EXECUTIVE SUMMARY

WHEN THE DISCOUNT DISAPPEARED

How a Quiet Configuration Toggle, an Informal Exception Process, and Three Years of Inaction Cost a Buying Group $45,000 a Month

A Revenue Recovery & Process Controls Case Study

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When the Discount Disappeared

How a Configuration Toggle and an Informal Exception Process Quietly Eroded $45,000/Month

$45K/mo	~1,200	~800	3 Years
Revenue Lost at Peak	Accounts with Rule Disabled	Past-Due Accounts Not Charged	Problem Went Undetected

The Situation

C&E Vision Services operates a purchasing network for more than 8,000 optical professionals. Members receive negotiated volume discounts when invoices are issued, but a *discount-loss* rule reverses those discounts on the following statement if payment is not made within agreed terms — a standard financial control designed to encourage timely payment.

Over time, leadership noticed discount-loss revenue falling steadily — from approximately $65,000 per month to roughly $20,000. Accounts receivable aging reports showed no improvement in payment behavior. The numbers didn't add up. Something operational had changed, but no one could immediately identify what.

What Went Wrong

A 36-month analysis of internal reporting confirmed the downward trend. Cross-referencing past-due accounts against accounts actually receiving the fee revealed the cause: a system configuration toggle.

- **The Toggle Problem:** Credit reps could disable the discount-loss rule per account to grant temporary hardship relief. The rule was turned off regularly — and rarely turned back on.
- **The Scale:** Of roughly 8,000 member accounts, ~1,200 had the rule disabled. Approximately 800 of those were actively paying past due without being charged. Many were among the largest purchasing members.
- **The 80/20 Effect:** Because the highest-volume accounts were disproportionately affected, the majority of the revenue loss was concentrated in a relatively small number of accounts.
- **The Root Cause:** The system worked. The discount-loss logic was correct. What failed was the process around exceptions — there was no mechanism to ensure temporary accommodations stayed temporary.

The Solution

Immediately reactivating the rule on all 800+ accounts would have created customer disruption. Instead, a phased reactivation strategy was implemented:

- **Phase 1 — Low Risk First:** Accounts paying on time were reactivated immediately. No impact to members already in good standing.
- **Phase 2 — Small Balances Next:** Accounts with minimal fee exposure (often under $100) were reactivated with minimal member friction.

- **Phase 3 — Gradual Expansion:** Larger accounts were transitioned in controlled batches. Service reps explained the policy; one-time courtesy credits were issued where appropriate. High-balance accounts received structured 3–9 month transition timelines.

Process Automation

To prevent the problem from returning, a system automation rule was introduced after each monthly close:

- All discount-loss toggles automatically reset to **“on”** after each monthly close.
- Exceptions could only persist with a formal override code applied by the credit manager.
- Override accounts were reviewed mid-month, documented, and reported to ownership at the monthly operational review — ensuring hardship accommodations stayed visible and temporary.

Revenue	Accounts Fixed	Exception Process	Recovery vs. Peak
\$20K/mo → \$50K/mo	800 → 0 uncharged	Informal → Documented	31% → 77%

The Lesson

C&E Vision did not have a technology problem — the discount-loss system worked exactly as designed. They did not have a people problem — credit reps were following reasonable informal practices. They had a process problem: temporary exceptions with no mechanism to ensure they stayed temporary. Three years of quiet accumulation turned a reasonable accommodation into a \$45,000/month revenue leak.

Key Takeaways

- **Declining Revenue Isn't Always a Market Problem:** The cause is often hiding inside your own operational processes. Analyze before assuming.
- **Small Exceptions at Scale Create Large Losses:** A single toggle, applied 800 times across large accounts, quietly erased \$45K/month over three years.
- **The Fix Doesn't Have to Be Disruptive:** A phased rollout restored revenue without damaging member relationships. Process discipline and customer sensitivity are not mutually exclusive.
- **Automate the Reset, Not Just the Rule:** The original control existed. What was missing was a mechanism to ensure it stayed on. Automation closed the loop.
- **Process First, Tools Second:** No new software was required. The solution was understanding how the process had drifted and building controls to keep it from drifting again.

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