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What is a **Sales Audit?**

Some history on the retrospective audit

- Established in the US back in the 1970's (Howard Schultz)
- Came to UK in early 1990's
- First and second pass (even 3rd pass) review process
- Present claims and then deduct after 30 days
- GSCOP has made a big difference... but is the playing field level?

What have your customers been doing?

- **A partial reconciliation:** only reporting errors in their favour
- **Budget driven:** highly commercial and non-collaborative
- **Third party audit companies**
- **Audit process:** time consuming and inefficient for suppliers
- **Access to data:** commercial advantage

What does this audit entail:

- **Goods received; retros; fixed fees:** price, period, correct product range, etc
- **Promotions:** promo price charged correctly
- **JBP's:** Overrides: tiers, volumes, distribution, conditional clauses, etc
- **Marketing and advertising, including on-line!**

Poll 1:

Have you experience or knowledge of a retrospective audit?

- **Yes, I have received claims from a retailer**
- **No, never received claims from any retailer**
- **Yes, we conduct a historical sales audit**
- **No, we do not review our historical transactions**

Poll 2:

Which Retailer sends you the most claims?

- **Asda**
- **Tesco**
- **Sainsburys**
- **Co-op**
- **Morrison**
- **Other**

A Sales Audit:

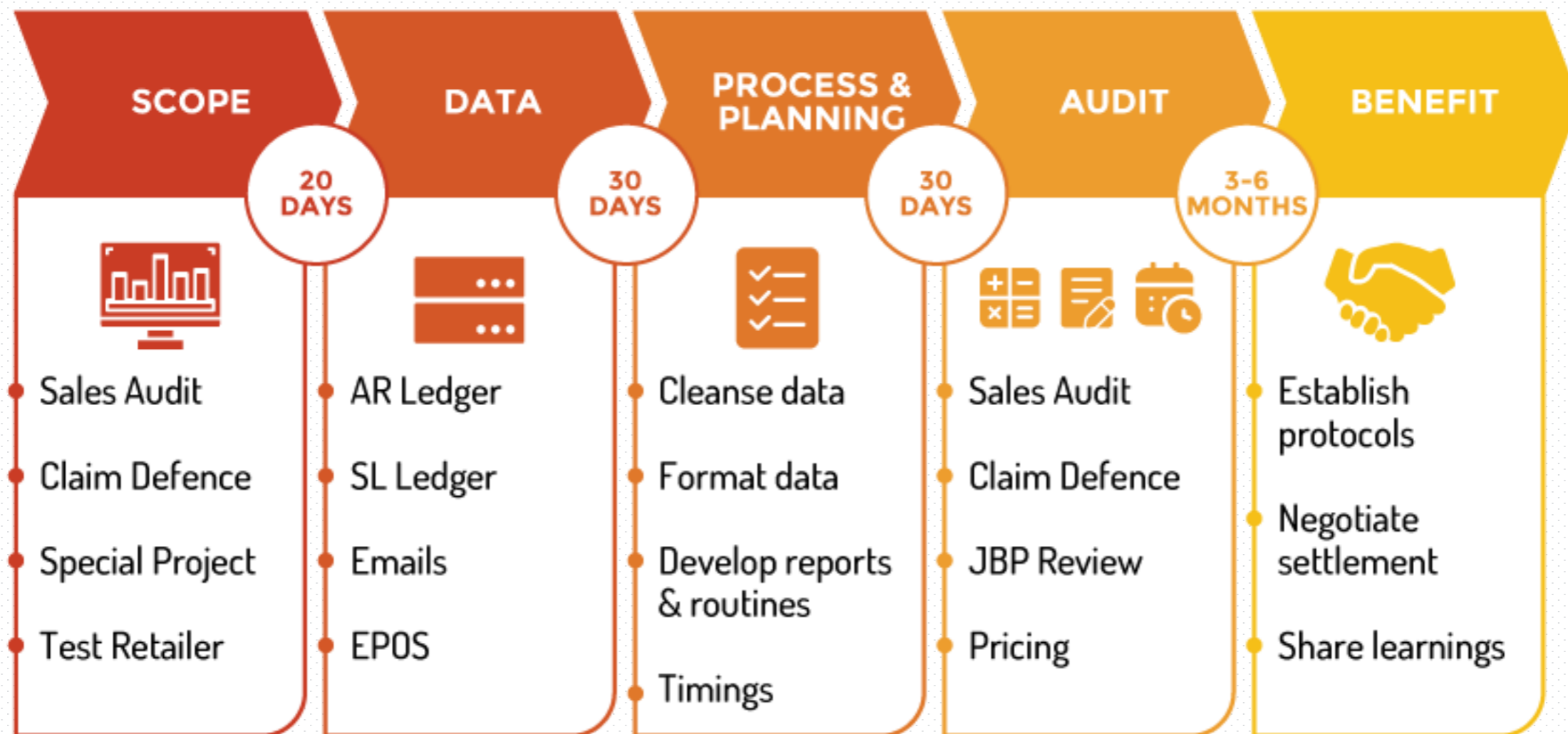
Mirrors the audit your customers have been conducting for the last 30+ years... it analyses all your transactions with your customers against the relative agreements, contracts, emails and retailer portals...

To identify anomalies and potential errors

A Sales Audit is:

A reconciliation of all “in-scope” historical transactions:

- **Sales invoices:** correct price, correct period, correct product range, etc.
- **Retros:** as agreed, right period, correct product range, etc.
- **Customer charges:** correct activity, end, distribution, etc
- **Promotions:** checked for overfunds, duplicates, overlaps, fixed funding, etc
- **JBPs:** conditions met, overrides, ESDs, etc
- **CPI...** are your prices getting paid correctly?



The negotiation process:

- All potential claims are initially presented to the supplier for authorisation
- Presented to the Retailer, usually a specific offshore audit claim team, but never the commercial team
- All negotiations are with the specific audit claim team, not the buyer*
- Claims are validated based on the evidence presented, not sentiment or something else ...

*JS did route claims via the buyer until June 23

Benefits include:

- It reconciles your historical trading activity to identify errors in your favour
- Properly accounts for the claims made against you
- Can remove difficult conversations from your commercial dialogue
- It deters Retailer auditors from submitting 'dodgy' claims...

AND:

- Will achieve better financial outcomes for error correction:

Audit Settlements vs Commercial negotiations

- Improve processes and controls (human error), it's a health check
- Recover significant £'000s
- Free up resources and time to enable people to focus on prospective priorities

Case Study 1

Claim Type: Duplicate Funding. Amount identified **£417k**.

Claim Description: The supplier had undercharged for stock purchased during a promotion. Retro support had been agreed for a promotion and was invoiced correctly. However, it had also been incorrectly applied to the case price by the supplier, probably because the retro agreement was not clearly stated in the promo form, duplicating the intended funding amount and creating a cost price undercharge.

Evidence: Salitix auditor identified the duplicate and then found email communication between Supplier and Retailer noting duplication, which had never been actioned by the Retailer

Negotiation: Error recognised by Retailer, who requested PO numbers for invoices claimed on

Length of time: On-going

Case Study 2:

Claim Type: Pricing Undercharge. Amount identified **£156k**

Claim Description: The supplier had numerous CPIs agreed with a retailer over a multi-year period. The majority of the price changes were implemented correctly (i.e. from agreed effective dates), but two skus remained at the pre-CPI price as they had been missed during the 'bulk upload' of price changes.

Evidence: Email communication between supplier and retailer which showed the old and new cost prices along with the price effective dates.

Negotiation: Submitted early March 23, approved mid-April 23

Length of time: 6-7 weeks

Case Study 3:

Claim type: Fixed Funding. Amount identified £5.39K

Claim description: Value invoiced for feature space differs from what was agreed in the JBP / Rate Card used to calculate POS fees for a promotion

Evidence: Invoices raised for Side Stack at £16.7k, which was in fact the standard fee for a different POS space less a discount. The JBP identified a 13% discount on all feature space during the financial year, which the Retailer had applied, but to the wrong fee amount. The correct POS space fee was £13k, less a 13% discount, generating a claim of 3.7K (16.7-13) plus the 13% discount on 13K at 1.69

Negotiation: None, Retailer accepted claim without any pushback

Length of time: 4 weeks

Poll 3:

Does the audience think presenting a counter claim to their customer would create a commercial issue?

Yes

No

Question and Answer with Premier Foods:



Rob Cousins

Premier Foods Commercial Finance Manager

Salitix Set Questions:

- Is there commercial fall-out, what's the catch?
- How does Premier Foods manage the relationship with Salitix (i.e. contract, monthly reviews, consolidated tracker etc)
- How much involvement is required from the trading team?

Additional:

- How are credits received and how long does that take?
- GDPR: does it create issues providing email data? Do the retailers try and tricks in this regard?
- Is data access/acquisition easy?

Post Event:

Are there any other values you would identify, or costs we have not identified?

Thanks for listening

And don't hesitate to get in touch with questions or issues you would like our help with:

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