



THE RETAIL SUPPLIER

INTELLIGENCE PLAYBOOK

5 Ways to Find What Your Deductions Are Telling You

FIVE PRACTICAL TOOLS • FIVE SMARTER DECISIONS

THE INTELLIGENCE IS ALREADY IN THE DATA.

Turn Insight into Action.

HARVEST REVENUE GROUP • BENTONVILLE, ARKANSAS

FIELD GUIDE / 01

What your deductions are telling you

Routine deduction activity can reveal patterns that are easy to miss when claims are reviewed one at a time. This playbook brings five practical supplier intelligence tools together to help teams spot recurring exposure, direct investigation, and connect recovery to prevention.

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Spot repeat shortage patterns

02 The Hidden Message in Markdowns

Measure possible margin exposure

03 When Inventory Exists on Paper, but Not in Reality

Identify phantom-inventory warning signs

04 The Biggest Recovery Opportunity May Be Hiding in Plain Sight

Prioritize claims with a five-factor scorecard

05 The Problem Isn't Always Where You Think It Is

Find root causes across deduction types

HOW TO USE IT

Start with the issue that matters most to your business. Work through its five checks, answer the intelligence question, and complete the practical next step. The scorecard in Chapter 4 can help you sequence investigations; retailer dispute deadlines should always be considered separately.

This is an investigative guide—not a determination that any individual deduction is invalid or recoverable.

SUPPLIER INTELLIGENCE TOOLKIT / 01

The Shortage That Keeps Coming Back

Are Your Shortages Trying to Tell You Something?

One shortage deduction may be isolated. Repeated shortages may indicate a process problem worth investigating.

THE FIVE-POINT CHECK

Use this five-point checklist to identify recurring patterns in your shortage deductions.

- ❑ **Review the last 90 days.** Identify shortages involving the same products, purchase orders, or distribution centers.
- ❑ **Compare shipping and receiving records.** Look for recurring differences between quantities shipped, delivered, and acknowledged by the retailer.
- ❑ **Examine invoice accuracy.** Check for unit-of-measure errors, duplicate invoices, incorrect quantities, or mismatched purchase orders.
- ❑ **Identify concentration.** Determine whether particular products, carriers, facilities, or time periods account for a disproportionate share of deductions.
- ❑ **Look for repeat occurrences.** Are similar deductions continuing after previous disputes were resolved?

YOUR INTELLIGENCE QUESTION

Are we recovering the same shortage problem repeatedly without fixing what causes it?

PRACTICAL NEXT STEP

Practical next step: Create a simple spreadsheet showing shortages by retailer, distribution center, product, and month. Sort by total dollars and frequency. Investigate the largest recurring patterns first.

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SUPPLIER INTELLIGENCE TOOLKIT / 02

The Hidden Message in Markdowns

Five Questions Every Supplier Should Ask About Markdowns

Markdowns and price protection claims can affect profitability long before their cumulative impact becomes obvious.

THE FIVE-POINT CHECK

Use this quick guide to identify where your margins may be exposed.

- Are markdown deductions consistent with negotiated agreements? Confirm that the products, dates, rates, and quantities match authorized terms.
- Are deductions increasing? Compare monthly markdown activity to identify unusual changes in frequency or dollar value.
- Are certain SKUs repeatedly affected? Determine whether specific products, categories, or seasonal items create disproportionate exposure.
- Are promotions contributing to unexpected claims? Review promotional calendars, price changes, and retailer execution against approved agreements.
- Are markdowns overlapping with other deductions? Check for duplicate charges, allowance claims, or related pricing adjustments involving the same activity.

YOUR INTELLIGENCE QUESTION

How much of our margin erosion is expected—and how much deserves further investigation?

PRACTICAL NEXT STEP

Practical next step: Calculate total markdown deductions as a percentage of net retailer sales for each month. Track the trend and flag unexpected increases.

SIMPLE FORMULA: $\text{Markdown Exposure \%} = (\text{Total Markdown Deductions} \div \text{Net Retailer Sales}) \times 100$

INTERPRETATION: This measure does not establish whether deductions are valid, but it helps identify periods and products that deserve additional scrutiny.

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SUPPLIER INTELLIGENCE TOOLKIT / 03

When Inventory Exists on Paper, but Not in Reality

Is Phantom Inventory Hiding in Your Retail Business?

Phantom inventory can create costly discrepancies between what retailer systems report and what is actually available for sale.

THE FIVE-POINT CHECK

Use these five checks to identify potential warning signs.

- ❑ **Identify unusual inventory patterns.** Look for stores with positive on-hand quantities but consistently low or zero sales.
- ❑ **Compare inventory against sales velocity.** Products showing extended periods without sales despite reported inventory may warrant investigation.
- ❑ **Review replenishment activity.** Determine whether apparent inventory availability is preventing needed replenishment orders.
- ❑ **Examine related transaction discrepancies.** Look for inventory adjustments, receiving issues, shortages, or reconciliation problems that may provide additional clues.
- ❑ **Prioritize high-impact products.** Focus on high-volume SKUs, critical seasonal products, and locations with significant potential lost sales.

YOUR INTELLIGENCE QUESTION

Are retailer inventory records creating a false picture of product availability?

PRACTICAL NEXT STEP

Practical next step: Create a list of products showing positive on-hand inventory and no sales for an unusual period. Compare those exceptions with actual shelf conditions or retailer inventory adjustments where data is available.

IMPORTANT: Low sales alone do not prove phantom inventory. Demand, merchandising, seasonality, and store execution can produce similar patterns.

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SUPPLIER INTELLIGENCE TOOLKIT / 04

The Biggest Recovery Opportunity May Be Hiding in Plain Sight

Which Deductions Deserve Your Attention First?

When deduction volume is high, investigating every claim in the order received isn't always the most effective use of resources.

Use this five-factor scorecard to prioritize potential recovery opportunities. Rate each factor from 1 (low) to 5 (high).

FIVE-FACTOR PRIORITIZATION SCORECARD

Prioritization Factor	Score
Financial Impact: How much recoverable revenue may be at stake?	1-5
Frequency: Is the same issue occurring repeatedly?	1-5
Supporting Evidence: How complete is the documentation supporting a dispute?	1-5
Recovery Feasibility: How strong is the basis for a valid, timely recovery claim?	1-5
Future Prevention: Could addressing the issue reduce additional deductions?	1-5
Total Potential Score	5-25

INTERPRET YOUR SCORE

20-25 High-priority investigation **13-19** Review and evaluate **5-12** Monitor or investigate as resources permit

YOUR INTELLIGENCE QUESTION

Are we allocating our recovery resources to the opportunities with the greatest potential value?

PRACTICAL NEXT STEP

Practical next step: Score your 20 largest unresolved deduction issues. Compare financial impact with supporting documentation and recovery feasibility to establish investigation priorities.

IMPORTANT: This is an initial prioritization aid, not a validated prediction of recovery. Claims approaching retailer dispute deadlines should be escalated regardless of their score.

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SUPPLIER INTELLIGENCE TOOLKIT / 05

The Problem Isn't Always Where You Think It Is

Five Steps to Find the Problem Behind the Deductions

A shortage, pricing adjustment, allowance deduction, and freight charge may look unrelated. Sometimes, they're different symptoms of the same operational problem.

THE FIVE-POINT CHECK

Use this five-step guide to investigate connected deduction activity.

- ❑ **Group related transactions.** Identify deductions associated with the same product, purchase order, shipment, promotional event, or time period.
- ❑ **Look across deduction categories.** Examine whether shortages, pricing, allowances, freight, or compliance deductions overlap.
- ❑ **Build a timeline.** Determine what occurred first and whether subsequent activity may have resulted from an earlier discrepancy.
- ❑ **Identify the source.** Evaluate the underlying agreements, invoicing, retailer receiving, shipping, and promotional execution processes.
- ❑ **Confirm and correct.** Validate the suspected root cause, assign corrective action, and monitor whether related deductions decline.

YOUR INTELLIGENCE QUESTION

Are different deduction categories pointing to one recurring business problem?

PRACTICAL NEXT STEP

Practical next step: Select one high-value product or account with multiple deduction types. Review 90 days of activity and map those deductions against purchase orders, invoices, shipments, and promotional agreements.

LOOK DEEPER: Look for relationships that would be difficult to recognize when individual claims are investigated separately.

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