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- IAB Solutions LLC is a nationally recognized Accounts Receivable and Deduction Management service provider focusing on the management and recovery of customer deductions and disputes.
- Over 24 years in the Accounts Receivable field, Kathy works with leading companies in the consumer packaged goods industry.
- Kathy is known throughout the industry as an expert and thought leader in the area of deduction management, specializing in the recovery of unauthorized deductions.

AGENDA

1. Remittance Coalition
2. 2012 RC Survey
3. Results & Issues
4. Business Processes
5. Core Adjustment Reason Code Project
6. Developing Common Standards
7. Next Steps

Remittance Coalition (RC) Defined

What it is: Diverse group of experts from an array of organizations all committed to promoting practical actions to help achieve straight-through-processing of electronic B2B payments & remittance information

- Formed in 2011
- 125 members & growing

Mission: Work together to solve problems related to processing remittance information associated with B2B payments in order to promote use of e-payments & straight through processing

RC: Business Practitioner Input

1. Conducted web-based survey of business practitioners to identify main pain points & preferred solutions to improve payments & remittance processing
2. Surveyed & interviewed business practitioners to assess views on simplifying deduction codes standards

Electronic Payments & Remittance Data: Pain Points & Solutions

Summary of Results from the 2012
Survey of Business Practitioners
by the Remittance Coalition

December 2012

Prepared by the Federal Reserve Banks of Minneapolis & Chicago

Resistance to



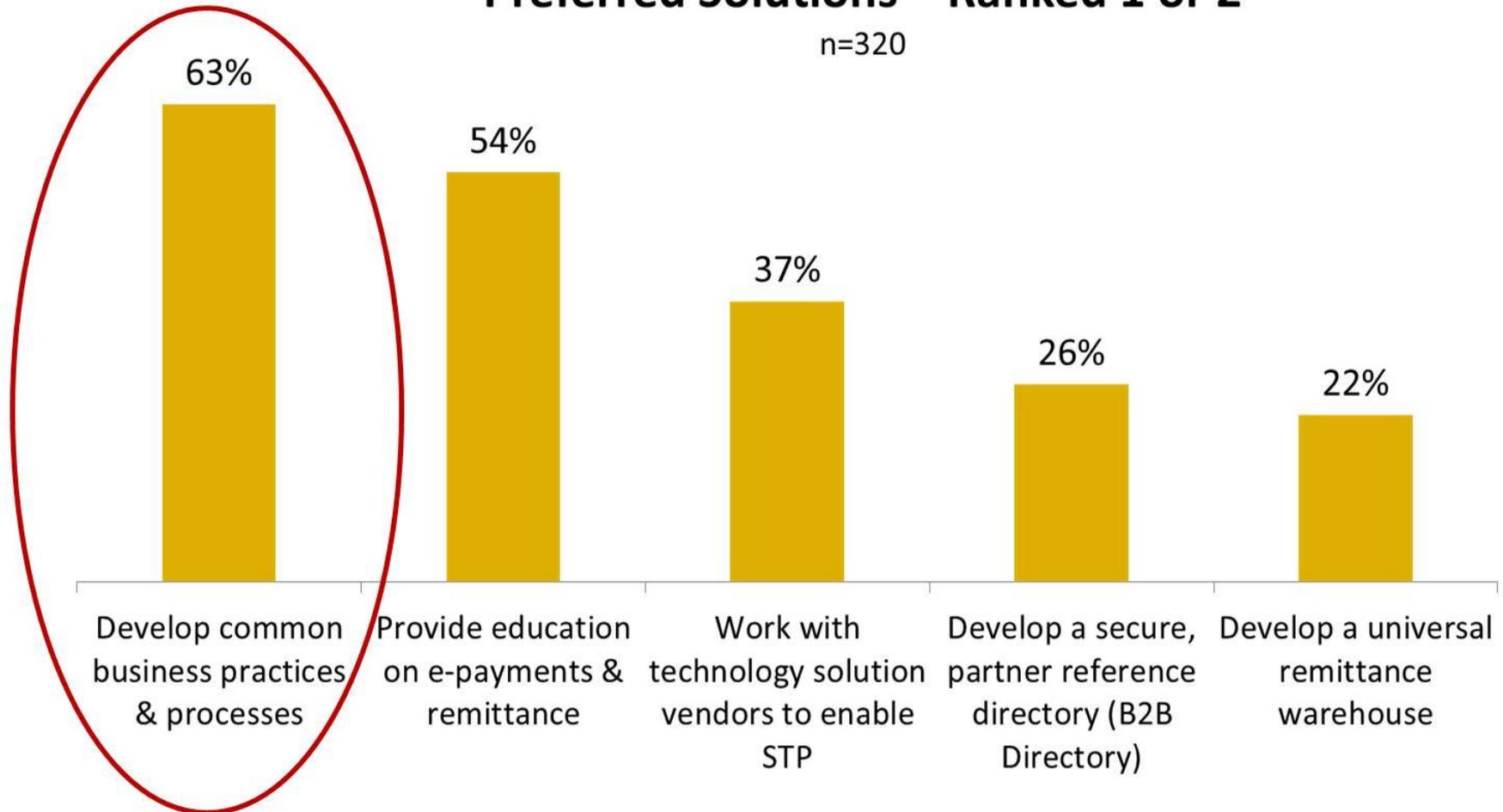
is due to

**the lack of easy integration and
automated reconciliation of payment &
remittance information**

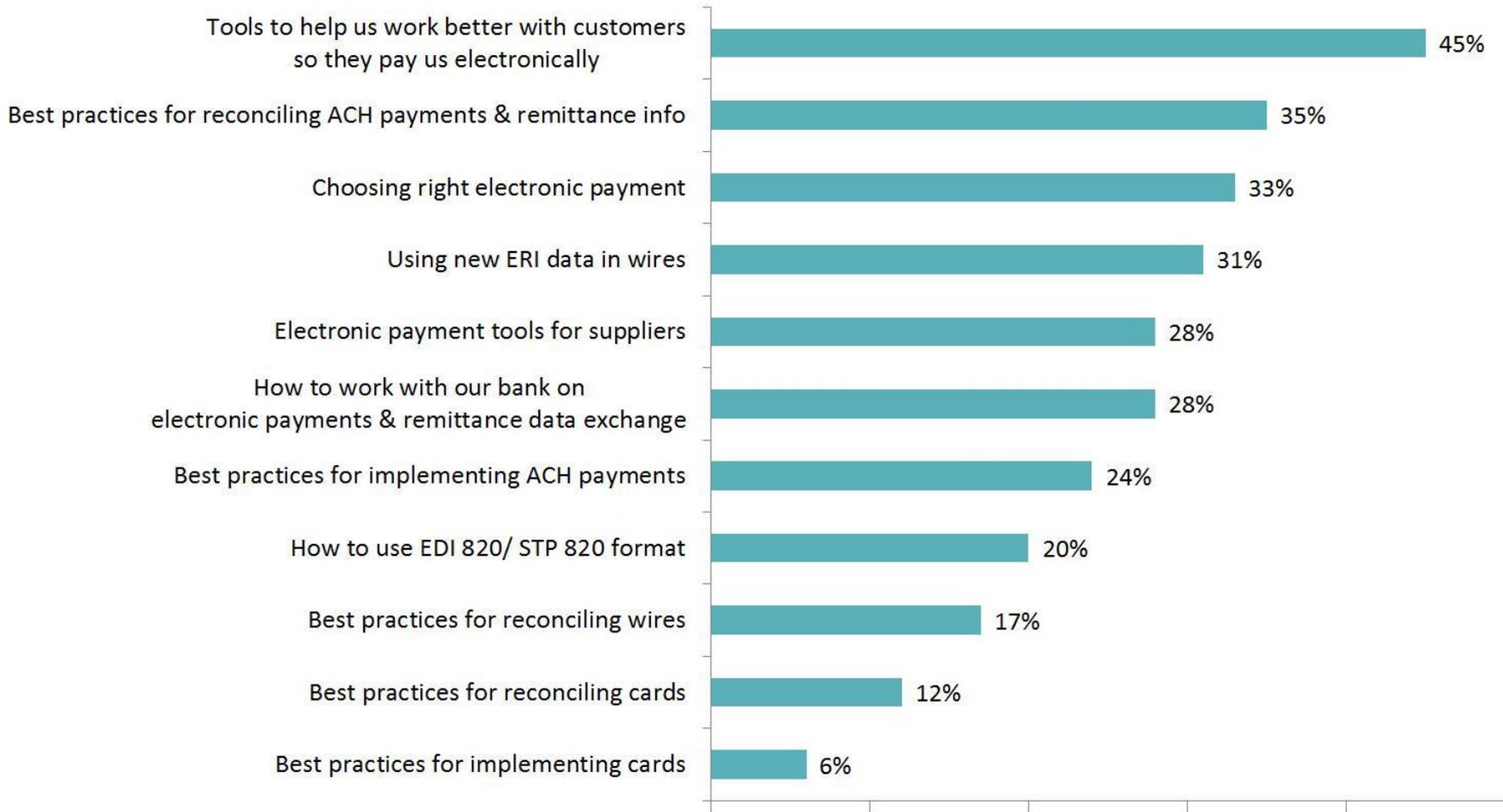
What Business Practitioners Want

Preferred Solutions – Ranked 1 or 2

n=320



Educational topics needed to adopt more electronic payments and automated remittance information:



(n=521)

Top Ranked Solution = Standard Business Practices

- Majority said their customers & suppliers do not use X12 EDI remittance formats in a standard way
- Majority said their customers do not use a standard set of deduction codes (adjustment & discount)



Vendor ID	Vendor Name	Check Name	Payment Number	Check Date	Check Number		
BERGERON001	Bergeron Communications Sol	Bergeron Communications Sol	000000000000042	10/4/2012	0000000000000001		
Payment Type	Check Amount						
Check	\$7,341.60						
Our Voucher Number	Your Voucher Number	Date	Amount	Amount Paid	Discount	Withhold	Net
00000000000000026	Z1	4/1/2012	\$100.00	\$100.00	\$0.00	\$0.00	\$100.00
00000000000000027	Z2	4/2/2012	\$124.00	\$124.00	\$11.33	\$0.00	\$112.67
00000000000000028	Z3	4/2/2012	(\$75.46)	(\$75.46)	\$0.00	\$0.00	(\$75.46)
00000000000000029	Z4	4/15/2012	\$4,531.00	\$4,531.00	\$0.00	\$0.00	\$4,531.00
00000000000000030	Z5	4/16/2012	\$654.71	\$654.71	\$0.00	\$0.00	\$654.71
00000000000000031	Z7	4/16/2012	(\$95.88)	(\$95.88)	\$0.00	\$0.00	(\$95.88)
00000000000000032	Z8	4/20/2012	\$995.88	\$995.88	\$0.00	\$0.00	\$995.88
00000000000000033	Z9	4/25/2012	\$698.88	\$698.88	\$0.00	\$0.00	\$698.88
00000000000000034	Z10	4/25/2012	(\$41.33)	(\$41.33)	\$0.00	\$0.00	(\$41.33)
00000000000000035	Z11	4/25/2012	\$459.80	\$459.80	\$0.00	\$0.00	\$459.80

RC: Business Process Enhancements

1. Develop simpler, standard practices for using discount & adjustment codes, based on existing X12 EDI codes; promote adoption
2. Work with software vendors to adapt systems to support business process changes
3. Facilitate discussions with practitioners to identify other business process improvements needed



Addressing Deduction Code Business Processes

- **Over 600 codes defined in X12 standard “426 adjustment reason code”**

Used in various EDI transactions

- 820 Payment & Remittance Advice
- 812 Credit/Debit Adjustment
- E-mail remittance

- **Unclear definitions & descriptions lead to:**
 - Inconsistent usage across business entities
 - The need to manually process remittance data to ensure compatibility

Simplified Deduction Codes

Core Adjustment Reason Code Project



Consolidate.

- The simplified deduction code project identifies about 70 of the 600+ EDI codes as essential for deduction processing
- The RC team cross-referenced the existing EDI adjustment codes and produced a map to assist users who are on older versions of EDI

Addressing Deduction Code Business Processes

Multiple codes for similar definitions can create confusion, for example:

**At least 6 codes relate to advertising - which one should be used?
Are all 6 codes needed?**

Current 426 Codes Related to Advertising

56 Advertising Allowance Taken
71 Advertising Allowance
79 Cooperative Advertising
AV Advertising Contribution
M1 Advertising Unidentified
MA Marketing Allowance

Is there a way to consolidate these into one advertising code, thereby simplifying the process?

Developing Common Standards

- Remittance Coalition subcommittee identified the essential codes for deduction processing
- Developed a **SHORT LIST** of these codes along with higher level categories for roll up
- Mapped to “best fit” codes from 426 code list to minimize need to convert --> 426 codes can still be used with no impact
- Codes may be carried in X12 messages or other electronic formats OR may be included in other remittance information exchanges (i.e. spreadsheet, e-mail)

Developing Common Standards

Draft Short List codes

Category	Proposed Short List Reasons	Short List Code
Allowance	Advertising Allowance	71
	Billback Allowance Deduction	GH
	Competitive Allowance	77
	Coupon Related	GB
	Defective Allowance	82
	Floor Stock Protection	95
	Margin Contribution	RW
	Mark Down Allowance	RX
	Market Development Fund Deduction	GC
	New Store Allowance	A3
	Promotional Allowance	A8
	Slotting Charge	GE
	Testing Charge	C6
	Truckload Allowance	MJ
	Unsalable Merchandise	GG
Warehouse Allowance	MK	
Billing	Credit as Agreed	81
	Discount The dollar value of the discount	L2
	Duplicate Billing	19
	Evaluated Receipt Settlement (ERS) Discrepancy	83
	Invoice Amount Does Not Match Account	IA
	Total Order Not Received	75
	Covered by Credit Memo	CM
	Covered by Debit Memo	E2
	Duplicate Payment	86
Early Payment Allowance	90	
Payment	PT	
Freight	Pickup Allowance	MB
	Shipping and Freight Charge	SF
Miscellaneous	Miscellaneous Deductions	L7

Category	Proposed Short List Reasons	Short List Code
Non Compliance	Advanced Ship Notice Not Received	70
	Bill of Lading Does Not Match 856 Account	O1
	Handling Charge	97
	Hanger Charge	BI
	Incorrect Product	7
	Item not received	59
	Label Placement	RV
	Logistics Label - Incorrect Label Form	FY
	Logistics Label - Label Does Not Scan	GP
	Not Shipped on Date Authorized	S3
	Overage	A5
	Packing - Problem with Pack List	GX
	Packing Violations	A6
	Pallet/Container Charge Error	10
	Paper Bill of Lading Non Standard Violation	KE
	Purchase Order Number Incorrect on Invoice	MG
	Quantity Contested	6
	Required Documents Missing	44
	Routing Violation	B8
	Ship Notice - Carton Content does not match	EU
Ship Notice - Received Late	F2	
Ticketing Error	C8	
Transportation Issue	T1	
Post Audit	Audit An itemized charge has been added	L1
Pricing	Contract Price Error	Q6
	Extension Error	3
	Invoice Price Protection	E5
	Pricing Error	1
	Volume Discount	Q9
Rebates	Rebate	B2
Returns/Refused	Returns - Recall	15
	Freight Inbound Return Merchandise	K8
	Freight Outbound Return Merchandise	K9
	Difference On Returns	RG
	Item Not Accepted - Damaged	4
	Item Not Accepted - Quality	5
	Return Merchandise Charge	K4
	Returned Material	RM
	Returns - Damage	11
	Returns - Promotion	14
	Returns - Quality	12
	Stock Balance	C4

Developing Common Standards

Mapping from Short List codes to 426 Adjustment codes

Category	Proposed Short List Reasons	Short List Code	DEFINITION & EXPLANATION	CODE
Allowance	Advertising Allowance	71	Advertising - Unidentified	M1
			Advertising Allowance	71
			Advertising Allowance Taken	56
			Advertising Contribution	AV
			Cooperative Advertising	79
			Marketing Allowance	MA
	Billback Allowance Deduction	GH	Billback Allowance Deduction	GH
			Manufacturer to Distributor Billback Allowance	QF
			Manufacturer to Retail Bill-Back Allowance	MR
	Competitive Allowance	77	Allowance Error	Q2
Allowance/Charge Error			2	
Competitive Allowance			77	

Developing Common Standards

Mapping from 426 Adjustment codes to Short List codes

CODE	DEFINITION & EXPLANATION	Short List Code	Proposed Short List Reasons
1	Pricing Error	1	Pricing Error
2	Allowance/Charge Error	77	Competitive Allowance
3	Extension Error	3	Extension Error
4	Item Not Accepted - Damaged	4	Item Not Accepted - Damaged
5	Item Not Accepted - Quality	5	Item Not Accepted - Quality
6	Quantity Contested	6	Quantity Contested
7	Incorrect Product	7	Incorrect Product
8	Substitute Product	7	Incorrect Product
9	Terms of Sale Error	L2	Discount The dollar value of the dis
10	Pallet/Container Charge Error	10	Pallet/Container Charge Error
11	Returns - Damage	11	Returns - Damage
12	Returns - Quality	12	Returns - Quality
13	Returns - Dating	RM	Returned Material
14	Returns - Promotion	14	Returns - Promotion
15	Returns - Recall	15	Returns - Recall
16	Non-Invoice Related Allowance	77	Competitive Allowance

Next Steps...



- Publication of the B2B Core Adjustment Reason Codes by X9 and X12 is imminent, pending resolution of copyright and pricing considerations.
- The leaders of these two standards development organizations are working on producing a memo of understanding to clarify publication details.
- Active team members were contacted by email on July 25th to find out their views on proposed pricing for this document.

Working together, the Remittance Coalition is bringing together the right set of stakeholders to address barriers to electronic payments & remittance exchange & reconciliation

