



DISTRIBUTOR DEDUCTIONS

NATURALLY AUSTIN WEBINAR

APRIL 9, 2020

BACKGROUND

- 8 yrs Business Development
- 2.5 yrs Whole Foods Litigation Team while pursuing an MBA
- 2.5 yrs Whole Foods LPLP + Investment Team
 - 400+ companies
 - Common theme was distributor deductions / chargebacks
- MALK Organics
 - Created Deduction Review Process
- JAVE Insights, March 2020



GOAL OF TODAY

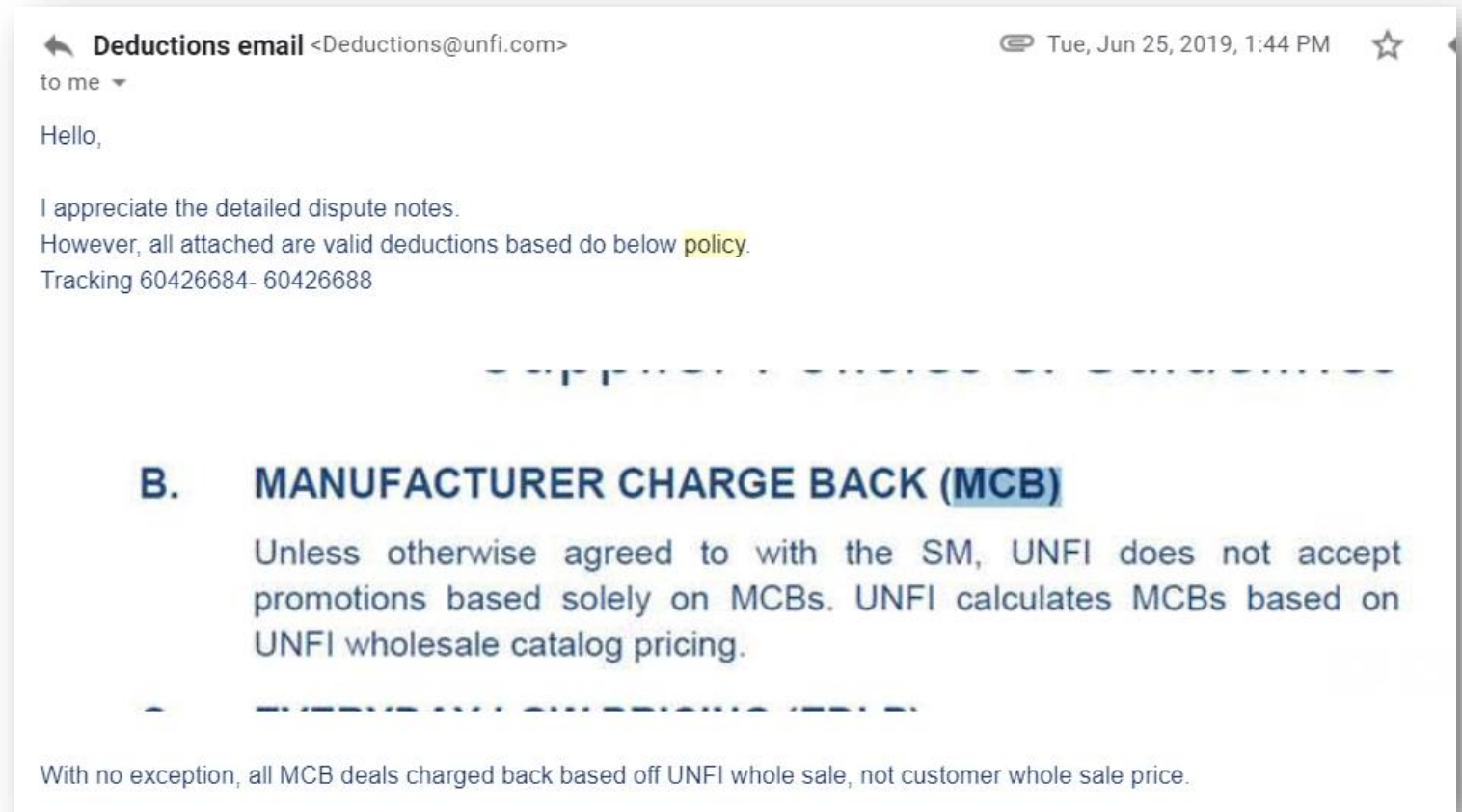
- Set expectations and reduce frustration
- Minimize overall number of deductions
- Understand common deductions to help drive decisions
- Efficient review of checks and deductions
- Maximize cash flow



DISCLOSURE: Distributor Policies change continuously. Please continue to self-educate and modify business operations based on your company's needs.

EXPECTATIONS

- Vast majority of disputes will be denied.
 - Distributors will have backup that the deduction was approved OR
 - Distributors will reference a policy.
- Keep filing disputes if deductions seem erroneous.
- If approved, could take several months for repayment.
- Greatest value: understand the types of deductions and adjust your business.



RESOURCE MAP

#1
RESOURCE:
YOU!

- You can control more than you think!
- You are nimbler than the large companies you work with
- Sales: Build relationships with yellow boxes
- Finance & Accounting: Build relationships with pink boxes
- Communicate and document decisions across internal teams



BUYER

SRM

AP

Payment History Reports
Open Payables Reports
Processes some disputes

DEDUCTIONS
BACKUP

Provides backup for all deductions
Can set up automated emails:

- Checks w backup
- MCB reports

deductionsbackup@unfi.com

DEDUCTIONS

Only when you need to file a dispute, may hand it off to AP rep.

deductions@unfi.com



BUYER

CM

KSOLVE

Portal that shows all backup and file disputes by item.

DISPUTE REPS

Pick the same dispute each time and always work with the same person who gets to know your business.

INVOICING – FIRST LINE OF DEFENSE!

- Put everything possible on your invoice, except 2% net 10 terms.
- Sets a baseline and reduces the number of deductions on each check. Any Promo, Freight and ClearVue deductions on a check will signal *investigate*.
- Reduces AR.

4/9/20 BIG BRAND INVOICE		CUSTOMER: UNFI, 2%NET10	
Qty	Product	Price	Amount
10	CASE – ICE CREAM (5 LBS)	\$20.00	\$200.00
5	CASE – ICE CREAM CONES (2 LBS)	\$10.00	\$50.00
10	PROMO 15% - ICE CREAM	-\$3.00	-\$30.00
5	PROMO 15% - ICE CREAM CONES	-\$1.50	-\$7.50
10	FREIGHT (5LBS, \$0.25/LB)	-\$1.25	-\$12.50
5	FREIGHT (2LBS, \$0.25/LB)	-\$0.50	-\$2.50
212.5	CLEARVUE (1.5%)	-\$0.015	-\$3.19
TOTAL			\$194.31

INVOICING

Invoice should match PO. If PO is incorrect, ask for corrected PO before accepting/shipping.

ClearVue based on gross less promos. KeHE's equivalent is a Marketing Fee, ~1.5%.

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ClearVue % can fluctuate with your fill rates. It's adjusted every 6 months.

2%net10 based on gross price (\$250) despite promo period.

2% NET10

- Always expect early pay discounts to be taken.
 - Clock starts once you send an invoice OR once DC receives product, whichever is later.
 - If you're account is negative, they'll still take the discount. They would have been eligible for the discount if your account was positive.
- Has anyone here removed an early pay discount successfully? Or unsuccessfully? Please reach out!

FREIGHT ON BOARD

- If you use a distributor to pick up your product, understand that it may take several weeks to get to its destination.
- If you are a perishable product/short-shelf life, this can result in an uptick in returns and reduce fill rates to customers.
- Will impact retailer wholesale pricing in East v. West or across DCs



SHIPPING YOURSELF?

- Ensure carriers get a stamped, signed and counted Bill of Lading (BOL) upon delivery
- “STC” = Subject to Count can result in “short-ship” deductions
- Ops team:
 - Short-shipping during a promo period adds an extra fee (up to 35%)
 - Understand pallet packing guidelines from distributors
 - Follow first in, first out inventory system (raw materials, finished goods) with well-documented lot codes on each BOL. **Recalls
 - Ensure carriers are on-time for appointments.
 - KEHE \$150+ if late/miss appointment
 - \$/delivery fees

RETURNS – EXPIRED AT DC

- DCs pull close-to-expired product weekly, bill by DC, sometimes by item
 - UNFI: backup shows date pulled and expiration date (except Aurora)
 - KEHE: backup shows a “transaction date”
- Make sure product will arrive with enough shelf-life that it's sellable.
- Generally cannot fight these, UNLESS
 - They're pulling product before an agreed upon usable shelf-life
 - Spikes in returns? Talk with your buyer and SRM
 - May be worth tracking Date Pulled, Date Expired, Product and DC

RETURNS / QUALITY – FROM RETAILERS

- Some KeHE retailers get a customer spoilage allowance (~2%) but cannot return damaged/spoiled product
- Retailers can return product that showed up damaged, returned by customers, or that didn't move
 - UNFI: see automated emails. Can get this in PDF or excel format
 - KEHE: PDF format in KSOLVE
 - I review these for “problem children” – there are some retailers that take full advantage of this program

MANUFACTURER CHARGEBACKS (MCBs)

- These are 99.99% correct, if not 100%
- Internal communication is key
- Have a promo calendar; keep your programs simple!
- Retailer deals (free fill, discounts, etc.) are based on Retailer's wholesale price, not your price to distributor. Scans are cheaper.
- Are you seeing a return on this spend?
 - Do your own analysis. Suggest tracking lift by retailer/channel (need ClearVue).
 - SnowRise & Clerk have good platforms. I build more custom, holistic tools.

WFM PROMOTIONS

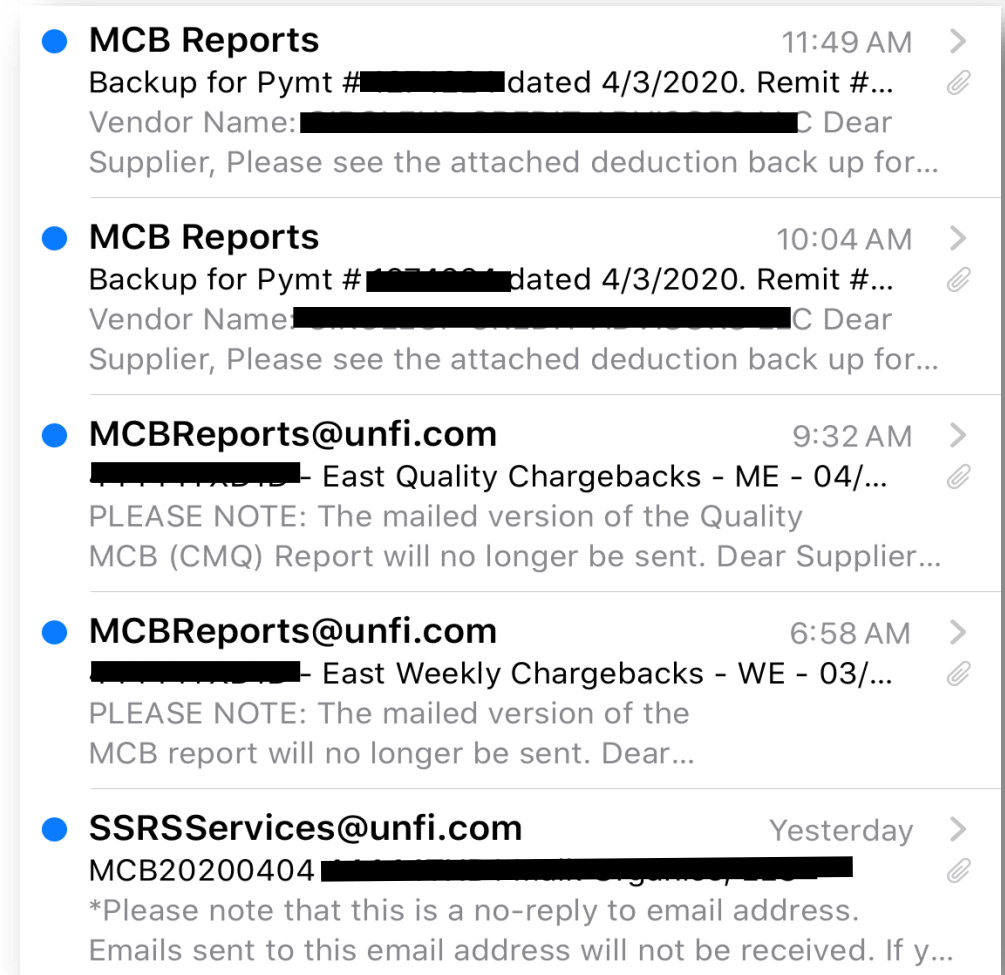
- Layer WFM Promos with UNFI Quarterly Promos
- Be conscious of buy-in dates, 2wk “B” promos may avoid this
- National promo deductions may go through EAST or WEST, holding up cash flow

WFM FY2020 National Promotions Calendar - Dates Subject to Change.

Month	Proposals (With UPCs) from Suppliers Due to WFM (No Later Than)	Final Promos Published to Regions	National Pre-orders Due to Global Grocery	All Nat/Reg Promos (With Preorders) Due to UNFI & Direct Suppliers (incl. quantity projections & allocations)	Confirmations to Suppliers/ Brokers	UNFI Last Change Deadline & Direct Supplier VIP Promo File Load Deadline	Estimated Earliest UNFI Buy-In Start Date From Suppliers	Scanback Effective Dates	UNFI Promo Cost Effective Dates to WFM	Direct Ship Promo Cost Effective Dates to WFM		In-Store Sale Dates
APR	11/01/2019	12/18/2019	01/08/2020	01/29/2020	01/29/2020	02/05/2020	02/05/2020	03/23/2020-05/03/2020	03/18/2020-04/28/2020	03/15/2020-04/28/2020	A	03/25/2020-04/14/2020
											B	04/15/2020-04/28/2020
MAY	12/06/2019	01/22/2020	02/12/2020	03/04/2020	03/04/2020	03/11/2020	03/11/2020	04/27/2020-05/31/2020	04/22/2020-05/26/2020	04/19/2020-05/26/2020	A	04/29/2020-05/12/2020
											B	05/13/2020-05/26/2020
JUN	01/03/2020	02/19/2020	03/11/2020	04/01/2020	04/01/2020	04/08/2020	04/08/2020	05/25/2020-06/28/2020	05/20/2020-06/23/2020	05/17/2020-06/23/2020	A	05/27/2020-06/09/2020
											B	06/10/2020-06/23/2020

AUTOMATED EMAILS

- Ask SRM if not getting these (screenshot from my inbox)
 - Backup for checks (may come in multiple emails)
 - Quality Reports for East (zip file contains PDF and raw data file for retailer returned product)
 - MCB Reports for East (zip file contains PDF and raw data file)
 - MCB Reports for West (only a PDF, but Deductions Backup can send raw data file)



REVIEW – MY PROCESS







- Block 2-4 hrs every other week – can overwhelm you or your AP rep if you go longer than that
- Print out all checks during that time, review by Distributor
 - To Be Reviewed (TBR)
 - Backup Requested (BUR)
 - In Dispute (ID)
- Review checks line by line. **Can also request a Payment History or Open Payables report from SRM.
- **DOCUMENT KEY TAKEAWAYS** and share them with teams. Devise action plans.

REVIEW - UNFI

- Search email for back-up already sent by UNFI
- Highlight deductions that need additional explanation and send 1 email requesting backup.
 - Send email to DeductionsBackup@unfi.com with Subject Line that says “BACKUP – BRAND – REMIT - MULTIPLE CHECKS” and the body of the email should include your Remit No, Check Number, Invoice and Amount for all backup needed.
 - Should receive 1 email response within 3-7 days.
- Set aside these checks and start reviewing the new backup first in the next review block.

REVIEW - UNFI

- File Disputes using the UNFI Dispute Form. Do not alter it, fill in all information.
 - Send email with form to Deductions@unfi.com. Subject line should read “DISPUTE – BRAND NAME – REMIT NUMBER – CHECK NUMBER – DISPUTE AMOUNT”
 - I use my own reference number in the file name
 - Explain you’re dispute in body of email and in the form as concisely as possible
 - Group same dispute types in 1 form
 - Separate East and West disputes
 - Track disputes via file name on a spreadsheet: file number, reason for dispute, number of disputes in a single form, value of dispute form, filing date, notes.
- Follow up on open disputes each review week, update notes.

	Dispute Form - <u>20-023</u>	BRAND -	Short Shipped Deductions
	Dispute Form - <u>20-022</u>	BRAND -	Invoices Not Fully Paid refile
	Dispute Form - <u>20-021</u>	BRAND -	Product Pulled Early refile
	Summary - 20% Promos		
	Dispute Form	BRAND -	20-019 - 20% Promo Issue 2 (East)
	Dispute Form	BRAND -	20-018 - 20% Promo Issue 1

KEHE – K-SOLVE

K-Solve

Welcome, Jenna Gelgand
Director of Finance



Search by Invoice, PO, Vendor Name, ESN, Check Number, or Special Payee



Export

Date Range: 1/7/2020 - 4/6/2020

Drag column headers into this area to group by that column

Invoice #	Date	Remarks	P...	Invoice Amt	Stat...	DC Name	Check #	Check Date	Check A...	Special Payee	E...	Vendor Name
6681	12/27/19	6681	03677295		P - Paid	Portland, OR		1/24/20		44011468	02016365	MALK ORGANICS
6679	12/27/19	6679	03674839		P - Paid					44011468	02016365	MALK ORGANICS

<https://connect.kehe.com>

Will get an automated email with tracking number once a dispute is filed. Reference notes once you get a response.

Create Dispute

Describe the dispute and add any supporting documentation. Click submit when complete. The Vendor Connections Team will receive an automatically generated email with supporting documentation of this incident. You will receive an acknowledgment from Vendor Connections with an assigned ticket number for each dispute. Please include the ticket number in the subject line when emailing Vendor Connections regarding the dispute.

Dispute*

Description/Comments*

0 / 500
Size
7 KB

Add Files

Cancel Submit

1. BACKUP.
2. FILE DISPUTE.
3. NOTE FROM ORIGINAL DISPUTE.

I pick the same dispute type each time so that it goes to the same reviewer, and I build a relationship with them.

REVIEW - KEHE

KeHE Distributors, LLC			Check Date 03/27/20	Check Number [REDACTED]	Stub 1 of [REDACTED]
Invoice Number	Invoice Date	Description	Gross Amount	Discount	Net Amount
12420651	032420	41 SPOILS	[REDACTED]	[REDACTED]	[REDACTED]
7048	031320	18 7048	[REDACTED]	[REDACTED]	[REDACTED]
7048IA	031320	18 7048IA	[REDACTED]	[REDACTED]	[REDACTED]
7050	031320	27 7050	[REDACTED]	[REDACTED]	[REDACTED]
7050IA	031320	27 7050IA	[REDACTED]	[REDACTED]	[REDACTED]
CS85587533	032620	33 [REDACTED]	9.99-		9.99-
CS230227318	032620	18 [REDACTED]	5.02-		5.02-
7051	031320	41 7051	2,416.80	48.34	2,368.46
7051IA	031320	41 7051IA	352.03-	7.04-	344.99-

20

MOST IMPORTANT

- Update your team on what needs to be changed to avoid future deductions
- Be proactive and pivot

THANK YOU!

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