

# Customer Deductions: 2021 Benchmark Survey



Every third year the **Credit Research Foundation (CRF)** supports and partners with one of the industry's most knowledgeable resources in the area of deduction management, best practices and process resolution – **Ms. Jessica Butler of Attain Consulting Group** – on a comprehensive study related to deductions. This body of work has been and remains one of the most highly sought research documents within the accounts receivable management discipline. The foundation wishes to thank Ms. Butler for her substantial efforts, continuing dedication and support of CRF and the broader community. We are truly grateful for this exceptional analysis from a true industry expert.

***Thank You Jessica – another incredibly valuable document!***



William F. Balduino  
President  
Credit Research Foundation



# Customer Deductions

## 2021 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.

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, action-oriented tips & strategies and insights to help companies improve their deduction practices.

The onset of COVID-19 in early 2020 caused major disruptions within the entire supply chain. In an attempt to try to understand the impact COVID-19 has had on customer deductions, several targeted questions were added to the 2021 survey. Over 110 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.

- BPCA Credit Group
- Credit Research Foundation (CRF)
- Credit Today
- Genpact LLC
- HighRadius Corporation
- IAB Solutions LLC
- Retail Value Chain Federation (RVCF)

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

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## INTRODUCTION

Customer deductions continue to 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 2021 Deduction Survey results include data from over 110 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:

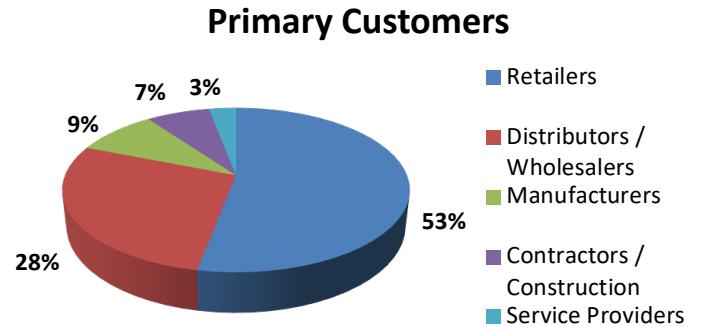
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- II. **How Does Your Company Stack Up** .....page 15  
*Evaluating Your Deduction Performance*
- III. **Detailed Results by Industry** .....page 18

## I. SURVEY HIGHLIGHTS

This section provides survey highlights in the following areas:

- Demographics
- COVID-19 Experience
- 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
- Deduction Reporting & KPIs
- Technology and Automation
- Outsourcing

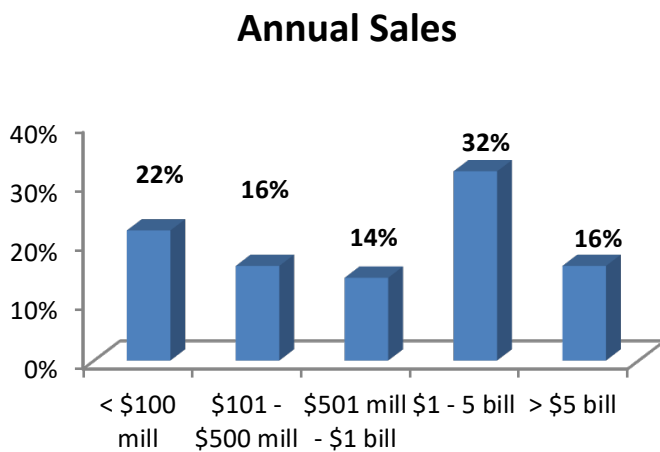
Deductions impact numerous distribution channels. 53% of respondents indicate that retailers are their company's primary revenue source. This is down from 62% in the 2018 survey. The chart below summarizes the primary distribution channel of all respondents:



Survey respondents were asked to select their company's primary industry from a list of 10 industry groups. 96 companies responded as follows:

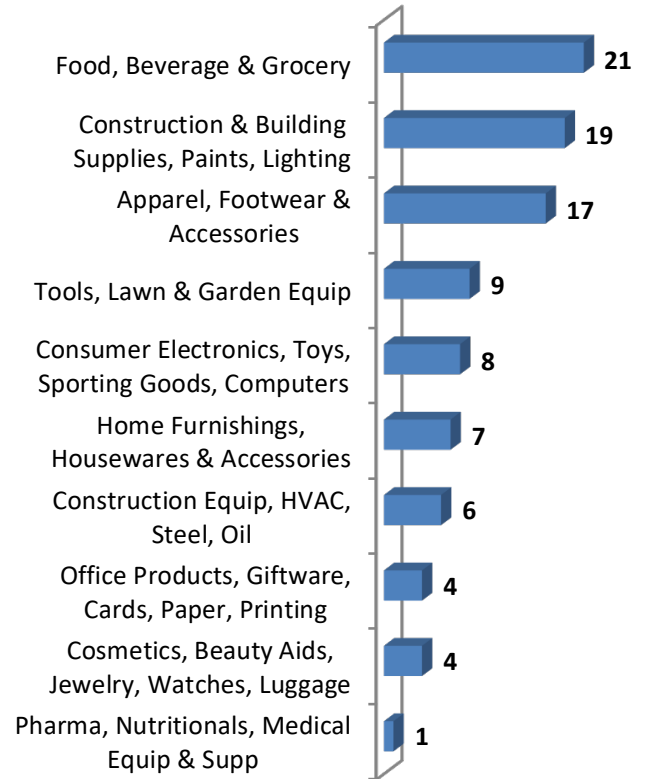
### Demographics

Responding companies ranged in size from less than \$100 million to over \$10 billion in annual sales. 38% of the responding companies have total annual sales of \$500 million or less.



... **53%** of respondents reported that their primary customers are retailers ...

### Respondents by Industry Group



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'.

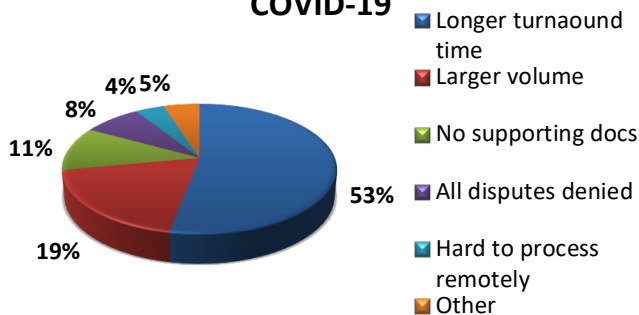
## COVID-19 Experience

Two questions were added to the 2021 survey to gather data on deduction experiences as a result of COVID-19. When asked whether you noticed any changes in the types of deductions received in the past 12 months due to COVID-19, 36% of respondents indicated that they had not noticed any changes. The table below summarizes other responses:

Change in deduction types received due to COVID-19	%
No changes noticed	36%
Increase in ALL types of deductions	19%
New compliance rules / deduction types	13%
Less trade more non-trade deductions	11%
Less non-trade more trade deductions	5%

We also asked companies what they felt has been the biggest challenge they have faced with deductions as a result of COVID-19. As shown in the chart below, more than 52% of respondents indicated that a longer turn-around time has been their biggest challenge.

### Biggest Deduction Challenge Due to COVID-19



## 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%

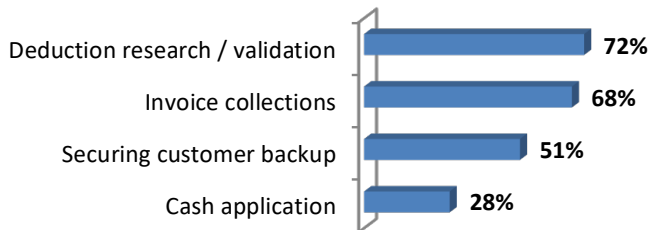
\*See Detailed Results by Industry Question 6 for more industries

Regardless of which group researches, validates or approves deductions, if a deduction is determined to be invalid, 82% 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 68% indicated that the same people also handle invoice collections with 51% securing customer backup. The following table provides the statistics:

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



When assigning deduction responsibilities to staff, 64% of respondents reported that they allocate assignments by customer and 19% assign deductions by reason or type. Of the 17% of responding companies who selected 'Other', half of them were smaller companies who indicated that they had only one person handling all deductions and the rest indicated that they assign responsibilities by sales person, channel, territory or a combination of customer and reason code.

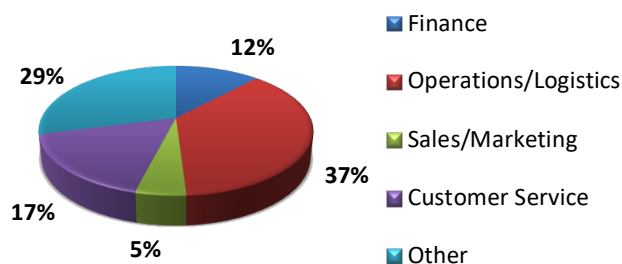
## Organization Structure & Accountability

31% of survey respondents reported that they have a separate vendor compliance group with primary responsibility for deduction prevention, resolution and recovery. Similar to 2018, 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 22% 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 71% 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:

### Compliance Group Reports to ...



44% of respondents reported that they charge back deductions to the appropriate business unit or department. This is down from 52% as reported in 2018. Results varied widely by industry group with the Tool, Hardware & Accessories etc. group reporting the highest amount with 71% charging back the business unit, while only 24% of the Apparel, Footwear & Accessories group reported 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, 78% of total respondents answered in the affirmative. This is a 20% increase over the 65% reported in 2018. *Question 60 in section III of this report provides more details by industry group.*

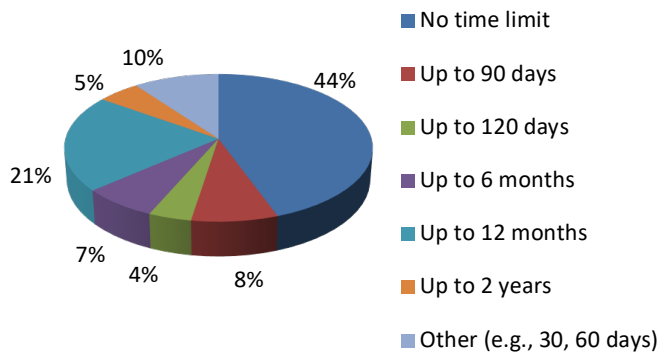


## Deduction Aging & Time Limits

Overall, 75% of companies reported that aging begins when the deduction is received. 14% indicated that aging reverts back to the date of the original open item. 7% of respondents reported that aging initially begins when the deduction is taken and ages routinely with other open items until it is investigated. If it is deemed to be invalid, the aging begins again.

When asked how long a deduction is permitted to remain open or unresolved before writing the deduction off, 44% of companies reported having no time limit. This is down only slightly from 48% in 2018, however considerably better than the 56% reported in 2015. Of companies who do have a time limit for deductions to remain open, 12 months was the most commonly reported time period. The chart below illustrates the overall responses for this question.

**Time Limit for Deduction to Remain Open**



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, 48% of responding companies indicated that there is no time limit enforced. This is down from 54% in 2018. 11% indicated that outside departments have 2 weeks to respond. *Question 13 in section III of this report provides more details by time limit and industry.*

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 2018 or 2015 surveys. However, it is interesting to note that companies with annual revenue of \$500 million or less report that it takes less time to make this initial decision on validity than larger companies with annual revenue over \$500 million. *Question 49 in section III of this report provides more details by industry group and company size.*

A final resolution is considered achieved when the deduction has been cleared from AR. It is assumed that deductions that are determined to be valid are cleared shortly after they have been validated, while invalid deductions may take considerably longer before being resolved with the customer. To capture this longer period, the survey asked companies to report the average number of days from the time the deduction was determined to be invalid (when the process in the question above ends) until a deduction is either collected or written-off. The median response was 60 days. 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 42% of respondents indicating a defective allowance has been negotiated with customers. This represents a 24% decrease from the 2018 survey when defective allowances were reported by 55% of respondents.

36% of responding companies stated that they do not have allowances with their customers. This is fairly similar to the 32% reported in 2018. *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 15% 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. 8% of companies with annual revenue  $\leq$  \$500 million reported no automatic small dollar write offs, while of those with annual revenue  $>$  \$500 million, 16% reported that they do not automatically write off small dollar deductions. The median dollar write-off threshold across all industries was \$25 - \$50. This is an increase from prior surveys where the median reported was \$10 - \$25.

*... The median auto write-off tolerance for respondents with annual revenue  $\leq$  \$500 million was \$10 - \$25 compared \$50 - \$100 for those with annual revenue  $>$  \$500 million ...*

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). 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, 55% of respondents indicated that it was less than 1/2% and 26% reported it was between 0.6 – 1%. It is interesting to note that in 2018, 70% of respondents reported that auto write-off dollars were less than 1/2% of deduction dollars.

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 trend or pattern, which could indicate 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. If you feel that you do not have adequate resources to monitor and sample small dollar deductions, another option is to outsource the review, validation and recovery of these deductions to a 3rd party firm. 11% of respondents who reported outsourcing any deduction management tasks said they are outsourcing the research and resolution of small dollar deductions.

## Primary Deduction Reasons

When asked to report their top 3 reasons for deductions based on both the number and dollars of deductions received, the results were very consistent with what was reported in 2018. The only change was that Transportation, Freight & Routing replaced Damage / Unsaleables in the 5th position for number of deductions received. Shortages remains the number one reason in terms of number of deductions, and Advertising, Promotional and Rebate is number one in terms of deduction dollars received. 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.	Advertising / Promo / Rebate	Shortages
3.	Pricing	Allowances / Discounts
4.	Allowances / Discounts	Pricing
5.	Transportation, freight or routing	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”. Shortages remains at the top of the list for both the number and dollars of deduction received. The top non trade-related deduction issues by both number and dollar are summarized below.

### Top Non-Trade Deduction Reasons

Rank	# Received	\$ Received
1.	Shortages	Shortages
2.	Early / late delivery	Early / late delivery
3.	Fill Rate	Fill Rate
4.	EDI / ASN errors	Transportation, freight or routing
5.	Transportation, freight or routing	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 ½ - 1% of sales. This is an increase from 2018 when the median was ¼ - ½% of sales. Additionally, there was a difference reported based on company size. For responding companies with annual revenue ≤ \$500 million, the median for non trade-related deductions as a percent of sales was ¼ - ½%. However, for companies with annual revenue > \$500 million, the median reported was ½ - 1%. (Note: The average size of responding companies increased from 2018 to 2021. Since larger companies report a higher median of non trade-related deductions as a percent of sales, this may have an impact on the overall median between 2021 and 2018.)

... Across all respondents,  
**non trade-related deductions represent ½ - 1% 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:

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

The median DDO reported across all respondents is 39 days.

## A/R Statistics

When asked what percentage of outstanding total A/R dollars deductions represent, the median response across all respondents was 1.1 to 3%. 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 3.1 – 5%. 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 over a hundred 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 20%. This is up from a median of 10% in 2018. However, 16% of responding companies reported that 50% or more of their open deductions were greater than 90 days outstanding, while 36% reported that less than 10% of 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
≤ \$500 mill	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 2018 survey.

*... The median percent of invalid deductions received remained steady from the 2018 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.) As shown in the table below, there were significant differences in median invalid recovery percentages by company size.

Annual Sales	% Invalid Deductions Recovered
≤ \$500 mill	70%
> \$500 mill	50%

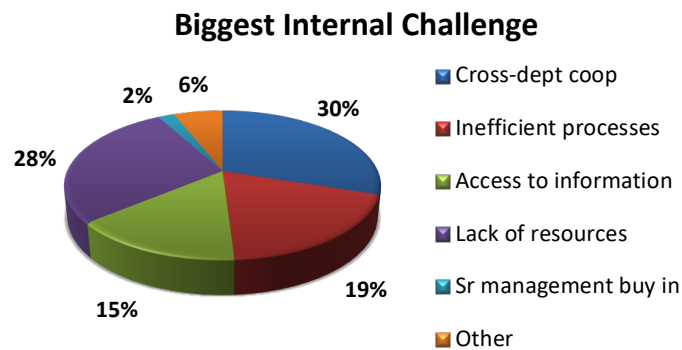
*The percentages of both invalid deductions and recoveries vary by industry group and can be found in section III questions 33 and 34.*

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, 78% of respondents reported that they do, however only 48% of these companies said that they have been fairly successful in collecting them back. As the following table illustrates, it appears that overall success in recovering unearned cash discounts has declined since the 2018 survey.

Attempt to Collect Unearned Cash Discounts	2021 Survey	2018 Survey
Yes – fairly successful	37%	48%
Yes – not very successful	40%	27%
No – do not Attempt	22%	25%

## 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, 30% 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 as a percent of sales taken in the past 12 months. 22% of respondents indicated that deductions have declined, while 39% reported that they stayed the same.

... **32%** of responding companies reported an **increase in deduction dollars** taken in the past 12 months ...

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.	Improved cross-functional teams
3.	Made sales / other depts. accountable
4.	Improved deduction reporting
5.	Better communicated policies to customers

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

## Post Audit Trends & Corrective Strategies

15% of respondents reported an increase in post audit claims during the past 12 months. This is a decrease from the 2018 survey when 19% reported an increase. 13% indicated that post audit claims decreased and 72% of companies reported no change.

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

69% of all respondents confirmed that most post audit claims are taken within 2 years. 15% felt that most post audit claims were not taken within 2 years and 16% were not sure.

... Excluding those who say they are 'not sure', **83%** 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.	Require supporting doc from customer
3.	Focus on quick resolution
4.	Improved sales agreement documentation

## Deduction Reporting and KPIs

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 12% feel they are 'Excellent'. 68% rate them as 'Average' and 16% give them a 'Poor' rating. When asked about the challenges currently faced surrounding deduction reporting, 63% of responding companies indicated that the manual processes required to prepare the reports was the number one challenge. See questions 54 & 55 in section III for details by industry group.

56% of respondents reported that they have a deduction 'Dashboard' or summary deduction information that is shared with senior management on a routine basis. When asked what metrics are tracked at a KPI (key performance indicator) level to measure deduction performance, 24% of respondents indicated that they are not actively tracking any deduction metrics. For those who are reporting KPIs, the following table summarizes the responses provided:

Deduction KPIs used to measure performance	% Using
Open deductions > 90 days old	52%
Open deduction \$ as % of AR	46%
Total deduction \$ received	42%
DDO (days deductions outstanding)	21%
Deduction recovery	18%

See question 40 in section III for more details by industry group.

In working with my clients to improve their deduction management processes, I have observed that almost all companies are interested in tracking deduction recoveries (repayments of invalid deductions). However, most of them are not able to systematically capture and track recoveries within their current software, so they frequently rely on manual tracking. To further understand this issue, we added a new question in the 2021 survey asking companies whether they were able to track/calculate deduction recovery information.

... Only **14%** of respondents are able to **automatically track recoveries** within their deduction system(s) ...

Only 14% of respondents reported being able to automatically track recoveries within their deduction system(s). Of the remaining companies, 55% reported that they manually track/report recoveries and 25% indicated that they are not currently able to track recoveries. See question 57 in section III for more details by industry group and company size.

## Technology & Automation

When asked what ERP systems they use, 74% of companies with annual revenue > \$500 million reported using SAP as compared with only 21% of companies with annual revenue ≤ \$500. This is an increase from 61% and 18% respectively in 2018.

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

... **76%** of companies with annual revenue > \$500 million reported using 3rd party technologies for managing deductions ...

41% of all respondents reported that they do not use any 3rd party technologies in deduction management. In 2018 this number was 56%, and in 2015 it 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.

Another new question in the 2021 survey asked participants whether their company was planning to automate / further automate any steps in the deduction management process within the next 12 months. 45% of all respondents reported that they have no plans for any new automation. When looking only at companies with annual revenue > \$500 million, this number dropped to 38%. POD / Claims / Document Retrieval and Deduction Workflow automation were the top areas selected for further automation in the next 12 months.

## Outsourcing

14% of respondents reported outsourcing one or more of their deduction tasks. This is up from 9% in 2018 and 6% in 2015. Of those who outsource, 28% reported outsourcing deduction identification and/or analysis, 22% outsource the research / recovery of specific deduction reasons, 17% outsource the processing of post audit claims and the collection / recovery of invalid rebilled deductions. *Question 59 in section III provides more details on outsourced tasks by industry group and company size.*

More detailed information by industry group and company size 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 can provide valuable insight when beginning to evaluate your company's current practices. 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 five 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, 30% reported that non-trade-related deductions were less than ¼% of sales. If your company's calculated % is ¼% or less, you are in the top 70% percentile. If your % is ½%, you are performing at the median. On the other hand, if your non-trade-related deductions as % of sales is 2 ½%, 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 2021 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 following diagram 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 2021 survey included questions to determine 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, 8% of respondents indicated that they have no collaboration across departments (*Ad Hoc*) and 42% responded that collaboration is typically limited to fire-fighting (*Reactive*). 27% reported that they have routine cross-functional meetings (*Proactive*) and finally 28% indicated that their teams actively work to continuously improve deduction performance (*Optimized*). 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 barely *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 farther up the continuum to understand the characteristics of best in class processes and develop your improvement plans. This is a great tool to review with senior management when discussing improvement opportunities.

# Deduction Management Maturity Model

Evolution of Deduction Operations and Key Performance Indicators

	<b>Ad Hoc</b> KPIs: \$/# open deductions	<b>Reactive</b> KPIs: \$/# open and resolved deductions	<b>Proactive</b> KPIs: \$/# deductions by type % invalid deductions	<b>Optimized</b> KPIs: \$/# of deductions avoided \$/# of deductions recovered by type
Managing Customer Compliance Requirements	Non-existent (12%)	Chase changes and updates after deductions are received (46%)	Review requirements up front, negotiate some exemptions (27%)	Collaborate on new requirements, routinely negotiate exemptions (15%)
Cross-Functional Collaboration	No collaboration across departments (8%)	Collaboration limited to "fire fighting" (42%)	Routine cross-functional meetings (22%)	Cross-functional teams drive continuous improvement, usually within a system (28%)
Deduction Management Processes	No consistent process, large backlog and write-offs (5%)	Mostly manual process triggered by receipt of deduction (54%)	Some prevention & recovery of invalid deductions (25%)	Primary focus on early detection & prevention (16%)
Use of Technology	Mostly manual / Excel process (25%)	Limited use of technology, reporting often in Excel, collaboration by email/phone (45%)	Beginning to leverage available technologies to reduce manual efforts (20%)	Manual tasks/collaboration fully automated, using technology for creative solutions (10%)
Trading Partner Relationship (non-sales related)	Limited primarily to payback requests made via email (28%)	Contact is only made after deduction or problems become known (49%)	Proactively communicate issues and meet to review performance (18%)	Routine collaboration, Certified Vendor (5%)
Trade Promotion Management	Deals not documented or communicated (3%)	Only major deals documented and communicated, still chase Sales for approval (50%)	Most deals documented and communicated, manual validation (34%)	Programs documented, automated validation often at cash application (13%)

Yellow highlighted cells represent median company response.

### III. DETAILED RESULTS BY INDUSTRY

## Survey Data by Industry & Size

	All Respondents		Apparel, Footwear, & Accessories	Const. Equip., Plumbing/HVAC, Rubber & Plastics, Steel, Coal, Oil	Const. / Bldg. Suppl. & Mat., Paints, Chem., Lighting / Elect., Vehicles & Parts	Cons. Electronics, Computer HW / SW Toys, Games, Sporting Goods	Food, Beverage, & Grocery Products	Home Furnishings, Fixtures, Housewares & Accessories	Tools, Hardware & Accessories, Lawn & Garden Equipment	Revenue <= \$500 million	Revenue > \$500 million
<b>TOTAL NUMBER OF SURVEY RESPONDENTS</b>	111		17	6	19	8	21	7	9	40	65
<b>1. WHAT WERE YOUR COMPANY'S TOTAL ANNUAL GROSS SALES FOR THE MOST RECENT CALENDAR OR FISCAL YEAR?</b>											
< Than \$100 Million	21.90%		29.41%	50.00%	15.79%	25.00%	10.00%	28.57%	25.00%	57.50%	0.00%
\$101 - 500 Million	16.19%		17.65%	33.33%	5.26%	12.50%	5.00%	28.57%	12.50%	42.50%	0.00%
\$501 Million - 1 Billion	14.29%		11.76%	16.67%	21.05%	12.50%	15.00%	0.00%	25.00%	0.00%	23.08%
\$1 - 5 Billion	31.43%		29.41%	0.00%	36.84%	50.00%	50.00%	42.86%	0.00%	0.00%	50.77%
\$5 - 10 Billion	6.67%		11.76%	0.00%	5.26%	0.00%	10.00%	0.00%	0.00%	0.00%	10.77%
> Than \$10 Billion	9.52%		0.00%	0.00%	15.79%	0.00%	10.00%	0.00%	37.50%	0.00%	15.38%
<b>2. PLEASE INDICATE WHICH ACTIVITY BEST DESCRIBES YOUR COMPANY:</b>											
Manufacturer (includes companies that source rather than produce)	69.81%		41.18%	66.67%	68.42%	50.00%	90.00%	85.71%	100.00%	62.50%	73.44%
Distributor / Wholesaler	24.53%		58.82%	33.33%	21.05%	37.50%	10.00%	14.29%	0.00%	30.00%	21.88%
Service provider	5.66%		0.00%	0.00%	10.53%	12.50%	0.00%	0.00%	0.00%	7.50%	4.69%
<b>3. PLEASE INDICATE THE INDUSTRY GROUP THAT BEST DESCRIBES YOUR COMPANY'S PRODUCTS.</b>											
Apparel, Footwear, & Accessories	15.89%		100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	20.00%	13.85%
Construction Equipment, Plumbing/HVAC, Rubber & Plastics, Steel, Coal, Oil	5.61%		0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	12.50%	1.54%
Construction/Building Supplies & Materials, Paints, Chemicals, Lighting/Electrical, Vehicles & Parts	17.76%		0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	10.00%	23.08%
Consumer Electronics, Computer Hardware/Software, Toys, Games, Sporting Goods	7.48%		0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	7.50%	7.69%
Cosmetics, Beauty Aids, Health & Personal Care Products, Jewelry, Watches, Luggage	3.74%		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.00%	3.08%
Food, Beverage, Grocery Products	19.63%		0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	7.50%	26.15%
Home Furnishings, Fixtures, Housewares & Accessories	6.54%		0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	10.00%	4.62%
Office Products/Supplies, Business Furniture & Fixtures, Giftware, Wrap & Cards, Paper, Printing & Publishing	3.74%		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.50%	4.62%
Pharmaceuticals, Nutritionals & Sundries, Medical Equipment & Supplies	0.93%		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.50%	0.00%
Tools, Hardware & Accessories, Lawn & Garden Equipment	8.41%		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	7.50%	7.69%
Other (please specify)	10.28%		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	15.00%	7.69%

... **62%** of responding companies have total annual sales greater than \$500 million ...

## Survey Data by Industry & Size

	All Respondents		Apparel, Footwear, & Accessories	Const. Equip., Plumbing/HVAC, Rubber & Plastics, Steel, Coal, Oil	Const. / Bldg. Suppl. & Mat., Paints, Chem., Lighting / Elect., Vehicles & Parts	Cons. Electronics, Computer HW / SW Toys, Games, Sporting Goods	Food, Beverage, & Grocery Products	Home Furnishings, Fixtures, Housewares & Accessories	Tools, Hardware & Accessories, Lawn & Garden Equipment	fgRevenue <= \$500 million	Revenue > \$500 million
<b>4. YOUR COMPANY'S PRIMARY REVENUE COMES FROM CUSTOMERS WHO ARE:</b>											
Retailers	52.83%		76.47%	0.00%	15.79%	50.00%	85.71%	85.71%	66.67%	57.50%	48.44%
Distributors / Wholesalers	28.30%		23.53%	16.67%	47.37%	37.50%	14.29%	0.00%	33.33%	22.50%	32.81%
Contractors / Construction Companies	6.60%		0.00%	50.00%	21.05%	0.00%	0.00%	0.00%	0.00%	7.50%	6.25%
Manufacturers	9.43%		0.00%	33.33%	15.79%	0.00%	0.00%	14.29%	0.00%	12.50%	7.81%
Service Providers (telecom, health care, legal, business, personal, etc)	2.83%		0.00%	0.00%	0.00%	12.50%	0.00%	0.00%	0.00%	0.00%	4.69%
<b>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.)</b>											
Credit / Accounts Receivable	72.92%		75.00%	80.00%	61.11%	87.50%	66.67%	85.71%	85.71%	78.38%	68.97%
An internal Compliance Group (separate from Credit / AR)	5.21%		12.50%	0.00%	0.00%	0.00%	11.11%	0.00%	0.00%	8.11%	3.45%
Sales, Sales Administration, Field Sales Reps or Broker	11.46%		6.25%	20.00%	16.67%	12.50%	16.67%	0.00%	0.00%	5.41%	15.52%
Customer Service	3.13%		0.00%	0.00%	16.67%	0.00%	0.00%	0.00%	0.00%	0.00%	5.17%
Outsourced Service Provider	1.04%		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	14.29%	0.00%	1.72%
Other (please provide name)	6.25%		6.25%	0.00%	5.56%	0.00%	5.56%	14.29%	0.00%	8.11%	5.17%
<b>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)</b>											
Credit/Accounts Receivable	56.25%		23.53%	100.00%	41.18%	75.00%	66.67%	42.86%	85.71%	67.57%	48.28%
An internal Compliance Group (separate from Credit/AR)	16.67%		52.94%	0.00%	5.88%	0.00%	11.11%	14.29%	0.00%	13.51%	18.97%
Sales, Sales Administration, Field Sales Reps or Broker	5.21%		0.00%	0.00%	17.65%	0.00%	0.00%	14.29%	0.00%	2.70%	6.90%
Customer Service	12.50%		11.76%	0.00%	17.65%	25.00%	11.11%	14.29%	0.00%	8.11%	15.52%
Outsourced Service Provider	1.04%		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	14.29%	0.00%	1.72%
Other (please provide name)	8.33%		11.76%	0.00%	17.65%	0.00%	11.11%	14.29%	0.00%	8.11%	8.62%
<b>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.)</b>											
Credit/Accounts Receivable	34.02%		47.06%	40.00%	22.22%	75.00%	27.78%	28.57%	28.57%	51.35%	23.73%
An internal Compliance Group (separate from Credit/AR)	3.09%		5.88%	0.00%	0.00%	0.00%	5.56%	0.00%	0.00%	2.70%	3.39%
Sales, Sales Administration, Field Sales Reps or Broker	49.48%		41.18%	60.00%	55.56%	25.00%	55.56%	57.14%	42.86%	40.54%	54.24%
Customer Service	4.12%		0.00%	0.00%	16.67%	0.00%	0.00%	0.00%	0.00%	0.00%	6.78%
Outsourced Service Provider	0.00%		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other (please provide name)	9.28%		5.88%	0.00%	5.56%	0.00%	11.11%	14.29%	28.57%	5.41%	11.86%

... **53%** 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 ...

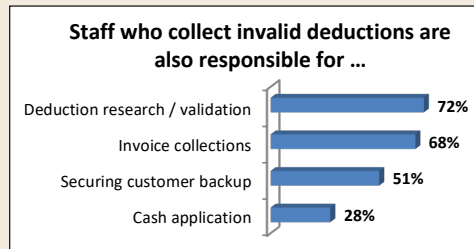
## Survey Data by Industry & Size

	All Respondents		Apparel, Footwear, & Accessories	Const. Equip., Plumbing/HVAC, Rubber & Plastics, Steel, Coal, Oil	Const. / Bldg. Suppl. & Mat., Paints, Chem., Lighting / Elect., Vehicles & Parts	Cons. Electronics, Computer HW / SW Toys, Games, Sporting Goods	Food, Beverage, & Grocery Products	Home Furnishings, Fixtures, Housewares & Accessories	Tools, Hardware & Accessories, Lawn & Garden Equipment	fgRevenue <= \$500 million	Revenue > \$500 million
<b>8. WHICH DEPARTMENT HAS PRIMARY RESPONSIBILITY FOR FOLLOWING UP WITH CUSTOMERS TO COLLECT INVALID / UNJUSTIFIED DEDUCTIONS?</b>											
Credit/Accounts Receivable	82.47%		70.59%	60.00%	83.33%	87.50%	72.22%	85.71%	100.00%	78.38%	84.75%
An internal Compliance Group (separate from Credit/AR)	6.19%		23.53%	0.00%	0.00%	0.00%	11.11%	0.00%	0.00%	10.81%	3.39%
Sales, Sales Administration, Field Sales Reps or Broker	4.12%		0.00%	40.00%	5.56%	0.00%	5.56%	0.00%	0.00%	2.70%	5.08%
Customer Service	3.09%		0.00%	0.00%	11.11%	0.00%	0.00%	14.29%	0.00%	2.70%	3.39%
Outsourced Service Provider	0.00%		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other (please provide name)	4.12%		5.88%	0.00%	0.00%	12.50%	11.11%	0.00%	0.00%	5.41%	3.39%

<b>9. THE PEOPLE RESPONSIBLE FOR COLLECTION OF INVALID/UNJUSTIFIED DEDUCTIONS ARE ALSO RESPONSIBLE FOR WHICH OF THE FOLLOWING ACTIVITIES? (please select all that apply)</b>											
Cash application	27.84%		11.76%	20.00%	22.22%	37.50%	33.33%	57.14%	28.57%	43.24%	16.95%
Securing customer back up	50.52%		76.47%	0.00%	33.33%	75.00%	55.56%	57.14%	57.14%	56.76%	45.76%
Deduction research / validation	72.16%		82.35%	0.00%	55.56%	75.00%	88.89%	85.71%	85.71%	78.38%	67.80%
Invoice collections	68.04%		70.59%	80.00%	83.33%	100.00%	33.33%	57.14%	71.43%	81.08%	59.32%
None of the above	2.06%		0.00%	0.00%	5.56%	0.00%	0.00%	0.00%	0.00%	0.00%	3.39%
Other (please describe)	8.25%		0.00%	20.00%	5.56%	0.00%	16.67%	0.00%	14.29%	10.81%	6.78%

<b>10. HOW ARE DEDUCTION RESPONSIBILITIES ASSIGNED / DIVIDED AMONG STAFF IN THE SAME DEPARTMENT?</b>											
By deduction reason / type	18.56%		29.41%	0.00%	27.78%	37.50%	11.11%	0.00%	0.00%	13.51%	22.03%
By customer	63.92%		58.82%	80.00%	61.11%	62.50%	66.67%	71.43%	57.14%	62.16%	64.41%
Other (please describe)	17.53%		11.76%	20.00%	11.11%	0.00%	22.22%	28.57%	42.86%	24.32%	13.56%

<b>11. INDICATE THE METHOD THAT MOST CLOSELY RESEMBLES YOUR COMPANY'S HANDLING OF DEDUCTION AGING.</b>											
Aging begins when the deduction is taken and ages routinely with other open items	75.00%		64.71%	80.00%	66.67%	87.50%	77.78%	85.71%	71.43%	66.67%	79.66%
Aging reverts back to the date of the original open item	13.54%		11.76%	0.00%	27.78%	0.00%	11.11%	0.00%	14.29%	16.67%	11.86%
Deductions do not age at all	4.17%		5.88%	20.00%	5.56%	12.50%	0.00%	0.00%	0.00%	5.56%	3.39%
Deductions age only after investigation and determined to be invalid	0.00%		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
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)	7.29%		17.65%	0.00%	0.00%	0.00%	11.11%	14.29%	14.29%	11.11%	5.08%



... **64%** of companies indicated that they assign deductions by customer ...

## Survey Data by Industry & Size

	All Respondents		Apparel, Footwear, & Accessories	Const. Equip., Plumbing/HVAC, Rubber & Plastics, Steel, Coal, Oil	Const. / Bldg. Suppl. & Mat., Paints, Chem., Lighting / Elect., Vehicles & Parts	Cons. Electronics, Computer HW / SW Toys, Games, Sporting Goods	Food, Beverage, & Grocery Products	Home Furnishings, Fixtures, Housewares & Accessories	Tools, Hardware & Accessories, Lawn & Garden Equipment	fgRevenue <= \$500 million	Revenue > \$500 million
<b>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?</b>											
No time limit	43.75%		23.53%	80.00%	61.11%	57.14%	33.33%	14.29%	71.43%	51.35%	39.66%
Yes, up to 90 days	8.33%		17.65%	0.00%	0.00%	0.00%	11.11%	28.57%	14.29%	8.11%	8.62%
Yes, up to 120 days	4.17%		5.88%	0.00%	11.11%	0.00%	5.56%	0.00%	0.00%	0.00%	6.90%
Yes, up to 6 months	7.29%		5.88%	20.00%	5.56%	0.00%	5.56%	0.00%	0.00%	8.11%	6.90%
Yes, up to 12 months	20.83%		35.29%	0.00%	11.11%	14.29%	22.22%	28.57%	14.29%	18.92%	20.69%
Yes, up to 2 years	5.21%		5.88%	0.00%	5.56%	0.00%	5.56%	14.29%	0.00%	5.41%	5.17%
Other (please specify)	10.42%		5.88%	0.00%	5.56%	28.57%	16.67%	14.29%	0.00%	8.11%	12.07%

<b>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?</b>											
No time limit	47.92%		23.53%	60.00%	66.67%	42.86%	55.56%	28.57%	71.43%	37.84%	55.17%
Yes, they have 1 week or less to respond	10.42%		23.53%	40.00%	0.00%	28.57%	0.00%	14.29%	0.00%	18.92%	5.17%
Yes, they have 2 weeks to respond	11.46%		23.53%	0.00%	16.67%	0.00%	5.56%	14.29%	0.00%	13.51%	10.34%
Yes, they have 30 days to respond	9.38%		5.88%	0.00%	5.56%	0.00%	5.56%	14.29%	28.57%	10.81%	6.90%
Yes, they have 60 days to respond	6.25%		11.76%	0.00%	5.56%	0.00%	16.67%	0.00%	0.00%	8.11%	5.17%
Other (please specify)	14.58%		11.76%	0.00%	5.56%	28.57%	16.67%	28.57%	0.00%	10.81%	17.24%

<b>14. DO YOU CHARGE BACK DEDUCTIONS TO THE APPROPRIATE BUSINESS UNIT OR DEPARTMENT WITHIN YOUR COMPANY?</b>											
Yes	43.75%		35.29%	40.00%	61.11%	14.29%	55.56%	28.57%	71.43%	43.24%	43.10%
No	29.17%		29.41%	20.00%	22.22%	57.14%	11.11%	57.14%	14.29%	29.73%	29.31%
Depends on deduction type	27.08%		35.29%	40.00%	16.67%	28.57%	33.33%	14.29%	14.29%	27.03%	27.59%

<b>15. DO YOU ATTEMPT TO COLLECT UNEARNED CASH DISCOUNTS BACK FROM CUSTOMERS?</b>											
Yes – and we have been fairly successful	37.23%		29.41%	60.00%	58.82%	14.29%	35.29%	42.86%	42.86%	41.67%	35.09%
Yes – however we have not been very successful	40.43%		52.94%	20.00%	29.41%	71.43%	35.29%	28.57%	14.29%	33.33%	45.61%
No	22.34%		17.65%	20.00%	11.76%	14.29%	29.41%	28.57%	42.86%	25.00%	19.30%

... When asked how long a deduction is permitted to remain open or unresolved before it is written off, **44%** of companies report having no time limit ...

... **78%** of respondents attempt to collect unearned cash discounts from customers – **48%** of those reported being fairly successful ...

## Survey Data by Industry & Size

	All Respondents		Apparel, Footwear, & Accessories	Const. Equip., Plumbing/HVAC, Rubber & Plastics, Steel, Coal, Oil	Const. / Bldg. Suppl. & Mat., Paints, Chem., Lighting / Elect., Vehicles & Parts	Cons. Electronics, Computer HW / SW, Toys, Games, Sporting Goods	Food, Beverage, & Grocery Products	Home Furnishings, Fixtures, Housewares & Accessories	Tools, Hardware & Accessories, Lawn & Garden Equipment	fgRevenue <= \$500 million	Revenue > \$500 million
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### 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.)

	All Respondents	Apparel, Footwear, & Accessories	Const. Equip., Plumbing/HVAC, Rubber & Plastics, Steel, Coal, Oil	Const. / Bldg. Suppl. & Mat., Paints, Chem., Lighting / Elect., Vehicles & Parts	Cons. Electronics, Computer HW / SW, Toys, Games, Sporting Goods	Food, Beverage, & Grocery Products	Home Furnishings, Fixtures, Housewares & Accessories	Tools, Hardware & Accessories, Lawn & Garden Equipment	fgRevenue <= \$500 million	Revenue > \$500 million
We have no allowances with customers	36.46%	11.76%	60.00%	66.67%	28.57%	16.67%	28.57%	28.57%	40.54%	32.76%
Unsaleables	18.75%	11.76%	0.00%	0.00%	14.29%	61.11%	14.29%	0.00%	13.51%	22.41%
Defective returns	41.67%	88.24%	20.00%	27.78%	28.57%	27.78%	71.43%	57.14%	43.24%	41.38%
Shortages (short-ship)	13.54%	5.88%	40.00%	11.11%	14.29%	11.11%	42.86%	14.29%	16.22%	12.07%
Freight	28.13%	47.06%	20.00%	11.11%	28.57%	38.89%	28.57%	28.57%	27.03%	29.31%
Other (please specify)	13.54%	0.00%	0.00%	0.00%	42.86%	27.78%	14.29%	14.29%	10.81%	15.52%

### 17. DOES YOUR COMPANY WRITE OFF DEDUCTIONS UNDER A SPECIFIC DOLLAR AMOUNT AT CASH APPLICATION?

	All Respondents	Apparel, Footwear, & Accessories	Const. Equip., Plumbing/HVAC, Rubber & Plastics, Steel, Coal, Oil	Const. / Bldg. Suppl. & Mat., Paints, Chem., Lighting / Elect., Vehicles & Parts	Cons. Electronics, Computer HW / SW, Toys, Games, Sporting Goods	Food, Beverage, & Grocery Products	Home Furnishings, Fixtures, Housewares & Accessories	Tools, Hardware & Accessories, Lawn & Garden Equipment	fgRevenue <= \$500 million	Revenue > \$500 million
Yes	72.63%	56.25%	60.00%	61.11%	85.71%	88.89%	71.43%	85.71%	69.44%	74.14%
No	12.63%	25.00%	20.00%	16.67%	14.29%	0.00%	0.00%	0.00%	8.33%	15.52%
Depends upon type of deduction	14.74%	18.75%	20.00%	22.22%	0.00%	11.11%	28.57%	14.29%	22.22%	10.34%

### 18. IF YOU ANSWERED "YES" TO THE QUESTION ABOVE, WHAT IS YOUR AUTO-WRITE-OFF TOLERANCE?

	All Respondents	Apparel, Footwear, & Accessories	Const. Equip., Plumbing/HVAC, Rubber & Plastics, Steel, Coal, Oil	Const. / Bldg. Suppl. & Mat., Paints, Chem., Lighting / Elect., Vehicles & Parts	Cons. Electronics, Computer HW / SW, Toys, Games, Sporting Goods	Food, Beverage, & Grocery Products	Home Furnishings, Fixtures, Housewares & Accessories	Tools, Hardware & Accessories, Lawn & Garden Equipment	fgRevenue <= \$500 million	Revenue > \$500 million
Less than \$10	20.25%	8.33%	100.00%	23.08%	16.67%	11.11%	0.00%	16.67%	32.26%	12.77%
\$10 to \$25	20.25%	33.33%	0.00%	30.77%	50.00%	5.56%	16.67%	0.00%	29.03%	14.89%
\$25.01 to \$50	10.13%	16.67%	0.00%	7.69%	16.67%	5.56%	16.67%	16.67%	3.23%	14.89%
\$50.01 to \$100	25.32%	25.00%	0.00%	23.08%	16.67%	33.33%	50.00%	16.67%	32.26%	21.28%
\$100.01 to \$250	16.46%	8.33%	0.00%	7.69%	0.00%	38.89%	0.00%	16.67%	3.23%	23.40%
\$250.01 to \$500	7.59%	8.33%	0.00%	7.69%	0.00%	5.56%	16.67%	33.33%	0.00%	12.77%
Greater than \$500	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

### 19. WHAT % OF TOTAL DEDUCTION DOLLARS ARE AUTOMATICALLY WRITTEN OFF?

	All Respondents	Apparel, Footwear, & Accessories	Const. Equip., Plumbing/HVAC, Rubber & Plastics, Steel, Coal, Oil	Const. / Bldg. Suppl. & Mat., Paints, Chem., Lighting / Elect., Vehicles & Parts	Cons. Electronics, Computer HW / SW, Toys, Games, Sporting Goods	Food, Beverage, & Grocery Products	Home Furnishings, Fixtures, Housewares & Accessories	Tools, Hardware & Accessories, Lawn & Garden Equipment	fgRevenue <= \$500 million	Revenue > \$500 million
Less than 0.5%	55.17%	56.25%	60.00%	53.33%	85.71%	35.29%	57.14%	57.14%	52.94%	55.77%
0.6 – 1%	26.44%	18.75%	40.00%	40.00%	14.29%	29.41%	14.29%	14.29%	32.35%	23.08%
1.1 – 3%	9.20%	6.25%	0.00%	0.00%	0.00%	23.53%	28.57%	14.29%	5.88%	11.54%
3.1 – 5%	4.60%	6.25%	0.00%	6.67%	0.00%	11.76%	0.00%	0.00%	2.94%	5.77%
5.1 – 10%	2.30%	6.25%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.94%	1.92%
Greater than 10%	2.30%	6.25%	0.00%	0.00%	0.00%	0.00%	0.00%	14.29%	2.94%	1.92%

### 20. HAS YOUR COMPANY ESTABLISHED A SEPARATE VENDOR COMPLIANCE GROUP WITH PRIMARY RESPONSIBILITY FOR DEDUCTION PREVENTION, RESOLUTION AND RECOVERY?

	All Respondents	Apparel, Footwear, & Accessories	Const. Equip., Plumbing/HVAC, Rubber & Plastics, Steel, Coal, Oil	Const. / Bldg. Suppl. & Mat., Paints, Chem., Lighting / Elect., Vehicles & Parts	Cons. Electronics, Computer HW / SW, Toys, Games, Sporting Goods	Food, Beverage, & Grocery Products	Home Furnishings, Fixtures, Housewares & Accessories	Tools, Hardware & Accessories, Lawn & Garden Equipment	fgRevenue <= \$500 million	Revenue > \$500 million
Yes	31.25%	70.59%	0.00%	22.22%	42.86%	22.22%	28.57%	28.57%	29.73%	31.03%
No	65.63%	29.41%	100.00%	72.22%	57.14%	72.22%	71.43%	71.43%	67.57%	65.52%
Not sure	3.13%	0.00%	0.00%	5.56%	0.00%	5.56%	0.00%	0.00%	2.70%	3.45%

... **73%** of companies reported having an auto write-off tolerance ...

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

Annual Sales	Median Auto Write-Off Amount
≤ \$500 mill	\$10 – \$25
> \$500 mill	\$50.01 – \$100

## Survey Data by Industry & Size

	All Respondents		Apparel, Footwear, & Accessories	Const. Equip., Plumbing/HVAC, Rubber & Plastics, Steel, Coal, Oil	Const. / Bldg. Suppl. & Mat., Paints, Chem., Lighting / Elect., Vehicles & Parts	Cons. Electronics, Computer HW / SW Toys, Games, Sporting Goods	Food, Beverage, & Grocery Products	Home Furnishings, Fixtures, Housewares & Accessories	Tools, Hardware & Accessories, Lawn & Garden Equipment	fgRevenue <= \$500 million	Revenue > \$500 million
<b>21. IF YOU ANSWERED "YES" TO THE QUESTION ABOVE, WHO DOES THIS VENDOR COMPLIANCE GROUP REPORT TO?</b>											
Finance	12.20%		0.00%	0.00%	0.00%	33.33%	14.29%	100.00%	0.00%	6.25%	16.67%
Operations/Logistics	36.59%		50.00%	50.00%	40.00%	0.00%	42.86%	0.00%	33.33%	43.75%	33.33%
Sales/Marketing	4.88%		0.00%	0.00%	0.00%	33.33%	14.29%	0.00%	0.00%	6.25%	4.17%
Customer Service	17.07%		35.71%	0.00%	40.00%	0.00%	0.00%	0.00%	0.00%	12.50%	20.83%
Other (please specify)	29.27%		14.29%	50.00%	20.00%	33.33%	28.57%	0.00%	66.67%	31.25%	25.00%
<b>22. WHAT IS YOUR BIGGEST INTERNAL CHALLENGE WHEN TRYING TO CONTROL DEDUCTIONS?</b>											
Senior management buy-in	2.08%		5.88%	0.00%	0.00%	0.00%	5.56%	0.00%	0.00%	2.70%	1.72%
Cross-departmental cooperation	30.21%		17.65%	40.00%	33.33%	28.57%	27.78%	28.57%	28.57%	27.03%	32.76%
Lack of resources	28.13%		11.76%	0.00%	38.89%	28.57%	27.78%	14.29%	71.43%	35.14%	22.41%
Timely access to information	14.58%		29.41%	0.00%	5.56%	0.00%	22.22%	28.57%	0.00%	13.51%	15.52%
Inefficient Processes	18.75%		29.41%	60.00%	16.67%	14.29%	11.11%	28.57%	0.00%	13.51%	22.41%
Other (please specify)	6.25%		5.88%	0.00%	5.56%	28.57%	5.56%	0.00%	0.00%	8.11%	5.17%
<b>23. HOW DO YOU MANAGE CUSTOMER COMPLIANCE REQUIREMENTS?</b>											
We don't really have a process	12.50%		0.00%	20.00%	27.78%	14.29%	11.11%	0.00%	28.57%	10.81%	12.07%
Our review is usually triggered by receiving deductions and is mostly an individual effort	45.83%		29.41%	60.00%	50.00%	42.86%	55.56%	57.14%	71.43%	48.65%	44.83%
We have a formal defined process in place to routinely review requirements and changes	27.08%		35.29%	0.00%	16.67%	14.29%	27.78%	42.86%	0.00%	29.73%	25.86%
We have a defined process in place and collaborate with our key customers on changes or new initiatives	14.58%		35.29%	20.00%	5.56%	28.57%	5.56%	0.00%	0.00%	10.81%	17.24%
<b>24. HOW WOULD YOU DESCRIBE YOUR COMPANY'S CROSS-FUNCTIONAL COMMUNICATION AND COLLABORATION?</b>											
No cross-functional communication – limited accountability outside of finance	8.33%		11.76%	20.00%	5.56%	0.00%	5.56%	0.00%	14.29%	18.92%	1.72%
Cross-functional communication regarding deductions is typically limited to "fire-fighting"	41.67%		17.65%	60.00%	55.56%	57.14%	38.89%	71.43%	42.86%	37.84%	43.10%
Routine cross-functional meetings to discuss deductions	21.88%		17.65%	20.00%	16.67%	0.00%	33.33%	0.00%	14.29%	13.51%	27.59%
Teams actively work to continuously improve deduction performance	28.13%		52.94%	0.00%	22.22%	42.86%	22.22%	28.57%	28.57%	29.73%	27.59%
<b>25. HOW WOULD YOU DESCRIBE YOUR PROCESS FOR MANAGING DEDUCTIONS?</b>											
No consistent process – large backlog, high write-off %	5.21%		0.00%	20.00%	11.11%	0.00%	0.00%	0.00%	14.29%	5.41%	5.17%
Process triggered when deduction is received – most research manual	54.17%		35.29%	80.00%	50.00%	28.57%	55.56%	85.71%	71.43%	56.76%	51.72%

... **37%** of companies with separate compliance groups report that these groups report up through Operations / Logistics ...

... **30%** of responding companies report cross-functional cooperation as the biggest internal challenge in controlling deductions ...



## Survey Data by Industry & Size

	All Respondents		Apparel, Footwear, & Accessories	Const. Equip., Plumbing/HVAC, Rubber & Plastics, Steel, Coal, Oil	Const. / Bldg. Suppl. & Mat., Paints, Chem., Lighting / Elect., Vehicles & Parts	Cons. Electronics, Computer HW / SW Toys, Games, Sporting Goods	Food, Beverage, & Grocery Products	Home Furnishings, Fixtures, Housewares & Accessories	Tools, Hardware & Accessories, Lawn & Garden Equipment	fgRevenue <= \$500 million	Revenue > \$500 million
<b>25. (continued)</b>											
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	25.00%		41.18%	0.00%	16.67%	57.14%	33.33%	0.00%	14.29%	18.92%	29.31%
Primary focus is on early detection and prevention. Invalid deductions are typically recovered / reversed	15.63%		23.53%	0.00%	22.22%	14.29%	11.11%	14.29%	0.00%	18.92%	13.79%
<b>26. WHAT KIND OF TECHNOLOGY DO YOU USE TO MANAGE DEDUCTIONS?</b>											
Not a lot – report through Excel	25.00%		29.41%	100.00%	11.11%	42.86%	11.11%	28.57%	0.00%	48.65%	10.34%
Automated system to track deductions (e.g., ERP). Reporting may be done through Excel / Access	44.79%		47.06%	0.00%	50.00%	0.00%	27.78%	71.43%	100.00%	40.54%	46.55%
Automated system to track deductions and some research tasks are automated (e.g., claims aggregation, POD retrieval, returns reconciliations)	19.79%		23.53%	0.00%	22.22%	42.86%	38.89%	0.00%	0.00%	8.11%	27.59%
Systems are automated to take advantage of current technology to reduce manual activities and streamline deduction processing	10.42%		0.00%	0.00%	16.67%	14.29%	22.22%	0.00%	0.00%	2.70%	15.52%
<b>27. OTHER THAN THE SALES/BUYER RELATIONSHIP, WHICH OF THE FOLLOWING BEST DESCRIBES YOUR TRADING PARTNER RELATIONSHIPS?</b>											
Limited communication – usually via email requesting supporting documentation or payback / reversal on invalid deductions	27.66%		29.41%	20.00%	35.29%	28.57%	11.11%	14.29%	28.57%	30.56%	26.32%
Usually communicate only if there is a deduction or a problem	48.94%		35.29%	80.00%	41.18%	42.86%	66.67%	71.43%	42.86%	58.33%	42.11%
Meet with key customers periodically to review performance. Proactively call customers if there is a problem prior to deduction being taken	18.09%		23.53%	0.00%	11.76%	28.57%	16.67%	14.29%	28.57%	8.33%	24.56%
Routine cross-functional calls / meetings with key customers to collaborate on performance issues or upcoming initiatives. Have usually met requirements to become “Certified Vendor”	5.32%		11.76%	0.00%	11.76%	0.00%	5.56%	0.00%	0.00%	2.78%	7.02%
<b>28. HOW DOES YOUR COMPANY MANAGE TRADE PROMOTIONS?</b>											
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	3.41%		0.00%	20.00%	6.67%	0.00%	0.00%	14.29%	0.00%	3.13%	3.64%
Major deals are documented / communicated. We still have to frequently “chase” Sales for approval after a deduction is received	50.00%		35.29%	60.00%	46.67%	42.86%	50.00%	14.29%	100.00%	50.00%	49.09%
Most deals are documented / communicated. Some deductions can be matched and cleared during cash application, however validation is still a manual process	34.09%		58.82%	0.00%	33.33%	42.86%	37.50%	42.86%	0.00%	31.25%	36.36%
Deals are documented / communicated. Most deals are auto-matched during cash application and validation is automated	12.50%		5.88%	20.00%	13.33%	14.29%	12.50%	28.57%	0.00%	15.63%	10.91%

## Survey Data by Industry & Size

All Respondents	Apparel, Footwear, & Accessories	Const. Equip., Plumbing/HVAC, Rubber & Plastics, Steel, Coal, Oil	Const. / Bldg. Suppl. & Mat., Paints, Chem., Lighting / Elect., Vehicles & Parts	Cons. Electronics, Computer HW / SW Toys, Games, Sporting Goods	Food, Beverage, & Grocery Products	Home Furnishings, Fixtures, Housewares & Accessories	Tools, Hardware & Accessories, Lawn & Garden Equipment	fgRevenue <= \$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.)

	All Respondents	Apparel, Footwear, & Accessories	Const. Equip., Plumbing/HVAC, Rubber & Plastics, Steel, Coal, Oil	Const. / Bldg. Suppl. & Mat., Paints, Chem., Lighting / Elect., Vehicles & Parts	Cons. Electronics, Computer HW / SW Toys, Games, Sporting Goods	Food, Beverage, & Grocery Products	Home Furnishings, Fixtures, Housewares & Accessories	Tools, Hardware & Accessories, Lawn & Garden Equipment	fgRevenue <= \$500 million	Revenue > \$500 million
Advertising, promotional and rebate claims (coupons, deals, etc.)	39.47%	14.29%	0.00%	25.00%	42.86%	80.00%	20.00%	71.43%	25.81%	47.73%
Allowances and discounts (excluding markdown allowances, but including cash discounts)	34.21%	35.71%	33.33%	16.67%	42.86%	40.00%	20.00%	42.86%	35.48%	34.09%
Damaged / unsaleable	21.05%	0.00%	0.00%	25.00%	42.86%	26.67%	20.00%	0.00%	22.58%	20.45%
Early / Late delivery	13.16%	21.43%	0.00%	8.33%	14.29%	26.67%	0.00%	14.29%	12.90%	11.36%
EDI deductions (e.g., ASN errors)	9.21%	21.43%	0.00%	0.00%	14.29%	0.00%	20.00%	0.00%	16.13%	4.55%
Fill Rate	11.84%	21.43%	0.00%	8.33%	0.00%	26.67%	20.00%	0.00%	9.68%	13.64%
Labeling and ticketing (carton and/or product)	6.58%	14.29%	0.00%	8.33%	0.00%	0.00%	20.00%	14.29%	9.68%	4.55%
Markdown allowance claims	2.63%	7.14%	0.00%	8.33%	0.00%	0.00%	0.00%	0.00%	6.45%	0.00%
Pricing	36.84%	42.86%	33.33%	50.00%	14.29%	13.33%	20.00%	28.57%	41.94%	34.09%
Non quality-related returns or refused merchandise	11.84%	14.29%	66.67%	16.67%	14.29%	6.67%	0.00%	0.00%	9.68%	13.64%
Transportation, freight or routing disputes	22.37%	42.86%	0.00%	16.67%	0.00%	6.67%	40.00%	0.00%	32.26%	15.91%
Order entry / billing errors	7.89%	0.00%	33.33%	16.67%	14.29%	0.00%	0.00%	0.00%	9.68%	6.82%
Post audit claims	6.58%	7.14%	0.00%	0.00%	14.29%	6.67%	20.00%	0.00%	9.68%	4.55%
Shortages	67.11%	64.29%	33.33%	66.67%	71.43%	66.67%	100.00%	85.71%	51.61%	77.27%
Taxes billed or unbilled	5.26%	0.00%	33.33%	16.67%	0.00%	0.00%	0.00%	0.00%	6.45%	4.55%
Warranty claims	3.95%	0.00%	33.33%	0.00%	0.00%	0.00%	0.00%	28.57%	6.45%	2.27%
Other (please specify)	6.58%	0.00%	33.33%	8.33%	14.29%	0.00%	0.00%	14.29%	12.90%	2.27%

### Top Deduction Reasons

Rank	# Received	\$ Received
1.	Shortages	Advertising / Promo / Rebate
2.	Advertising / Promo / Rebate	Shortages
3.	Pricing	Allowances / Discounts
4.	Allowances / Discounts	Pricing
5.	Transportation, freight or routing	Damage / Unsaleable

### 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.)

	All Respondents	Apparel, Footwear, & Accessories	Const. Equip., Plumbing/HVAC, Rubber & Plastics, Steel, Coal, Oil	Const. / Bldg. Suppl. & Mat., Paints, Chem., Lighting / Elect., Vehicles & Parts	Cons. Electronics, Computer HW / SW Toys, Games, Sporting Goods	Food, Beverage, & Grocery Products	Home Furnishings, Fixtures, Housewares & Accessories	Tools, Hardware & Accessories, Lawn & Garden Equipment	fgRevenue <= \$500 million	Revenue > \$500 million
Advertising, promotional and rebate claims (coupons, deals, etc.)	55.26%	35.71%	33.33%	50.00%	57.14%	80.00%	60.00%	71.43%	35.48%	68.18%
Allowances and discounts (excluding markdown allowances, but including cash discounts)	38.16%	42.86%	0.00%	25.00%	28.57%	46.67%	60.00%	57.14%	35.48%	40.91%
Damaged / unsaleable	22.37%	0.00%	33.33%	33.33%	28.57%	33.33%	40.00%	0.00%	25.81%	20.45%
Early / Late delivery	11.84%	21.43%	0.00%	16.67%	14.29%	13.33%	0.00%	14.29%	12.90%	9.09%
EDI deductions (e.g., ASN errors)	6.58%	21.43%	0.00%	0.00%	14.29%	0.00%	0.00%	0.00%	9.68%	4.55%
Fill Rate	7.89%	14.29%	0.00%	0.00%	14.29%	13.33%	20.00%	0.00%	9.68%	6.82%
Labeling and ticketing (carton and/or product)	2.63%	7.14%	0.00%	0.00%	0.00%	0.00%	0.00%	14.29%	6.45%	0.00%
Markdown allowance claims	9.21%	7.14%	0.00%	16.67%	14.29%	0.00%	40.00%	0.00%	9.68%	9.09%
Pricing	30.26%	28.57%	66.67%	33.33%	0.00%	20.00%	20.00%	28.57%	38.71%	25.00%
Non quality-related returns or refused merchandise	9.21%	14.29%	33.33%	8.33%	14.29%	6.67%	0.00%	0.00%	6.45%	11.36%
Transportation, freight or routing disputes	17.11%	35.71%	0.00%	8.33%	0.00%	20.00%	0.00%	0.00%	22.58%	13.64%
Order entry / billing errors	6.58%	7.14%	33.33%	8.33%	0.00%	0.00%	0.00%	0.00%	9.68%	4.55%
Post audit claims	6.58%	7.14%	0.00%	0.00%	28.57%	13.33%	0.00%	0.00%	3.23%	9.09%
Shortages	47.37%	64.29%	0.00%	41.67%	42.86%	46.67%	60.00%	71.43%	29.03%	59.09%
Taxes billed or unbilled	3.95%	0.00%	33.33%	8.33%	0.00%	0.00%	0.00%	0.00%	6.45%	2.27%
Warranty claims	5.26%	0.00%	66.67%	0.00%	0.00%	0.00%	0.00%	28.57%	9.68%	2.27%
Other (please specify)	7.89%	0.00%	0.00%	16.67%	14.29%	6.67%	0.00%	14.29%	9.68%	6.82%

## Survey Data by Industry & Size

All Respondents		Apparel, Footwear, & Accessories	Const. Equip., Plumbing/HVAC, Rubber & Plastics, Steel, Coal, Oil	Const. / Bldg. Suppl. & Mat., Paints, Chem., Lighting / Elect., Vehicles & Parts	Cons. Electronics, Computer HW / SW Toys, Games, Sporting Goods	Food, Beverage, & Grocery Products	Home Furnishings, Fixtures, Housewares & Accessories	Tools, Hardware & Accessories, Lawn & Garden Equipment	fgRevenue <= \$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	9.59%		0.00%	0.00%	18.18%	14.29%	6.67%	0.00%	0.00%	10.00%	9.52%
Carton labeling	12.33%		14.29%	33.33%	18.18%	0.00%	0.00%	0.00%	28.57%	16.67%	7.14%
Early / late delivery	45.21%		42.86%	33.33%	36.36%	42.86%	73.33%	20.00%	71.43%	26.67%	57.14%
EDI / ASN errors	34.25%		50.00%	66.67%	18.18%	57.14%	13.33%	40.00%	57.14%	40.00%	30.95%
Fill rate	41.10%		42.86%	0.00%	27.27%	57.14%	73.33%	60.00%	28.57%	33.33%	47.62%
Freight / routing (e.g., incorrect carrier / ship-to location, multiple same day shipments)	31.51%		28.57%	66.67%	45.45%	14.29%	26.67%	40.00%	0.00%	33.33%	30.95%
Product ticketing / labeling	1.37%		0.00%	0.00%	9.09%	0.00%	0.00%	0.00%	0.00%	0.00%	2.38%
Shortages	79.45%		92.86%	100.00%	63.64%	71.43%	86.67%	100.00%	85.71%	73.33%	83.33%
Substitution	4.11%		7.14%	0.00%	0.00%	0.00%	0.00%	40.00%	0.00%	3.33%	4.76%
Other (please specify)	8.22%		7.14%	0.00%	9.09%	0.00%	6.67%	0.00%	0.00%	10.00%	7.14%

### Top Non-Trade Deduction Reasons

Rank	# Received	\$ Received
1.	Shortages	Shortages
2.	Early / late delivery	Early / late delivery
3.	Fill Rate	Fill Rate
4.	EDI / ASN errors	Transportation, freight or routing
5.	Transportation, freight or routing	EDI / ASN errors

### 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	10.96%		0.00%	33.33%	18.18%	14.29%	0.00%	20.00%	0.00%	13.33%	9.52%
Carton labeling	9.59%		14.29%	0.00%	9.09%	0.00%	0.00%	0.00%	42.86%	13.33%	4.76%
Early / late delivery	45.21%		42.86%	33.33%	45.45%	42.86%	73.33%	20.00%	57.14%	26.67%	57.14%
EDI / ASN errors	27.40%		35.71%	66.67%	18.18%	42.86%	13.33%	40.00%	42.86%	36.67%	21.43%
Fill rate	41.10%		50.00%	0.00%	18.18%	57.14%	73.33%	60.00%	28.57%	30.00%	50.00%
Freight / routing (e.g., incorrect carrier / ship-to location, multiple same day shipments)	34.25%		35.71%	66.67%	45.45%	14.29%	33.33%	20.00%	14.29%	33.33%	35.71%
Product ticketing / labeling	2.74%		0.00%	0.00%	9.09%	0.00%	0.00%	0.00%	14.29%	3.33%	2.38%
Shortages	75.34%		78.57%	66.67%	54.55%	85.71%	86.67%	100.00%	71.43%	63.33%	83.33%
Substitution	5.48%		14.29%	0.00%	0.00%	0.00%	0.00%	40.00%	0.00%	3.33%	7.14%
Other (please specify)	6.85%		0.00%	0.00%	9.09%	0.00%	6.67%	0.00%	0.00%	6.67%	7.14%

### 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%	19.18%		30.77%	33.33%	33.33%	0.00%	7.14%	0.00%	33.33%	25.00%	15.91%
1.1 – 5%	30.14%		23.08%	33.33%	0.00%	42.86%	57.14%	20.00%	33.33%	28.57%	29.55%
5.1 – 10%	10.96%		0.00%	0.00%	16.67%	14.29%	21.43%	20.00%	16.67%	3.57%	15.91%
10.1 – 15%	9.59%		7.69%	0.00%	16.67%	0.00%	7.14%	20.00%	0.00%	0.00%	15.91%

## Survey Data by Industry & Size

	All Respondents		Apparel, Footwear, & Accessories	Const. Equip., Plumbing/HVAC, Rubber & Plastics, Steel, Coal, Oil	Const. / Bldg. Suppl. & Mat., Paints, Chem., Lighting / Elect., Vehicles & Parts	Cons. Electronics, Computer HW / SW Toys, Games, Sporting Goods	Food, Beverage, & Grocery Products	Home Furnishings, Fixtures, Housewares & Accessories	Tools, Hardware & Accessories, Lawn & Garden Equipment	fgRevenue <= \$500 million	Revenue > \$500 million
<b>33. (continued)</b>											
15.1 – 20%	8.22%		7.69%	0.00%	8.33%	14.29%	0.00%	0.00%	16.67%	10.71%	6.82%
20.1 – 30%	9.59%		7.69%	33.33%	0.00%	14.29%	7.14%	20.00%	0.00%	17.86%	4.55%
30.1 – 40%	5.48%		15.38%	0.00%	8.33%	14.29%	0.00%	0.00%	0.00%	7.14%	4.55%
40.1 – 50%	2.74%		0.00%	0.00%	0.00%	0.00%	0.00%	20.00%	0.00%	3.57%	2.27%
Greater than 50%	4.11%		7.69%	0.00%	16.67%	0.00%	0.00%	0.00%	0.00%	3.57%	4.55%

<b>34. WHAT PERCENT OF DEDUCTION DOLLARS THAT ARE INVALID OR DISALLOWED ABOVE ARE ULTIMATELY RECOVERED / REVERSED FROM YOUR CUSTOMERS?</b>											
100%	2.70%		7.69%	0.00%	0.00%	0.00%	0.00%	0.00%	16.67%	3.45%	2.27%
90%	16.22%		0.00%	33.33%	25.00%	14.29%	6.67%	40.00%	16.67%	31.03%	6.82%
80%	17.57%		0.00%	0.00%	41.67%	14.29%	20.00%	20.00%	0.00%	10.34%	22.73%
70%	4.05%		15.38%	0.00%	0.00%	14.29%	0.00%	0.00%	0.00%	10.34%	0.00%
60%	10.81%		0.00%	0.00%	8.33%	0.00%	33.33%	20.00%	0.00%	6.90%	13.64%
50%	12.16%		15.38%	33.33%	0.00%	14.29%	6.67%	0.00%	16.67%	17.24%	6.82%
40%	6.76%		7.69%	0.00%	8.33%	0.00%	6.67%	20.00%	0.00%	0.00%	11.36%
30%	2.70%		7.69%	0.00%	8.33%	0.00%	0.00%	0.00%	0.00%	3.45%	2.27%
20%	8.11%		7.69%	33.33%	8.33%	14.29%	6.67%	0.00%	16.67%	6.90%	9.09%
10%	12.16%		30.77%	0.00%	0.00%	28.57%	6.67%	0.00%	16.67%	6.90%	15.91%
Less than 10%	6.76%		7.69%	0.00%	0.00%	0.00%	13.33%	0.00%	16.67%	3.45%	9.09%

<b>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.)</b>											
Less than .5%	26.39%		9.09%	33.33%	58.33%	14.29%	14.29%	0.00%	14.29%	48.28%	11.90%
.5 - 1%	13.89%		27.27%	66.67%	16.67%	0.00%	0.00%	20.00%	14.29%	17.24%	11.90%
1.1 – 3%	16.67%		27.27%	0.00%	16.67%	28.57%	7.14%	40.00%	14.29%	10.34%	19.05%
3.1 – 5%	11.11%		9.09%	0.00%	8.33%	0.00%	21.43%	20.00%	14.29%	6.90%	14.29%
5.1 – 10%	20.83%		27.27%	0.00%	0.00%	42.86%	35.71%	20.00%	14.29%	13.79%	26.19%
Greater than 10%	11.11%		0.00%	0.00%	0.00%	14.29%	21.43%	0.00%	28.57%	3.45%	16.67%

<b>36. ON AVERAGE, WHAT PERCENT OF YOUR OPEN DEDUCTION DOLLARS ARE &gt; 90 DAYS OUTSTANDING?</b>											
Less than 10%	36.49%		21.43%	33.33%	33.33%	14.29%	57.14%	20.00%	42.86%	40.00%	34.88%
10%	6.76%		7.14%	66.67%	8.33%	14.29%	0.00%	0.00%	0.00%	16.67%	0.00%
20%	13.51%		21.43%	0.00%	0.00%	14.29%	28.57%	20.00%	14.29%	6.67%	16.28%
30%	18.92%		14.29%	0.00%	16.67%	28.57%	14.29%	20.00%	28.57%	20.00%	18.60%
40%	8.11%		14.29%	0.00%	16.67%	14.29%	0.00%	0.00%	0.00%	6.67%	9.30%
50%	9.46%		21.43%	0.00%	8.33%	0.00%	0.00%	20.00%	0.00%	10.00%	9.30%
Greater than 50%	6.76%		0.00%	0.00%	16.67%	14.29%	0.00%	20.00%	14.29%	0.00%	11.63%

... The median percent of invalid deductions received remained steady from the 2018 survey at **5.1-10%**, as did the recovery amount of **60%** ...

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

Annual Sales	Median Deductions % of AR
≤ \$500 mill	½ – 1%
> \$500 mill	3.1 – 5%

## Survey Data by Industry & Size

	All Respondents		Apparel, Footwear, & Accessories	Const. Equip., Plumbing/HVAC, Rubber & Plastics, Steel, Coal, Oil	Const. / Bldg. Suppl. & Mat., Paints, Chem., Lighting / Elect., Vehicles & Parts	Cons. Electronics, Computer HW / SW Toys, Games, Sporting Goods	Food, Beverage, & Grocery Products	Home Furnishings, Fixtures, Housewares & Accessories	Tools, Hardware & Accessories, Lawn & Garden Equipment	fgRevenue <= \$500 million	Revenue > \$500 million
<b>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.)</b>											
Less than .25%	30.00%		7.69%	66.67%	54.55%	14.29%	30.77%	20.00%	14.29%	46.43%	19.51%
.25% - .5%	17.14%		30.77%	33.33%	18.18%	14.29%	0.00%	20.00%	28.57%	10.71%	21.95%
.5% - 1%	20.00%		30.77%	0.00%	18.18%	28.57%	23.08%	20.00%	0.00%	17.86%	21.95%
1.1% – 2%	7.14%		7.69%	0.00%	9.09%	0.00%	7.69%	0.00%	0.00%	7.14%	7.32%
2.1% – 3%	7.14%		7.69%	0.00%	0.00%	0.00%	0.00%	20.00%	28.57%	3.57%	9.76%
3.1% – 5%	12.86%		7.69%	0.00%	0.00%	14.29%	30.77%	20.00%	28.57%	10.71%	12.20%
5.1% – 10%	5.71%		7.69%	0.00%	0.00%	28.57%	7.69%	0.00%	0.00%	3.57%	7.32%
Greater than 10%	0.00%		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

	All Respondents		Apparel, Footwear, & Accessories	Const. Equip., Plumbing/HVAC, Rubber & Plastics, Steel, Coal, Oil	Const. / Bldg. Suppl. & Mat., Paints, Chem., Lighting / Elect., Vehicles & Parts	Cons. Electronics, Computer HW / SW Toys, Games, Sporting Goods	Food, Beverage, & Grocery Products	Home Furnishings, Fixtures, Housewares & Accessories	Tools, Hardware & Accessories, Lawn & Garden Equipment	fgRevenue <= \$500 million	Revenue > \$500 million
<b>38. SHORTAGE DEDUCTIONS (FULL CARTON &amp; 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)</b>											
Less than 10%	50.70%		46.15%	100.00%	63.64%	42.86%	28.57%	60.00%	28.57%	75.00%	35.71%
10 – 20%	11.27%		0.00%	0.00%	18.18%	0.00%	21.43%	0.00%	28.57%	0.00%	16.67%
21 – 30%	11.27%		7.69%	0.00%	9.09%	14.29%	21.43%	20.00%	0.00%	7.14%	14.29%
31 – 40%	14.08%		23.08%	0.00%	0.00%	28.57%	14.29%	20.00%	28.57%	7.14%	19.05%
41 – 50%	4.23%		0.00%	0.00%	0.00%	0.00%	14.29%	0.00%	0.00%	3.57%	4.76%
51 – 60%	2.82%		0.00%	0.00%	9.09%	0.00%	0.00%	0.00%	14.29%	3.57%	2.38%
61 – 70%	2.82%		15.38%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.57%	2.38%
More than 70%	2.82%		7.69%	0.00%	0.00%	14.29%	0.00%	0.00%	0.00%	0.00%	4.76%

	All Respondents		Apparel, Footwear, & Accessories	Const. Equip., Plumbing/HVAC, Rubber & Plastics, Steel, Coal, Oil	Const. / Bldg. Suppl. & Mat., Paints, Chem., Lighting / Elect., Vehicles & Parts	Cons. Electronics, Computer HW / SW Toys, Games, Sporting Goods	Food, Beverage, & Grocery Products	Home Furnishings, Fixtures, Housewares & Accessories	Tools, Hardware & Accessories, Lawn & Garden Equipment	fgRevenue <= \$500 million	Revenue > \$500 million
<b>39. PLEASE CALCULATE YOUR DAYS DEDUCTIONS OUTSTANDING (DDO) AND ENTER IT BELOW. DDO IS CALCULATED AS AVERAGE OPEN DEDUCTION \$ / (ANNUAL DEDUCTION \$ CREATED / 360)</b>											
Days	39						Not enough data to accurately report by industry			40	39

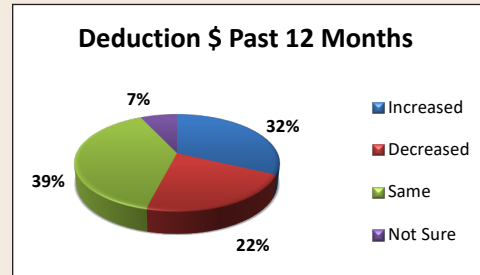
	All Respondents		Apparel, Footwear, & Accessories	Const. Equip., Plumbing/HVAC, Rubber & Plastics, Steel, Coal, Oil	Const. / Bldg. Suppl. & Mat., Paints, Chem., Lighting / Elect., Vehicles & Parts	Cons. Electronics, Computer HW / SW Toys, Games, Sporting Goods	Food, Beverage, & Grocery Products	Home Furnishings, Fixtures, Housewares & Accessories	Tools, Hardware & Accessories, Lawn & Garden Equipment	fgRevenue <= \$500 million	Revenue > \$500 million
<b>40. WHAT METRICS DO YOU TRACK AT A KPI LEVEL TO MEASURE DEDUCTION MANAGEMENT PERFORMANCE? (Check all that apply)</b>											
DDO	21.13%		16.67%	33.33%	18.18%	0.00%	40.00%	0.00%	14.29%	6.90%	31.71%
Open deduction \$ as a % of AR	46.48%		58.33%	0.00%	36.36%	57.14%	66.67%	50.00%	14.29%	27.59%	58.54%
Open deductions > 90 days old	52.11%		50.00%	0.00%	45.45%	71.43%	73.33%	25.00%	28.57%	24.14%	73.17%
Total deduction \$ received	42.25%		66.67%	0.00%	36.36%	28.57%	66.67%	50.00%	28.57%	24.14%	56.10%
Reduction recovery	18.31%		16.67%	0.00%	18.18%	14.29%	33.33%	25.00%	14.29%	17.24%	19.51%
We are not actively tracking any deduction metrics	23.94%		16.67%	66.67%	27.27%	14.29%	6.67%	25.00%	42.86%	48.28%	7.32%
Other (please specify)	5.63%		0.00%	0.00%	18.18%	0.00%	6.67%	0.00%	0.00%	3.45%	7.32%

... The median percent of non-trade deductions as % of sales across all respondents is **½ - 1%** ...

### ... Top Deduction Metrics Tracked

1. Open deductions > 90 days old
2. Open deduction \$ as % of AR
3. Total deduction \$ received ...

## Survey Data by Industry & Size



... **36%** of responding companies reported that they did not notice any changes in the types of deductions received due to COVID-19 ...

... **53%** of respondents said longer turnaround time was the biggest challenge they faced with deductions as a result of COVID-19 ...

All Respondents	Apparel, Footwear, & Accessories	Const. Equip., Plumbing/HVAC, Rubber & Plastics, Steel, Coal, Oil	Const. / Bldg. Suppl. & Mat., Paints, Chem., Lighting / Elect., Vehicles & Parts	Cons. Electronics, Computer HW / SW	Toys, Games, Sporting Goods	Food, Beverage, & Grocery Products	Home Furnishings, Fixtures, Housewares & Accessories	Tools, Hardware & Accessories, Lawn & Garden Equipment	fgRevenue <= \$500 million	Revenue > \$500 million
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### 41. 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	31.94%	30.77%	0.00%	25.00%	42.86%	21.43%	80.00%	66.67%	17.24%	40.48%
Decreased	22.22%	30.77%	0.00%	25.00%	14.29%	42.86%	20.00%	16.67%	17.24%	26.19%
Stayed the same	38.89%	38.46%	66.67%	41.67%	42.86%	35.71%	0.00%	16.67%	55.17%	28.57%
Not sure	6.94%	0.00%	33.33%	8.33%	0.00%	0.00%	0.00%	0.00%	10.34%	4.76%

### 42. HAVE YOU NOTICED ANY CHANGE IN THE TYPES OF DEDUCTIONS YOU HAVE RECEIVED IN THE MOST RECENT CALENDAR OR FISCAL YEAR DUE TO COVID-19?

Yes, less non-trade deductions and more trade deductions	5.33%	7.14%	0.00%	8.33%	0.00%	6.67%	0.00%	14.29%	3.23%	6.98%
Yes, less trade deductions and more non-trade deductions	10.67%	7.14%	0.00%	0.00%	14.29%	26.67%	20.00%	0.00%	6.45%	13.95%
Yes, more of ALL types of deductions	18.67%	14.29%	0.00%	16.67%	42.86%	13.33%	40.00%	28.57%	16.13%	20.93%
New compliance rules or deduction types being created	13.33%	14.29%	0.00%	8.33%	14.29%	20.00%	20.00%	14.29%	6.45%	16.28%
Have not noticed any changes	36.00%	28.57%	100.00%	50.00%	28.57%	20.00%	20.00%	28.57%	54.84%	23.26%
Not sure	16.00%	28.57%	0.00%	16.67%	0.00%	13.33%	0.00%	14.29%	12.90%	18.60%

### 43. WHAT IS THE BIGGEST CHALLENGE YOU HAVE FACED WITH DEDUCTIONS AS A RESULT OF COVID-19?

No supporting documentation	10.81%	0.00%	33.33%	27.27%	28.57%	13.33%	0.00%	0.00%	12.90%	9.52%
Longer turnaround time	52.70%	64.29%	66.67%	36.36%	28.57%	60.00%	60.00%	42.86%	51.61%	54.76%
Our disputes are all denied / customers are less likely to work with us	8.11%	21.43%	0.00%	0.00%	0.00%	6.67%	0.00%	0.00%	12.90%	4.76%
Larger volume of deductions	18.92%	14.29%	0.00%	18.18%	28.57%	13.33%	40.00%	57.14%	16.13%	19.05%
Hard to process deductions remotely (e.g., backup is in the office)	4.05%	0.00%	0.00%	9.09%	0.00%	0.00%	0.00%	0.00%	6.45%	2.38%
Other (please describe)	5.41%	0.00%	0.00%	9.09%	14.29%	6.67%	0.00%	0.00%	0.00%	9.52%

### 44. 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	73.33%	73.33%	78.57%	88.24%	78.57%	76.19%	77.78%	85.71%	78.75%	81.25%
Implemented / strengthened cross-functional teams	54.67%	54.67%	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	20.00%	20.00%	28.57%	41.18%	35.71%	23.81%	33.33%	28.57%	25.00%	33.75%
Made sales / other departments responsible and accountable	41.33%	41.33%	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	16.00%	16.00%	28.57%	29.41%	14.29%	4.76%	0.00%	14.29%	17.50%	20.00%
Improved / implemented deduction reporting	25.33%	25.33%	21.43%	23.53%	7.14%	33.33%	44.44%	42.86%	20.00%	35.00%
Implemented software solution	10.67%	10.67%	0.00%	17.65%	14.29%	38.10%	0.00%	0.00%	3.75%	17.50%
Utilized 3rd party service provider	1.33%	1.33%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.50%
Not sure	10.67%	10.67%	7.14%	0.00%	14.29%	14.29%	0.00%	0.00%	5.00%	5.00%
Other (please specify)	0.00%	0.00%	14.29%	0.00%	0.00%	0.00%	0.00%	0.00%	3.75%	1.25%

## Survey Data by Industry & Size

	All Respondents		Apparel, Footwear, & Accessories	Const. Equip., Plumbing/HVAC, Rubber & Plastics, Steel, Coal, Oil	Const. / Bldg. Suppl. & Mat., Paints, Chem., Lighting / Elect., Vehicles & Parts	Cons. Electronics, Computer HW / SW Toys, Games, Sporting Goods	Food, Beverage, & Grocery Products	Home Furnishings, Fixtures, Housewares & Accessories	Tools, Hardware & Accessories, Lawn & Garden Equipment	fgRevenue <= \$500 million	Revenue > \$500 million
<b>45. 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.)</b>											
Implemented / strengthened cross-functional teams	49.33%		69.23%	33.33%	33.33%	71.43%	53.33%	40.00%	14.29%	43.33%	54.55%
Better managed retailer's compliance information	18.67%		46.15%	0.00%	16.67%	14.29%	6.67%	60.00%	14.29%	16.67%	18.18%
Better communicated our policies with customers (e.g., pricing changes, terms) or simplified promotions / deals	14.67%		23.08%	0.00%	8.33%	28.57%	26.67%	0.00%	0.00%	6.67%	20.45%
Involved other departments in customer onboarding and/or deal/promotion preparation to identify potential issues which could lead to deductions	20.00%		46.15%	0.00%	16.67%	14.29%	13.33%	20.00%	28.57%	20.00%	18.18%
Focused on improving order accuracy (e.g., order entry, invoicing)	32.00%		23.08%	66.67%	58.33%	0.00%	33.33%	20.00%	28.57%	43.33%	25.00%
Made sales / other departments responsible and accountable	28.00%		7.69%	0.00%	33.33%	28.57%	20.00%	0.00%	71.43%	26.67%	29.55%
Improved relationship with customer through face-to-face meetings or calls	14.67%		15.38%	33.33%	0.00%	0.00%	6.67%	60.00%	28.57%	13.33%	15.91%
Performed root cause analysis to understand underlying reason for deductions	45.33%		53.85%	33.33%	33.33%	14.29%	40.00%	60.00%	71.43%	43.33%	45.45%
Improved / implemented deduction reporting	16.00%		7.69%	0.00%	25.00%	0.00%	26.67%	0.00%	28.57%	6.67%	22.73%
Implemented software solution	5.33%		0.00%	0.00%	0.00%	28.57%	6.67%	20.00%	0.00%	3.33%	6.82%
Not sure	9.33%		7.69%	33.33%	16.67%	14.29%	13.33%	0.00%	0.00%	10.00%	9.09%
Other (please specify)	1.33%		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.33%	0.00%
<b>46. HAVE YOU ENCOUNTERED AN INCREASE, DECREASE OR NO CHANGE IN POST AUDIT CLAIMS OVER THE LAST 12 MONTHS?</b>											
Increase	14.67%		21.43%	0.00%	9.09%	28.57%	20.00%	20.00%	14.29%	10.00%	18.18%
Decrease	13.33%		21.43%	33.33%	9.09%	0.00%	13.33%	40.00%	0.00%	26.67%	4.55%
No change	72.00%		57.14%	66.67%	81.82%	71.43%	66.67%	40.00%	85.71%	63.33%	77.27%
<b>47. BASED ON YOUR EXPERIENCE, WOULD YOU AGREE THAT MOST POST AUDITS ARE TAKEN WITHIN 2 YEARS OF THE SHIPMENT DATE?</b>											
Yes, most audits are taken within 2 years of the shipment date	69.33%		85.71%	0.00%	36.36%	85.71%	93.33%	100.00%	57.14%	70.00%	68.18%
No, most audits are not taken within 2 years of the shipment date	14.67%		7.14%	66.67%	0.00%	14.29%	6.67%	0.00%	28.57%	13.33%	15.91%
Not sure	16.00%		7.14%	33.33%	63.64%	0.00%	0.00%	0.00%	14.29%	16.67%	15.91%
<b>48. PLEASE INDICATE THE SINGLE, MOST IMPORTANT THING YOU BELIEVE YOUR COMPANY HAS DONE THAT HAS PROVEN TO EFFECTIVELY DEAL WITH POST AUDIT CLAIMS.</b>											
Aggressively defend invalid claims	30.67%		35.71%	33.33%	8.33%	57.14%	46.67%	40.00%	0.00%	32.26%	30.23%
Negotiate customer / our own post audit policy as part of initial contract / vendor agreement	2.67%		0.00%	0.00%	8.33%	0.00%	0.00%	0.00%	0.00%	3.23%	2.33%
Improved sales agreement documentation to be more specific and reduce opportunity for misinterpretation+A621	12.00%		0.00%	33.33%	0.00%	28.57%	6.67%	20.00%	14.29%	22.58%	4.65%
Improved document retention / storage so it is easier to find information to support our position.	1.33%		7.14%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.23%	0.00%

... Excluding those who say they are 'not sure', **83%** of respondents agree that most **post audit claims** are taken **within 2 years** ...

## Survey Data by Industry & Size

	All Respondents		Apparel, Footwear, & Accessories	Const. Equip., Plumbing/HVAC, Rubber & Plastics, Steel, Coal, Oil	Const. / Bldg. Suppl. & Mat., Paints, Chem., Lighting / Elect., Vehicles & Parts	Cons. Electronics, Computer HW / SW, Toys, Games, Sporting Goods	Food, Beverage, & Grocery Products	Home Furnishings, Fixtures, Housewares & Accessories	Tools, Hardware & Accessories, Lawn & Garden Equipment	fgRevenue <= \$500 million	Revenue > \$500 million
<b>48. (continued)</b>											
Focused on addressing post audit claims quickly	13.33%		0.00%	0.00%	25.00%	0.00%	20.00%	0.00%	28.57%	6.45%	18.60%
Required supporting documentation from the customer / audit firm and try to put the burden of proof on them	16.00%		28.57%	0.00%	16.67%	0.00%	20.00%	20.00%	28.57%	9.68%	20.93%
Not sure	21.33%		21.43%	33.33%	33.33%	14.29%	6.67%	20.00%	28.57%	19.35%	20.93%
Other (please specify)	2.67%		7.14%	0.00%	8.33%	0.00%	0.00%	0.00%	0.00%	3.23%	2.33%

<b>49. 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.</b>											
1 day	1.35%		0.00%	0.00%	0.00%	0.00%	0.00%	20.00%	0.00%	3.33%	0.00%
5 days	6.76%		14.29%	0.00%	8.33%	0.00%	6.67%	0.00%	0.00%	13.33%	2.33%
10 days	12.16%		7.14%	0.00%	8.33%	14.29%	13.33%	0.00%	16.67%	13.33%	11.63%
15 days	17.57%		14.29%	0.00%	16.67%	14.29%	26.67%	20.00%	33.33%	20.00%	16.28%
30 days	18.92%		21.43%	66.67%	25.00%	0.00%	20.00%	20.00%	16.67%	16.67%	18.60%
45 days	14.86%		14.29%	33.33%	16.67%	28.57%	13.33%	0.00%	0.00%	10.00%	18.60%
60 days	14.86%		21.43%	0.00%	25.00%	14.29%	6.67%	20.00%	16.67%	6.67%	20.93%
90 days	10.81%		7.14%	0.00%	0.00%	28.57%	6.67%	20.00%	16.67%	13.33%	9.30%
120 days	1.35%		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.33%	0.00%
More than 120 days	1.35%		0.00%	0.00%	0.00%	0.00%	6.67%	0.00%	0.00%	0.00%	2.33%

<b>50. 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.</b>											
1 day	1.35%		0.00%	0.00%	8.33%	0.00%	0.00%	0.00%	0.00%	0.00%	2.33%
5 days	1.35%		7.14%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.33%
10 days	4.05%		0.00%	0.00%	16.67%	0.00%	0.00%	0.00%	0.00%	3.33%	4.65%
15 days	2.70%		0.00%	33.33%	0.00%	0.00%	0.00%	0.00%	0.00%	6.67%	0.00%
30 days	18.92%		21.43%	0.00%	25.00%	28.57%	6.67%	0.00%	16.67%	23.33%	16.28%
45 days	8.11%		7.14%	33.33%	0.00%	0.00%	6.67%	20.00%	0.00%	10.00%	6.98%
60 days	17.57%		35.71%	0.00%	25.00%	0.00%	26.67%	20.00%	0.00%	16.67%	18.60%
90 days	18.92%		21.43%	33.33%	8.33%	42.86%	26.67%	20.00%	0.00%	20.00%	18.60%
120 days	12.16%		0.00%	0.00%	0.00%	28.57%	20.00%	0.00%	50.00%	10.00%	11.63%
6 months or more	14.86%		7.14%	0.00%	16.67%	0.00%	13.33%	40.00%	33.33%	10.00%	18.60%

... 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, & Accessories	Const. Equip., Plumbing/HVAC, Rubber & Plastics, Steel, Coal, Oil	Const. / Bldg. Suppl. & Mat., Paints, Chem., Lighting / Elect., Vehicles & Parts	Cons. Electronics, Computer HW / SW Toys, Games, Sporting Goods	Food, Beverage, & Grocery Products	Home Furnishings, Fixtures, Housewares & Accessories	Tools, Hardware & Accessories, Lawn & Garden Equipment	fgRevenue <= \$500 million	Revenue > \$500 million
<b>51. WHAT ERP SYSTEM(S) DO YOU USE? (please select all that apply.)</b>											
SAP	52.11%		66.67%	0.00%	66.67%	28.57%	57.14%	33.33%	57.14%	21.43%	73.81%
Oracle	14.08%		16.67%	66.67%	8.33%	28.57%	7.14%	0.00%	14.29%	17.86%	9.52%
JDEdwards	5.63%		0.00%	33.33%	0.00%	0.00%	7.14%	0.00%	0.00%	3.57%	7.14%
Peoplesoft	0.00%		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Legacy system	8.45%		8.33%	0.00%	16.67%	0.00%	0.00%	33.33%	0.00%	14.29%	4.76%
Other (please specify)	23.94%		16.67%	0.00%	8.33%	42.86%	28.57%	33.33%	28.57%	46.43%	9.52%

<b>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.)</b>											
We do not use any 3rd Party technologies	41.10%		53.85%	100.00%	50.00%	28.57%	20.00%	50.00%	57.14%	63.33%	23.81%
Cash Application preprocessing / deduction creation	31.51%		30.77%	0.00%	8.33%	28.57%	60.00%	50.00%	14.29%	13.33%	45.24%
Claims reconciliation and validation	13.70%		7.69%	0.00%	8.33%	42.86%	33.33%	0.00%	0.00%	3.33%	21.43%
Collections	17.81%		7.69%	0.00%	16.67%	28.57%	20.00%	0.00%	28.57%	13.33%	21.43%
Deduction reporting	16.44%		23.08%	0.00%	8.33%	28.57%	33.33%	0.00%	0.00%	10.00%	21.43%
Deduction workflow	21.92%		15.38%	0.00%	25.00%	42.86%	33.33%	0.00%	42.86%	6.67%	33.33%
OCR / Scanning	6.85%		0.00%	0.00%	8.33%	0.00%	26.67%	0.00%	0.00%	0.00%	11.90%
Overall deduction management	20.55%		7.69%	0.00%	25.00%	28.57%	40.00%	0.00%	28.57%	6.67%	30.95%
POD / Claims / Document Retrieval Automation	21.92%		15.38%	0.00%	8.33%	42.86%	53.33%	0.00%	0.00%	6.67%	33.33%
Trade promotion management	15.07%		7.69%	0.00%	0.00%	28.57%	53.33%	0.00%	0.00%	3.33%	23.81%
Not sure	4.11%		7.69%	0.00%	8.33%	0.00%	0.00%	0.00%	0.00%	3.33%	4.76%
Other (please specify)	0.00%		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

<b>53. IS YOUR COMPANY PLANNING TO AUTOMATE / FURTHER AUTOMATE ANY STEPS IN THE DEDUCTION MANAGEMENT PROCESS WITHIN THE NEXT 12 months? (please select all that apply.)</b>											
We have no plans for any new automation	45.21%		61.54%	33.33%	41.67%	71.43%	40.00%	25.00%	14.29%	56.67%	38.10%
Cash Application preprocessing / deduction creation	12.33%		7.69%	33.33%	16.67%	0.00%	13.33%	25.00%	14.29%	13.33%	11.90%
Claims reconciliation and validation	13.70%		7.69%	0.00%	8.33%	14.29%	20.00%	50.00%	14.29%	10.00%	16.67%
Collections	9.59%		0.00%	0.00%	16.67%	0.00%	26.67%	0.00%	14.29%	3.33%	14.29%
Deduction reporting	13.70%		7.69%	0.00%	25.00%	14.29%	13.33%	0.00%	28.57%	10.00%	16.67%
Deduction workflow	16.44%		7.69%	33.33%	25.00%	28.57%	13.33%	0.00%	42.86%	10.00%	21.43%
OCR / Scanning	2.74%		0.00%	0.00%	0.00%	14.29%	6.67%	0.00%	0.00%	0.00%	4.76%
Overall deduction management	12.33%		7.69%	33.33%	8.33%	0.00%	13.33%	0.00%	28.57%	10.00%	14.29%

... **74%** of companies with annual revenue > \$500 million reported using SAP as their ERP ...

... **59%** of companies report using 3rd party technologies to further automate deduction management processing ...

... more than **40%** of companies plan to automate/further automate steps in the deduction management process within the next 12 months ...

## Survey Data by Industry & Size

	All Respondents		Apparel, Footwear, & Accessories	Const. Equip., Plumbing/HVAC, Rubber & Plastics, Steel, Coal, Oil	Const. / Bldg. Suppl. & Mat., Paints, Chem., Lighting / Elect., Vehicles & Parts	Cons. Electronics, Computer HW / SW Toys, Games, Sporting Goods	Food, Beverage, & Grocery Products	Home Furnishings, Fixtures, Housewares & Accessories	Tools, Hardware & Accessories, Lawn & Garden Equipment	fgRevenue <= \$500 million	Revenue > \$500 million
<b>53. (continued)</b>											
POD / Claims / Document Retrieval Automation	16.44%		7.69%	0.00%	33.33%	14.29%	20.00%	25.00%	28.57%	3.33%	26.19%
Trade promotion management	5.48%		7.69%	0.00%	0.00%	0.00%	13.33%	0.00%	14.29%	0.00%	9.52%
Not sure	16.44%		30.77%	0.00%	16.67%	0.00%	13.33%	25.00%	28.57%	16.67%	14.29%
Other (please describe)	6.85%		0.00%	0.00%	0.00%	0.00%	13.33%	0.00%	0.00%	3.33%	9.52%
<b>54. HOW WOULD YOU RATE YOUR DEDUCTION REPORTING CAPABILITIES?</b>											
Excellent	12.16%		7.69%	0.00%	0.00%	0.00%	26.67%	25.00%	14.29%	13.33%	11.63%
Average	67.57%		76.92%	33.33%	91.67%	57.14%	53.33%	50.00%	71.43%	53.33%	76.74%
Poor	16.22%		7.69%	66.67%	8.33%	28.57%	13.33%	25.00%	14.29%	26.67%	9.30%
None	4.05%		7.69%	0.00%	0.00%	14.29%	6.67%	0.00%	0.00%	6.67%	2.33%
<b>55. WHICH OF THE FOLLOWING CHALLENGES DO YOU FACE SURROUNDING DEDUCTION reporting? (Check all THAT APPLY)</b>											
Access to information	25.81%		36.36%	33.33%	22.22%	14.29%	18.18%	0.00%	71.43%	32.14%	21.21%
Manual processes to prepare reports	62.90%		72.73%	66.67%	55.56%	57.14%	63.64%	66.67%	42.86%	60.71%	66.67%
Not able to track information needed in current systems (e.g., recoveries)	35.48%		18.18%	33.33%	33.33%	57.14%	45.45%	66.67%	28.57%	25.00%	42.42%
<b>56. DO YOU HAVE A DEDUCTION "DASHBOARD" OR SUMMARY DEDUCTION INFORMATION THAT YOU SHARE WITH SENIOR MANAGEMENT ON A ROUTINE BASIS (e.g., monthly)?</b>											
Yes	56.16%		58.33%	33.33%	58.33%	57.14%	66.67%	50.00%	57.14%	37.93%	69.77%
No	38.36%		41.67%	66.67%	41.67%	28.57%	26.67%	50.00%	14.29%	55.17%	27.91%
Not sure	5.48%		0.00%	0.00%	0.00%	14.29%	6.67%	0.00%	28.57%	6.90%	2.33%
<b>57. ARE YOU ABLE TO TRACK/CALCULATE DEDUCTION RECOVERY INFORMATION?</b>											
Yes, we are able to automatically track recoveries within our deduction system(s)	14.08%		25.00%	0.00%	8.33%	0.00%	20.00%	0.00%	28.57%	10.71%	16.67%
Yes, however recoveries must be manually tracked	54.93%		41.67%	50.00%	50.00%	50.00%	60.00%	100.00%	28.57%	60.71%	52.38%
No, we are not currently able to track recoveries	25.35%		25.00%	50.00%	33.33%	50.00%	20.00%	0.00%	28.57%	21.43%	28.57%
Not sure	5.63%		8.33%	0.00%	8.33%	0.00%	0.00%	0.00%	14.29%	7.14%	2.38%
<b>58. DO YOU OUTSOURCE ANY OF THE DEDUCTION MANAGEMENT TASKS?</b>											
Yes	13.51%		15.38%	0.00%	0.00%	14.29%	33.33%	0.00%	14.29%	3.33%	20.93%
No	86.49%		84.62%	100.00%	100.00%	85.71%	66.67%	100.00%	85.71%	96.67%	79.07%

... Only **12%** of respondents rate their deduction reporting capabilities as 'excellent' ...

... Manual processes to prepare reports is the **#1 reporting challenge** facing companies ...

... Only **14%** of responding companies reported being able to automatically track deduction recoveries in their deduction systems ...

## Survey Data by Industry & Size

	All Respondents		Apparel, Footwear, & Accessories	Const. Equip., Plumbing/HVAC, Rubber & Plastics, Steel, Coal, Oil	Const. / Bldg. Suppl. & Mat., Paints, Chem., Lighting / Elect., Vehicles & Parts	Cons. Electronics, Computer HW / SW Toys, Games, Sporting Goods	Food, Beverage, & Grocery Products	Home Furnishings, Fixtures, Housewares & Accessories	Tools, Hardware & Accessories, Lawn & Garden Equipment	fgRevenue <= \$500 million	Revenue > \$500 million
<b>59. IF YOU DO OUTSOURCE SOME OR ALL OF THE DEDUCTION PROCESS, PLEASE INDICATE Which tasks: (please select all that apply.)</b>											
The entire process from the time the deduction is recognized at cash application	11.11%		0.00%	50.00%	0.00%	50.00%	0.00%	0.00%	0.00%	16.67%	8.33%
Deduction identification and/or analysis	27.78%		0.00%	0.00%	0.00%	50.00%	40.00%	0.00%	50.00%	16.67%	33.33%
Trade Promotion management	5.56%		0.00%	0.00%	0.00%	0.00%	20.00%	0.00%	0.00%	0.00%	8.33%
Processing of post audit claims	16.67%		0.00%	0.00%	0.00%	0.00%	60.00%	0.00%	0.00%	0.00%	25.00%
Research / recovery of small dollar deductions	11.11%		0.00%	0.00%	0.00%	0.00%	20.00%	0.00%	50.00%	0.00%	16.67%
Research / recovery of specific deduction reasons (e.g., shortages)	22.22%		0.00%	0.00%	0.00%	50.00%	40.00%	0.00%	50.00%	0.00%	33.33%
Collection / recovery of invalid rebilled deductions	16.67%		33.33%	0.00%	0.00%	50.00%	20.00%	0.00%	0.00%	0.00%	25.00%
Deduction management reporting	5.56%		0.00%	0.00%	0.00%	50.00%	0.00%	0.00%	0.00%	0.00%	8.33%
Other (please specify)	50.00%		100.00%	50.00%	100.00%	50.00%	0.00%	0.00%	50.00%	66.67%	41.67%
<b>60. DOES YOUR COMPANY USE CROSS-FUNCTIONAL TEAMS TO REVIEW SOME OR ALL DEDUCTIONS AND COMPLIANCE VIOLATIONS?</b>											
Yes	78.08%		92.31%	66.67%	83.33%	85.71%	66.67%	100.00%	71.43%	73.33%	80.95%
No	21.92%		7.69%	33.33%	16.67%	14.29%	33.33%	0.00%	28.57%	26.67%	19.05%

... **14%** of companies outsource deduction tasks with deduction identification and/or analysis ranked number one ...

## 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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