

Collaboration through Subtraction

Offset expenses from errors in supplier shipments and collaborate to improve supplier performance and relationships

Retailers often try to streamline their processes by expecting suppliers or trading partners to abide by their compliance guidelines. The enforcement of these guidelines is commonly the job of homegrown applications for over 750 major retailers in the United States tracking supplier compliance. Most of the applications are either nearing the end of their life or retailers have simply outgrown them. This has sparked interest for a complete deduction management solution.

Deduction management is the term used by OpenText to describe the vendor compliance management process. There are several names for the penalties created by vendor compliance, such as chargebacks, deductions, compliance, or penalties. OpenText uses the term 'deduction' to mean a vendor compliance penalty or chargeback in the retailer or supplier context.

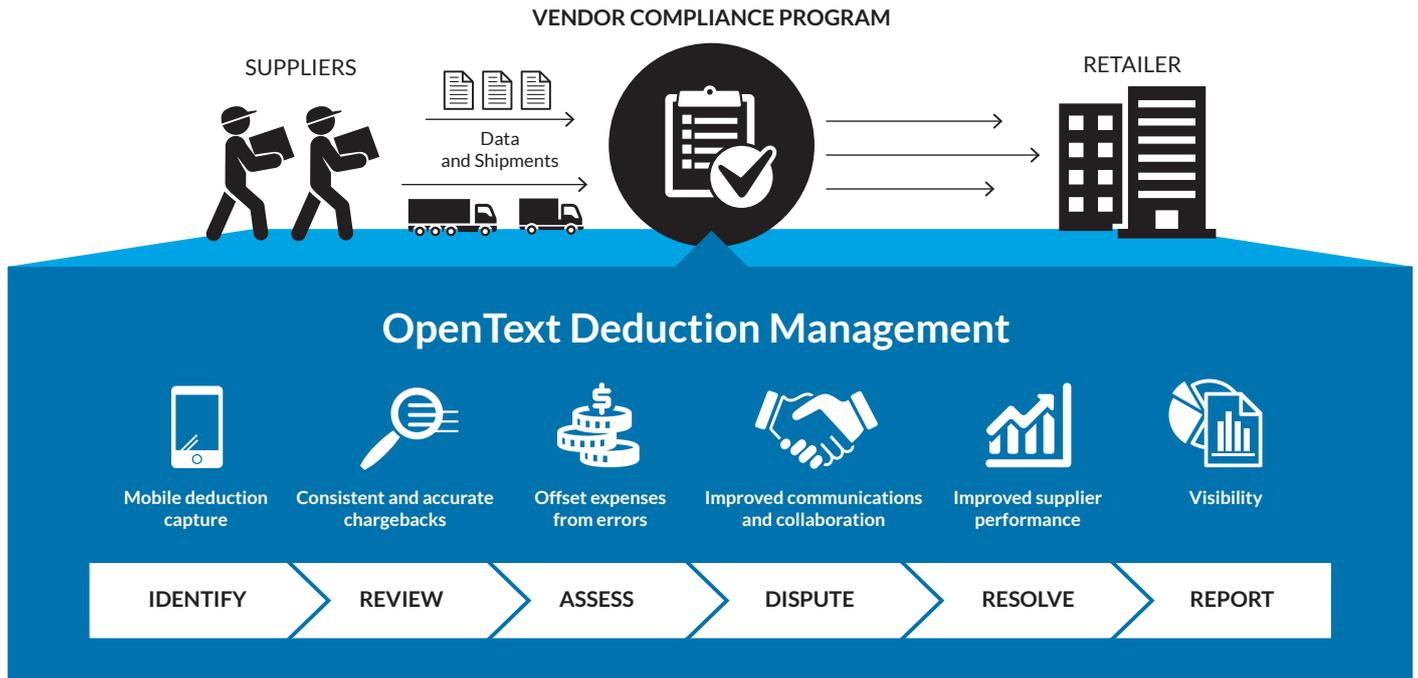
An End-to-End Solution

A complete deduction management solution will take users through the key components of a vendor compliance program, which include:

- Identification or entry of the deduction
- Internal review of subjective deductions
- Supplier assessment and notification of deduction
- Supplier opportunity to research and dispute the deduction
- Internal review and approval or rejection of the dispute
- Final assessment and dispute result communication to the supplier
- Overall visibility for trends and reporting tools

BENEFITS OF DEDUCTION MANAGEMENT

- *Greatly reduce time to identify deductions, utilize mobile entry system optimized for Apple® iPad mini™*
- *Gain accuracy and consistency in deductions with an integrated workflow*
- *Offset expenses from costly data-based and shipping errors*
- *Improve communications and supplier relationships through more collaborative dispute management*
- *Improve supplier performance to better facilitate cross-docking of goods, on-time delivery and store-ready packaging*
- *Gain visibility into deductions with automatically generated reports and audit trails*



The OpenText™ Deduction Management solution is well equipped to improve this process for retailers with an advanced business rules engine that parses the purchase orders, advance ship notices, and invoices (PO/ASN/INV) and identifies compliance infractions within them. This produces consistent identification of infractions that provides both the retailer and the supplier the visibility to correct them in future orders.

With Deduction Management, the recording of a manual deduction is simple and fast through an intuitive deduction entry interface. This entry interface allows the user on the warehouse floor to attach photographs of the infraction to the deduction, add comments, and enter other pertinent information to the deduction. This single entry with full backup details improves the consistency and access to deduction details, while streamlining the process.

Identifying Supplier Penalties

The first step in enforcing vendor compliance is to accurately and consistently identify compliance infractions. These violations come in two types: electronic data interchange (EDI) or data-based violations, and manual violations.

EDI or data-based violations are most commonly found within the PO, ASN, or invoice data. These include violations around missing or incorrect data, comparing items from the invoice to the PO, and other infractions found in the data. Most retailers have an EDI manager that monitors compliance of these EDI guidelines. However, consistency and communication are often failure points in this process, causing confusion between the retailer and supplier.

Manual violations are compliance infractions that are commonly found when the shipment arrives at the distribution center, such as pallets that have fallen over during transit, concealed shortages, or incorrectly packaged products. The most common practice for recording these includes a very manual process where photos are sometimes taken, multiple-part forms are completed, and an extensive data entry process. There is a great opportunity for most retailers to improve this process and see significant gains in efficiency and consistency.

Mobile Deduction Capture

Mobile Deduction Capture (MDC) presents a new level of innovation in the vendor compliance industry. MDC extends the use of an Apple® iPad mini™ to the users in the distribution center.

Using an optimized interface in the web browser, users can enter the deductions they find, along with comments and photographs, directly into the MDC entry form.

This innovation has shown improvements in the manual entry process, reducing the time to record from 20 minutes down to two minutes or less per deduction.

Putting an iPad mini into the hands of a receiving team means a sharp reduction in the time spent entering every deduction across all physical shipments. Through only a handful of screens, the mobile device user can automatically feed the deduction into the automated process provided by the Deduction Management solution. Deploying a mobile solution has shown to increase efficiency and can also offset the cost of deployment.



Internal Review of Subjective Deductions

A critical component to the success of a deduction management program lies in the internal review of deductions prior to assessing the supplier. If deductions are assessed that are incorrect, not timely, or aren't the supplier's fault, the relationship between retailer and supplier can become strained. Therefore, it is important to ensure the deductions are assessed accurately every time.

The Deduction Management solution provides workflow capability to evaluate which deductions should be passed directly to the supplier and which ones require internal review. This intelligent filtering ensures the right deductions are reviewed, upholding accuracy prior to assessment to the supplier. Upon successful review, the deduction workflow progresses to supplier assessment and notification.

Supplier Assessment and Notification of the Deduction

Once a deduction is ready for assessment, the status is changed to 'approved' and an email notification is sent to the supplier. In this notification, the supplier is shown the details of the deduction and given a dispute task link in the email. Utilize standard email templates or customize emails in the custom deduction management solution.

Supplier Opportunity to Research and Dispute the Deduction

In the Deduction Management solution, suppliers are presented with a dispute task that includes details of the deduction, as well as supplementary details, including photos and comments, which allows the supplier to research directly from their task.

If the supplier believes they have been wrongly assessed this deduction, they can select this option in the dispute task, enter any comments, and attach any supporting documentation.

If the supplier agrees not to contest the deduction, then the dispute task remains visible for 60 days. At 60 days after the deduction was assessed, the dispute task becomes unavailable and the deduction can no longer be disputed. The deduction then moves to final assessment. With a custom Deduction Management solution from OpenText, this process can be adjusted to meet the specific dispute process requirements.

Lifecycle Report

Reprocess View Audit Trail Download

Lifecycle Identifier: ARG-PO-1060 Date Created: 12/10/14 05:56:10
 Total Documents: 3 Newest Document Date: 12/10/14 06:33:52
 Documents with Lifecycle Exceptions: 3 Lifecycle Exceptions: 5
 Pending Lifecycle Exceptions: 0

Complete Lifecycle Exceptions List

Lifecycle Exceptions: 5

Type	Exception	Comment	Classification
customErrorType	Shipment Notification with PO# (ARG-PO-1060) and ASN# (ARG-PO-1060-ASN-1245) with Shipped Quantity (1) is not matching with the Scheduled Quantity(2) for the Schedule Line ID (1) for the Line Item ID (1) in the Purchase Order	Quantity Mismatch has been found between Items on the Purchase Order and Items on the ASN.	PurchaseOrder-ASN, PO-ASN - Quantity Mismatch
customErrorType	Shipment Notification with PO# (ARG-PO-1060) and ASN# (ARG-PO-1060-ASN-1245) with Shipped Quantity (3) is not matching with the Scheduled Quantity(4) for the Schedule Line ID (1) for the Line Item ID (2) in the Purchase Order	Quantity Mismatch has been found between Items on the Purchase Order and Items on the ASN.	PurchaseOrder-ASN, PO-ASN - Quantity Mismatch
customErrorType	No Invoice has been received for PO# (ARG-PO-1060) by Invoice Due Date (20141227) for the line Item ID (2) schedule Line ID (1).	No Invoice received in response to a PO by a customer-specified date	PurchaseOrder-Invoice, No Invoice received
customErrorType	No Invoice has been received for PO# (ARG-PO-1060) by Invoice Due Date (20141227) for the line Item ID (1) schedule Line ID (1).	No Invoice received in response to a PO by a customer-specified date	PurchaseOrder-Invoice, No Invoice received
customErrorType	No Invoice has been received for PO# (ARG-PO-1060) by Invoice Due Date (20150101) for the line Item ID (1) schedule Line ID (2).	No Invoice received in response to a PO by a customer-specified date	PurchaseOrder-Invoice, No Invoice received

The 'Deduction Analysis' tool gives users the ability to run quick summary reports.

Dispute Resolution and Final Assessment

If the supplier feels they were wrongly assessed the deduction, they will complete the dispute task, providing the details for their dispute. Once completed, this information triggers the workflow to move to dispute review.

At this time, the disputed deductions are routed to the vendor compliance team for review. Based on this review, the deduction dispute can be approved or rejected.

If the dispute is approved, the status is changed to reflect this and the supplier is sent a notification advising them that their dispute has been approved. If the dispute is not approved, the status changes to 'dispute-rejected' and the supplier is informed of the rejected dispute.

Final assessment also means notifying Accounts Receivable (AR) of the penalty amount that should be assessed against the supplier. In the standard OpenText Deduction Management solution, a weekly report is generated with all the deduction details and sent via email to the proper users. A custom solution may include additional statuses being passed to AR or direct file integration.

Visibility, Research and Reporting

In addition to managing deductions, Deduction Management also allows users to do research on related or historical deductions. For example, if an admin user wanting to see a trending view of all deductions or a buyer/merchant wants to see all the deductions being assessed against their suppliers, the OpenText Deduction Management solution offers a variety of options for this insight. A single view of the order, shipment, and invoice helps users to understand what infractions were found and why.

Standard and Customizable Deployments

A standard deployment is available for customers who need help getting started or have a limited model of deduction management. For customers who need more rules, alerts, and additional data feeds from other systems, or a custom dispute process, OpenText offers a fully customizable solution.

Deductions > Deduction Analysis

Trading Partner: []
 Issue: []
 Status: Approved, Exempt, Rejected
 Deduction Categories: Floor Ready Compliance
 Group Rows By: []
 Further Group Rows By: []
 Search Type: []
 Sliding Window: []
 Date Range: []
 [] Last 7 days

Definition	Status	Total	Amount
06A-Fragile merchandise not packed with corrupted padding	Approved	174	\$14,242.09
13B-Vendor pre-ticketed price does not match purchase order	Rejected	4.0	\$738.06
13B-Vendor pre-ticketed price does not match purchase order	Exempt	9.0	\$0.00
13B-Vendor pre-ticketed price does not match purchase order	Exempt	1.0	\$100.00
13B-Vendor pre-ticketed price does not match purchase order	Approved	16.0	\$1,825.53
13C-Vendor ticket has UPC but does not scan	Approved	2.0	\$155.00
13C-Vendor ticket includes UPC but no retail	Approved	4.0	\$435.63
13F-Size designation and/or Care Label not on garment	Approved	1.0	\$0.00
13G-Incorrect Color NAME and/or Store Name on Ticket	Approved	2.0	\$213.00
13G-Incorrect Color NAME and/or Store Name on Ticket	Rejected	3.0	\$0.00
13H-Style number or Dept number incorrect or not listed on retail ticket	Approved	9.0	\$2,001.45
13H-Style number or Dept number incorrect or not listed on retail ticket	Rejected	2.0	\$0.00

A 2-variable pivot report allows users to create many reports, such as reports by distribution center, supplier, status, department, deduction, or any combination.

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