

REDUCING THE TREMENDOUS COSTS AND BURDENS OF SUPPLIER DEDUCTION MANAGEMENT



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HOW TODAY'S INDUSTRY LEADERS ANSWER THE CALL FOR BETTER SUPPLIER COLLABORATION, CONTROLS, COMPLIANCE AND PROFITABILITY.

DEDUCTION MANAGEMENT & THE RETAIL INDUSTRY

There are more challenges facing the retail industry today than perhaps ever before in history. Whilst organisations seek to maintain competitive advantage and profitability, more corporate leaders realise the tremendous value of effectively managing the supply chain. With that, there are many significant obstacles that exist in managing a complex and often multi-national supplier base. One of the most painful and costly aspects of this is managing post-payment supplier disputes and claims against supplier deductions. Facilitating this process provides no value to the buying organisation, but is absolutely necessary to support positive ongoing supplier relationships and to maintain service levels. Within this, shared visibility, collaboration and access to the right data continue to be significant challenges. Ineffective Deduction Management negatively impacts and costs the organisation in many ways.

THESE DRIVERS MAKE IT NECESSARY FOR BUSINESSES TO FIND INNOVATIVE WAYS TO DERIVE PROFITS FROM THE SUPPLY CHAIN... THEREIN ARISE CHALLENGES.

HOW DOES INEFFECTIVE DEDUCTION MANAGEMENT IMPACT THE ORGANISATION?

Supply chain collaboration & visibility challenges

Business today moves at an increasingly rapid pace. There is far more information to manage that is ever changing over time. This is true as well with business technology and the regulatory environment. Competition is increasing while profitability margins are harder and harder to maintain. There is a massive expansion effort as well, both to further globalise the organisation as well as to grow in new and emerging markets. All of these drivers make it necessary for businesses to find innovative ways to derive profits from the supply chain and supplier relationships. As such, various rebates, incentives and other promotional allowances become integral to the daily function. Therein arise challenges. With limited and untimely support provided to suppliers related to payment deductions, buying organisations dedicate considerable resources to support supplier inquiries, requests for backup and challenges for repay. Technology solutions are often not considered to manage this laborious and non-value-added function, leaving inefficient and manual processes in place. Compounding this further are the drivers to expand business with new suppliers and products in a global market. When buying companies fail to meet supplier demands against outstanding

claims, it results in supplier abrasion and directly impacts the ability to attract new customers, maintain service levels and negotiate for profitability.

INVOICING & POST-PAYMENT PAINS

Poor supplier collaboration and limited transparency impact transactional processes as well. Limited visibility into unpaid invoices, missing deduction backup and lacking technology result in:

- An inability to accelerate invoice approval, request early payment as part of a Supply Chain Financing or Dynamic Discounting programmes or quickly and accurately resolve matching differences. This results in...
- Slow and inaccurate payments made to suppliers, which results in...
- Supply chain abrasion and poor credit reporting scores, which results in...
- Potential for supply chain disruption, reputational impact, or a GCA investigation (grocery related), which results in
- Diminished profitability and competitive advantage

Moreover, organisations must incur greater internal resource costs to not only facilitate the payment process but the Help Desk and Deduction Management processes as well. The processes are manual and cumbersome and impact stakeholders throughout the entire organisation. This is a no-win situation for both buyers and sellers.

WHAT DOES INEFFECTIVE DEDUCTION MANAGEMENT COST THE ORGANISATION?

Companies that fail to effectively manage the supplier deduction process suffer in many ways, but the hard costs associated are frightening. Environments from five leading global retailers ranging between £20B and £120B of annual turnover were assessed and the results revealed the following:

- £10M-£25M in deduction disputes occur per every £100M in deductions processed
- 5,000 inbound queries for every £50M in deductions processed
- 50% - 85% of disputes are repaid
- 25%-40% of repays are unnecessary
- Massive profit loss resulting from unnecessary repays
- £Millions in unnecessary repays in every sample
- £500K - £1.5M in wasted operational cost
- 6-25 full time equivalents to address queries
- Minimum repay thresholds in every sample

What does this mean? It means that companies are bleeding from poor Deduction Management processes and may not even know it. Given the ever-growing challenges facing retailers today, this is an area that can no longer be ignored.

WHAT CAN ORGANISATIONS DO TO ADDRESS DEDUCTION MANAGEMENT PAINS?

But solutions exist today for forward-thinking leaders. More and more businesses are moving to cloud-based SaaS solutions to answer the growing demands and complexities of managing their supply chain. Whether it is providing suppliers and internal contacts with visibility to payment and deduction information, facilitating post-payment inquiries and disputes or adhering to the new UK Duty to Report regulatory rules, organisations are finding enterprise-wide solutions to meet all of these challenges using Supplier Collaboration cloud-based SaaS software. An organisations' ineffective or lack of response to these demands is detrimental and will lead to incrementally greater supply chain costs and fewer data and process controls.

Deduction Management solutions provide a centralised platform for companies and their supplier(s) to engage in an organized, repeatable and scalable process to collaborate and resolve any open issues related to disputed deductions. A Deduction Management solution provides the governance, controls and visibility to manage these conversations and processes in an optimal fashion. Leading SaaS-based portals supporting these solutions are highly secured and support user-specific requirements in a multi-faceted and collaborative environment. Leveraging buyer and supplier side workflows, notifications, approvals and document management, companies now have new and innovative ways of addressing these pains directly.

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“FACILITATING (DEDUCTION MANAGEMENT) PROVIDES NO VALUE TO THE BUYING ORGANISATION, BUT IS ABSOLUTELY NECESSARY TO SUPPORT POSITIVE ONGOING SUPPLIER RELATIONSHIPS.”