

## Consumer Products Case Study

### PROJECT OVERVIEW

**CLARKSTON**  
CONSULTING

# Transforming the Deductions Management Process for Real Value

With evident gaps and opportunities within their deduction management processes, this global salty snack maker engaged Clarkston Consulting in an assessment to report findings on practices across multiple divisions and develop recommendations for improved efficiencies.

Following extensive analyses and recommendations addressing departmental structure, process design, and performance measurement and reporting capabilities, the snack manufacturer is now positioned for success in managing ongoing deductions effectively while improving relationships with its customers.

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### COMPANY:



A US-based global food and snacks company

### INDUSTRY:



Packaged Food

### EMPLOYEES:



5,000

### REVENUE:



\$2.1B

### PRIMARY OBJECTIVES:

- Drive revenue growth, through brand equity-building consumer marketing and volume-building trade promotions
- Improve operating performance to confront price competition and industry consolidation
- Align the deductions management organization, process, and system foundations to support the primary business objectives and efficiently scale with new growth.

### RESOLUTION:

Clarkston Consulting was engaged to conduct a deductions assessment, which included a comprehensive maturity assessment, business case, and process design analysis focused on a new way to look at deductions management. The assessment results were then used to implement the following changes:

- **Deductions provide data about your customers**
  - Not all deductions are equal. The different categories of deductions have a different impact on profitability and require custom strategies to process efficiently
  - Designed a single AR team with analysts handling end-to-end deductions specific to accounts to establish true customer experts
- **Deductions cost money to process**
  - Costly to incur, time-consuming to process, and hard to recover, deductions, on average, costs companies roughly \$97 to process, research, validate, dispute, and clear
  - Proposed increase in automatic write-off threshold that would reduce overall volume by 37% with only a 1% impact to dollars
- **Cross-functional visibility is a priority**
  - A good mirror for overall company performance, deduction management requires data-driven collaborative decision-making
  - Developed cross-functional processes across multiple business units and offices, introduced KPIs with industry benchmarks, and reporting for insightful ongoing collaboration

### KEY BENEFITS:

- Improved organizational effectiveness with insightful communication within the organization, its customers and retail partners
- Reduction in backlogs through automation and in total incoming deductions through process improvements
- Improved performance management, reporting, and traceability to manage collection opportunities and customer profitability

### ANTICIPATED BENEFITS:

**\$3.8 M**

Estimated deduction savings over 5 years

**65%**

Estimated reduction in average recovery time for partner brand deductions

**395%**

Projected internal rate of return

