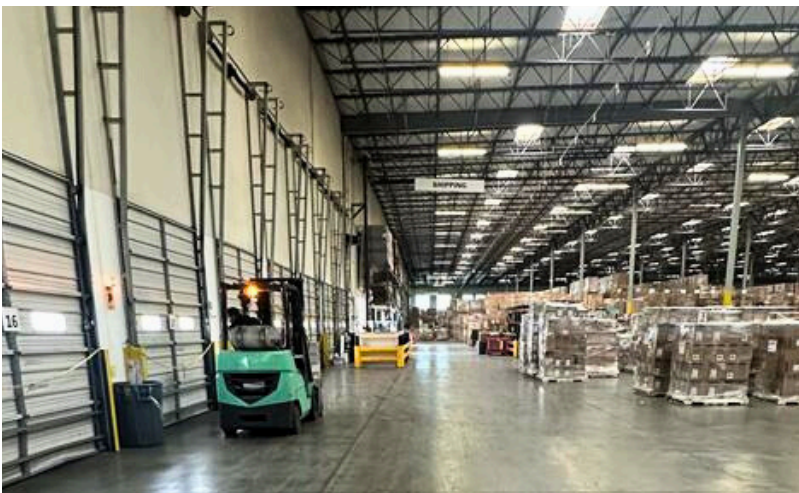


HOW TO MINIMIZE CHARGEBACKS IN RETAIL LOGISTICS



**MOTIVATIONAL
FULFILLMENT**
— & —
LOGISTICS SERVICES

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INTRODUCTION

In today's evolving logistics landscape, consumer brands face growing cost pressures, from shifting tariff policies to volatile transportation rates, and so much more. Amid these challenges, one often-overlooked opportunity for protecting profit margins is vendor compliance.

Chargebacks tied to retail non-compliance should not be viewed as just another line on your financial statement; they are a recurring, preventable drain on your revenue and retailer relationships.

At Motivational, we believe vendor compliance isn't just about avoiding penalties; it's about staying competitive. This guide outlines how proactive compliance strategies can help you minimize chargebacks, strengthen your retail partnerships, and reclaim margin in your retail logistics operations.

Let's dive into the key categories, common pitfalls, and actionable solutions that every logistics leader should be watching closely.





UNDERSTANDING VENDOR COMPLIANCE

Vendor compliance refers to the operational and documentation standards that retailers require from suppliers. Each retailer has unique requirements, often captured in detailed routing or compliance guides, that govern everything from labeling formats to pallet configurations and delivery timeframes.

These standards are designed to streamline distribution center operations, support store execution, and ensure accurate, on-time replenishment to meet customer expectations.

THE COSTS OF NON-COMPLIANCE

Chargebacks, also known as deductions, are monetary penalties assessed by retailers when vendor shipments fail to meet their specifications.

This is to enforce the rules, encourage compliance, and offset the inconveniences incurred by the retailer when products don't arrive per their guidelines.

Research indicates that approximately 5-15% of manufacturer's invoices to retailers incur some sort of chargeback deduction. Furthermore, it is estimated that retail chargebacks can account for a loss of about 2%-10% of a manufacturer's total revenue.

If a routing guide is not followed precisely, the retailer can deduct a percentage of the invoice, a percentage of the purchase order, or a set amount from their remittance as a penalty.

For example, if your shipment misses a delivery window, you can expect to see a deduction of around 3% on your invoice for this infraction. Label in the wrong spot for your deliveries? That could cost you \$7 per label. While costs vary per retailer and rule, the bottom line is that this impacts your bottom line.





5-15%

The estimated number of manufacturer's invoices that incur some sort of chargeback for a compliance violation.

2-10%

The estimated amount of a manufacturer's total revenue that ends up being lost to these chargebacks.

HOW TO MINIMIZE RETAIL CHARGEBACKS: AN OVERVIEW

1

Know, Understand, and Follow each Retailer's Compliance Guide

- a. Some retailers call this a Routing Guide or Compliance Guide
- b. Make sure you have this guide handy for your logistics staff
- c. Make sure your logistics staff understands how to use these guides
- d. Assign this responsibility to a specific person, persons, or partner, so there is no confusion as to who manages this effort

2

Proactively review your retailer invoices and investigate chargebacks that seem wrong. We love our retail partners, but sometimes they make mistakes just like anyone else. If you can provide the proper documentation that proves your shipment was within the proper time window or packaged correctly, etc., you can dispute the violation and be reimbursed for the chargeback.

3

Partner with a 3PL who has experience and expertise in working with your retailers and operating in accordance with their requirements.

Your 3PL should understand the ins and outs of vendor compliance and be able to precisely follow those routing guidelines. Motivational works with all major retailers, and we have helped many new customers reduce many of the compliance and chargeback issues they had with other 3PLs.

COMMON CAUSES OF RETAIL CHARGEBACKS

- Packaging and Labeling Errors
- Documentation Violations
- Transportation Issues
- Quality Control
- OTIF

Now let's dive into each of these and explore how to reduce or avoid chargebacks for each of these vendor compliance violations.



PACKAGING AND LABELING ERRORS

Retailers have very specific requirements on how shipments should be packaged and labeled when they arrive at their facilities. Some packaging and labeling issues include:

- Mislabeled packages
- The packaging was incorrect or inadequate
- Wrong quantity of product per pack
- Defective or inaccurate bar codes
- Pallet heights not to requirements
- Incorrect overhang on pallets
- Corner board issues

Example: If your retail partner requires a specific product to arrive in anti-static packaging and you accidentally used standard packaging, you'll see a deduction on your invoice for this error.





Motivational Pro Tip

Implement Quality Assurance Measures

Quality checks and audits catch any issues in-house before they become issues for the retailer and invoice deductions for you. A quality logistics partner is happy to take care of these tedious measures for you. For example, Motivational has practices in place to ensure accuracy across packaging and labeling guidelines for all major retailers.

DOCUMENTATION VIOLATIONS

Documentation is a critical aspect of the shipping process. The right documentation ensures transparency, accuracy, and compliance within the supply chain. Some examples of documentation violations that will result in chargebacks are:

- Missing or incomplete invoices
- Late document submission
- Inaccurate packing lists
- Non-compliance
- Wrong bill of lading
- Invalid or Late ASN
- Incorrect shipping manifests

Example: Shipping products without an accompanying invoice or with the wrong bill of lading causes confusion and frustration. This, of course, then turns into delays in the supply chain.





Motivational Pro Tip

Train Staff to Review and Confirm all Necessary Documentation

Empower your staff with the knowledge and skills to adhere to any and all documentation standards.

Motivational is proud to have experienced and meticulous staff who are familiar with the documentation needs of retailers. Our team knows how to interpret and apply each retailer's document guidelines properly.

TRANSPORTATION ISSUES

Retailers set specific rules for transportation to facilitate timely deliveries, accurate routing, and proper handling of goods. Some examples of transportation issues that may lead to retail chargebacks are:

- Missed delivery windows
- The wrong carrier was used
- The product was shipped to the wrong address

Example: Your delivery was supposed to arrive to the retailer's address between 10 am and 2 pm, but your driver experienced an issue and arrived at 5 pm. This can throw the off retailer's whole schedule, which results in delays and monetary penalties.





Motivational Pro Tip

Implement Robust Scheduling and Route Optimization

In addition to working toward minimizing delays, also be sure to have clear communication channels in place with your carriers and retailers so that you can proactively address any issues if they arise. A top-tier 3PL like Motivational has the teams and technology in place to adhere to critical schedules and keep your supply chain flowing.

QUALITY CONTROL

Quality control is essential in making sure products meet standards before retailers put them on their shelves for consumers. Some of the most common quality issues that incur chargebacks are:

- Products were damaged or defective
- Products were expired
- The wrong products were shipped

Example: Your retail partner ordered a certain model of blender, but you accidentally sent them a different model. This order inaccuracy will cost the retailer time and money, and you'll be billed accordingly.





Motivational Pro Tip

Review Your QC Procedures

Review your order verification procedures to ensure accurate picking and packing. Inspect all orders carefully to identify any damage before sending products to your retail partner. Employ sturdy and protective packaging practices to reduce the risk of products being damaged while in transit. Some 3PLs, like Motivational, even conduct custom quality control processes for their customers.

ON-TIME IN-FULL (OTIF)

One of the most common chargebacks is issued for On-Time In-Full (OTIF) violations. OTIF chargebacks reflect the accuracy of deliveries to stores and distribution centers. A supplier's OTIF performance is evaluated on a monthly basis. Some of the most common OTIF issues that incur chargebacks are:

- Deliveries not arriving at the agreed upon time
- Orders being incomplete or short inventory
- Orders being overshipped or over the ordered quantity

Example: The retailer orders 100 units of robotic vacuum cleaners and you ship them 98 units, falling 2 units short of the full order quantity. This results in an OTIF violation and an issuance of a monetary chargeback.





Motivational Pro Tip

Understand & Manage

Understand each retailer's OTIF rules, and put policies and procedures in place to ensure compliance. Lead times are critical to improving and maintaining OTIF compliance. Pre-securing delivery appointments earlier in the delivery window will help provide the appropriate fulfillment and transportation resources are in place when you need them.

When absolutely necessary, weigh the price of delivering late vs. not delivering in full. It could be beneficial to hold off a couple of days to complete the order, especially if you have a great on-time history and remain a preferred supplier.

FINAL THOUGHTS: VENDOR COMPLIANCE AS A STRATEGIC ADVANTAGE

Retail chargebacks might seem like a cost of doing business, but they don't have to be. In a market where every dollar counts and margins are under pressure from macroeconomic shifts like tariffs and inflation, eliminating preventable deductions is low-hanging fruit with high returns.

Managing all of this can be stressful and time-consuming work for professionals like yourself, whose time is better spent on your own core business.

At Motivational, understanding and adhering to this long list of rules and specifications is just another day in the office – it's part of what we do best!





Interested in working with a logistics partner who can reduce the burden of vendor compliance and the amount of retail chargebacks you see annually?

Let's chat!

LET'S CONNECT



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ABOUT MOTIVATIONAL FULFILLMENT AND LOGISTICS SERVICES

At Motivational, our top priority has always been to deliver stellar service to our clients. Your business is our business, which is why we'll always go the extra mile to find solutions that accomplish your objectives while delivering the greatest value to you.

Motivational started as a family business, founded in 1977 by Hal Altman. Today, his son, Tony Altman, leads the company as President. But “family business” extends beyond the company’s origins – it’s at the core of what we do. At Motivational, you're not just a number to us. You're a valued part of the Motivational family, and one of the unique things about working with us is the access you'll have to our team. In addition to having a dedicated Account Executive, you'll be supported across the organization, from IT integration to the warehouse floor.

Many of our staff have been here 25, 30, or even 40+ years. This means we know our business inside and out and will work extremely hard to know your business just as well. Our team, from the top down, is easily accessible and available for you. We care about getting it right and always doing the right thing for our clients, and if we need to work around the clock to meet a deadline for you, we'll do it!

