



CUSTOMER DEDUCTIONS

Tracking What Matters: KPIs for Better Customer Deductions Management

Results of multiple workshops organized by Esker Spain studying deductions management at FMCG companies

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Part 1

Introduction

Customer deductions create significant friction within the value chain, leading to high administrative costs and lost revenue. Despite this impact, many companies in the Fast-Moving Consumer Goods (FMCG) industry continue to accept the status quo, often resorting to write-offs as a standard practice.

There is a clear need for internal process optimization and the adoption of technologies that enhance operational efficiency. Additionally, a lack of key performance indicators (KPIs) results in inaccurate or non-existent metrics about the impact of deductions, which in turn complicates informed decision-making.

To better understand the origins of losses and develop more relevant KPIs, Esker Spain organized three collaborative workshops with leading companies in the FMCG sector.

The objective was to provide the consumer industry with functional metrics to enable a more transparent and rational customer deductions management.



Part 2

**Digging into
root causes
for customer
deductions**

Background: Understanding customer deductions

Customer deductions are a common yet complex aspect of the commercial relationship between manufacturers and distributors. They typically involve exchanges related to credit memos and service invoices. While some deductions are pre-negotiated, others arise unexpectedly, creating significant operational and financial challenges.

One of the most problematic scenarios occurs when retailers make unanticipated short payments on invoices. These deductions are often not communicated in advance, making follow-up and resolution particularly difficult. When deductions affect service invoices, manufacturers are forced to manually adjust their ERP systems, which increases the administrative burden and the likelihood of errors.

Types of deductions

Deductions generally fall into two main categories:

Pre-negotiated deductions are planned and can be accounted for with relative ease.

They include:

- Promotional activities: advertising, store openings, special campaigns, loyalty programs
- Sales-cycle related deductions: rebates, returns, logistical discounts
- Financial/administrative: early payment discounts, management fees
- Purchasing center deductions, both national and international

Incident-based deductions are unexpected short payments and often stem from disputes over pricing or product delivery. Retailers may also deduct amounts to compensate for lost commercial margin, a practice not uncommon among large retail chains.

These deductions are particularly challenging due to:

- Pricing discrepancies between negotiated terms and actual payments
- Logistical issues such as quantity mismatches, delivery delays, documentation errors or service level breaches
- Quality concerns like unagreed returns, expired goods or damaged products

Financial impacts

The financial implications are substantial. In 2023, the combined sales of food, beverage, drugstore, cosmetics and hygiene products in Spain reached €90 billion¹. With average retail margins at 26%, and deductions absorbing 20–25% of net turnover, the estimated annual losses due to atypical deductions range from €13 to €17 billion².

Promotions are a key sales driver in Spain. With the notable exception of supermarket chain Mercadona, which does not rely on them, offering promotional deductions are a frequent occurrence. The inflationary pressures of 2022 and 2023 further complicated the landscape, as manufacturers implemented multiple price increases, which in turn increased the risk of pricing errors and disputes.

One study participant noted that "since our demand forecast is tied to promotions, it's critical they are recorded accurately by date and quantity. Otherwise, we risk supply chain disruptions."³

Operational challenges

A 2019 Esker survey⁴ revealed that 20% of all deductions fall into the incident category. These cannot be reconciled automatically and can consume up to 80% of the time teams spend managing deductions. The burden spans across departments — Customer Service, Logistics, Finance, Sales and Legal — and is exacerbated by internal inefficiencies such as:

- Lack of coordination between departments
- Poor visibility over deductions processes
- Absence of dedicated task management systems
- Strained relationships with certain clients

Alarming, 33.8% of survey respondents were unaware of their company's deduction incidence, and 31.3% could not distinguish between off-bill deductions (planned but not invoiced) and incident deductions (unplanned and/or disputed).

In response to these challenges, Esker launched a new study in 2023 to take a closer look at root causes, financial impacts and potential solutions for managing customer deductions more effectively.

How do deductions occur?

CUSTOMER DEDUCTIONS

Sales reps
incorrectly report
promotions

Internal systems
incorrectly calculate
net amounts

Poor communications
between Logistics &
Customer Service

Difficulties handling
exceptions

Problems with
redirection/escalation of
cases

Impact of deductions
not taken into account
for sales incentives

Misuse of deductions
by some customers

Lack of process visibility
inhibits progress targets

Absence of strategy for dealing
with problematic customers

Methodology of the study

To gain a deeper understanding of customer deductions, Esker Spain conducted a series of collaborative sessions in 2023, bringing together 39 participants from 26 companies across the country.

The sessions were structured into three key blocks:



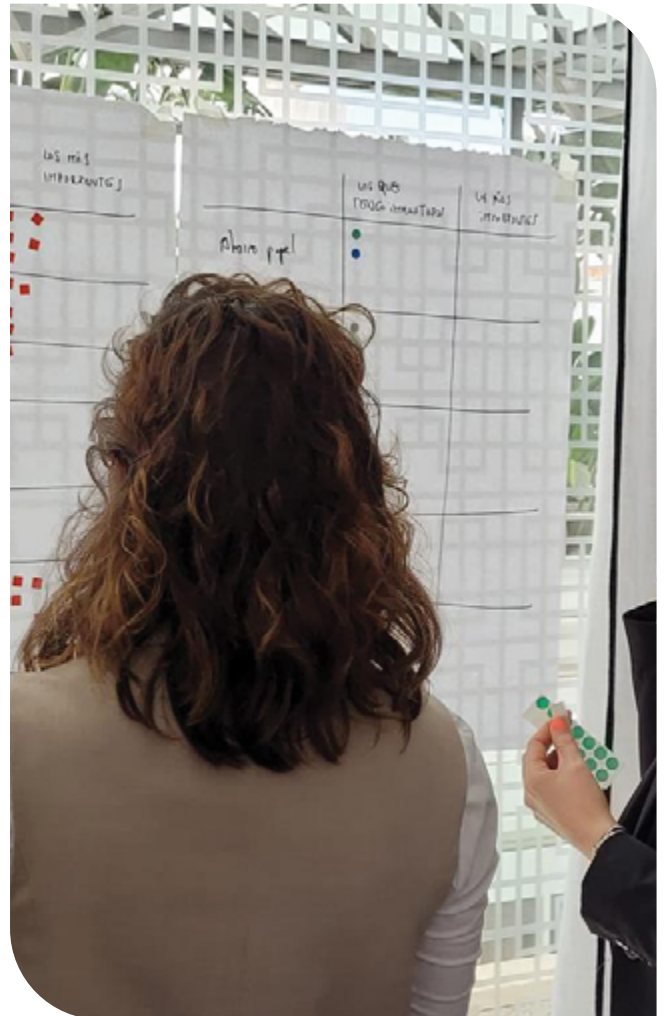
Discovery phase: Expert presentations by Accenture, Axis Corporate and KPMG provided context on industry challenges and current management practices.



Experience exchange: Leading companies such as Damm, Calidad Pascual, Risi and Coty shared real-world case studies and discussed KPIs they use in deductions management.



Focus groups: Participant collaboration prioritizing KPIs based on relevance and frequency of use, defining measurement criteria and identifying common barriers, solutions and success factors.



14 KPIs common in deductions management

1.

Days Deductions Outstanding (DDO)

Measures the average number of days between when a deduction is recorded and when it is resolved or posted. A low DDO indicates fast resolution.

2.

Volume of Deduction Entries

Tracks the number of deductions cases processed monthly or annually. This reflects the overall activity and workload related to deductions.

3.

Automatic Reconciliation Rate

Percentage of deductions that are matched and resolved automatically without manual intervention. A high rate suggests efficient system integration and data accuracy.

4.

Overdue Invoices Rate

Measures the proportion of invoices that remain unpaid, often due to unresolved deductions or disputes. This KPI highlights potential cashflow risks.

5.

Paper Consumption

Quantifies the amount of paper used in processing deductions, often due to manual workflows. It serves as an indicator of digitization and sustainability efforts.

6.

Deductions Backlog

Represents the number of unresolved deductions at a given time. It reflects the workload and efficiency of deductions management.

7.

Obsolescence Risk

Tracks deductions carried over from previous fiscal years that remain unresolved. These aged positions pose financial and operational risks.

8.

Chargeback Recovery Rate

Measures the company's ability to reclaim or reverse deductions that were initially accepted or processed. A higher rate indicates healthy dispute resolution capabilities.

9.

Revision Threshold

Defines the minimum monetary value below which deductions are waived or not pursued. This helps case prioritization and reduces the administrative burden.

10.

Promotion Accuracy

Percentage of promotional activities correctly recorded in the ERP system. Accurate recording reduces the likelihood of deduction-related claims.

11.

Invoicing Accuracy

Percentage of invoices issued without errors. High accuracy minimizes disputes and deductions triggered by billing errors.

12.

Deduction Management Workload

Measures the time spent on deduction case resolution. It helps assess resource allocation and process efficiency.

13.

Point-of-Sale (POS) Execution Rate

Tracks the percentage of planned promotions that were actually implemented at the point of sale. This data is crucial for validating deductions tied to promotional activities.

14.

External Evaluation Scores

Reflects rankings or scores from third-party evaluators (e.g., AECOC, Advantage) on customer relationship management. Effective deductions management can positively influence these scores.

Group discussion: objectives and usefulness of KPIs

During the group sessions, participants explored the value of using KPIs to evaluate customer deductions. This discussion led to the identification of four key aspects that KPIs should address:

- 1. Effectiveness** – Focuses on how well the deduction process is managed:
 - a. Speed: Measures the time from the initial recording of a short payment to its resolution and posting in the ERP. Faster resolution improves cashflow and is considered highly important.
 - b. Efficiency: Evaluates the internal costs of managing deductions and their impact on the company's profit and loss account.
 - c. Visibility: Assesses how well the KPIs provide actionable insights to support decision-making.
- 2. Revenue protection** – These KPIs measure the company's ability to recover or reverse deductions, helping to safeguard revenue and reduce financial leakage.
- 3. Prevention** – Focuses on proactive measures to anticipate and reduce the occurrence of deductions. Strong performance in this area leads to fewer downstream issues and smoother operations.
- 4. Satisfaction** – Reflects the human and relational impact of deductions management:
 - a. Employee satisfaction: Efficient and well-structured processes reduce stress and workloads, leading to higher job satisfaction.
 - b. Customer satisfaction: Transparent and well-managed deductions processes foster better relationships and more harmonious collaboration between suppliers and customers.



KPI	Prevention	Revenue	Process efficiency			Satisfaction
			Speed	Efficiency	Visibility	
<i>Days deductions outstanding (DDO)</i>						
Volume of deductions					✓	
Automatic reconciliation						
Overdue invoices		✓		✓		
Paper consumption						
Deductions backlog			✓		✓	
Deductions obsolescence						
Chargebacks		✓				
Revision threshold						
Promotion value	✓			✓		
Invoicing accuracy						
Workload						✓
Point-of-sale execution						
<i>Benchmarking</i>						

Figure 1: Objectives for KPIs

- Primary
- Secondary

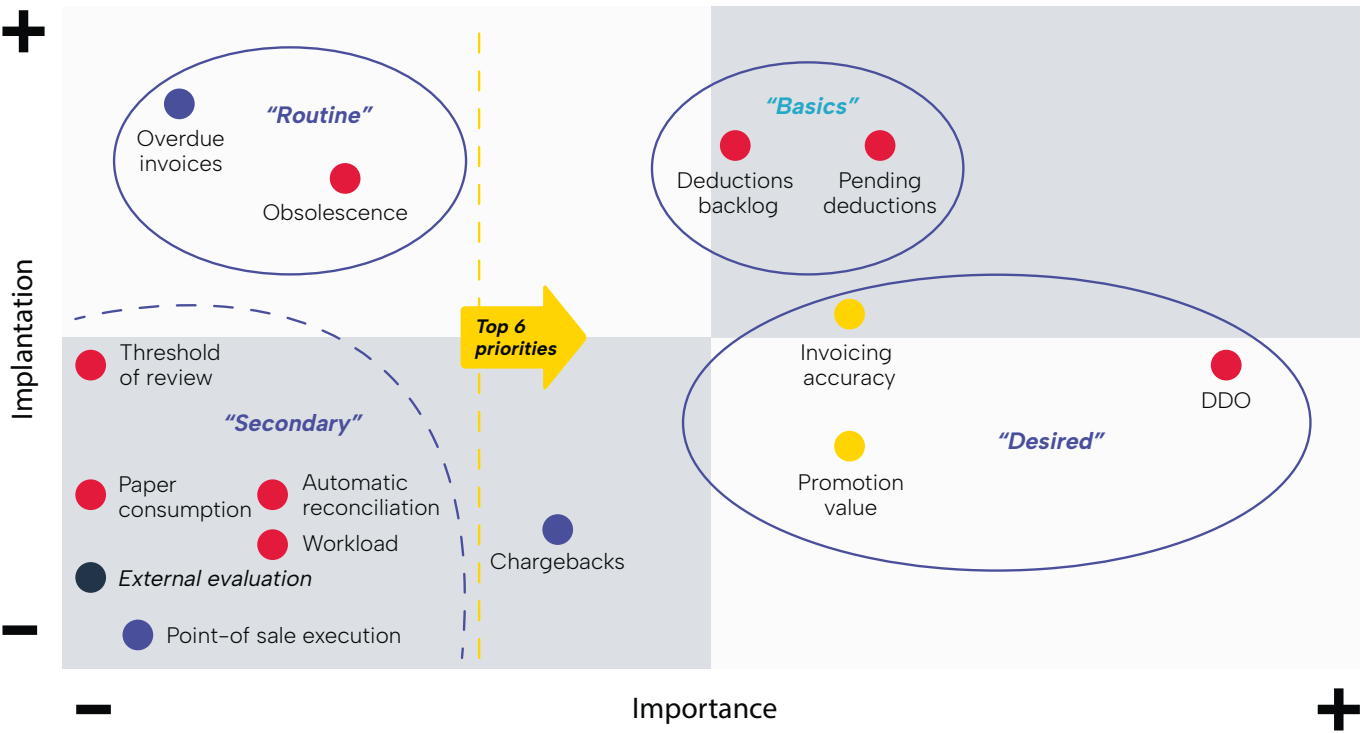
Ranking KPIs by effectiveness: insights and conclusions

To assess the relevance and maturity of deductions management KPIs within their company, participants were asked to consider two main questions:

Which KPIs are currently being measured in their company?

Which KPIs are considered most important, regardless of their current implementation level?

The responses were plotted on a matrix comparing importance (y-axis) and implementation level (x-axis), revealing key insights.



Deduction types

- Prevention
- Revenue-related
- Process efficiency
- Satisfaction

Figure 2: Ranking KPI effectiveness

Key findings

A clear gap exists between the KPIs that are considered important and those that are actually measured.

Only two KPIs showed alignment between importance and implementation:

- Total volume of deductions
- Open (unresolved) deductions

These KPIs are considered fundamental and in the following referred to as Primary KPIs (top-right quadrant, figure 2). They are essential for establishing visibility before diving into more detailed metrics.

Quadrant analysis

Routine KPIs (top-left quadrant, Figure 2):

These are widely implemented but not considered strategic priorities.

- Deductions obsolescence: While useful for tracking aged deductions, many companies simply write these off at fiscal year-end, reducing their perceived value.
- Overdue invoices: Difficult to interpret due to multiple potential causes, making it less actionable.

High-priority, low-adoption KPIs (bottom-right quadrant, Figure 2):

These are considered critical but are not widely used and represent a major opportunity for improvement.

- Days Deductions Outstanding (DDO): Considered to be the most important KPI, but underused due to lack of tools that can track deductions from initial recording to resolution. Spreadsheets are often used, but are not ideal for real-time tracking.
- Prevention KPIs: Indicators related to promotion accuracy and invoicing quality are underutilized, despite their potential to reduce deductions upstream. The current focus tends to be on resolving issues rather than preventing them.

Revenue recovery KPIs:

While not ranked among the top priorities, the deduction recovery rate was recognized as important for highlighting the financial contribution of deductions teams, making their impact more visible to management.

"The chargeback KPI is very important for management. Due to the lack of automation, we have decided to measure it using spreadsheets, because we consider it strategic."

Secondary KPIs (bottom-left quadrant, Figure 2):

These include six indicators that are either difficult to measure or have limited strategic impact:

- POS execution: Hard to link to gross promotional value (GPV) or specific deduction entries.
- Revision threshold: Data is often static and lacks actionable insights.
- Workload: While relevant for resource planning, it has limited impact on financial outcomes. However, its effect on sales team time and administrative efficiency should not be overlooked.

Strategic KPI roadmap

If we focus only on the most important KPIs — those above the 30% on the importance scale — six indicators that create a strategic roadmap for companies seeking actionable metrics:

Three process KPIs:

- Days Deductions Outstanding (DDO)
- Volume of deductions
- Open deductions portfolio

Two prevention KPIs:

- Promotion accuracy
- Invoicing quality

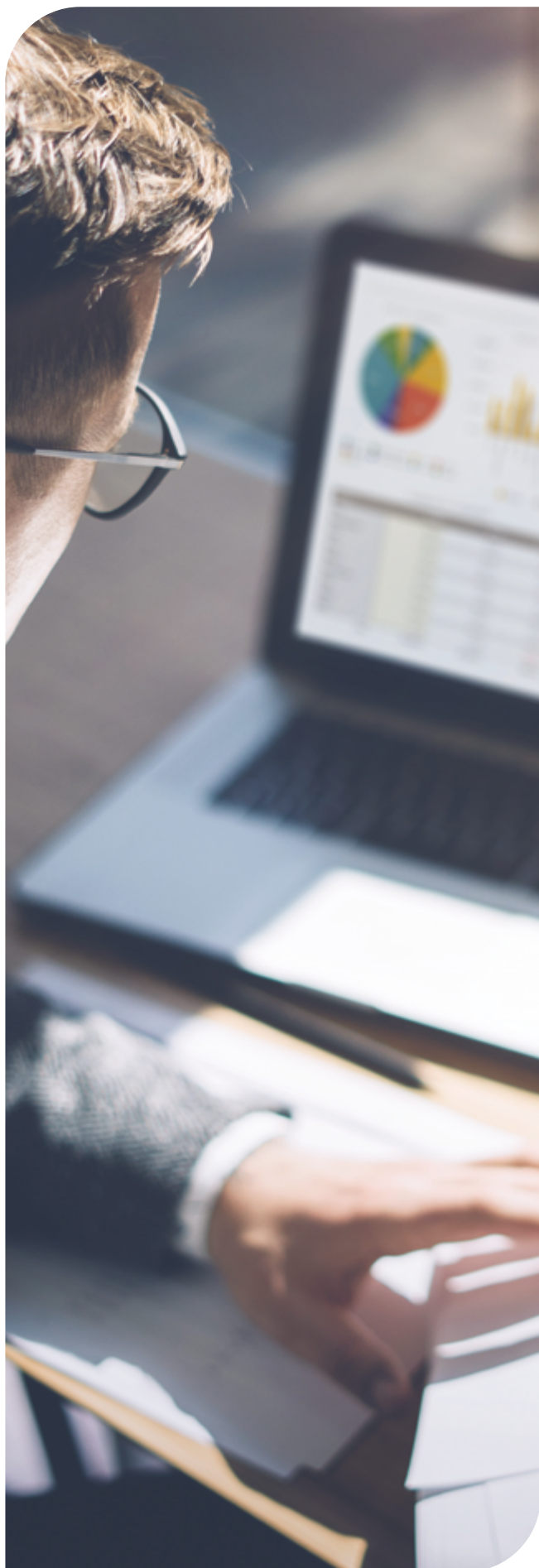
One revenue KPI:

- Deduction recovery rate

"I would like us to be able to create a KPI that can be used to measure the level of awareness within the organization about the need for rigorous administrative management of the entire order-to cash-cycle."

Notable absence: Satisfaction KPIs

Interestingly, satisfaction-related indicators, such as employee or customer satisfaction, were largely absent from the prioritization, with the exception of external service-level benchmarking (e.g., AECOC or Advantage rankings). These are typically used in one-off improvement projects rather than as part of continuous performance monitoring.



KPI-level details

A key topic of discussion was the level of detail required for KPIs to make them truly useful for decision-making. Participants emphasized the importance of customer-related KPIs, particularly those that distinguish between off-invoice deductions (pre-agreed but not invoiced) and incident-based deductions (unexpected or disputed). Categorizing deductions by type, such as pricing errors, logistical incidents or quality issues, was seen as essential, especially when reports are internally broken down by role, or viewed through a customer-centric lens.

However, reporting at the brand or product level was found to be less developed, particularly when it comes to identifying the roles that manage individual positions (i.e., line items or deduction entries). Participants also discussed the value of segmenting data by sales channel, and distinguishing between credit memos issued to customers and vendor invoices received, to gain a clearer picture of deduction flows and responsibilities.

"For us, it is fundamental to code the deduction at the moment we receive it, assigning it a categorization that is useful so that we can analyze root causes."

Understanding the barriers to effective deductions management

Despite the fact that many of the participating companies have mature Customer Service and order-to-cash (O2C) processes, a significant gap remains between the aspiration to implement effective KPIs and the reality of their adoption. This discrepancy was explored in-depth during the workshops, revealing several recurring challenges.

One major barrier is the limited ability to analyze deductions efficiently in the ERPs. Customer service representatives (CSRs), often overwhelmed with operational tasks, resort to manually creating records — frequently in spreadsheets — which slows down the process and reduces visibility. Even when the right tools are available, many companies lack a clear, standardized process for analyzing and acting on KPI data.

Another commonly cited issue is the organization-level focus on gross sales, which can obscure the real impact of deductions on profitability. This narrow focus often leads to underinvestment in deductions management capabilities.

“In my experience, the Finance team insists on balancing collections as quickly as possible, which does not allow Sales to contest some customer deductions that we could dispute if we had better visibility.”

A further obstacle is the siloed structure many businesses display. Departments tend to address deduction-related issues independently, rather than collaborating across functions. Since deductions are the result of cross-functional processes — spanning Sales, Logistics, Finance and Customer Service — this lack of coordination leads to inefficiencies and unresolved issues. Compounding this situation is the absence of clearly defined responsibilities, particularly when it comes to managing incident-based deductions.

Together, these factors highlight the need for a more integrated, data-driven and collaborative approach to deductions management.

“When I took over the CS management, I noticed that there were a lot of unprocessed deductions that nobody felt responsible for. One of the first things I did was to log them on the income statement to be processed at a later point in time.”

How to improve deductions management

Effectively managing customer deductions requires a holistic approach that addresses both technological capabilities and organizational alignment.

A strong starting point is the accurate recording of promotional agreements, typically managed through a Trade Promotions Management (TPM) system. This ensures that all commercial terms are clearly documented and accessible, reducing the risk of disputes.

Equally important is implementing a solution that can receive, identify and categorize deductions, while also generating automated resolution workflows. These capabilities, offered by platforms like Esker, help streamline the process, reduce manual work and improve traceability.

To support data-driven decision-making, companies should also invest in a business intelligence platform that can extract, process and analyze relevant data, enabling the generation of reliable KPIs for performance monitoring and continuous improvement.

"When we receive high-value orders, we check them against the terms indicated in the ERP, and we require the sales rep to resolve any deviations with the customer before invoicing. On occasion, we have even "threatened" not to deliver the goods, however, for a high-volume customer this is very problematic."

Improving the accuracy of incoming orders is another key lever. Errors at this stage often lead to incorrect invoicing and, subsequently, deductions. Solutions like Esker can automate and validate order entry, ensuring accurate ERP records and reducing one of the most common root causes of deductions.

Additionally, the system that records sales commissions should align with actual sales agreements and incentives. This helps ensure that sales practices are consistent with company policy and that all agreements are properly recorded, preventing deductions caused by undocumented or miscommunicated agreements.

From an organizational perspective, companies should consider forming cross-functional teams dedicated to reducing deductions. These teams should include representatives from Customer Service, Finance, Logistics, Sales and Legal, and ideally extend to collaboration with retail partners to improve end-to-end processes.

Before implementing any changes, it's advisable to develop a business case that identifies key problem areas, defines improvement objectives and evaluates the ROI of technology investments. These should include revenue recovery KPIs, such as those highlighted in the top six indicators, can help demonstrate the strategic value of improved deductions management to senior leadership.

Finally, it's important to recognize that each company's structure is unique. Whether Customer Service reports to Finance, Sales or Supply Chain, whether it owns the full O2C cycle or shares responsibilities with Accounts Receivable, or whether it manages or simply verifies sales agreements — all of these factors influence how deductions are handled. Beyond structure, the quality of collaboration between departments is often the most decisive factor in achieving effective and sustainable improvements.

"In general, it seems that the younger generation of salespeople are more aware of the importance of the administrative structures, so it is often easier for Customer Service to communicate with them."

Part 3

Consultants

Accenture: Reframing Customer Service as a profit center

Judit Palmés-Bosch, Managing Director and Order-to-Cash Lead for Europe at Accenture, presented the firm's comprehensive approach to achieving service excellence that spans multiple dimensions:

- Strategic: customer segmentation and service level definition
- Organizational: structuring Customer Service and fostering cross-functional collaboration
- Process: end-to-end transformation of the Order-to-Cash (O2C) cycle
- Data: enabling data-driven decision-making
- Technology: implementing platforms powered by robotics, artificial intelligence and automation

Palmés-Bosch advocated for a shift in mindset: Transforming Customer Service from a cost center into a profit-generating function.

She illustrated this philosophy through three real-world projects:



A global FMCG company

Faced with 700,000 incidents annually and €1 billion in retained cash, the company discovered that 40% of cases stemmed from late or incorrect recording of sales agreements. Escalations accounted for 50–80% of incidents, requiring 70,000 hours of overtime from key account managers. Each deduction cost €12 to process.



A task force was launched that includes “blocklists” of problematic customers and sales reps, with strong support from sales leadership. Incoming orders were held for up to three days to eliminate pricing errors. The result: an 80% reduction in unpaid invoices.



Commercial conditions and delivery validation project

Another company struggled with delays and errors in recording commercial terms and validating deliveries. A targeted program addressed three root causes: agreements, orders and invoices. Sales teams were equipped with tools to record agreements directly into the ERP. An automated net price validation system was introduced to catch errors before invoicing. Esker solutions were implemented to ensure accurate order and deduction recording. Coordination with logistics partners was improved, and invoicing based on electronic delivery notes was implemented.



Commercial execution control tower

In a third case, Accenture helped implement a “control tower” coordinated by Customer Service. This system cross-referenced data from field sales tools with ERP records to verify the execution of agreed promotions. This innovative integration bridged two typically disconnected systems, enhancing visibility and accountability.

Axis Corporate: The operating model as a key lever for an efficient O2C process



Marcos Sánchez, Axis Corporate, presenting

Marcos Sánchez, Senior Manager at Axis Corporate, presented findings from a study quantifying the financial risks of poor O2C management, estimating that between 1% and 5% of earnings before interest, taxes, depreciation and amortization (EBITDA) may be at risk due to process inefficiencies.

Surprisingly, only 20% of inefficiencies are typically detected, with root causes falling into three main categories:



Effectiveness issues, such as complex commercial agreements, lack of customer segmentation and unclear contractual terms



Efficiency issues, including inconsistent recording of agreements, excessive manual handling, weak master data management and time-consuming reporting



Governance issues, such as the absence of an end-to-end process visibility and a fragmented, unstructured O2C cycle

To address these challenges, Axis Corporate recommends a comprehensive approach that includes:

- Reducing operational costs through back-office automation and customer self-service tools.
- Optimizing balance sheet structure via proactive management of receivables and payment terms.
- Improving portfolio profitability through segmentation of debt and maturity profiles.
- Enhancing customer service by simplifying commercial conditions and managing errors proactively.
- Elevating the customer experience with clear communication protocols, digital contact points and specialized incident handling.

Implementing such a transformation requires several foundational elements:

- A centralized, integrated platform for credit, collections and dispute management, enhanced with automation, predictive analytics and AI.
- Task centralization, with specialized teams handling front-office incident resolution and back-office O2C operation management.
- Data quality assurance, including a single point of entry for customer master data, robust data governance and generating actionable business insights.

KPMG: Putting the customer experience at the center

Virginia Souto, Partner and Transformation Manager at KPMG and Helena de Frutos, Manager at KPMG, opened their session by emphasizing that a positive customer experience is now as essential as the product or service itself – a view also supported by 84% of respondents in a global survey.

However, they also highlighted another pressing challenge: among the more than 3,500 Customer Service managers surveyed, budget constraints were cited as one of the biggest obstacles. This underscores the need to secure commercial and financial sponsorship within organizations by clearly communicating the business value of excellent service to senior leadership.

KPMG has identified six fundamental pillars of the customer experience that drive both revenue and profitability:

- Integrity – Building trust and confidence throughout the customer journey
- Empathy – Understanding and responding to customer needs
- Personalization – Creating emotional connections through tailored interactions
- Time and effort – Minimizing customer effort across touchpoints
- Expectations – Managing and exceeding customer expectations
- Resolution – Turning negative experiences into positive outcomes

According to KPMG, the Customer Service function of the future will be:

- Intentional: Designed to reduce service costs while preserving the human touch.
- Integrated: Delivering a seamless, connected experience across channels.
- Proactive: Resolving issues before they escalate
- Unified: Ensuring a consistent brand experience across all front-office teams.



Best practices for deductions management

In order to apply these principles to complex processes like deductions management, which affects multiple business areas, KPMG outlined six best practices:

- Specialization – Clearly define roles and responsibilities for managing deduction entries.
- Standardization – Establish consistent criteria and workflows for handling deductions and exceptions.
- Centralization – Assign dedicated teams to customer types to improve service quality and consistency.
- Integration and learning – Leverage technology to automate analysis and deductions management.
- Control – Use KPIs and SLAs (Service Level Agreements) to ensure commercial team involvement and implement credit risk mitigation.
- Data-driven insights – Develop reporting models that analyze not only the volume and value of deductions per customer, but also their root causes.



Benchmarking excellence

KPMG concluded their presentation with international benchmarks for high-performing organizations, including:

- 30 days DSO (Days Sales Outstanding)
- 90% customer satisfaction
- Only 1% of invoices adjusted by customers before payment
- 97% of invoices processed without error

Part 4

Case studies



Damm

Challenges

Damm has embarked on a full-scale, company-wide digital transformation project, and the order-to-cash cycle was one of the early targets to tackle. Eliminating manual tasks and ensuring that all accounts were accurate were priorities for Damm.

Solution

Esquer Order Management was implemented in 2021, and Esquer Claims & Deductions launched in 2023. The double impact of these two solutions working together results in seamless processing of customer invoices and deduction claims as well as seamless payment allocation.

Benefits

- Significant reduction of manual tasks at the user level
- Shorter resolution times
- Greater operations transparency
- Expedited collections
- Automatic deduction of VAT
- Correct allocation of expenses and archive records according to category
- Better visibility over the entire process

“We are excited to be tackling the automation project with Esquer. It has made our day-to-day work a lot easier. We love collaborating with Esquer teams and look forward to working together on future projects.”

Alexy Sánchez, Customer Service & Credit Manager, Damm



Challenges

The dairy and beverage company handles large volumes on a day-to-day basis, with 13,800 customers and 145,000 orders per year. Additionally, it serves 47,000 direct customers and 450 distributors. In 2021 alone, a total of 21,000 deductions were recorded.

Customer Service is responsible for recording all terms and conditions in SAP, and had to manually match deductions with the corresponding sales agreements. This operation was a laborious and time-consuming process for the Sales team. Additionally, internal regulations stipulate that the maximum period for resolving a deduction incident is three months.

Solution

The Customer Service department was reorganized, with front-office teams categorized by customer and the back-office teams by process. This alone led to major improvements in productivity, proactive case management and faster responses.

Calidad Pascual also implemented SAP Vistex to record all off-invoice agreements, such as promotional, staffing, fixed items and percentages, customer and centralized purchasing. The deductions are scanned and categorized by invoice type and matched to the corresponding sales agreement. The system also allows Pascual to program recalculations when modifications in the agreements, reversals of provisions or incidents occur.

Benefits

- Reduced impact of extraordinary provisions for non-corresponding years
- Implemented a “common language” among teams for recording deductions in the systems
- Created greater visibility and monitoring of accounts for Sales Managers
- Reduction of unresolved deductions





Challenges

After successfully implementing Esker Order Management, Risi wanted to continue on the path of improving its sales cycle processes, so the decision was made to automate the management of customer deduction claims. Before implementing Esker Claims & Deductions, only three people were handling nearly 5,500 incoming documents per year.

Solution

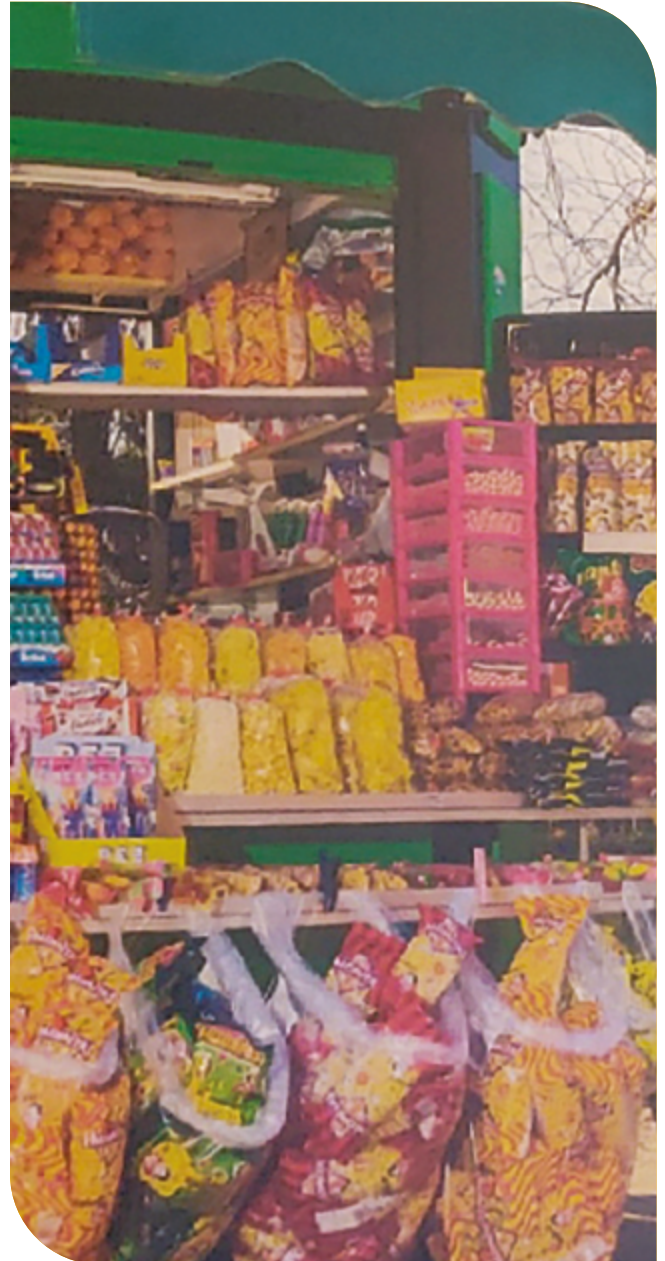
A new back-office team was created specifically for billing and deduction claims management. Incoming documents are categorized into off-invoice deductions and volume discounts, and price or quantity differences.

Benefits

- Dashboards enable the deduction tracking in real time
- Full visibility over incoming documents
- Ability to easily dispute deduction claims, increasing revenue
- Improved supply chain management

“We now have the ability to classify, manage and dispute deduction claims, which has a very real and positive financial impact. I would like to thank both my team for their effort and dedication on this project as well as Esker, for being a pleasure to work with.”

Javier Paniagua,
Director of Technology and Projects, Risi



Challenges

Coty was established as a perfume manufacturer and today is home to over 50 cosmetics, skincare and fragrance brands, operating in three product divisions. The sheer vastness of Coty's portfolio resulted in a considerable complexity when it came to processing orders and promotional debit notes. The +12,000 annual documents were processed through an internally developed 100% paper-based solution. Even emails and EDI messages were printed out and then manually entered into SAP. This led to a lack of process visibility, delays and errors, inefficient allocation of advertising deductions across product lines as well as an inability to assess time spent on individual tasks.

Solution

The Accounts Receivables (AR) and Customer Service (CS) departments implemented Esker Claims & Deductions to automate the collection, identification and preparation of chargebacks for advertising deductions and to enable the allocation of the correct cost center.

Workflows to simplify AR and CS processes and automate the extraction of deduction data against customer reference master data was buffered by establishing relevant categories for chargebacks for correctly allocating deductions.

In order to automate data collection for all types of deductions such as returns and promotions from multiple input channels like EDI and email, Esker Claims & Deductions categorizes deductions based on predefined keywords and customer-specific terms. Workflows were configured using five types of criteria, organized by deduction type.

Results

Esker Claims & Deductions provides each Sales Manager with personalized dashboards, increasing the visibility for the Finance and CS teams and significantly streamlining the processes, reducing Coty's Consumer Beauty division's collections period from 59.7 to 26.5 days.

Costs are now allocated across product lines according to established percentages, leading to a notable decrease in processing time and errors. Real-time statistics, metrics and reports provide visibility into pending deductions by quantity and value, ensuring accurate allocation and improved accounting efficiency.

Automatic categorization ensures that deductions are distributed to the appropriate AR, CS, or Sales team, thereby enhancing workflow efficiency. Processing times from receipt to resolution have been drastically reduced, from 60 days to just 1 day.

Benefits

- Established validation flows based on amount and type
- Increased process visibility
- Implemented workflows that fit the company's organizational structure
- Reduced collections period by 57%
- Enhanced visibility over deductions for Customer Service and Finance teams
- Allows for identification of bottlenecks
- Enables greater capacity for decision-making



The number of deductions being processed are instantly visible, including type and status, when opening the solution. This has helped us reduce debt, DSO and improve all main operational indicators."

Irma Ruiz, Credit Control Manager, Coty

Part 5

Practical considerations

How Esker solutions support KPI tracking and deductions management

During the September workshop in Barcelona, Vicente Herrero, Senior Pre-Sales Engineer at Esker, showcased the platform's capabilities through a customer case study, demonstrating how Esker solutions help companies monitor and improve deductions-related KPIs.

Esker has developed a series of customizable scorecards that allow companies to track:



Visibility indicators, such as the total number of deduction entries and the cumulative amounts managed.



Speed indicators, including the number and value of outstanding deductions segmented by age.

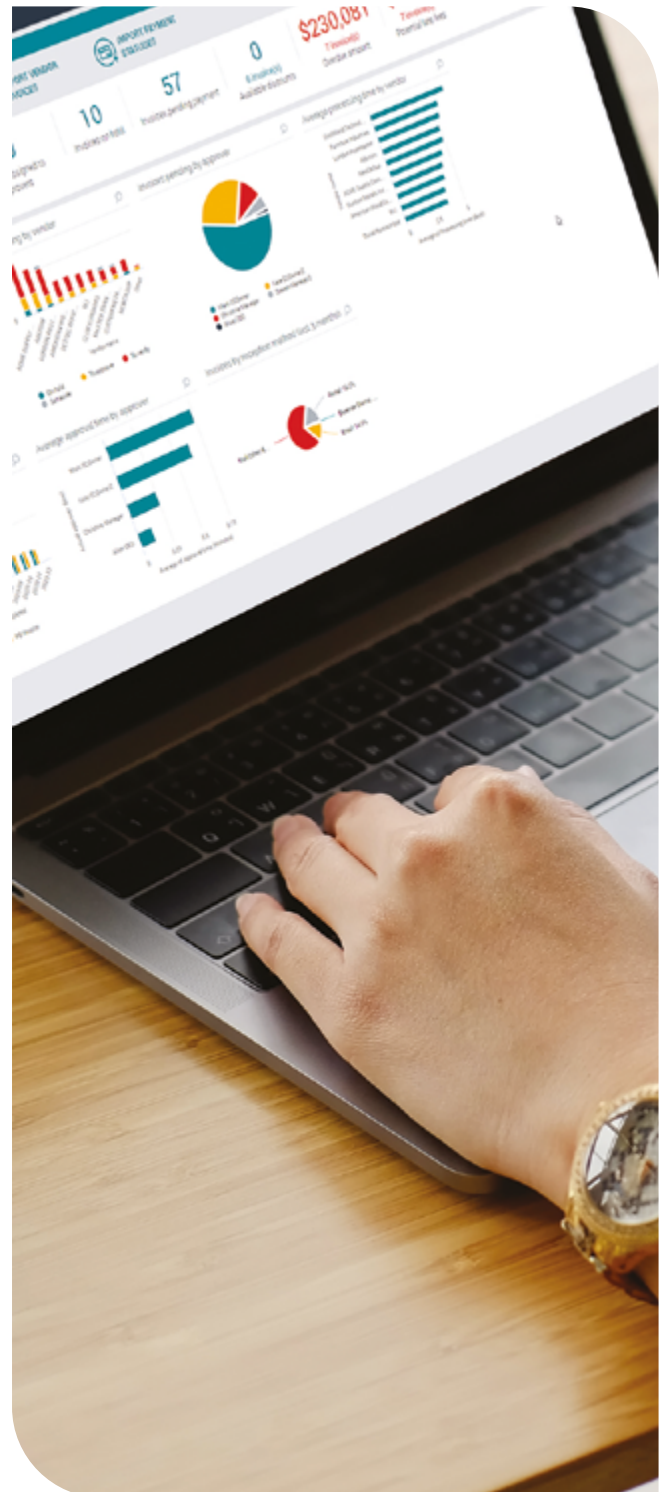


Processing time metrics: measuring the average time from deduction entry to posting, including time spent on manual data entry and aligned with the DDO KPI. These metrics can also be extended to track the issuance of credit memos in the ERP.

The system offers flexible data segmentation, allowing users to filter by amount, age, customer vs. supplier deductions and more. It also enables the creation of customer rankings based on volume, value or processing time, helping identify areas for improvement quickly.

Thanks to Esker Synergy AI, all deduction entries are automatically categorized at the source using keyword recognition. Reports are easily exportable into Excel or CSV formats for further analysis.

In summary, Esker's business intelligence tools provide robust support for tracking the most critical KPIs identified in the prioritization matrix — provided the source data is available and structured. This empowers companies to move from reactive deduction handling to proactive performance management.



The impacts of Spain's Crea y Crece Law and takeaways for other countries

Spain's "Crea y Crece" Law 18/2022, was enacted on September 28, 2022, with the goal of promoting business creation and growth. A central pillar of the law is the fight against late payments, which it addresses by mandating the use of electronic invoicing for all business transactions between companies and professionals.

According to the latest implementation timeline, companies in Spain with annual revenues exceeding €8 million will be required to adopt structured electronic invoicing formats starting in early 2027.

These invoices must be compatible with ERP systems and secured through advanced electronic signatures or other approved methods. Additionally, recipients will be required to report invoice status updates to both the sender and Spain's tax authority, enhancing transparency and traceability.

For customer deductions, the law introduces two major changes:



1. Elimination of unstructured formats:

Paper invoices and PDFs sent via email will no longer be acceptable, thereby reducing ambiguity and manual processing.



2. Mandatory invoice status reporting:

This will improve visibility into the lifecycle of deductions, making it harder for retailers to apply unilateral deductions without proper documentation.

Experts participating in Esker's workshops agreed that the law represents a significant step forward in improving transparency and responsiveness in deductions management. However, some have expressed concern that delays in implementation could postpone necessary technological investments until the regulatory framework is fully clarified.

Global potential: Applying similar laws in other countries

The principles behind Spain's Crea y Crece Law such as structured e-invoicing, real-time reporting and enhanced transparency are highly transferable to other markets. Countries facing similar challenges with late payments, fragmented invoice formats and opaque deduction practices could benefit from adopting comparable legislation.



For example, in markets where retailers frequently self-liquidate deductions or where invoice disputes are common, mandating structured e-invoicing could:

1. Reduce administrative burden and manual reconciliation
2. Improve cashflow predictability for suppliers
3. Enable governments to better monitor commercial transactions and reduce tax fraud

Moreover, integrating invoice status reporting into national tax systems, similar to Spain's planned VERI*FACTU platform, could foster greater accountability and cross-functional collaboration between Finance, Sales and Customer Service teams.

As digital transformation accelerates globally, Spain's approach offers a valuable blueprint for other countries seeking to modernize their B2B transaction frameworks and strengthen supplier-customer relationships.

Looking to the future:

From Generative to Agentic AI

As we look ahead, it's clear that AI will continue to reshape how businesses operate. Especially in areas like Customer Service, Finance and Supply Chain, these technologies are being rapidly implemented across industries. Esker has long embraced AI, integrating it into its solutions for tasks such as document recognition, classification and workflow automation. And the next wave of innovation is already here: Agentic AI.

While Generative AI introduced the ability to understand natural language and generate content such as text, images, code and more, Agentic AI goes a step further. These systems not only understand and create, but also act autonomously, make decisions and execute multi-step tasks across systems. In essence, they behave like intelligent digital agents capable of collaborating with humans and systems to achieve better business outcomes.

Use cases are rapidly expanding:

- For front office applications, agentic AI can power virtual assistants that not only respond to customer queries but also initiate follow-ups, escalate issues and update records in real time.
- For back-office operations it can autonomously analyze deduction portfolios, identify patterns, recommend actions and even trigger workflows, thereby freeing up teams from repetitive and low-value tasks.

Of course, challenges remain. Integration with legacy systems and ensuring data privacy need to be refined in order to establish trust in autonomous decision-making.

The productivity potential, however, is enormous.

Embedding agentic AI into a company's data infrastructure allows users to simply ask:

"Review all open deductions from Customer X, identify those with recovery potential and initiate the claim process."

The system would not only analyze the data but also prepare documentation, notify stakeholders, and track resolution progress—all autonomously.

Esker is already moving in this direction. For example, it uses a private instance of ChatGPT to generate accurate, data-informed responses and extract structured information from unstructured formats like emails. These capabilities are being embedded into Esker's platform, paving the way for more autonomous, intelligent workflows.

In short, agentic AI is not just a trend, it's a strategic enabler. Businesses that embrace it early will gain a significant edge in agility, efficiency and customer experience.





A roadmap for the future of deductions management

1

Inventory existing data

Begin by auditing all available data related to customer deductions: currently used metrics, how frequently they are calculated and what procedures exist for data collection and analysis.

2

Define an action plan

Establish a strategy to improve the efficiency and consistency of measurement, focusing on the most relevant and impactful KPIs.

3

Assess the business impact

Evaluate the broader business implications of deductions entries, including credit risk, administrative inefficiencies, revenue loss and reputational impact.

4

Identify priority areas

Pinpoint critical pain points in the process, such as problematic customers, poor data quality or lack of internal coordination that hinder effective decision-making.

5

Scope technological needs

Determine the tools and systems required to streamline deductions management. This includes platforms for agreement registration, deductions capture and processing, and advanced analytics.

6

Build a business case

Develop a compelling business case that quantifies the value of potential improvements against the required investments. Include key KPIs – especially those linked to revenue recovery – to gain executive buy-in.

7

Establish a cross-functional governance model

Once approved, implement a collaborative framework that involves all relevant departments such as Customer Service, Finance, Sales, Logistics and Legal in the end-to-end management of deductions.

8

Track progress continuously

Use an executive-level scorecard to monitor performance, set annual improvement targets and ensure accountability across teams.

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Sources

1 Circana (Sales Universe FMCG 2023: 89,461ME€, hypermarkets, supermarkets >100m2, perfumery & drugstores).

2 Esker analysis

3 All statements in this report are from workshop attendees

4 "Customer Deductions" study conducted by Esker in 2019, based on a survey of 100 FMCG manufacturers.

Hi, we're Esker

Esker's AI Automation Suite for the Office of the CFO leverages the latest in Agentic AI and automation technologies to optimize working capital and cashflow, enhance strategic decision-making, and improve human-to-human relationships with customers, suppliers and employees. Esker's Source-to-Pay and Order-to-Cash solutions automate any business process while supporting long-term growth strategies.



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€205.3

million in revenue in 2024



Business success is best when shared

At Esker, we believe the only way to create real, meaningful change is through positive-sum growth. This means achieving business success that doesn't come at the expense of any individual, department or company — everyone wins! That's why our AI-driven technology is designed to empower every stakeholder while promoting long-term value creation.

