FINANCIAL REPORTING HELP

CPG Finance Series | Concise Edition

The CPG Deductions Quick Guide

Spot, Sort, and Stop Invalid Retailer Deductions

A practical playbook for founders, controllers, and bookkeepers at growing CPG brands that sell through retailers and distributors.

INSIDE

- Every common deduction type, in plain language
- Valid vs. invalid examples and the backup to request
- 5-step monthly review
- Root-cause and prevention checklist

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01 Why It Matters

- **Deduction** = customer pays less than the invoice. Some are valid (agreed promos, contract fees); many are errors or duplicates.
- **Taken, not approved:** short payments bypass review; catch-all accounts hide true trade cost and gross-to-net.
- **Dispute window:** invalid items not challenged by the customer's deadline are usually lost.
- **Goal:** accept valid items in the right account, dispute invalid ones with backup, fix the root cause.

Key backup: **POD** (proof of delivery, with exceptions) · **BOL** (bill of lading) · **Promo agreement** · **Invoice / PO** · **Price list / price-change notice**

02 Deduction Types: Valid vs. Invalid and Backup

Valid = agreed in writing, accurate, and supported by backup. **Invalid** = not agreed, wrong numbers, duplicated, or contradicted by backup.

Type	What it is	Typically invalid if...	Backup to request
PROMOTIONAL / TRADE			
Scan-downs	Per-unit discount billed back on units sold during a promo.	✗ Outside promo dates, higher rate, non-promoted items, duplicate.	Promo agreement; scan/POS data
Off-invoice (OI)	Discount off list price on orders in a promo window.	✗ Outside window, higher rate, or invoice already discounted.	Promo agreement; invoices; ship dates
MCBs / chargebacks	Distributor bills back promo discounts it gave retailers.	✗ Unapproved or expired promos; volumes don't reconcile.	Chargeback detail; promo authorization
Slotting	Fee for new-item placement or setup.	✗ Unauthorized items, wrong stores, double-charged.	Signed slotting / new-item agreement
Free fill	Free product to stock a new item's first shelf set.	✗ More stores/units than agreed, repeated claims.	New-item agreement; store list; POD
LOGISTICS & COMPLIANCE			
OTIF-style / late-delivery fines	Penalty for missing on-time or in-full requirements.	✗ Customer rescheduled, PO changed, or rule not agreed.	PO; appointment record; BOL; time-stamped POD
ASN / labeling	Fee for missing or wrong ASN, labels, or routing.	✗ ASN confirmed on time and accurate; wrong shipment cited.	EDI 856 records; label photos; routing guide
SHORTAGES & DAMAGES			
Shortages	Paid for fewer units than invoiced.	✗ Clean POD (no exceptions) or wrong PO.	BOL; signed POD; packing list; invoice
Damages	Product claimed damaged on receipt.	✗ No exception noted at receipt; beyond terms.	POD exceptions; photos; terms of sale
PRICING, RETURNS & FEES			
Pricing discrepancies	Paid at a different cost than invoiced.	✗ Customer didn't update after proper notice; expired promo price.	Price list; dated price-change notice; PO; invoice
Returns / spoils / unsaleables	Credits for expired, damaged, or recalled product.	✗ Double-dip on top of a flat allowance; not your items.	Unsaleables agreement; return / reclamation report
Admin fees	Processing fees on promos, chargebacks, unsaleables.	✗ No agreement, wrong base, or tied to an invalid deduction.	Agreement / fee schedule; calculation

Codes, fines, and dispute windows vary by customer. Always check your own agreements and supplier requirements.

03 5-Step Monthly Review

1 COLLECT	Log every short payment, remittance, and portal claim. Never net silently.
2 SORT	Tag each by type, customer, and linked promo / PO / invoice.
3 VALIDATE	Match backup (POD, BOL, promo agreement, price list). Mark Valid / Invalid / Needs info.
4 RESOLVE	Clear valid items to the right account; dispute invalid ones with backup before the dispute window closes.
5 REVIEW	Summarize by type, customer, and root cause; compare to trade accruals; pick 1–2 fixes.

Track columns: date · customer · reference # · amount · type · linked promo/PO · backup requested/received · status (V/I/N) · root cause · owner · dispute deadline. Use the companion **CPG Deduction Tracker (Excel)** or any spreadsheet.

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04 Root Cause & Prevention Checklist

Pricing setup

- ☐ Current, dated price list in one place
- ☐ Price changes sent with required notice and acknowledged

Promo communication

- ☐ Written agreement for every promo (items, rates, dates, method)
- ☐ One shared promo calendar; one approver; accrue trade from it

Shipping & compliance

- ☐ Routing guides / ASN / labeling specs shared with 3PL
- ☐ Signed POD for every shipment, exceptions noted

Master data

- ☐ Item data (UPC, case pack, cost) matches across systems
- ☐ Units of measure aligned; discontinued items removed

Prevention: fix the largest root cause first, assign an owner, and recheck that category on next month's review.

WHEN TO BRING IN HELP

Trade Spend and Deduction Analysis

Signs: deductions growing faster than sales · aging catch-all balance · no time to pull backup · unclear true trade cost.

✓ **Categorize deductions** · **Quantify invalid amounts** · **Identify root causes**

✓ **Prioritized dispute list** · **Prevention recommendations**

Analysis only: dispute filing stays with your team or deductions service. Projects typically start at **$3,000**.

Book a free 30-minute consultation:

dkang@financialreportinghelp.com · **626-590-8312** · **calendly.com/dkang-financialreportinghelp/30min**

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