



REFERENCE GUIDE

Retail Deduction Code Reference Guide for CPG Suppliers

Understanding, Investigating and Preventing Retail Deductions

Retail deductions occur when a retailer reduces the amount paid to a supplier because the retailer believes there is a discrepancy, contractual obligation, compliance failure, return, allowance or other amount owed.

A deduction code identifies **why the retailer says money was withheld**. It does not, by itself, establish that the deduction is valid.

For every deduction, suppliers should answer four questions:

1. **What is the retailer claiming?**
2. **What transaction, agreement or shipment caused it?**
3. **Does the available evidence support the retailer or the supplier?**
4. **What caused the issue, and can it be prevented from recurring?**

Important: Deduction codes, descriptions, dispute procedures and deadlines change. The supplier's current retailer portal, remittance detail, supplier agreement and retailer documentation should always be treated as the controlling source.

1. Master CPG Deduction Categories

Deduction Category	What It Usually Means	Common Cause	Key Evidence
Shortage	Retailer says fewer units/cases were received than invoiced	Receiving error, shipping shortage, misapplied receipt, case-pack issue	PO, invoice, BOL, POD, packing list, ASN, seal record, weight
No Merchandise Received	Retailer says an invoice exists but merchandise was not received	Receipt not matched, wrong PO, lost shipment	Invoice, PO, POD, BOL, ASN, appointment record
Damage	Product allegedly arrived damaged	Transit damage, handling, packaging	POD, inspection report, photos, BOL, carrier documentation
Defectives / Unsaleables	Product deemed defective, damaged, spoiled or unsaleable	Product quality, store returns, contractual defective allowance	Return detail, item/UPC, quantity, return agreement, defect policy
Pricing	Invoice cost differs from retailer's expected cost	Cost change timing, PO error, item-file mismatch	PO, invoice, approved cost, effective dates, cost-change documentation
Allowance	Retailer claims an advertising, promotional or other allowance	Missing invoice allowance, duplicate deduction, wrong rate	Supplier agreement, promotion agreement, PO, invoice, accrual
Promotional / Billback	Retailer claims funding associated with a promotion	Promo agreement, volume, display or event	Promotion agreement, dates, items, volume, POS
Markdown / Price Protection	Retailer seeks reimbursement for a retail-price reduction	Markdown, discontinued item, clearance, negotiated protection	Markdown authorization, inventory, effective date, agreement
Rollback	Supplier is charged for retailer price reduction funding	Approved rollback or disputed funding period	Authorization, start/end dates, POS, inventory, purchase history
Freight	Retailer passes transportation expense to supplier	Wrong freight terms, routing violation, accessories	BOL, freight terms, routing request, carrier invoice, tender
Routing Compliance	Shipment did not follow retailer routing instructions	Wrong carrier, incorrect location, late routing request	Routing request, tender confirmation, BOL
OTIF	Shipment did not meet On-Time/In-Full requirements	Late arrival, early arrival, quantity shortfall	PO, ASN, appointment, delivery timestamps, receiving
MABD / Delivery Window	Shipment failed required arrival-date rules	Early/late delivery, PO change, appointment issue	PO history, MABD, appointment, delivery confirmation
ASN / EDI Compliance	Required electronic document was absent, late or inaccurate	856 failure, mapping error, transmission issue	856, 997, 824, EDI logs, timestamps
Case-Pack	Units/cases received don't match configured pack	Item setup or packing configuration error	Item file, PO, ASN, carton detail
Substitution / Wrong Item	Retailer received an item different from the PO	Picking or item cross-reference error	PO, packing list, ASN, UPC/GTIN
Overage / Overshipment	More product received than ordered	Warehouse picking issue, PO change	PO, ASN, shipping record, receiving
Return to Vendor	Retailer returned product and charged supplier	Overstock, recall, damage, wrong item	RTV detail, authorization, item and quantity detail
Cash Discount	Retailer claims an early-payment or contractual discount	Payment terms or discount interpretation	Vendor agreement, invoice, payment date
Duplicate Billing	Retailer believes an invoice was submitted twice	Duplicate invoice transmission	Invoice register, EDI 810 history, remittance
Duplicate Payment	Retailer believes it previously overpaid supplier	Payment duplication or misapplication	Remittance, bank deposit, invoices
Coupons / Scanbacks	Retailer bills supplier for consumer promotion activity	Coupon redemption or scan-based agreement	Coupon/scanback agreement, POS, redemption detail
Rebates	Contractual volume or purchase rebate	Volume tiers, program agreement	Agreement, purchase data, rebate calculation
Handling / Pallet Fees	Retailer charges handling, pallet or processing costs	Contractual fee or operational exception	Agreement, BOL, pallet records

Deduction Category	What It Usually Means	Common Cause	Key Evidence
Compliance	Supplier violated a retailer operational requirement	Labeling, packaging, appointment, EDI, routing	Compliance report and supporting shipment records
Post-Audit	Retailer or third-party auditor identifies historical amounts	Pricing, allowance, duplicate payment, freight, credits	Full transaction history and contractual documentation
Lump Sum	Fixed-dollar payment or deduction	Settlement, promotion, funding agreement	Agreement, authorization, reconciliation
Taxes / Fees	Taxes or administrative charges assessed	Invoice setup, jurisdiction, service fees	Invoice, agreement, tax records
Phantom Inventory	Retailer inventory shows product that may not physically exist	Receiving, shrink, inventory adjustment or data issue	POS, perpetual inventory, shipments, receipts, on-hand history

Important distinction: Phantom Inventory

Phantom inventory is usually **not itself a traditional AP deduction code**. It is an inventory discrepancy that can create or signal financial losses including shortages, replenishment problems, markdown exposure and lost sales. It should therefore be monitored alongside deductions rather than treated as synonymous with one.

2. Walmart / Sam's Club Deduction Reference

Walmart uses one of the most extensive deduction-code structures in U.S. retail. Publicly documented codes include the following.

Pricing and Invoice

Code	Description
10	Price Difference / Allowance Difference
11	Pricing Overcharge — PO vs. Invoice
12	Invoice Incorrectly Extended
13	Substitution Overcharge
30	Duplicate Billing
31	PO Number Not on Invoice
32	Multiple PO Numbers on Invoice
33	Incorrect PO Number

What to investigate

Compare:

PO → Invoice → Approved Cost → Allowance → Effective Date

Pricing deductions frequently originate from timing differences between approved cost changes and the cost contained in Walmart's PO or item file.

Shortages and Damage

Code	Description
14	Short/Damaged — Trailer Seal Intact
15	Pallets/Shrink-Wrapped Short/Damaged
20	Concealed Damage
21	Concealed Shortage
22	Goods Billed Not Shipped
23	Carton Shortage
24	Carton Shortage / Freight Bill Signed Short
25	No Merchandise Received for Invoice
26	Carton Shortage — Misrouting
27	Carton Damage
28	Carton Damaged / Freight Bill Signed Damaged

For shortage disputes, documentation commonly includes BOLs, PODs, invoices, claims and other shipping evidence.

Key shortage evidence

- Purchase order
- Invoice
- BOL
- Proof of delivery
- Packing list
- ASN / EDI 856
- Trailer or pallet seal
- Carrier PRO number
- Shipment weight
- Walmart receiving information
- PO change history

Freight

Code	Description
40	Routing Violation / Excessive Freight
41	Collect — Should Have Been Prepaid
42	Backhaul / Pickup Allowance
43	Merchandise Should Be Prepaid to Consolidator
44	Freight on Returned Merchandise
45	Prepaid Freight Incorrectly Added
46	Freight Allowance
47	Excessive Freight
48	Freight Should Be Prepaid to Consolidator
49	Freight Cost to Forward Misrouted Shipment

Trade Allowances

Code	Description
50	Advertising Allowance
51	Promotional / Display Allowance
52	Volume Allowance
53	Truckload Allowance
54	Warehouse Allowance
55	New Location Allowance
56	Early Buy Allowance
57	Quantity Discount
58	Other Allowance
59	Defective Merchandise Allowance

Walmart Code 50, for example, is generally associated with an advertising allowance appearing on the PO but not properly reflected on the invoice.

Markdowns, Billbacks and Other Commercial Deductions

Code	Description
66	Markdown Monies / Price Protection
67	Display Allowance
68	Signing Allowance
69	Grocery Billback Allowance
70	Co-Op Allowance
71	Fixture Allowance

These codes require close coordination among **AR, sales, category management and trade-promotion teams**. A deduction can be contractually valid but still incorrect because of the wrong SKU, rate, volume or effective period.

Returns and Defectives

Code	Description
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Code	Description
91	Merchandise Destroyed / Damaged / Defective
92	Merchandise Return — Overstock / Recall
93	Merchandise Return — Damaged
94	Goods Returned / Defective
95	Merchandise Return — Wrong Item
96	Merchandise for Repair / Assembly
97	Returned Goods Handling Charge
98	Disposal Fee
120	Walmart Discretionary Merchandise Return Claims
150	Softgoods Defective Allowance

Additional High-Importance Walmart Codes

Code	Description
73	Duplicate Payment
77	Overpayment of Invoice
80	Cash Discount
83/84	Discount Not Taken at Time of Payment
87	Other
89	Supplier Credit Memo
90	Unauthorized Charge / System Deduction
99	OTIF
132	Penalties and Fines
151	Purchase Rebate Allowance

Walmart's APDP supports disputes for many—but not all—AP reason codes, and certain codes have different dispute paths.

OTIF and MABD

MABD — Must Arrive By Date is an operational requirement rather than a universal stand-alone deduction code. Failure to meet a required arrival window can contribute to OTIF/compliance charges.

Always reconcile:

PO Creation → PO Changes → MABD → ASN → Appointment → Carrier Arrival → Retailer Receipt

3. Target Deduction Reference

Target uses reason codes as well as broader chargeback and compliance structures. Target reportedly maintains hundreds of deduction codes, although only a relatively small subset occurs regularly for most suppliers.

Common Target AP Codes

Code	Description
A004	Defective Allowance
A030	Carton Shortage
A032	Damaged or Defective
A034	Unit/Internal Shortage or Case-Pack Issue
A035	Return to Vendor — Not Ordered
A036	Cost Difference
A037	Over-Shipped Merchandise
A038	Substitution
A135 / A147	Return to Vendor / Store Claim
A176	Auto-Chargeback
A242	Salvaged Merchandise

These descriptions are documented in current Target deduction references.

Target Compliance Areas

Common compliance deductions include:

- On Time – Late
- On Time – Early
- Fill Rate
- ASN Missing
- ASN Late
- ASN No Status
- EDI compliance
- Routing
- Shipping
- Packaging

Target investigation sequence

For an invoice-match deduction:

PO → ASN → Shipment → Receipt → Invoice → Chargeback

For compliance:

PO → Routing → EDI → Appointment → Shipment → Receipt

4. Kroger Deduction Reference

Kroger deductions can appear under numeric and letter-based identifiers. Public references identify the following common codes.

Code	Description
2	Promotional Allowance Difference
3	Cost Difference
4	Shortage / Damage / Do Not Stock
5	EDI Non-Compliance
6	Item Invoiced / Not Received
7	Overage
8	Net Total Dollar Difference
9	Pickup Allowance

Other identifiers reported on Kroger deductions include:

Code	Typical Meaning
SH	Shortage
DG	Damage
LC	List Cost
SD	Shorted Deals
RR	Refused / Returned Product
II	Invalid Item

Kroger shortage deductions can appear under several different identifiers, including Codes 4 and 6 and letter-based shortage codes.

Kroger allowance caution

Kroger's EDI documentation contains specific allowance and charge structures for freight, pallet, trade, salvage, swell and other programs. Incorrect invoice-level application can result in additional deductions.

5. CVS Health Deduction Reference

CVS commonly refers to AP deductions as **Warehouse Payables**.

Primary categories include:

- Shortages
- Pricing
- Allowances
- Case-pack deductions
- Cash discounts, taxes and other fees

Warehouse Payables can often be recognized by invoice-number suffixes such as **W, X or V**.

CVS Compliance Identifiers

Examples include:

Identifier	Area
AI	Appointment Integrity
B	Missing BOL
LOG	Logistics Expense
P	Missing Packing List
SCP...AS	ASN-related performance
SCP...OT	OTIF
SCP...SP	Small Parcel

CVS LOG Codes

Current public CVS routing documentation identifies logistics codes including:

Code	Description
BOL	BOL Failure
DET	Detention / Per Diem
IWP	Incorrect Web Portal Entry
NWP	Failure to Use Transportation Web Portal
PPV	Unauthorized Prepaid Freight Cost
RECON	Reconsignment
RDL	Redelivery
RWK	Rework
STP	Stop-Off
STO	Storage
SRV	Required Service Error
TONU	Truck Ordered Not Used
XTRA	Unauthorized Extra Freight Cost

6. Walgreens

Walgreens deduction data uses different identifiers from Walmart or Target.

Examples publicly documented include:

Identifier	Meaning
K1	Shortage / Quantity Debit Note
K2	Pricing Debit Note

Other common Walgreens deduction families include:

- Shortages
- Pricing

- ASN
- Routing
- On-time performance
- Allowances
- Returns
- Compliance
- Post-audit

Because the controlling details reside in Walgreens supplier systems, the current remittance and SupplierNet/VAIS information should be verified before assigning recovery logic.

7. Amazon Vendor Central

Amazon uses **chargeback and operational-performance terminology** more frequently than traditional numbered retail deduction codes.

Common Vendor Central issues include:

- ASN Accuracy
- PO On-Time Accuracy
- No Show
- Carton Content Accuracy
- Carton Information
- Overage PO Units
- Prep compliance
- Shortages
- Pricing
- Co-op / allowance deductions

Public references currently identify labels such as **ASN-ACC** and **PO-ONTIME**, but Vendor Central should be treated as the controlling source because Amazon's operational rules and chargeback structures change frequently.

8. Albertsons / Safeway

Albertsons remittances may use acronyms rather than a single simple numbered deduction-code structure.

Common identifiers include:

Identifier	Meaning
ALW	Allowance Billing
COMPL	Compliance
D deductions	Cost, Freight, Swell or Shortage Debit Memo
LUMPSUM	Lump-Sum AR Payment
PRE	Pre-Audit Deduction
PRC	Product Reclamation
SCBK	Scanback
AUDIT	Audit Deduction
PRGX	Third-Party Audit

9. Evidence Required by Deduction Type

Shortage

Best evidence package

1. PO

2. Invoice
3. BOL
4. Signed POD
5. Packing list
6. ASN / EDI 856
7. Carrier tracking
8. Trailer seal information
9. Shipment weight
10. Retailer receiving detail

A clean POD alone may not prove every case was received. Stronger disputes reconcile multiple independent data points.

Pricing

Review:

- Original PO
- PO change history
- Invoice
- Retailer item cost
- Approved supplier cost
- Cost-change authorization
- Effective dates
- Promotion dates
- Allowance terms

Common root cause

The supplier believes the new cost is effective while the retailer's purchase order still contains the previous cost.

Allowances

Review:

- Supplier agreement
- Promotional agreement
- PO
- Invoice
- Allowance rate
- Effective dates
- SKU eligibility
- Purchase volume
- POS where applicable
- Previous deductions or accruals

Watch for

Duplicate funding.

A valid promotion does not necessarily make every related deduction valid.

Defectives

Review:

- Defective agreement
- Return policy
- Store/DC return detail
- UPC

- Quantity
- Date
- Reason
- Unit cost
- Prior defective allowance payments

Look for situations in which a retailer charges both a negotiated defective allowance and individual defective returns.

Freight

Review:

- Freight terms
- Routing instructions
- Carrier tender
- BOL
- Freight invoice
- Appointment
- Pickup confirmation
- Delivery information
- Accessorial documentation

OTIF / MABD

Review:

- Original PO
- PO modifications
- MABD / delivery window
- Requested ship date
- ASN
- Carrier tender
- Appointment request
- Appointment confirmation
- Gate-in time
- Delivery timestamp
- Receiving timestamp
- Quantity ordered
- Quantity shipped
- Quantity received

The cause of an OTIF charge can reside with the supplier, carrier, retailer appointment process or retailer receiving process.

ASN / EDI

Preserve:

- Raw EDI 856
- EDI 810 invoice
- EDI 850 PO
- EDI 860 PO change
- EDI 997 acknowledgement
- EDI 824 application advice
- Transmission timestamps
- VAN/API transmission records

An ASN should not merely exist; it must be **timely, correctly formatted and tied to the correct shipment and PO**.

Post-Audit

Review:

- Supplier agreement
- Historical POs
- Invoices
- Payments
- Allowances
- Credits
- Promotion agreements
- Cost changes
- Freight terms
- Previous settlements
- Prior audit activity

Never assume that an audit claim is valid because it was identified by an audit firm.

10. Recommended Deduction Workflow

Every supplier should manage deductions through the same basic lifecycle:

1. IDENTIFY

Capture:

Retailer → Supplier Number → Claim → Code → Amount → Invoice → PO

2. CLASSIFY

Assign a normalized root-cause category:

Shortage | Pricing | Allowance | Defective | Freight | OTIF | Compliance | Return | Audit | Other

3. VALIDATE

Determine whether the retailer's claim is:

- Valid
- Invalid
- Partially valid
- Unsupported
- Duplicate
- Contractually questionable
- Pending additional evidence

4. EVIDENCE

Assemble the transaction and documentation needed to establish what actually occurred.

5. DISPUTE

File within the retailer's required dispute window and retain:

- Case number
- Date submitted
- Amount
- Documentation
- Response
- Follow-up date

6. RECOVER

Do not mark a claim recovered when it is merely **approved**.

Validate that the credit or repayment actually appears on remittance.

7. ROOT-CAUSE

Determine:

Why did the deduction happen?

8. PREVENT

Change the underlying pricing, logistics, EDI, item setup, invoicing or commercial process when appropriate.

11. Suggested Internal Normalized Code Structure

Because every retailer uses different codes, CPG suppliers should create an internal cross-retailer taxonomy.

Internal Code	Category
SHR	Shortage
NRCV	No Receipt
DMG	Damage
DEF	Defective
PRC	Pricing
ALW	Allowance
PROMO	Promotional Funding
RBK	Rollback
MD	Markdown / Price Protection
FRT	Freight
OTIF	On-Time/In-Full
MABD	Delivery Window
ASN	ASN Compliance
EDI	EDI Compliance
RTG	Routing
RTV	Return to Vendor
DUP	Duplicate
CPK	Case-Pack
SUB	Substitution
OVR	Overage
REB	Rebate
COUP	Coupon / Scanback
AUD	Audit / Post-Audit
LUMP	Lump-Sum
FEE	Administrative Fee
OTH	Other

This allows management to compare **root causes across retailers**, even when retailer codes differ.

For example:

Walmart 24 → SHR
 Target A030 → SHR
 Kroger 4 → SHR
 Walgreens K1 → SHR

The retailer code tells you **how the retailer classified the deduction**.

The internal code tells you **what business problem the supplier needs to manage**.

12. Deduction Management Scorecard

A strong deduction-management program should track more than dollars recovered.

Recommended KPIs include:

Financial

- Total deductions
- Valid deductions
- Invalid deductions
- Amount disputed
- Amount recovered
- Recovery rate
- Net deduction exposure
- Aging exposure

Operational

- Shortage rate
- Pricing-error rate
- OTIF deductions
- ASN failures
- Freight violations
- Defective rate
- Repeat-deduction rate

Process

- Average days to dispute
- Average days to recovery
- Claims approaching expiration
- Evidence availability
- Dispute approval rate
- Approved-but-not-paid claims

Strategic

- Top deduction root causes
- Top affected retailers
- Top affected SKUs
- Top affected DCs
- Top affected carriers
- Repeat deductions
- Preventable loss
- Recovered revenue
- Future loss avoided

Final Principle

A Deduction Code Is the Beginning of the Investigation—not the Answer.

Retail deduction management should move beyond simply asking:

“How much can we recover?”

Suppliers should also ask:

Why did we lose the revenue?

Is the deduction valid?

Is it happening repeatedly?

What is the data telling us?

What can we change so the deduction does not happen again?

The goal is not simply to recover lost revenue.

The goal is to **understand it, recover what is owed, identify the pattern and reduce future loss.**