DISPUTING BETTER, FOR A BETTER BOTTOM LINE

The why and the how of effective dispute management in the retail industry
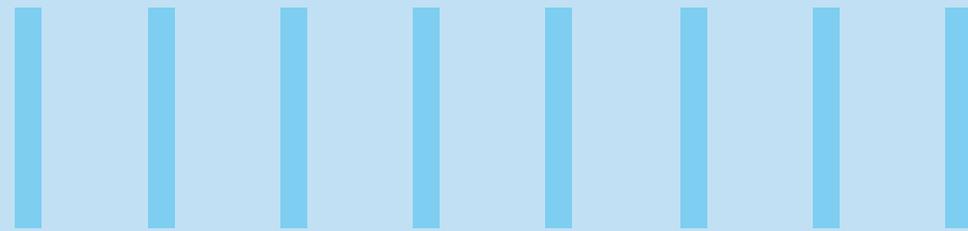
Abstract

Pursuant to the unprecedented supply chain challenges of recent years, retail organisations have been experiencing astonishing volumes of deduction disputes with suppliers. With supply reliability, cost efficiency, and quality control at stake, this whitepaper discusses both the criticality of effective supplier dispute management and its challenges. Providing insights into key industry trends, it also highlights how retailers must embrace emerging AI and ML technologies to future-proof the dispute management workflow, and thereby improve both their supplier relationships and the bottom line.

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Introduction

Supplier relationships play a vital role in ensuring the smooth operation of retail enterprises through maintaining reliable supply chains, ensuring cost efficiency, and upholding quality control. Thus, collaborative partnerships with suppliers foster innovation, mitigate risks, and promote long-term sustainability, thereby enhancing competitiveness and stability in the dynamic business landscape.

However, in recent years, accounting teams have faced unprecedented challenges, leading to an increase both in payment deductions as well as disputes between suppliers and retailers.

Disputes are increasing, rapidly

Large retail organisations are experiencing an astonishing volume of deduction disputes, with up to $25 Mn in disputes for every $100 Mn in deductions. A significant portion of these disputes, up to 40%, is repaid erroneously.

$10M - 25M	5,000	50% - 85%	25% - 40%	$500k - $1.5M	6 - 25
in deduction disputes per every $100M in deductions	inbound queries for every $50M in disputes	of disputes are repaid	of repays are unnecessary	in wasted operational cost	full time euivalents to address queries - 50% of queries are on payment status
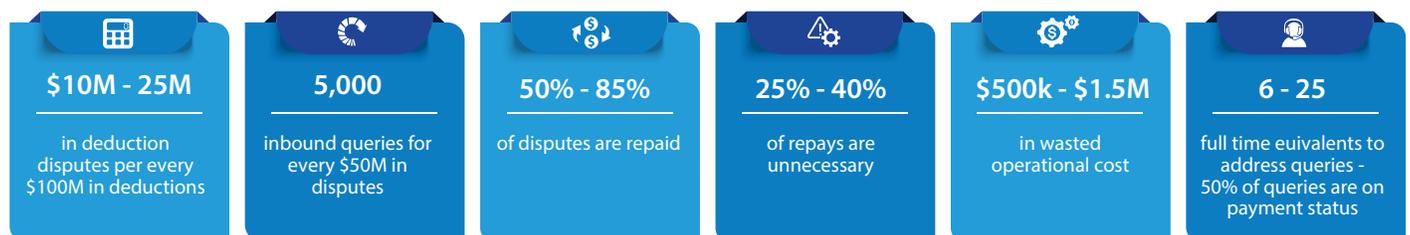
Fig 1: Industry insights: Estimates based on 5 retail samples (3 U.S. & 2 EU, $20 Bn - $120 Bn in revenue)

The complexity of resolving disputes arises from the extensive research required to reconcile payment issues, suppliers' inconsistent submission of required documentation, and the use of multiple systems. Managing these disputes through email or repurposed service desk systems exacerbates the problem, resulting in many disputes being overlooked or repaid without proper investigation.

Recent reports indicate that suppliers are leveraging technology to help their odds. Robots are capable of logging hundreds or thousands of deduction disputes against retailers, who, overwhelmed by a massive volume of SLA-bound work, are compelled to compromise on the quality of their dispute research. This, in turn, leads to an even higher rate of erroneous repayments. Surprisingly, most CIOs and CTOs may be unaware of the magnitude of this emerging issue, causing conventional dispute resolution solutions to be employed against this new technology-driven threat.

Why disputes matter

The deduction dispute dilemma has become increasingly critical. Excessive time and resources spent on reconciliations and disputes disrupt the smooth functioning of both retailers and suppliers. It creates dissonance within their organisations, causes stress between merchandising and finance departments, and leads to questions about invoice payment and approval status. While the ultimate goal of both parties is to focus on growth, dealing with disputes diverts resources from this goal and presents a significant pain point.

Fig 2: Problems caused by deduction management challenges

Thus, it is crucial for retailers to implement effective dispute management with suppliers for the following reasons:

1. **Unwarranted payments:** Mishandling disputes can result in paying back disputes unnecessarily, increasing costs and straining supplier relationships

2. **Higher costs:** The personnel needed to manage disputes add to operational costs.

3. **Supplier abrasion:** Failing to respond quickly to disputes can lead to negative impacts to supplier relationships

4. **Lack of root cause visibility:** Inability to identify the root cause of disputes makes it challenging to prevent recurring issues

To master dispute management with suppliers, organisations must not only build stronger communication channels and enhance negotiation skills, but also implement software solutions to streamline manual processes.

Three must-haves in a dispute management platform

A dispute management platform can greatly help organisations to foster collaboration, reduce costs, improve SLAs, and decrease unwarranted repayments. However, its effectiveness greatly depends on its ability to provide:

1. **A unified engagement platform:** Users in both retailer and supplier organisations must be able to connect, communicate, and collaborate on a singular platform easily and seamlessly. This reduces the wasted time and energy of not knowing where to go, whom to contact, and what to include for effective communications and processes.

2. **Self-service visibility:** Suppliers must be able to view invoices, payment statuses, and remittance details directly in the platform

3. **Monitoring and reporting:** The platform must empower users and leaders with real-time visibility into root cause trends and SLA monitoring to ensure that improvement strategies are data-driven and yield results.

Case in point: a $100+ Bn retailer and Supplier Connect™

Serving top retailers since 2017, the PRGX Supplier Connect™ platform is an industry-leading solution that seamlessly brings together the best of core dispute management capabilities, and most

importantly, delivers real business results.

Consider the case of a $100+ Bn retailer with dozens of dedicated resources managing tens of thousands of inquiries and hundreds of millions in disputes.

With response times taking between 6-9 months, and a high 60% in repay rates, the organisation was losing millions in erroneous repayments.

Organization

A **$50 Bn+** retailer with hundreds of millions in disputes

Challenge

Response: **6-9 months**
Repay rate: **60%**

PRGX
Supplier Connect™

14,000 Suppliers

Results

Response: **20-50 days**
Repay rate: **75% decrease**

Outcomes

Millions of dollars in erroneous payments prevented
Faster responses = Happier suppliers
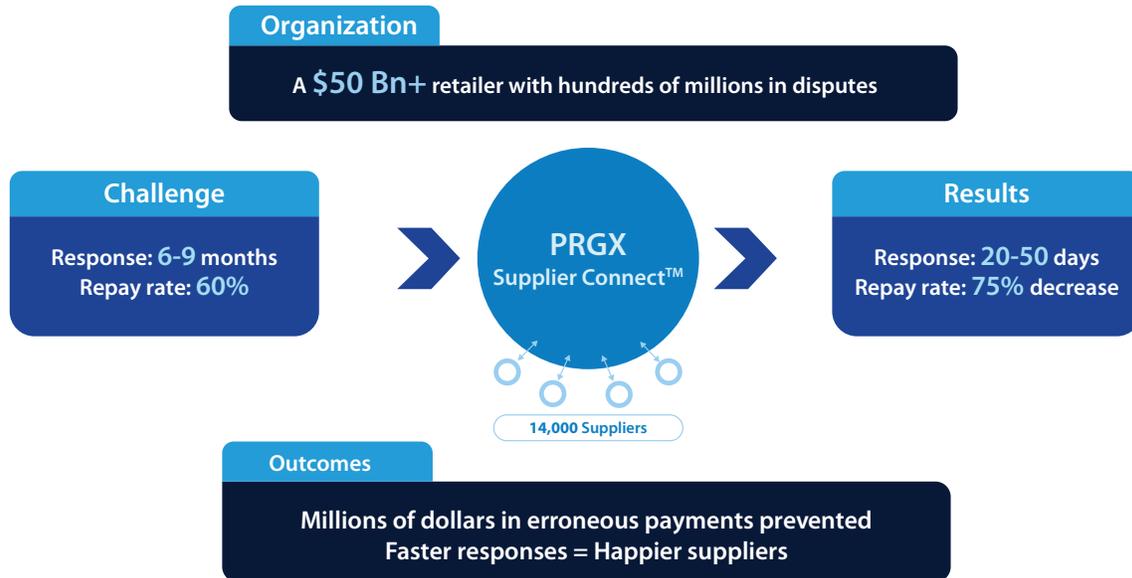
Fig 3: Retailer case study

Realising the need for an effective dispute management platform, the company implemented PRGX Supplier Connect™ across their 14,000 supplier users, improving processes and governance with supplier input.

The results of the change were remarkably significant. Repay rates greatly decreased by 75%, preventing hundreds of millions of dollars in going out through erroneous payments. The response times also

improved to just 20-50 days, based on claim type, reducing the friction between the organisation and its suppliers.

Settling disputes gracefully, and digitally

All retailers have existing processes for managing disputes — ranging from shared email inboxes to re-purposed service desk technology to purpose-built unified platforms — helping communicate, engage, respond to inquiries, and resolve disputes with their suppliers. However, to win and sustainably scale, it is imperative to harness the powerful capabilities unlocked by innovations in artificial

intelligence (AI) and machine learning (ML) technologies.

The following AI/ML intelligence capabilities are essential to improve and scale dispute management, and they should be implemented as integrated, core capabilities, not as independent from retailers' workflows and processes:

• **Smart filtering** using ML can automatically reject low-quality disputes,

with standard auto-responses based on rule-based or intelligent filtering. It can also analyse dispute information and retailer data to qualify dispute quality.

• **Intelligent actions** utilising AI/ML can predict dispute outcomes, identify missing evidence, and suggest next steps for efficient human-in-the-loop processing. Data availability, including retailer data on contracts, invoices, and

shipments, is crucial for the value and effectiveness of this intelligence.

- **Automated responses** can address standard queries by leveraging AI technologies to understand questions, access relevant data, and respond to supplier inquiries. This eliminates unnecessary tasks, saving valuable time and resources for retail teams managing the process.

- **Supplier-automated** dispute identification employing AI capabilities can identify supplier-automated disputes, allowing retailers to respond more effectively. It involves establishing different business rules and policies, such as implementing varied thresholds for automatic responses to disputes originating from suppliers' automation efforts.

As we have seen in the broader AI/ML technology landscape, these technologies are quickly evolving, and their value is directly tied to access to robust and relevant data for continuous training and improvement over time.

The way forward towards a brighter future

Effective supplier dispute management has a real impact on a retail business' bottom line and its management of supplier relationships. The high and increasing volume of deduction disputes, the complexity of resolving them, and the significant costs associated with mishandling them, highlight the urgency for enterprises to adopt more effective dispute management strategies. Towards this goal, embracing technology to

create a user-friendly, transparent, and collaborative workflow between retailers and their suppliers is essential.

Though the rise in AI and ML and their growing maturity is currently a threat to retail organisations — further increasing their dispute volumes from suppliers leveraging these technologies — it is also the key to answering the challenge. Taking a proactive approach, retailers must leverage the power of these technologies

themselves to process, triage, and respond to the incoming inquires and disputes. By doing so, they can take control, reduce costs, improve dispute resolution, and strengthen supplier relationships. Those hesitating on the sidelines, however, risk an unending struggle to manage the ever-growing volumes of disputes, in addition to their bottom lines being impacted by the rising costs of adding resources over time.

About PRGX

PRGX pioneered Recovery Audit nearly 50 years ago and is now the global leader in source-to-pay analytics and margin expansion. PRGX empowers clients in more than 30 countries with the business intelligence to recover more than a billion dollars in annual cash flow, unlocking value and improving the overall health of organizations across the world. We collaborate with supplier communities to realize improved profits and deliver the tools to optimize processes, finding immediate and lasting value. With end-to-end technology and deep vertical expertise that underpins profit recovery, preventive, and analytics solutions, we provide the actionable insights to minimize leakage, optimize cash flow, and shape stronger, healthier businesses.

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