

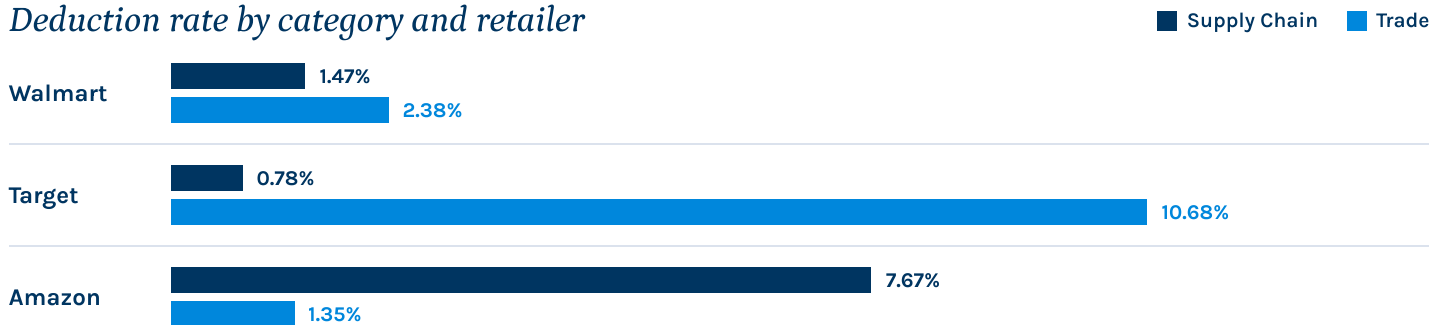
Where Deductions Come From Depends Entirely on Where You Sell

Deduction exposure is not one number. Split into its two operative categories, Supply Chain (quantity-driven) and Trade (post-audit and returns), it inverts almost completely between two of the three largest retailers. Trade deductions run roughly 8x higher at Target than at Amazon. Supply Chain deductions run nearly 10x higher at Amazon than at Target. Walmart sits between them on both counts.¹

THE READ

A blended deduction rate hides which problem a supplier actually has. The two do not share a playbook.

Deduction rate by category and retailer



Percent of invoiced dollars, mid-market supplier tier (\$100M to \$500M in revenue). Categories classified from retailer-provided reason codes. Amazon's total also includes a larger contractual Coop/Marketing category outside both buckets.¹

Industry backdrop

The margin pool that trade deductions draw down is under visible pressure. Conagra cut its dividend and took a roughly \$2B impairment in July 2026 after tariff and input-cost squeeze.² Procter & Gamble posted its sixth consecutive quarter of core gross-margin decline.³ Neither is deduction-specific. Both reflect the same compression. Meanwhile Gartner projects 90% of finance functions will have deployed at least one AI-enabled solution by the end of 2026, and that more than 40% of agentic AI projects will be abandoned by 2027, typically where data and process discipline were not in place first.⁴

What this means for finance leaders

Model it

Treat deduction volume as a recurring cost that scales with revenue recovery, not a fixed compliance line item.

Audit before you automate

Confirm debit memo detail, proof of delivery, and promotional documentation can survive a retailer audit before layering AI on top.

Watch dual exposure

Wholesale plus DTC or private label is its own EBITDA leakage category, not a footnote inside trade spend.

SOURCES & METHODOLOGY

1. STAT proprietary deduction rate benchmarks: Walmart (TTM Jun 2025 to May 2026), Target (Dec 2024 to Jul 2026), Amazon (2022 to Jul 2026 YTD), aggregated and anonymized across tracked CPG suppliers. Proprietary; not independently audited. Prior-year data being compiled for future YoY and QoQ editions. Recovery-efficiency figures cited elsewhere in this series come from the STAT Recovery Index, H1 2026 (n=74 tracked deals).

2. Reuters, "Conagra Brands forecasts annual profit below estimates," Jul. 15, 2026. 3. CNBC, "Procter & Gamble (PG) Q3 2026 earnings," Apr. 24, 2026. 4. Gartner, Sept. 2024 and Nov. 2025.

No individual client, deal, or dollar figure is disclosed. No firm competing with STAT in deduction recovery or chargeback-audit consulting is cited or linked.

Full analysis and methodology

Section-by-section detail, the inventory-audit research, and complete sourcing.

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