

# MULTINATIONAL COSMETICS COMPANY

## IMPROVING VISIBILITY INTO CUSTOMER CLAIMS & DEDUCTIONS MANAGEMENT

### BACKGROUND

An international beauty company's Spanish subsidiary undertook a digital transformation project to automate the processing of customer deductions in two of its three divisions.

Each division was manually processing over 12,000 annual documents using an internally developed solution. Charge processing was 100% paper-based for documents received by mail, emails and even EDI messages which were processed as printouts. Lack of process visibility and control, as well as the inability to assess time spent, led the company to seek a solution for its accounts receivable (AR), sales and customer service departments.

### CHALLENGES

The company implemented Esker's claims and deduction module (part of its order-to-cash solution) to automate its customer deductions, increase process visibility, and implement an electronic workflow customizable to its organizational structure and particular requirements.

The first phase of the project was implemented in the luxury brands division. It focused on collecting, identifying and preparing advertising charges to help accounting allocate to the appropriate SAP® cost center.

The second phase involved creating an electronic workflow that would simplify the work of the AR and customer service departments, as well as reduce processing time. Prior to automation, 50-60% of deductions arrived by EDI and required that data be manually entered into the SAP system. This initiated the manual resolution process with the designated persons for each type of charge. Overall, the process took an average of 60 days.

### SOLUTION FOR LUXURY BRANDS DIVISION

Solution functionalities include:

- **Extraction** of deduction key data against SAP system's customer master data
- **Categorization** of chargeback
- **Allocation of charges in SAP across product lines** (e.g., perfumes, creams, etc.)
- **Real-time statistics, metrics and reports** of pending charges by quantity and value

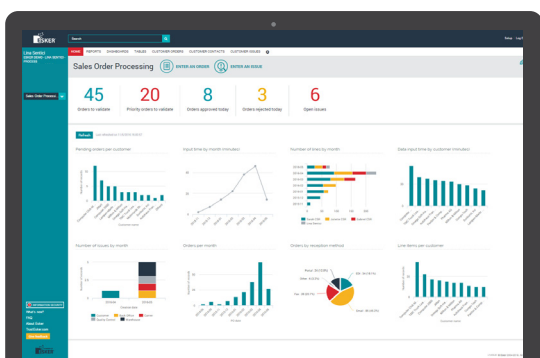
The objective was to help identify advertising deductions so the total could be allocated across the division's product lines according to established percentages. This represented an important decrease in processing time and errors for the company.

### SOLUTION FOR MASS MARKET DIVISION

Building on the experience of the luxury brands division, the mass market division automation project featured additional functionality, including:

- **Data collection for all types of deductions** (e.g., returns, promotions, etc.) from multiple input channels (e.g., EDI, email and scans)
- **Categorization based on predefined keywords** (e.g., rebates) and machine-learning technology enabling solution to automatically learn customer-specific keywords
- **Workflows** configured with five types of criteria
- **Real-time statistics, metrics and reports** allowing the company to identify bottlenecks and achieve 100% visibility over the entire process

The challenge was to automate the validation flow for multiple criteria with the objective of speeding up the process and eliminating the movement of paper from desk to desk. The team established five possible workflows by deduction type: merchandise to be delivered or returned, price differences, returns, promotions and rebates. Thanks to automatic categorization, deductions are now distributed according to the AR, customer service or sales team responsible for processing them.



## BENEFITS

Since implementing Esker's claims and deductions module, the company has achieved numerous benefits, including:



**Increased processing times** from receipt to resolution, **down from 60 days to 1 day**



**Agile processing** thanks to Esker's machine-learning technology, extra space which identifies charges, categorizes them and calculates allocations



**Improved accounting efficiency in SAP** now that deductions are automatically categorized and pre-sorted by product and product subcategory



**Improved visibility into approval workflow** and processing stages: measurement of time and value, insight into bottlenecks and customer experience



**Enhanced deductions controls:** by amount and by processing status thanks to reports, dynamic graphs and real-time status updates



**Positive financial impacts** thanks to the ability to preview actual sales at any time and achieve improved margins now that erroneous deductions can be disputed and reconciled faster

## NEXT STEPS

The company is currently working on implementing the Esker Anywhere™ mobile application, which will allow the sales team to assist in validating pending charges or disputing and reconciling those that are unjustified. It is also exploring the possibilities of automating deductions in other business units.



*"The **great advantage** of Esker's solution is that it gives us **visibility** into the highly complex process of managing deductions."*

Accounts Receivable Manager

### ABOUT THE COSMETICS COMPANY

This international beauty company markets prominent luxury and mass market brands of cosmetics, hair products and perfumes, and is established in 120 countries.