%	100.00%	25.00%	0.00%	50.00%	0.00%	44.44%
Deduction management reporting	10.53%		0.00%	0.00%	33.33%	100.00%	0.00%	0.00%	0.00%	0.00%	11.11%
Other (e.g., military)	15.79%		0.00%	0.00%	66.67%	0.00%	12.50%	0.00%	0.00%	0.00%	16.67%
57. DOES YOUR COMPANY USE CROSS-FUNCTIONAL TEAMS TO REVIEW SOME OR ALL DEDUCTIONS AND COMPLIANCE VIOLATIONS?											
Yes	65.00%		76.47%	38.46%	56.25%	57.14%	61.90%	88.89%	71.43%	64.20%	64.94%
No	35.00%		23.53%	61.54%	43.75%	42.86%	38.10%	11.11%	28.57%	35.80%	35.06%
58. IF YOU ANSWERED YES TO THE QUESTION ABOVE, HAVE THE CROSS-FUNCTIONAL TEAMS PRODUCED POSITIVE RESULTS BY REDUCING THE NUMBER OF INCOMING DEDUCTIONS?											
Yes	68.97%		80.49%	42.86%	53.85%	66.67%	84.62%	62.50%	80.00%	71.93%	64.91%
No	31.03%		19.51%	57.14%	46.15%	33.33%	15.38%	37.50%	20.00%	28.07%	35.09%

... Only **22%** of respondents rate their deduction reporting capabilities as 'excellent' ...

... **9%** of companies outsource deduction tasks with collection & recovery of invalid deductions ranked number one ...

... **69%** 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 & Size

	All Respondents		Apparel, Footwear & Acces.	Const. Equip., HVAC, Steel, Oil	Const. / Bldg Supp, Paints, Lighting	Cons Elect, Toys, Sports, Comp HW / SW	Food, Beverage & Groceries	Home Furnishings, Housewares & Access	Pharma, Nutritionals, Medical Equip & Supplies	Revenue <= \$500 million	Revenue > \$500 million
59. 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	68.94%		72.55%	92.31%	50.00%	73.33%	57.14%	77.78%	57.14%	70.37%	66.67%
No	20.50%		19.61%	7.69%	31.25%	20.00%	28.57%	11.11%	28.57%	20.99%	20.51%
Not sure	10.56%		7.84%	0.00%	18.75%	6.67%	14.29%	11.11%	14.29%	8.64%	12.82%
60. IF YOU ANSWERED "YES" TO THE QUESTION ABOVE, WHO TYPICALLY ATTENDS THESE COMPLIANCE / DEDUCTION RELATED CUSTOMER MEETINGS? (please select all that apply.)											
Finance (Credit / AR / Collections)	37.40%		39.02%	41.67%	45.45%	18.18%	46.15%	25.00%	60.00%	30.00%	44.26%
Compliance (separate department)	22.76%		48.78%	0.00%	0.00%	18.18%	0.00%	37.50%	0.00%	20.00%	24.59%
Supply Chain	16.26%		7.32%	8.33%	9.09%	9.09%	38.46%	0.00%	40.00%	8.33%	24.59%
Representatives from operating departments with relevant issues (e.g., IT, Warehouse)	12.20%		24.39%	8.33%	9.09%	18.18%	0.00%	0.00%	20.00%	15.00%	9.84%
Sales	73.17%		58.54%	91.67%	72.73%	100.00%	92.31%	75.00%	60.00%	73.33%	73.77%
Not sure	2.44%		2.44%	0.00%	18.18%	0.00%	0.00%	0.00%	0.00%	0.00%	4.92%
Other (e.g., senior management, trade marketing director)	4.88%		7.32%	0.00%	0.00%	0.00%	7.69%	0.00%	0.00%	6.67%	3.28%

## 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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