



# A Revolution in Resolution: Revlon Deduction Resolution Management

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Someone once said ‘whoever has the knowledge has the advantage’.

If someone makes a claim, and you can immediately make a decision to resolve that claim, you have the advantage. That’s the primary thing PBT and Global 360’s Content and Business Process Management toolset has helped us do. The other thing it has helped us do is significantly reduce the cost of claims processing and deduction resolution.

Vice-president for Credit Services, Revlon

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## The business problem

Revlon was experiencing a significant problem with credit claims. Charge backs and short pays for customer deductions were running at 20% of gross sales, double the national average. Volume was so high that more than half of the 71 employees responsible for receivables were dedicated to deduction resolution.

A credit claim or deduction is created when a customer believes an order they received from the manufacturer is incorrect, or when they feel reimbursement is due them for returned goods, expense items, markdowns, marketing promotions etc. The customer may send the manufacturer a formal credit claim which identifies the reason, the invoice number, the items in question and the dollar value and copy their AP department. AP then deducts the amount from the manufacturer’s next scheduled payment in an accepted business practice known as a *chargeback*.

However, more typically, the customer simply short pays the invoice which is also an accepted practice. In either case, the burden of proof is on the manufacturer to investigate and determine whether the deduction is legitimate. Historically, 80% or more of customer deductions are honored.

Revlon’s Vice-president for Credit Services realized that managing paper was a considerable part of the credit claim problem, and that content and business process management (CM/BPM) technologies offered

an answer. As a result, he developed a business case to fund a CM/BPM project that resulted in the selection of Global 360 and PBT, a Global 360 Preferred Partner, to workflow-enable the credit claims process.

## **The paper DRM process**

At Revlon the credit claim justification process, referred to in the credit industry as Deduction Resolution Management (DRM), required the collection and matching of numerous documents from multiple sources on a variety of media. The table below illustrates the receipt, retrieval and matching problems that drove Revlon management to envision a reengineered, technology-enabled process.

Document	Owner - Department	Volume	Media
Credit Claim	Customer – Receiving/Others	273,500	Paper
Chargeback	Revlon - AR	273,500	Paper
Invoice	Revlon - AR	2,628,000	Paper, ERP System
Packing Slip	Revlon - Shipping	2,628,000	Microfilm, Fiche
Proof of Delivery	Shipper	8% of invoices	Fax

Prior to Global 360 deployment, Revlon's Accounts Receivable department was organized by function: Collections, Credit/Risk Management and Credit Claims Resolution. Credit claim document collection was done in an assembly line fashion. One staff member worked from a chargeback list at the fiche reader to pull packing slips, a second worked on the mainframe to find and pull invoices, a third made calls requesting POD's from the shipper.

Once collected, the documents were matched with the claim and a decision was made. If the claim was declined, the supporting document was annotated and the documents were copied and mailed to the customer asking for a refund. If the claim was valid, AR was notified to reduce revenue by crediting or allowing the customer's deducted claim, which removed the chargeback from AR.

The document collection process took, on average, 30 minutes per claim. The high dollar claims backlog was measured in months; low dollar claims were accepted without research because the anticipated benefit was less than the associated cost. Although claim volume made this approach reasonable, it resulted in a significant loss of revenue.

## **The redesigned DRM process**

Revlon's goals for the content and business process management-enabled DRM deployment were to:

- Re-engineer the process to achieve a one to five day deduction resolution turnaround
- Design an automated filing process that insured document integrity and access
- Develop efficient deduction resolution workflows
- Address all deductions, whether by research or negotiated settlement.

The turnaround goal of one to five days was extremely aggressive, particularly in the light of industry averages at the time. The Credit & Financial Management Review, a publication of the *Credit Research Foundation*, stated that resolution took on average from 90 to 120 days.

As development got underway, the Credit Services staff was reduced by 23% in anticipation of achieving project goals. By the first full year of production, staff had been reduced one additional position to 54. PBT guided the Project Team representatives from IT and Credit Services through flowcharting sessions that identified the documents, decision points and tasks relevant to deduction resolution.

PBT created a Functional Design Specification detailing how business rules would be automated to create the DRM workflow and how electronic documents and data in would be automatically gathered. Claim type was a key design attribute. It allowed PBT to develop a nightly, data and document retrieval task that created an electronic workpacket for each deduction based on claim type. New user applications replaced various systems and methods used to work claims with a series of tab controls from a common desktop that accessed the tools, forms and databases needed to successfully resolve a claim.

Following Project Team approval, PBT configured the workflow tasks and built the templates, workflow maps and applications needed to deliver the *DRM Workflow* documented in the Specification.

The Credit Services department was reorganized into teams responsible for all aspects of the customer relationship relative to Collections, Credit/Risk Management and Deduction Resolution. All revenue-related documents were redesigned, automatically indexed and made available electronically as shown in the following table.

Document	Owner - Department	Volume	Media
Credit Claim	Customer - Receiving	256,200	Scanned Image
Chargeback	Revlon - AR	256,200	COLD
Invoice	Revlon - AR	2,063,000	COLD
Packing Slip	Revlon - Distribution	2,063,000	COLD
Proof of Delivery	Shipper		CD or Web

Approximately 75% of customer payments were received via EDI using the standard remittance transaction format. EDI formats and system of record invoice information were converted to COLD and a customized workflow was developed. After remittance download and COLD conversion, a scheduled task retrieves the documents necessary to investigate a claim. Retrieved documents create a workpacket which is routed to the appropriate resource, with high dollar deductions filtered for priority processing.

Today, staff time is spent making decisions, not collecting documents:

- Document collection averages one minute
- High dollar claims are resolved the morning after the deduction is taken
- Researched claims are resolved within the five day goal
- Low dollar claims are collected by customer for negotiated settlement or other appropriate action
- Patterns of customer cash account manipulation are identified and addressed immediately.

Since implementation, Revlon has taken additional steps to bring credit claims under control, including modifications to trade terms and the outsourcing of some small accounts. While good business practices reap their own rewards, Revlon has clearly benefited from management's vision of technology-enabled process redesign summarized in the following table.

<b>G360 Credit Claim Resolution</b>	
<b>Business Problem</b>	<b>Business Benefit</b>
Document retrieval costs	Dramatically reduced
Misfiled and lost documents	Eliminated
Claim turnaround time	Dramatically reduced
Lost revenue	Eliminated
Overstated receivables	Corrected
Customer cash account manipulation	Eliminated
Resource intensive tasks	Automated
Manual work assignment	Automated
Adherence to procedure	Automated

## About PBT

PBT can help you meet your productivity goals, improve your competitive position, and provide better customer service by automating time-consuming tasks and providing you with BPM-enabled solutions second to none. Our experienced business professionals deliver skilled project management, award winning process redesign, creative workflow solutions and ergonomically satisfying user applications.

Our customer commitment:

- Your anticipated return on investment is always achieved and frequently exceeded.
- Your business goals are reflected in our solution templates.
- Your self-sufficiency is our deployment goal.

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