

CHECKLIST

Deduction Management

10-Steps to Improve Your Foodservice Deduction Balance

Is your deduction balance always increasing? It doesn't have to. Be a bottom line hero and follow this roadmap to deduction balance domination.

LEARN THE LINGO

Deductions are:

- ✔ Reductions from existing invoices applied by customers
- ✔ Originally focused on events directly associated with the invoice they were applied against (e.g. terms, quantity shipped, corrections, damaged goods and pricing errors)
- ✔ Over the past 20 years, customers in all segments now “deduct” any dollar amount they deem to be “due”
- ✔ Bottom line, they can be a headache when not properly managed



Break the high balance cycle

[Request a Demo >](#)



10-Step Deduction Management Checklist

1

Invest in an Organized Contract Management Tool

- Enable easy communication with customers about deals
- Decrease delays on claim settlement
- Decrease discrepancies between allowed vs requested

2

Create Standardization for Invoice Submission

- Send a standard letter to customers with details on where to send invoices
- Letters should request that the customer include contract name/ID for reference
- Reduce the time you spend chasing down required backup via standard invoice submission guidelines

3

Enter Deductions in Your Internal ERP System

- Enter all information at the distributor house level
- Doing so creates an easy flow for matching deductions against billbacks and claims
- Ultimately, you reduce time spent researching open deductions

4

Set Up an Automated Matching Process

- Match open deductions with claims having the same customer number, invoice number, and invoiced dollar amount
- Reduce the time you and your team spend matching open deductions to claims

5

Track Customers Not Submitting Invoices Properly

- Identify the customers and work with them to update their process to submit billbacks
- Work with the customer to get any outstanding billbacks submitted
- Increase your speed and claim processing turn-around

6

Automate the Deduction Process

- Clear authorized deductions in a timely manner
- Authorized deductions are easy to clear with an automated process

7

Build a Standard Repayment Letter

- Ensure you have a way to go after money due to an over-deduction or invalid deduction
- Provide customer with details as to what was invalid from the deduction they took
- Increase your bottom line and decrease the amount of money you're writing off

8

Track Rebillable Deductions

- Track invalid deductions. When the repayment letter is sent to you, you have control
- Request outstanding invalid deductions by sending and resending repayment letter follow ups

9

Implement a Write-Off Process

- A well thought out and defined write-off process will help clear aged and invalid deductions that can't be verified
- Ensure you have good reporting to keep things on track
- Increase your ability to correct distributor behavior going forward

10

Set a Deduction Balance Goal

- Identify a balance goal so you can measure your success
- Identify red flags in your process if your balance goes above limit
- Increase accountability of your deduction process

Deduction Management Case Study



Visibility can't be ignored when you consider how it helped Lantmännen Unibake...

Every week, Blacksmith and Lantmännen's team review claims, contracts and reports. They discuss open items and trade strategy.

Recently, the manufacturer's TPM account manager noticed that an operator's claims were pending for a greater number than the application's calculation.

So, Lantmännen drilled down into the data's details using **Blacksmith TPM** and identified that Sysco had entered the wrong information on the operator contract.

It wasn't difficult to catch the error because Blacksmith TPM pended the claim because when it didn't match the contract. The detail captured from the claims and contracts gave Lantmännen the **visibility and the ability to catch the error**.

What was the error?

The distributor customer was charging a deduction per pound rather than per case, costing the manufacturer nearly \$7,000 in superfluous claims.



Lantmännen Unibake brought this error to the distributor's attention, and **they resolved it**.

Now, our customer will see those over deductions paid back, and the contract has been amended so that moving forward the deductions are based on case.

The Lantmännen trade team continues to work on **understanding the distributor price structure** to ensure they have the proper deal and price information for claims processing. Since catching its first error, Lantmännen found **another big issue**: The same distributor has been deducting for CATMAN/Core items that are expressly excluded from their Purchase Allowance programs. This is something Lantmännen Unibake was never able to verify or quantify without seeing the details before using Blacksmith TPM.



Lantmännen Unibake singled out a data abnormality and went directly to the source to have it resolved. **Visibility is one of the great benefits** of using a TPM system – something the Lantmännen team hadn't had access to before. Identifying the root of the problem – confirming that some of these companies are requesting more than allowed.

**View the Full Foodservice
Case Study >**



We look forward to continuing the conversation.
Reach out to your sales representative or
hello@blacksmithapplications.com to get started.

Start managing your deductions with ease and
decrease your balance.

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