

# TIDYING UP DEDUCTIONS: THE KONMAR WAY



## COMMIT TO CLEAN UP

Fixing your deductions process isn't as simple as just purchasing a new system, mining for chargebacks, or performing a onetime clean up - it's really about a holistic look at your organization, your processes, and your systems. Truly reevaluating your approach to deductions positions you better for future success as opposed to sporadically combing deduction data for chargebacks.

## IMAGINE YOUR IDEAL STATE

Understand what you can unlock with better deduction information such as true customer P&Ls, insights into customer habits, or supply chain signals. Deductions are a window into your customer. With more visibility, you have the ability to be more strategic rather than reactionary to customer preference. Use appropriate metrics to realize and understand growth towards your ideal state. Clarkston uses industry benchmarks for metrics, such as percentage of deductions that are invalid, to enable better management and identification of problem areas in your trade program.



## FINISH DISCARDING FIRST

With deductions, a purge of the old is an important and necessary step. The ability to evolve into new ways of working can't first happen without throwing out the old ways. Hanging on to the mindset of "this is how we've always done it" will keep your business from truly letting go and moving forward. For example, do you have a customer policy? If you had one before and it didn't work, don't let the stigma of past failures hinder your ability to improve. A customer policy is the right strategy for any business managing deductions.

## TIDY BY CATEGORY, NOT LOCATION

Start with the deductions you planned for (i.e., trade spend and allowances) to better understand the process and how they are reconciled. Since these are your expected deductions, the goal is to match and clear them as efficiently as possible. Next move into the unplanned deductions such as late charges or damages/spoils. It's important to have a clean process to validate the deduction and ultimately plug the hole, e.g., is there an issue with your transportation carriers if you have too many late charges. Last, move onto the charges that are unjustified. These are the deductions requiring strong processes to identify, charge back, and collect quickly and efficiently.



## FOLLOW THE RIGHT ORDER

Look at people, process, and technology - focusing on each one holistically. Concentrating on the quick wins first will help you gain some momentum and grab the low hanging fruit. Next, we recommend looking at process improvements, training, and organizational structure. Once you have these right, then you can focus on the heavier technology investment areas such as automating the deduction backup retrieval process or reading remittance information.

## SPARK JOY

You are probably thinking there is no way to "spark joy" when it comes to deductions, but there are plenty of opportunities to eliminate pain points to bring both joy and profitability to your business. With the proper alignment of strategy, process, and technology, your business can attain a high-performing deductions process to lower total incoming deductions, increase recovered chargebacks, and provide enhanced visibility into true cost to serve, and isn't there joy in that?



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