

Deduction Management Maturity Model

Evolution of Deduction Operations and Key Performance Indicators

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