

X9 TR 45–2016

**Retail Debit Balances Best Practices
and Procedures Technical Report**

March 2016



A Technical Report prepared by:
Accredited Standards Committee X9, Incorporated
Financial Industry Standards

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Introduction

The need for a more standardized approach to debit balances in the retail sector was identified in a focus group sponsored by the Remittance Coalition at the fall 2013 Retail Value Chain Federation Conference. Attendees brainstormed about common business practices and processes that could help streamline payments and remittance handling in the retail sector. Debit balance handling was identified as a major pain point. It was suggested that industry stakeholders could work together to propose ways to standardize retail debit balance handling and advocate a more consistent approach that would benefit all parties.

A group of 28 subject matter experts (the work group) conducted a broad-reaching survey to research and benchmark current practices in the retail industry. The survey's goals were to understand pain points and inconsistencies and identify areas for improvement in the handling of retail debit balances. There were a total of 436 survey respondents consisting of suppliers (77%), retailers (8%), and others (15%). "Others" classified themselves as manufacturers, both retailers and suppliers, brokers, distributors, factoring companies, and wholesalers. The work group catalogued, analyzed, and discussed each response. Survey findings were combined with the practical knowledge of the work group to develop this Technical Report.

The deliverable of this work group is this Technical Report which offers best practices and procedures for standardizing the handling of debit balances from both the supplier and retailer perspectives. The scope included but was not limited to account reconciliation, notification guidelines, timeframes, roles and responsibilities of each party, supporting documentation, and so on. This report does not address import debit balances, as they were considered out of scope for this effort. Also, it does not cover retail debit balances related to the sale of a business, acquisitions, or bankruptcies.

Best practices are methods proven to be successful in accomplishing tasks or goals which should be used or adapted by others in like situations. Not every trading partner will opt to implement all of the debit balance best practices outlined in this report. However, these practices have been identified by a diverse group of retail industry practitioners. As such, the work group encourages retail practitioners to consider these best practices as they evaluate their own processes and adopt the ones that are beneficial to their organizations.

1. Reasons Why Debit Balances Occur

An accounts payable account typically has a credit balance which indicates the amount that a retailer owes a supplier for goods received. A debit balance means the account is in deficit status, that is, the supplier owes the retailer. Furthermore from the retailer's perspective, debit balances occur when the payment activity on a supplier's account at that retailer is less than the value of deductions (chargebacks) being posted against the account, resulting in a receivable balance rather than the typical payable balance.

The debit balance may be a temporary issue when there is ongoing activity on a supplier's account that in the future will result in a subsequent payment of the net balance. The debit balance will not self-correct when there is no future payable activity on a supplier's account.

Temporary Causes and Potential Corrections:

A debit balance could be cleared by new shipments and the resulting invoices, as long as those invoices are in excess of the prior deductions. Failure to address temporary causes via preventative

measures can result in these causes becoming permanent. Temporary causes of retail debit balances may include:

- Suppliers may fail to submit accurate invoices; may send invoices where shipment of product has not been received; and/or fail to present invoices. In these instances, the resolution of the issue is, respectively, to correct inaccurate invoices, ship the product, and process the missing invoices, thus clearing the debit balance. Preventative measures include accuracy in order taking and entry; verification of purchase order (PO) details before shipping; shipping and billing in strict compliance with POs; delivery of accurate, proper shipments; and resolving discrepancies prior to order acceptance or shipment.
- Inaccurate or incomplete documentation may result in an unauthorized deduction against a supplier's account that is ultimately reversed, thus clearing the debit balance. Allowances and returns are often major reasons why retail debit balances occur. Communication within each organization of the terms of all agreements can help minimize debit balances and also facilitate resolution. It is imperative to engage the sales staff with account receivables and engage buyers with account payables to ensure all deductions are authorized. All appropriate associates should have access to the agreements made between a buyer and salesperson. Terms of the agreements must be clear and concise so that deductions are accurate.
- Deduction(s) with immediate terms where supplier invoices have due dates that occur in the future is another temporary cause. The deductions will be offset against the invoices when they become due for payment and the debit balance will be cleared.
- A temporary debit balance where deductions are posted to the account after payment has been made (e.g., supplier provides product related to a season, such as air conditioners, or an annual product like calendars or holiday goods) can occur when a supplier sends products in bulk or at infrequent intervals. That is, the supplier's product is provided in advance of the applicable season and the invoices have terms that result in payment due prior to the end of that season. Deductions are posted against the account for marketing promotions, advertising, returns, post audit, and so on, subsequent to payment of the inbound product invoices, resulting in a debit balance. The debit balance may be cleared by the next invoice/shipment cycle. The supplier should be prepared to remit payment if the shipment and resulting invoices don't occur according a specified period of time.

Permanent Causes:

Accounts with no future activity will remain in a debit balance until cleared by receipt of payment from the supplier, deductions are disputed and reversed, or the debit balance is written off to bad debt. Permanent causes of retail debit balances include:

- Supplier is being exited from the retailer's assortment. No additional invoices/shipments will be presented to offset the remaining deductions; a large volume of product is returned to the supplier after the inbound invoices have been disbursed; or post audit deductions occur.
- Retailer was required to prepay supplier for inventory. This would result in no accounts payable balance to offset subsequent deductions.
- Product recalls. All of the supplier's product in assortment is being returned for regulatory reasons and will not be replaced.

2. Best Practices and Procedures for Handling Debit Balances

Exhibit 1 Agreed Upon Best Practices

Disclaimer: This technical report does not attempt to cover every possible situation. In particular, it does not cover retail debit balances related to the sale of a business, acquisitions, or bankruptcies, nor does it cover imports.

AREA	RETAILER BEST PRACTICE	SUPPLIER BEST PRACTICE
Notification – Timing	<ul style="list-style-type: none"> ▪ <u>Initial Notification</u>: Retailer should actively notify the supplier as soon as possible that a debit balance exists ▪ <u>Subsequent Notification</u>: Retailer should actively notify the supplier that they remain in a debit balance position on a timetable that is consistent with their normal payment frequency 	<ul style="list-style-type: none"> ▪ Supplier should routinely monitor account balance and retailer vendor web portal for signs/indication of retail debit balance position
Notification – Method	<ul style="list-style-type: none"> ▪ Retailer should communicate to supplier that they are in a debit balance position <ul style="list-style-type: none"> — Email communication of initial debit balance position is preferred ▪ Retailer should maintain debit balance information on their web portal which has 24/7 access 	<ul style="list-style-type: none"> ▪ Supplier should acknowledge the communication
Contacts & Resources	<ul style="list-style-type: none"> ▪ During customer set up/onboarding, retailer should request supplier to provide contact information for person to be notified in the event of debit balance position ▪ Retailer should clearly communicate (in initial notification email, on portal) and provide contact information for person(s) supplier should contact to discuss debit balance situation 	<ul style="list-style-type: none"> ▪ Supplier should have point person responsible for managing retail debit balances and should communicate current contact information to retailers ▪ Job functions of specific individuals will vary by supplier, but typically it should be the person most familiar with the account ▪ The supplier’s point person may need to reach out to others within the supplier’s organization with specific knowledge to research, validate and resolve retail debit balance situations

AREA	RETAILER BEST PRACTICE	SUPPLIER BEST PRACTICE
<p>Supporting Documentation Provided</p>	<ul style="list-style-type: none"> ▪ Provide the supplier with supporting documentation on deductions that result in debit balance situations ▪ Supporting documentation should be provided on the retailer’s vendor portal with 24/7 access ▪ Exhibit 2 Supporting Documentation/Claim Information for Key Debit Balance Reasons outlines the most common causes contributing to retail debit balances and lists the supporting data elements that should be provided ▪ Signed agreements should be located on the retailer’s vendor portal or be available upon request 	<ul style="list-style-type: none"> ▪ A supplier who is disputing a retailer’s debit balance is typically disputing one or more of the underlying deductions that caused the debit balance <ul style="list-style-type: none"> – Supplier should provide supporting documentation to the retailer when disputing deductions
<p>Resolution Timing</p>	<ul style="list-style-type: none"> ▪ Retailer should respond to supplier inquiries regarding additional information/supporting documentation within 30 calendar days of receiving request ▪ Retailer should respond to supplier disputes within 30 calendar days of receiving all of the information from the supplier necessary to make a decision ▪ Retailer should reverse an invalid deduction within 60 calendar days 	<ul style="list-style-type: none"> ▪ Within 60 calendar days of validating/approval of the debit balance, the supplier should remit payment for the outstanding balance
<p>Settlement Method</p>	<ul style="list-style-type: none"> ▪ Settlement method will vary ▪ Settlement should be negotiated and agreed to by both parties during the 60 calendar day period between validation/approval of debit balance and settlement 	

AREA	RETAILER BEST PRACTICE	SUPPLIER BEST PRACTICE
<p>Measures to Prevent Retail Debit Balances</p>	<ul style="list-style-type: none"> ▪ Retailer should provide supporting documentation on timely basis ▪ Retailer should allow 24/7 access to supplier portal and provide up-to-date information on the portal (See section 4. Desirable Characteristics of Retailers' Web Portals) ▪ The retailer should clearly publish and/or communicate name and contact information of knowledgeable resource(s) ▪ The retailer should provide supplier training on vendor portals regarding: <ul style="list-style-type: none"> — Onboarding for new vendors — Ongoing training for common issues ▪ The retailer should consider holding a reserve to cover significant deductions ▪ The retailer should ensure there are clear communication channels both internally and with the supplier 	<ul style="list-style-type: none"> ▪ The supplier should comply with the retailer's requirements including but not limited to: <ul style="list-style-type: none"> — Supplier should ship and invoice according to the purchase order and other retailer requirements — Supplier should work closely with their logistics team to eliminate shipping and compliance problems — Supplier should adhere to all trading partner agreements ▪ The supplier should discuss and agree upon any policies and procedures which may differ from retailer's and document them in the signed written agreement <ul style="list-style-type: none"> — Changes and updates to policies should be communicated promptly — Supplier's policies regarding debit balances should be explained to the retailer ▪ The supplier should utilize the retailer's web portal to monitor account status ▪ The supplier should review debit balance communications, follow up with retailer, request deduction documentation if needed, and resolve the debit balance within the recommended 60 calendar day period ▪ The supplier should ensure there are clear communication channels both internally and with the retailer <ul style="list-style-type: none"> — The supplier should communicate effectively with the retailer's buying office — The supplier should share

AREA	RETAILER BEST PRACTICE	SUPPLIER BEST PRACTICE
		<p>agreements and other commitments with the supplier’s internal staff (sales, accounts receivable, etc.)</p> <ul style="list-style-type: none"> – The supplier should assign specific individual(s) in the accounting area to the retailer’s account and inform the retailer who should be contacted in the event of a debit balance
Post Audits	<ul style="list-style-type: none"> ▪ The retailer should make post audit claims within two years ▪ The retailer should supply a copy of agreement/contract that was used to determine post audit claim ▪ Supporting documentation provided by the retailer for a post audit claim should clearly demonstrate that the post audit claim is valid and meets the same requirements as supporting documentation for the underlying deduction reason (See Exhibit 2 Supporting Documentation/Claim Information for Key Debit Balance Reasons) 	<ul style="list-style-type: none"> ▪ The supplier should acknowledge a post-audit claim in 30 calendar days even if it is to request additional time to research ▪ The supplier should provide documentation supporting a post audit dispute
Factors	<ul style="list-style-type: none"> ▪ A retail debit balance for a factored supplier should not be deducted from a retailer’s payment to the factor if the payment includes other suppliers not related to the debit balance 	<ul style="list-style-type: none"> ▪ It is the supplier’s responsibility to resolve a retail debit balance directly with the retailer if the account is factored

SUMMARY		
Characteristics of “Best” Trading Partner	<p>To a retailer, the “best” supplier:</p> <ul style="list-style-type: none"> – Applies payments correctly and keeps the account current – Reaches out to retailer with questions for timely resolution – Shares agreements and other commitments internally within the supplier organization – Complies with requirements so has minimal shipping and compliance issues – Ships and invoices accurately – Uses retailer web portal regularly to monitor account status – Conducts timely follow-up and reconciliation – Resolves debit balances promptly – Honors promises to pay and contractual obligations – Is open to partnering with retailer to resolve recurring issues proactively 	<p>To a supplier, the “best” retailer:</p> <ul style="list-style-type: none"> – Monitors and manages the supplier’s account so it never goes into debit balance – Notifies supplier of retail debit balance position as soon as it happens and provides specific details – Makes knowledgeable staff accessible to the supplier to answer questions – Promptly provides supporting documentation needed (via web portal or upon request) to research and validate claims leading to retail debit balance – Provides supplier onboarding and ongoing training – Offers a well-executed web portal – Accepts the burden of proof for post-audit claims – Honors promises to pay and contractual obligations – Is open to partnering with supplier to resolve recurring issues proactively

3. Documentation Needed to Support Debit Balance Claims

Exhibit 2 Supporting Documentation/Claim Information for Key Debit Balance Reasons on the next page identifies the documentation a retailer should make available to a supplier to explain the debit balance claim. The exhibit identifies the key deductions (chargebacks) that contribute most frequently to debit balances, but it does not include all deduction reasons. For each deduction, the exhibit indicates which back-up documentation should accompany the debit balance notice, be available upon the supplier's request, and/or be posted on the web portal. Required supporting documentation data elements for deduction reasons not listed below should be agreed upon between trading partners.

Exhibit 2 Supporting Documentation/Claim Information for Key Debit Balance Reasons														
SUPPORTING DOCUMENTATION - DATA ELEMENTS														
Underlying Deduction Reason for Debit Balance	Reason	Debit Memo # or Claim Doc #	Invoice #	RA# ¹	PO #	Credit Memo #	Promo # or Contract #	Item (SKU)	Quantity	Allowance %	Proof of Performance	Deduction \$	Freight & Handling	Other / Comments
Accommodation Return	X	X	X ²	X		X ²		X	X			X		Copy of email or underlying agreement
Physical Defective Return	X	X	X ²	X ²	X ²			X	X			X	X ²	
Defective Allowance	X	X	X ²			X ²						X		If deduction is taken on periodic basis (e.g., monthly, quarterly), include list of invoices included in deduction and/or reconciliation
Trade Promotion (advertising, fixtures, allowances, rebates, volume rebates)	X	X			X ²	X ²	X	X ²	X ²	X	X ²	X		
Markdown (price protection, end of life product)	X	X			X ²		X	X ²	X ²	X	X ²	X		Inventory levels should be included in Item / Quantity information as required
Post Audit	See underlying deduction reason above for specific data elements required. A copy of the signed underlying agreement should be included with all post audit claims.													

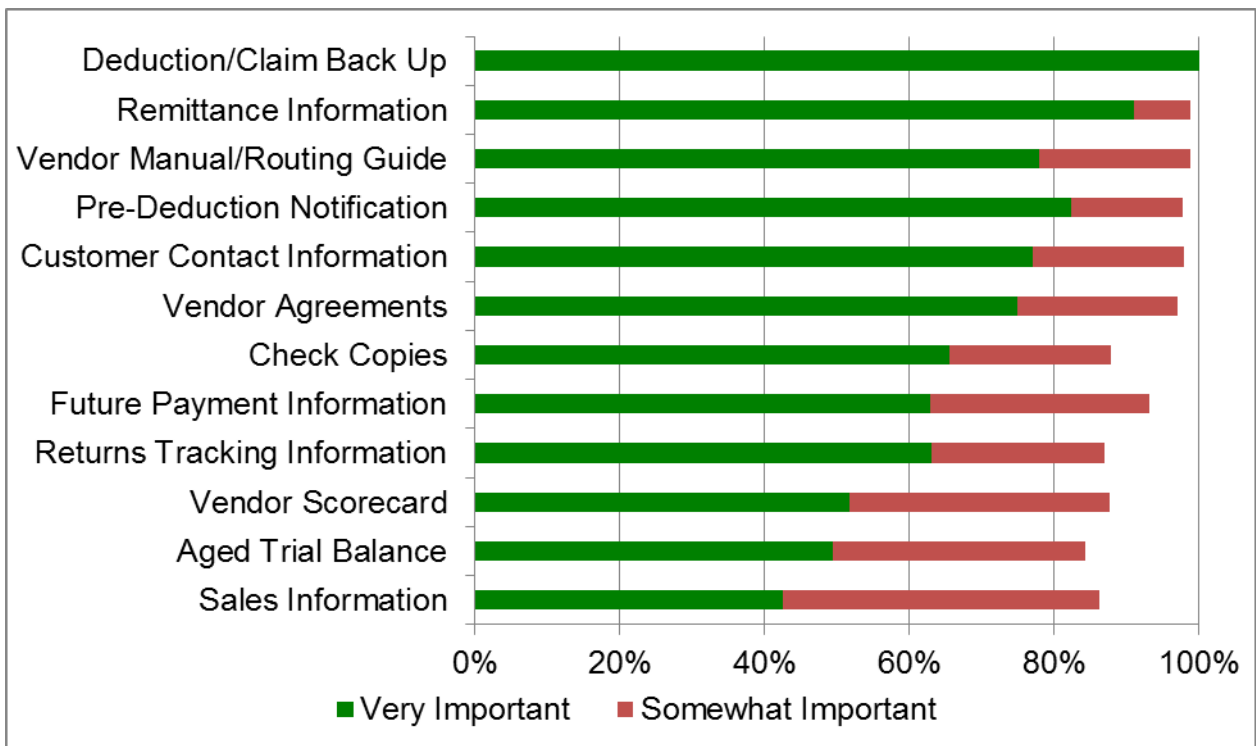
¹ RA# = Return authorization or return merchandise authorization. X² = If information is available/applicable

4. Desirable Characteristics of Retailers' Web Portals

The next three exhibits summarize insights obtained from a survey of suppliers by Attain Consulting Group called *Vendor Portals – The Supplier Perspective 2015*. The work group agreed that training is key to maximizing the success of a retailer’s web portal. Thoughtful training can ensure that a supplier is familiar with the portal’s content and knows how to navigate it. Retailer portals contribute to proper handling of retail debit balances because they provide the supplier with valuable information regarding payment amounts and timing.

Exhibit 3

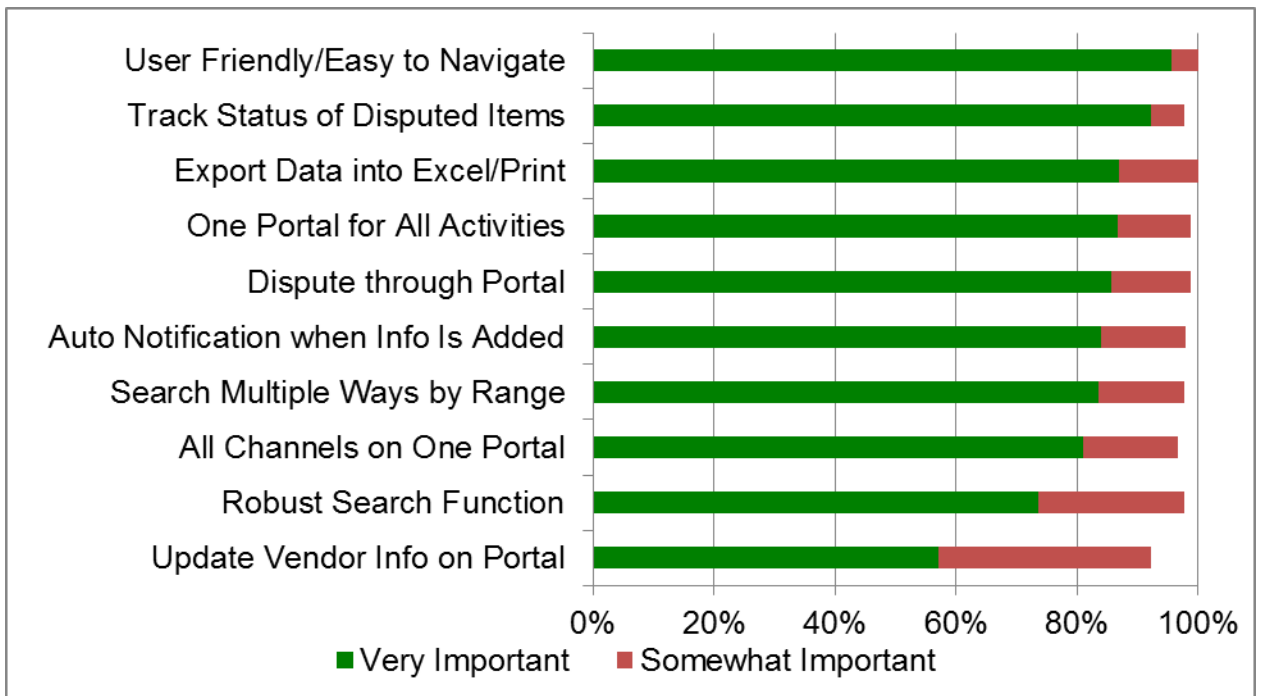
Supplier Insights: “What information should be on portals?”



Source: Attain Consulting, *Vendor Portals – The Supplier Perspective 2015*.

Exhibit 4

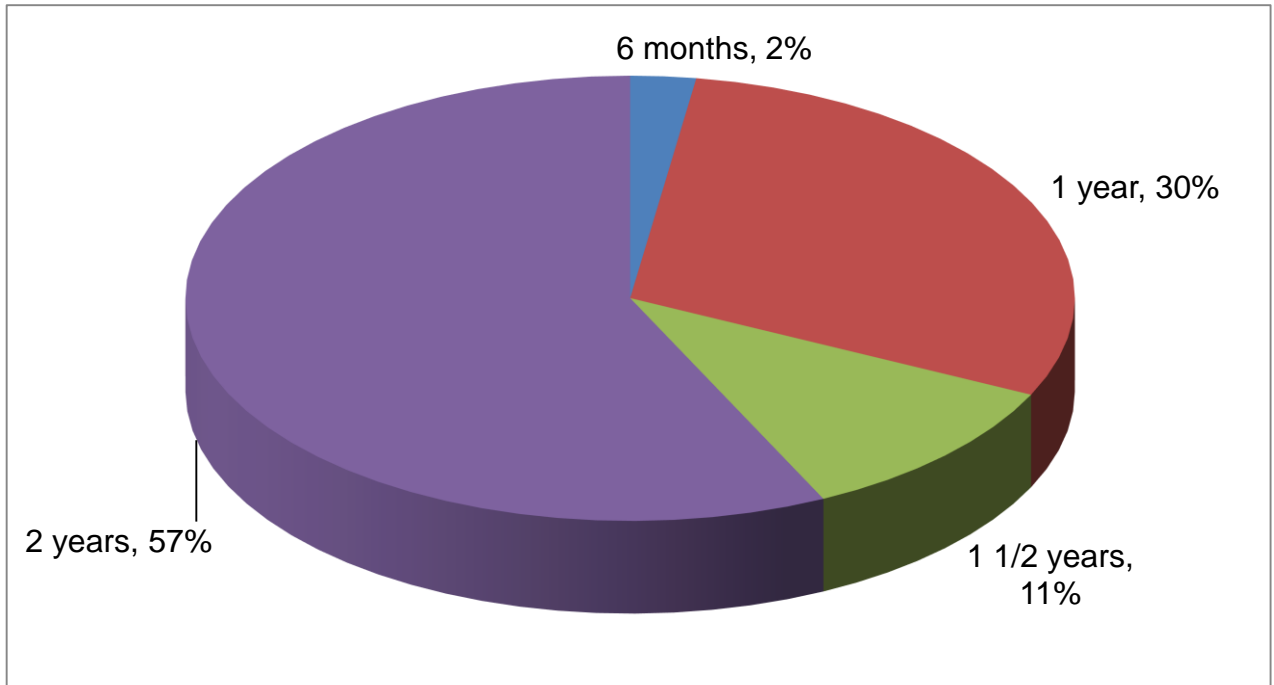
Supplier Insights: “What features/functionality are important for portals?”



Source: Attain Consulting, *Vendor Portals – The Supplier Perspective 2015*.

Exhibit 5

Supplier Insights: “How long should information be maintained on portals?”



Source: Attain Consulting, *Vendor Portals – The Supplier Perspective 2015*.

Suppliers suggested that the retention of historical information on a retailer’s portal should match the retailer’s post audit timeframe.

5. Summary of Survey of Retail Practitioners

To create a snapshot of industry practices regarding retail debit balances, a web survey of retail industry practitioners including both suppliers and retailers was conducted from January 13 to February 6, 2015. A link to the survey was sent via email to all work group members and to selected members of the Association for Financial Professionals, the Credit Research Foundation, the National Association of Credit Management Connect, and the Retail Value Chain Federation. In response, 436 retail industry practitioners participated, with 231 of those responses considered complete. This section summarizes the survey findings.

Survey objectives:

1. Gather feedback to help benchmark current practices surrounding debit balances
2. Identify gaps and pain points
3. Document inconsistencies observed among various trading partners
4. Solicit input on how to improve debit balance handling practices in the retail industry

Definitions of Terms Used in the Survey	
Debit Balance	An accounts payable account should have a credit balance; a credit balance indicates the amount that a retailer owes a supplier for goods received. A debit balance means the account is in deficit status, that is, the supplier owes the retailer. A debit balance can occur when a retailer creates a chargeback after the invoice has been paid. Thus, a debit balance in a retailer's accounts payable area is a credit balance in the supplier's accounts receivable area, once it is resolved by credit memo or repayment is made.
Retailer	Merchant or store that sells goods
Supplier	Vendor or manufacturer that supplies goods to retailer
Chargeback or Deduction	A deduction taken by a retailer on a payment to a supplier; can be for a shortage, audit claims, return of goods, vendor allowance, etc.
Credit Memo	A document prepared by the supplier to approve / support a deduction taken or to be taken by a retailer / customer. It may include the products, quantities, and agreed upon prices for products or services the supplier provided to the retailer but the retailer returned or did not receive. It may be issued in the case of damaged goods, errors, or allowances.
Debit Memo	A document provided by the retailer/customer to support a deduction taken or to be taken. It may include the products, quantities, and agreed upon prices for products or services the supplier provided to the retailer but the retailer returned or did not receive. It may be issued in the case of damaged goods, errors, or allowances.

Survey Respondents

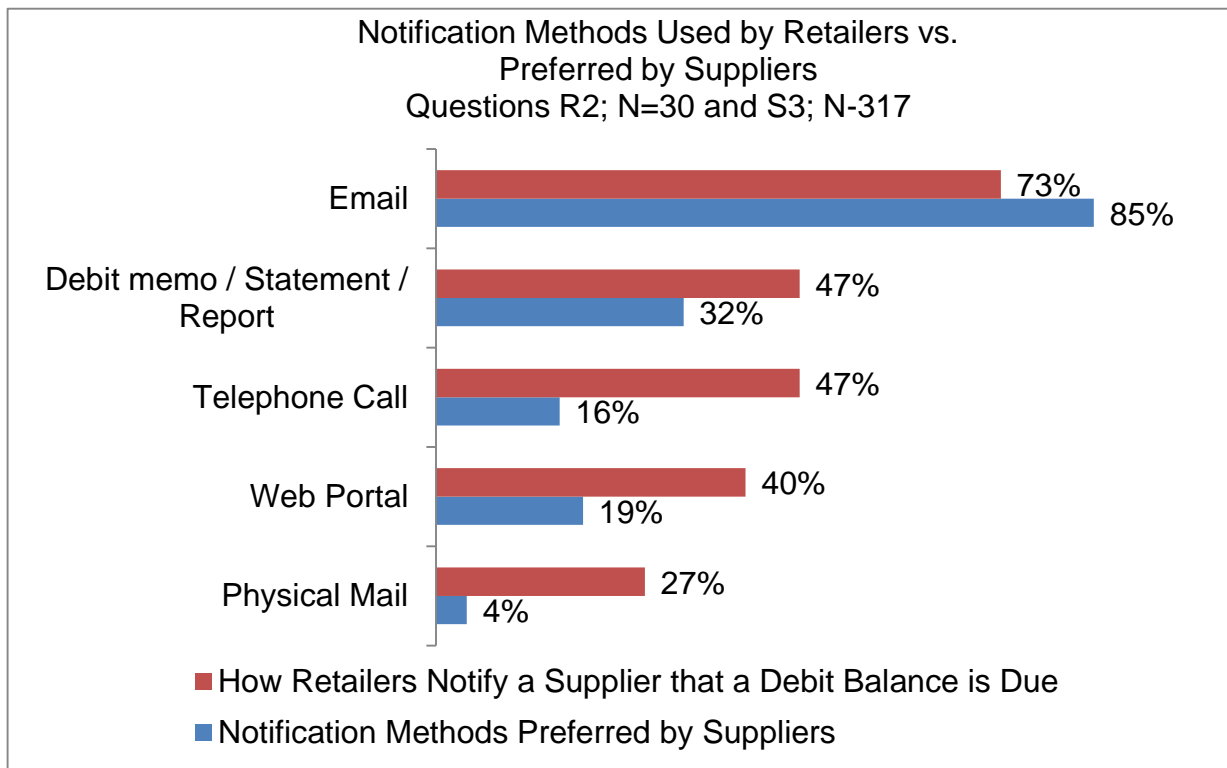
Three-fourths (77 percent) of the survey respondents classified themselves as suppliers. About 8 percent identified themselves as retailers, and the remaining 15 percent chose the “other” classification.

In the exhibits that follow, N indicates how many respondents answered the survey question. In some cases, a question was tailored to a specific segment: R refers to retailers and S refers to suppliers.

Notification Methods

Exhibit 6 below indicates that email is the notification method used by most retailers and is also the notification method preferred by suppliers. Notably, nearly half of surveyed retailers notify via telephone, but only 16 percent of suppliers prefer that method.

Exhibit 6
Notification Methods Used by Retailers vs. Preferred by Suppliers



Retailers could check all responses that applied. Suppliers could check up to two responses.

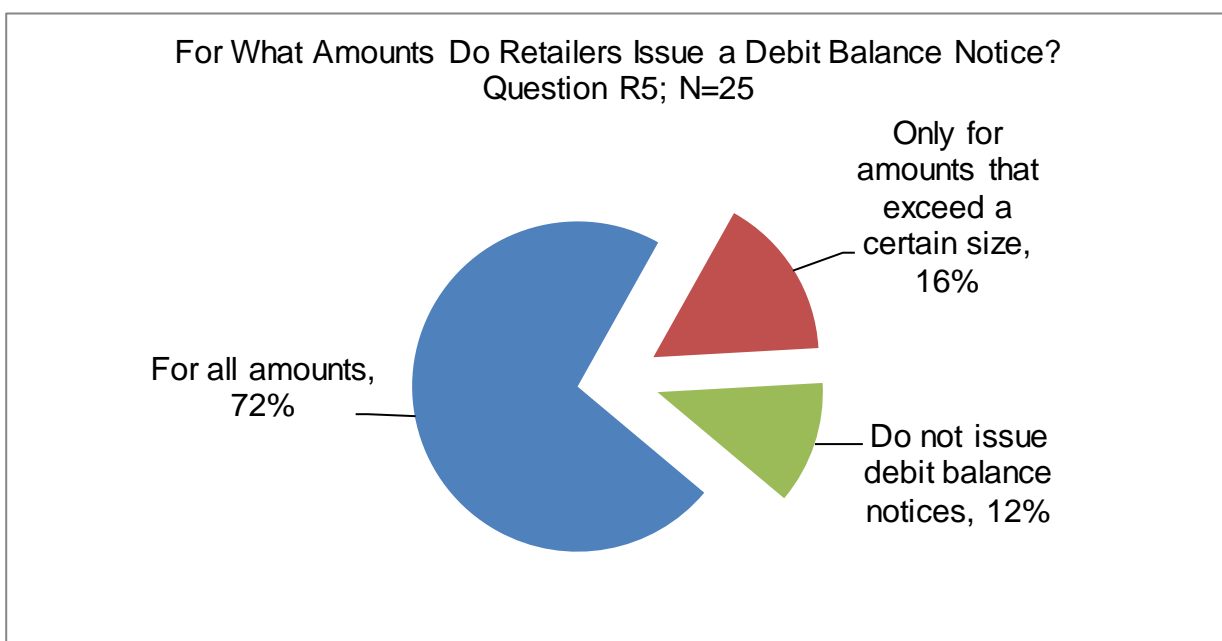
Notification Practices of Retailers

Nearly six out of ten (58 percent) of retailers have a team that specializes in settling debit balances. [Question R8; N=24] As Exhibit 7 below illustrates, most retailers (72 percent) reported that they issue a debit balance notice for all amounts. About 12 percent said they do not issue notices at all.

Note: each Exhibit references the question number in the survey. “R” refers to questions posed to retailers. “S” refers to questions asked of suppliers. “N=” indicates the number of respondents who answered the question.

Exhibit 7

Amounts for Which Debit Balance Notices Are Issued



Frequency of Debit Balance Notices

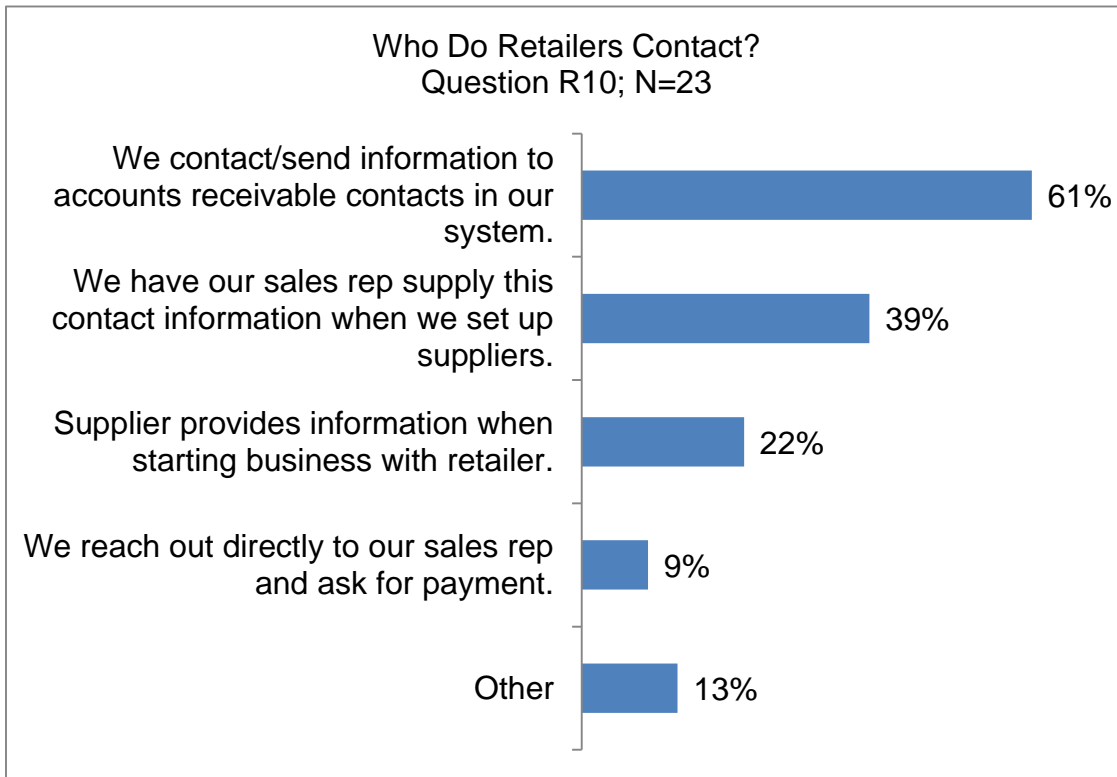
Only 38 percent of surveyed retailers said that one debit balance notice was usually sufficient to reach a resolution. Of the remaining 62 percent who make more than one attempt to collect a debit balance, 8 percent said they will make two attempts, 31 percent said they will make four or five attempts, and the other 62 percent selected the answer “as many as it takes.”

Who Retailers Contact at Suppliers Regarding Debit Balances

As Exhibit 8 below shows, most retailers communicate with their account receivable contacts at their suppliers regarding debit balances.

Exhibit 8

Who Retailers Contact at Suppliers Regarding Debit Balances



Survey respondents could select more than one response to this question.

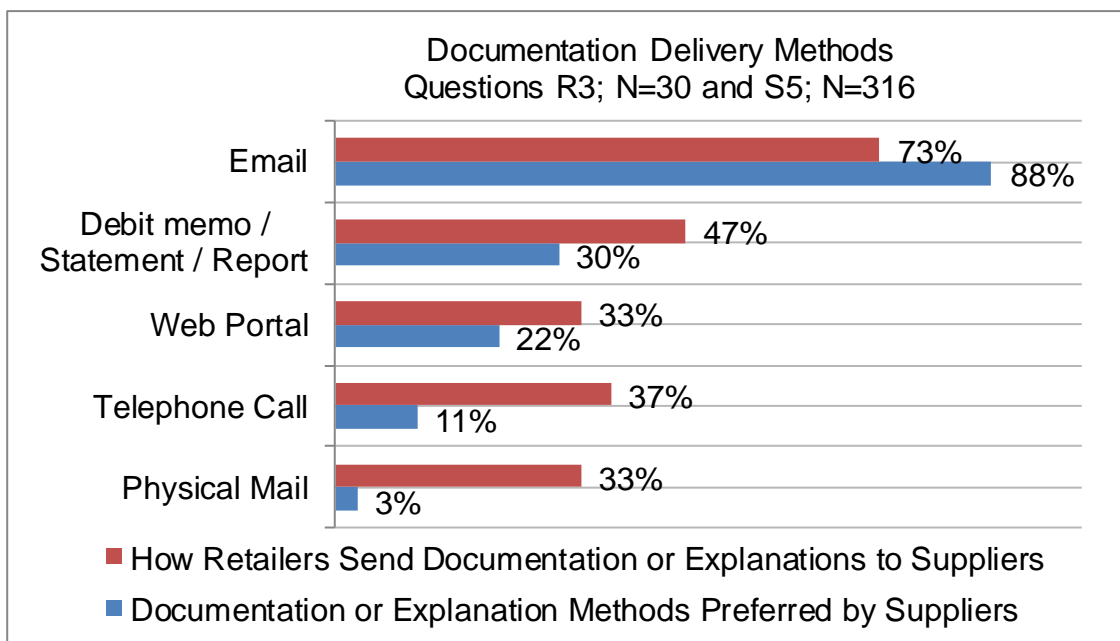
About half (48 percent) of the retailers surveyed said that there was a specific person or staff at their suppliers assigned to handle debit balances. About 30 percent said there was not a specific individual or staff assigned to handle debit balances. Within this group, half said they would prefer that their suppliers assign a certain person responsibility for addressing retail debit balances.

Documentation Delivery Methods

Retailers were asked how the documentation on debit balances is made available to suppliers; and suppliers were asked which methods they preferred. Exhibit 9 summarizes their responses. Email is the method most commonly used by retailers to provide documentation on a retail debit balance, and email is also the method suppliers prefer to receive this documentation.

Exhibit 9

Documentation Delivery Practices Used by Retailers vs. Preferred by Suppliers



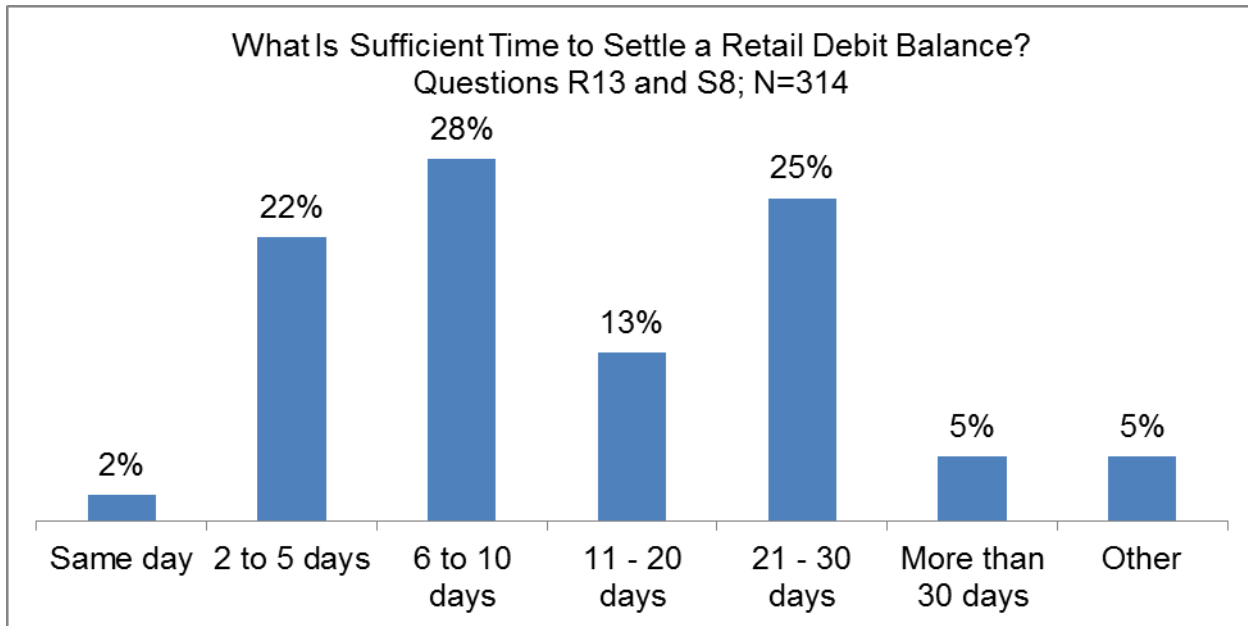
Retailers could check all responses that applied. Suppliers could check up to two responses.

Amount of Time for Suppliers to Take Action to Review and Settle a Retail Debit Balance

All respondents, retailers and suppliers, were asked to answer “What is a sufficient amount of time for suppliers to take action to review a debit balance notice from a retailer and take action to settle the amount?” Results are summarized in Exhibit 10 below.

Exhibit 10

Amount of Time in Which Suppliers Should Review and Settle a Retail Debit Balance

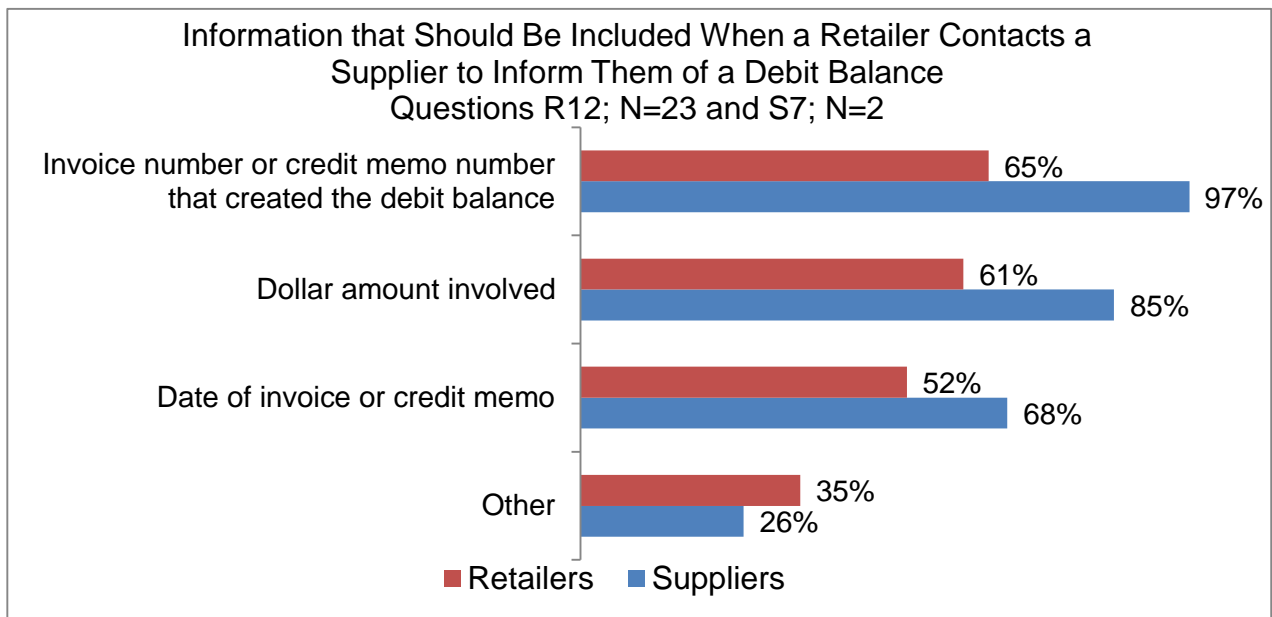


Information that Should be Included in Debit Balance Notifications

Exhibit 11 presents answers received from retailers and suppliers in response to the question: “When a retailer is contacting a supplier to inform them of a debit balance, which of the following should be included?” (Check all that apply)

Exhibit 11

Information that Should be Included in a Retail Debit Balance Notification

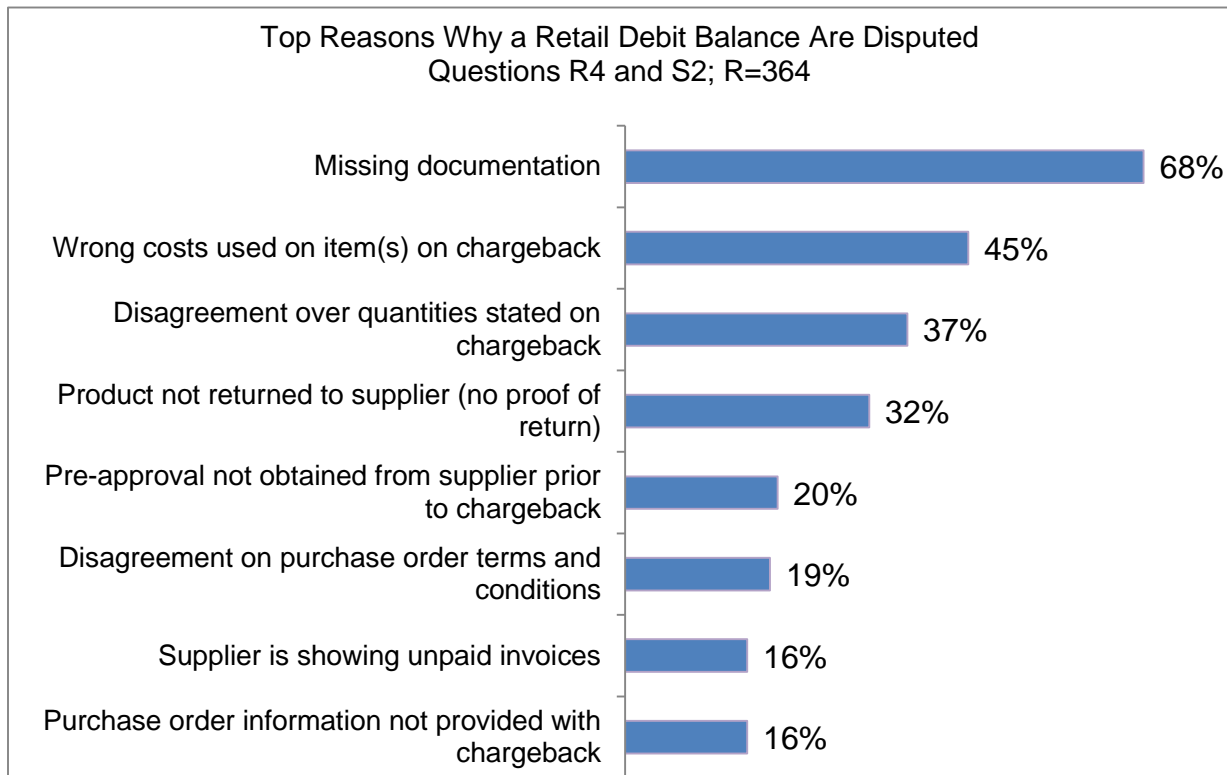


“Other” reasons written in by survey respondents included: purchase order number; part number; quantity; reason for claim / chargeback; customer account number; approved claim number; debit memo reference number; back up proof; store location; contact info; vendor number; etc.

Top Reasons Why a Debit Balance May Be Disputed

Survey respondents were presented with a list of potential reasons why a retail debit balance may be disputed and were asked to select the top three reasons. Exhibit 12 shows the reasons garnering the most “top three” ratings. The top reason was “missing documentation,” with “wrong costs used on item(s) on chargeback” as the second most common reason for why suppliers dispute a retail debit balance.

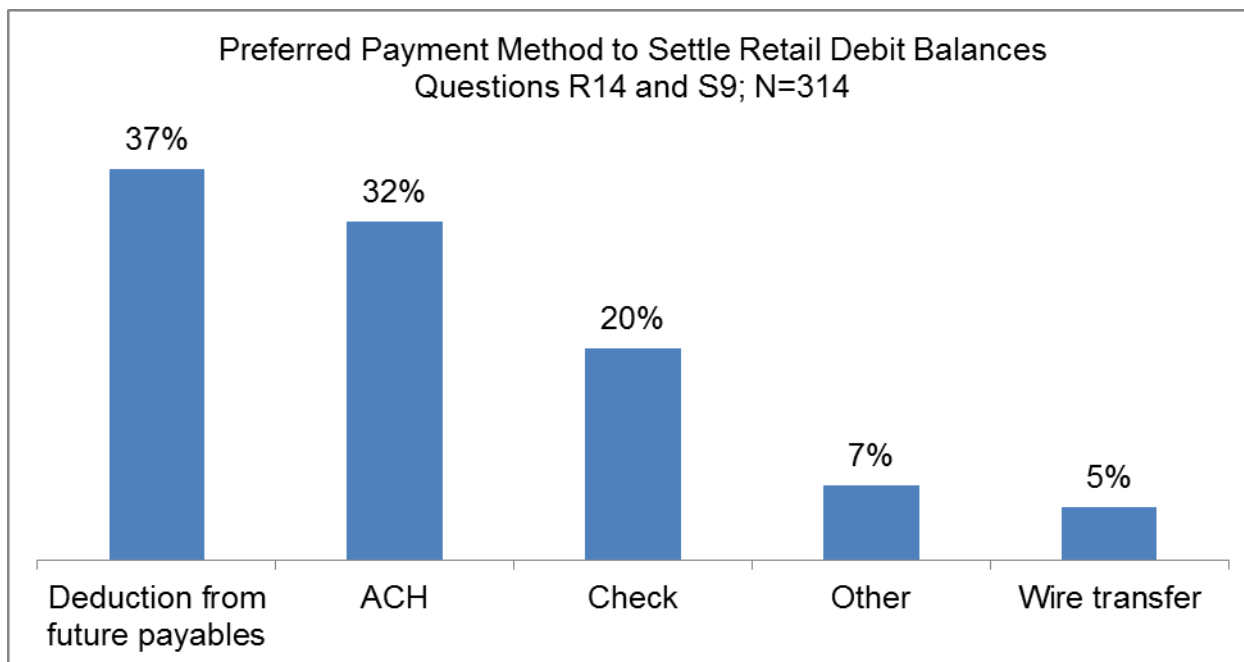
Exhibit 12
Top Reasons Why Retail Debit Balances Are Disputed



Preferred Payment Methods

Respondents were asked “What is your preferred method of payment to settle debit balances?” As Exhibit 13 shows, most respondents preferred “deduction from future payables,” followed by ACH. Respondents could select just one response.

Exhibit 13
Preferred Method of Settling Retail Debit Balances



In addition to the survey results shown above, survey respondents provided input on the following open-ended questions. Their responses provided a rich source of information which the work group leveraged in developing this Technical Report.

- When is it acceptable to negotiate a settlement on a retail debit balance?
- What measures can you take to keep debit balances from occurring?
- What three things you would change about how your trading partners handle debit balances?
- Anything else you'd like to say about debit balances?

6. Definitions of Terms Used in this Technical Report

Accounts payable – (1) A liability created by a purchase made on credit and owed by the company to its vendors or suppliers. (2) The accounting function that performs the primary non- payroll disbursement functions in an organization, records and tracks purchases' invoices, verifies incoming invoices, provides reporting, obtains authorization for obligations to be paid, and initiates the payments. (3) The system or platform supporting the accounts payable business function.

Accounts receivable – (1) A claim against a customer for services rendered or goods sold on credit, representing an asset of the company through the extension of trade credit. (2) The accounting function that generates invoices and reconciles payments received, thus offsetting credit balances. (3) The system or platform supporting the accounts receivable business function.

Audit claims – Deductions discovered during the audit of accounts payable by a customer or a third party audit firm after the initial invoice is paid.

Buyer or Customer – Retail business or retailer's designated buyer purchasing a product or service from a supplier.

Claim – A deduction posted to a sellers' account by the customer for various reasons.

Compliance – To the work group, "compliance" includes shipping correctly, invoicing correctly, following customer requirements, and adhering to the agreement the supplier and retailer have signed. It includes the purchase order, shipping compliance documents, and all agreements, including any agreements made on the side between trading partners and others.

Deduction or Chargeback – In some industries, chargebacks and deductions are used synonymously as reasons why a buyer would reduce the amount of their payment to a seller. In the context of the card environment, a chargeback occurs when the cardholder is credited and the merchant (seller) is debited, usually due to a claim or discrepancy. Deduction is a short payment taken by the customer in the payment of a merchandise invoice. Deductions may be authorized and preapproved by the seller or may be unauthorized and unknown by the seller until they are received. Authorized deductions may include reasons such as advertising, allowances for damages/shortages, new store opening discounts, and other promotional events. Unauthorized deductions include reasons such as compliance violations, early/late deliveries and shortages. In this technical report, the term deduction is used in a generic way.

Defective Allowance – An allowance given by the supplier to compensate the retailer for product that arrives defective, so the retailer will not force both parties to incur proportionately high costs for merchandise return.

Documentation – Any physically or electronically documented support relating to a customer claim.

Dunning letter – A letter (or email) of collection which provides written notification of the pending amount to be paid, meant to require past-due customers to make the payment.

Factor – A company that purchases the supplier's accounts receivable and, in non-recourse arrangements, assumes responsibility for the supplier's customers' financial inability to pay. (The customer is typically a retailer, but it could be a wholesaler or a manufacturer as well.) If a customer is financially unable to pay, the factor makes payment on undisputed, approved invoices. The factor extends credit to the customers, collects the accounts receivable from customers and performs the related bookkeeping functions. As needed, the factor may also provide cash advances against open receivables prior to collection.

Invoice – An itemized bill from a seller (e.g., vendor) indicating the items purchased, price of each item, total value of the purchase, and payment terms.

Markdown or Allowance – A deduction to the invoiced amount permitted by the supplier.

Notice – A person has notice of a fact when there is actual knowledge of it; or notice or notification is received; or, from all the facts and circumstances known at the time of the question, the person has reason to know that the notice exists.

Onboarding - The process of introducing new customers to a company in an organized and effective manner. It generally commences at the time of order placement and may continue for up to three months, depending on the complexity of the product or service. Elements of customer onboarding include: data integrity management; cross-sell leads management; product introduction and SKU management discussion; payment options; (<http://www.genroe.com/resources/glossary/customer-experience-management-definitions-and-glossary/customer-onboarding>).

Portal or Web Portal – A customer website designated for vendor use containing information pertaining to the order, delivery, and payment of goods.

Purchase order – A document (paper or electronic) produced by a buyer or customer to request purchase of goods or services. It will define the quantity and specifications of the goods or services to be purchased as well as the price and terms of the sale, becoming a legally binding agreement upon supplier acceptance.

Recall – The act of requesting a retailer to return a product to the supplier because of a defect or a safety or efficiency problem.

Reserve – Funds set aside to meet a liability or contingency.

Retail debit balance – An accounts payable account should have a credit balance; a credit balance indicates the amount that a retailer owes a supplier for goods received. A debit balance means the account is in deficit status, that is, the supplier owes the retailer. A debit balance can occur when a retailer creates a chargeback after the invoice has been paid. Thus, a debit balance in a retailer's

accounts payable area is a credit balance in the supplier's accounts receivable area, once it is resolved by credit memo or repayment is made.

Retailer – Merchant selling goods.

Returns – Merchandise that is sent back to the seller for various reasons.

Sales representative – A person employed by a supplier to visit prospective retailers with a view to selling them the supplier's products.

Shipping – The transportation of merchandise from the seller to an ordering retailer.

Shortages – Number of items received do not match number of items billed on invoice with reasons to the buyer for defined events such as advertising, new store opening, or a promotional event.

SKU – (Stock keeping unit, sometimes spelled "sku") is an identification, usually alphanumeric, of a particular product that allows it to be tracked for inventory purposes. Typically, a SKU is associated with any purchasable item in a store or catalog.

Supplier or Vendor – Individual or business supplying a product or service.

Trade allowance – Discount offered by suppliers to retailers usually as a short-term promotional incentive the objective of which is to effect a lower retail price to stimulate sales.

Trade promotion – Marketing campaign that gives retailers an incentive to stock and support or merchandise a product. In a trade promotion, retailers may be offered special price discounts (often in addition to a trade allowance), subsidized or free display racks, gifts, or other incentives.

Zero dollar checks – Internal customer transaction where deductions are applied against invoices to net a \$0 payment.