

2009 Deduction Data

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Partners. Solutions. Results.

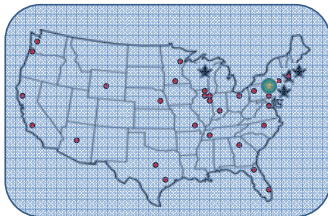
IAB Solutions LLC

- ❖ Deduction Management and Resolution
- ❖ Accounts Receivable Outsource Provider
- ❖ Fortune 1000 clients, Manufacturing Sector



25 Years of Exceeding Expectations

- Experienced Leadership
- On-site / Off-site Flexibility
- Confidentiality & Customer Service



Goals for Presentation

- Benchmark Statistics
- Deduction Types
- Prevention & Resolution Strategies
- Forum Discussion



2009 Deduction Data

“Data, data, data...how can I
make bricks without clay?”
-Sherlock Holmes





Credit
Research
Foundation

2009 Deduction Data

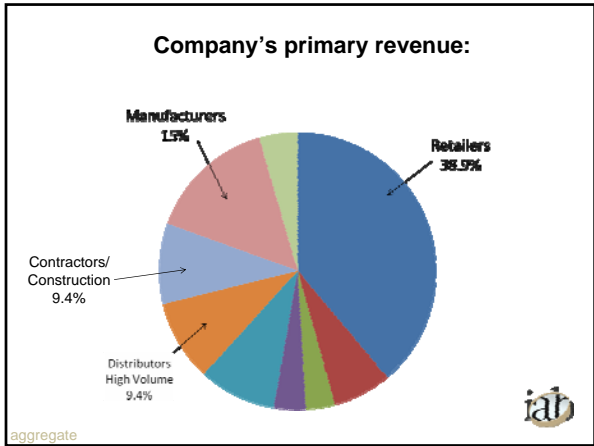
- Aggregate from the CRF database



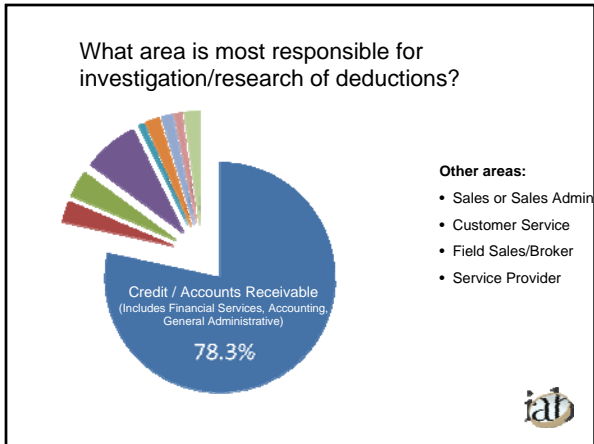
Segmented by Industry Groups:

- Construction & Building Materials & Supplies
- Plumbing and HVAC Equipment





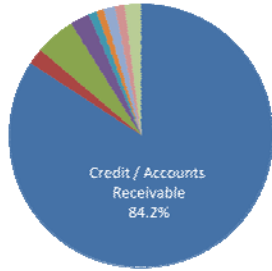
Customer Channel	Construction & Building Supplies & Materials	Plumbing & HVAC Equipment
Contractors / Construction Companies	52.80%	46.70%
Distributors / Wholesalers <small>(high value / low volume)</small>	11.10%	20.00%
Distributors / Wholesalers <small>(low value / high volume)</small>	11.10%	20.00%



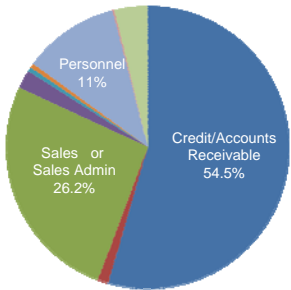
Primary responsibility to follow up with customers to collect invalid deductions:

Other areas:

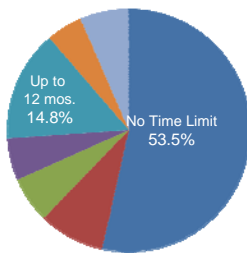
- Sales or Sales Admin (4.9%)
- Customer Service
- Internal Compliance Group



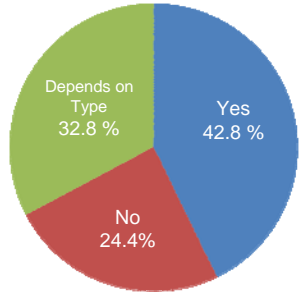
Who is Ultimately Accountable for the Deductions (absorbing the write-off)?



Time Limits: Writing off open or unresolved deductions:



...charged back to appropriate business unit or department?



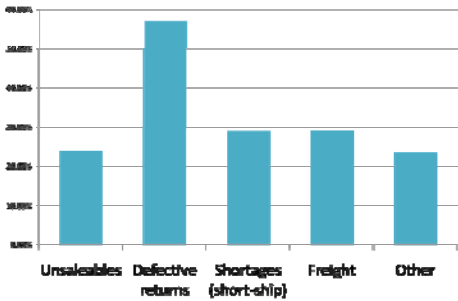
aggregate



	Construction & Building Supplies & Materials	Plumbing & HVAC Equipment
Yes	78.10%	42.90%
No	15.60%	28.60%
Depends on deduction type	6.30%	28.60%



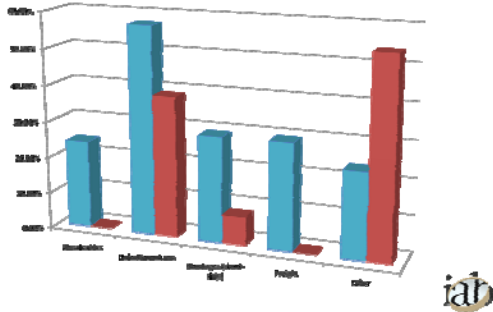
Allowance Policies to eliminate individual claims:



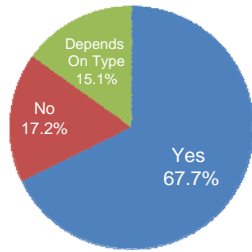
aggregate



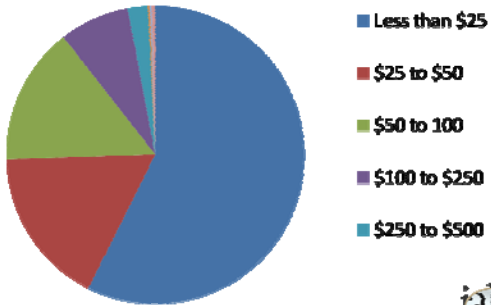
...compared to Construction & Building Materials & Supplies (Red).



Do you write off deductions under a certain dollar amount at cash application?

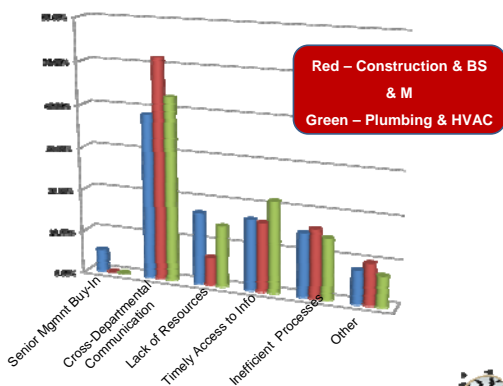


...Typical Tolerance Levels:

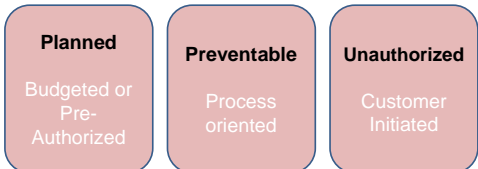


What is your single biggest internal challenge when trying to control deductions.






Deduction Resolution





**The Most Significant Types
of Customer Deductions**



Deduction Types

Advertising and rebate claims	Transportation, Freight or Routing Disputes
Damaged / Unsaleable	Order Entry / Billing Errors
EDI Deductions	Shortages
Markdown Allowance Claims	Warranty Claims
Compliance	Pricing and Promotion

**Most Prevalent Deduction
Types**


Pricing
Shortages
Advertising, Promotional and Rebate Claims

**Construction & Building
Supplies & Materials**


Pricing
Order Entry / Billing
Errors
Allowances and Discounts

**Plumbing & HVAC
Equipment**

Pricing
Warranty Claims
Allowances and Discounts




Prevention Trends



Initiatives to PREVENT deductions :


Focused on Improving Order Accuracy
Better Communicated Our Policies to Our Customers
Implemented / Strengthened Cross-functional Teams




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Made sales (& other Depts) accountable for Deductions
Improved relationship with face-to-face meetings or calls
Performed Root-Cause Analysis




Resolution Trends



Initiatives to RESOLVE deductions :


Focused on Timely Review and Follow-Up
Made sales (& other Departments) accountable for Deductions
Improved / Implemented Deduction Reporting

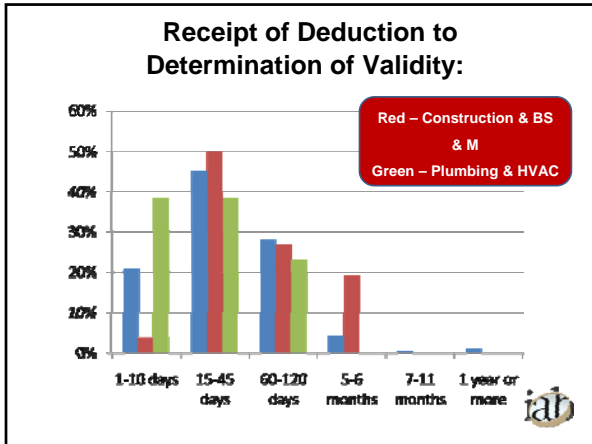


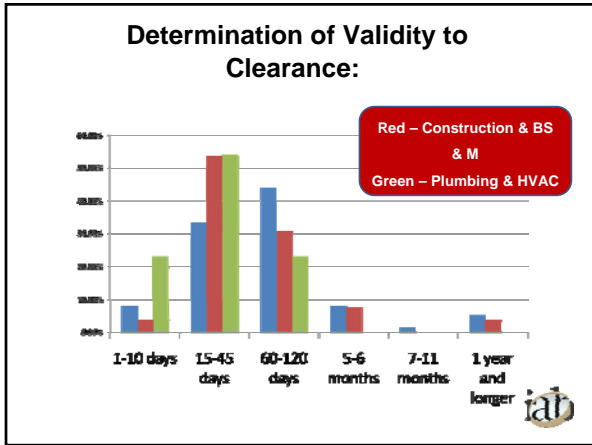
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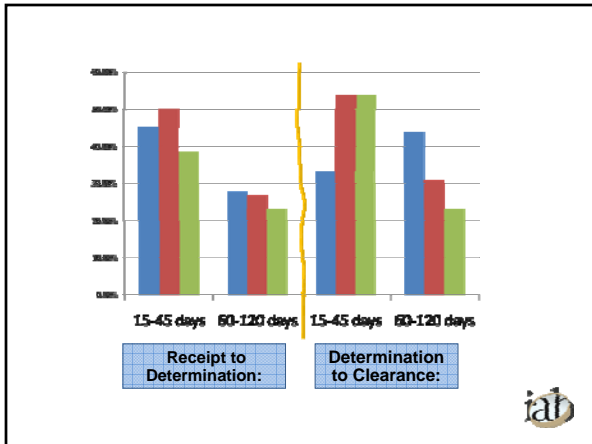
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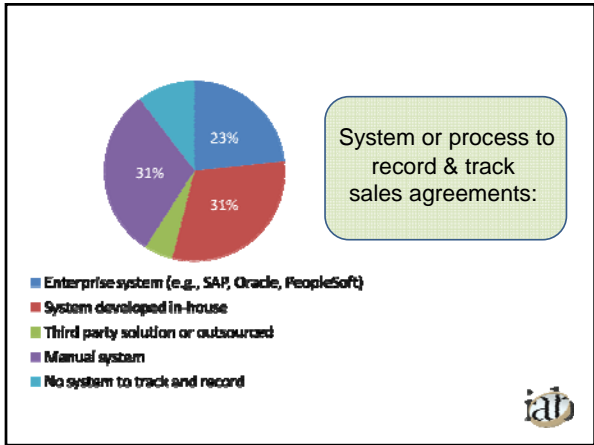


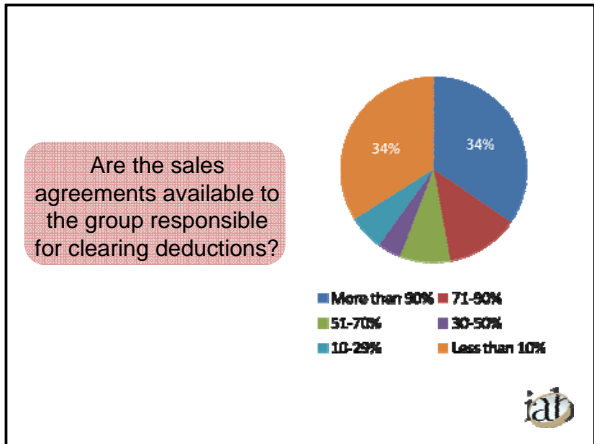




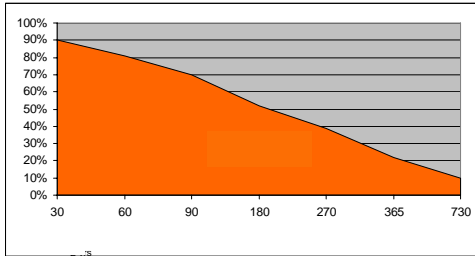


What platform are you using?





Collectability

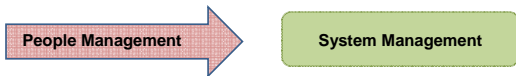


Future of Deduction Management

- Technology
- Service Partners
- Evolving Skill Sets
- Metric Focused



Future of Deduction Management



- ✓ Most processing done with automated systems
- ✓ Demand for people with greater analytical and managerial skills
- ✓ Increased demand for improved efficiencies



Why Outsource?



- Increase Efficiencies
- Maximize Effectiveness
- Re-deployment of Scarce Resources
- Productivity Improvement



Outsource to Win!



- What could I get done if...?
- How valuable would it be if...?
- Why would I not explore this?



Let's discuss the issues you face.



Questions for
your peers?



Partners. Solutions. Results.
