



Top 5 Actions to Take to Reduce Chargebacks in Your Vendor Compliance Program




Chargebacks – Common, Costly, Yet Often Preventable

It's every supplier's nightmare. You minimize costs. You maximize marketing ROI. You deliver an excellent product. And yet, the dreaded "C" word keeps eating into your profits. If you've experienced retailer chargebacks, you're not alone. Chargebacks can impact as much as 2% of manufacturers' and distributors' top-line revenue. As supply chain data management and electronic data interchange (EDI) become more commonplace and more refined, retailers are better positioned to penalize noncompliant suppliers and often rely on fully automated processes to issue chargebacks. If you aren't using equally automated supply chain systems, you're simply not competing on a level playing field.

Chargebacks can result from late, inaccurate, or unreadable advance ship notices (ASNs). Retailers rely on ASNs to accurately maintain inventory, and because these errors can negatively impact their own revenue, they don't shy away from holding you responsible. You can also encounter chargebacks for late or early deliveries, improper labeling, or not packing to retailer specifications, among other factors. The good news is that you can mitigate chargebacks by taking a holistic approach to vendor compliance and leveraging the same sorts of processes and technologies that retailers use to fine you. That way, you can avoid chargebacks before they occur and empower yourself to challenge inaccurate fines that do slip through. Seriously, stop throwing your profits away.

Here are five ways you can reduce chargebacks.



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1. Start with an internal audit and assign resources

It's hard to fight a problem when you don't know what it is. So begin by looking inward—analyze your supply chain to determine just how your top-line revenue is being impacted. How much are you currently losing via chargebacks? Which types of chargebacks are most common? Leverage fully automated systems that display this information right there in front of you, so you have it at your fingertips, in real-time.

Once you've identified the scale of the problem, you have to determine if you have the resources to fight it. Do you have a dedicated compliance person or staff? If you don't already have an in-house vendor compliance team, prioritize either hiring someone or splitting the responsibility among your current employees. Whether one person or a team, be clear in designating roles, outlining responsibilities, and ensuring employees are educated on specific retailer routing guides. No one should work in silos and employees at every level should be tasked with creating a culture of compliance. Set up recurring meetings where all team leads and department managers can gain and share insight, and discuss how chargebacks are affecting their profit.

Of course, modernizing entrenched processes, updating technology, and hiring new resources will come at some investment, but when you're cognizant of how much you're spending in chargebacks it will be readily apparent how quickly you will be able to recoup your costs. Define clear internal metrics so you can track progress as you implement new systems.



2. Empower your compliance team, foster your relationships

Hiring a compliance team is of little value if they don't have the tools they need to succeed. Can they search, review, and interact with supply chain data in real-time? You will need a software solution that ensures full visibility into your supply chain, so that team members at all levels can proactively prevent, identify, and address the root cause of inaccurate shipments, price discrepancies, and other issues that lead to chargebacks.

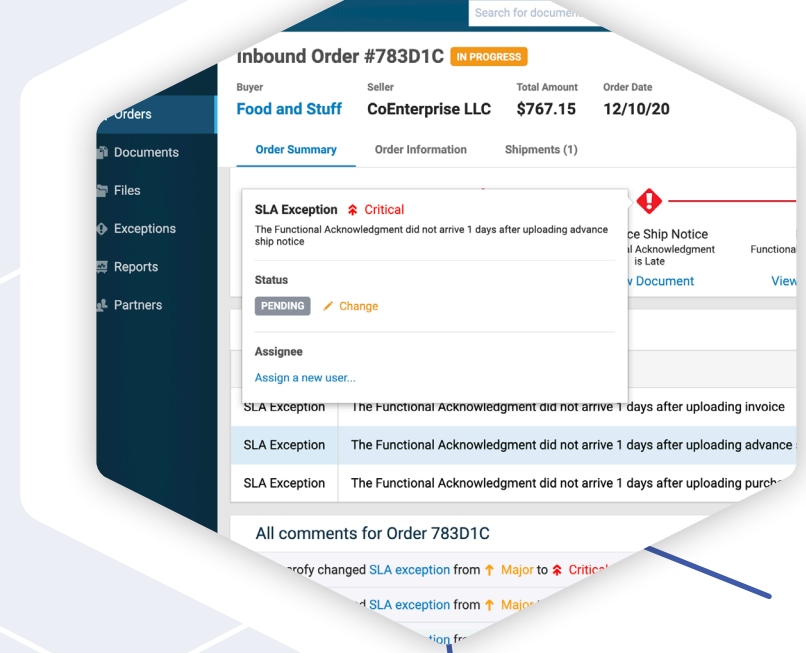
As your in-house compliance program takes shape, start looking outward to improve relationships with key retailer partners. Initiate a meeting at their warehouse and ask to walk through their receiving process so you get a firsthand look at how they monitor compliance. Schedule quarterly phone meetings or workshops where you discuss your document processing schedule and compliance process changes. As with any business relationship, it never hurts to put some effort into getting to know your partner's compliance team organically.



3. Improve your EDI and supply chain data management

Like all electronic and automated processes, when done right, EDI should be painless and “just work.” But with the exception of shipments that don’t arrive on time, ASN issues actually account for the vast majority of retail chargebacks even though they are by far the most important EDI process. How are you managing your supply chain data, and are you able to pull it up on the fly at any moment? Just 6% of supply chain professionals say they have full visibility in their supply chains. Implementing a robust automated EDI solution can improve visibility throughout your network, including purchase orders (POs), inventory, and shipping data. But visibility is only half the battle—to prevent chargebacks, you need a tool that enables you to interact directly with your supply chain data and identify potential issues in advance to ensure your ASNs and overall EDI infrastructure aligns with partner standards.

When evaluating software options, consider a tool that can be used by all team members regardless of their level of technical expertise. Not only will this eliminate the need for additional IT resources, but it will also decrease onboarding time and expenditure. Because breakdowns can occur anywhere in your supply chain, select a tool with a collaborative focus that allows concurrent access to all relevant team members. Your technology solution should have the ability to identify and alert users of chargeback issues before they actually occur—for example, so that you can easily pinpoint and resolve discrepancies—and should be capable of high-level reporting and analytics to help you identify trends and track improvement.



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4. Elevate your in-house compliance auditing process

Your compliance team should be well informed of your partner routing guides, which are often found on vendor portals and websites, and of course can be obtained by staying in touch with partners directly. Document these requirements in house and always stay current on any new policy changes.

Have defined quality control processes in place to periodically check shipment samples, ensuring labels are printed correctly and have been applied in the right locations, that accurate packing lists are attached, and that all pallet instructions are followed. Before shipments are loaded onto trucks, take photos to document adherence with rules and regulations.

Integrate end-to-end tracking software systems that keep detailed records that are easily accessible to everyone on your team, so that at any point anyone can check the status of a shipment and ensure all the compliance boxes have been checked.



5. Dispute chargebacks

Avoiding chargebacks entirely is not realistic but once you've implemented a complete chargeback mitigation plan and have automated systems to accurately document your shipping processes, you can confidently challenge incorrect chargebacks.

Because chargebacks often take months to filter back and partners will require evidence before issuing refunds, it is absolutely essential that your compliance software maintain detailed records that can be accessed easily. Better yet, consider solutions which can automatically highlight discrepancies that can lead to chargebacks and allow you to correct them in real-time.



Choosing the right technology is a must

Identifying the scope of your chargeback issues, creating a budget, and strengthening your in-house compliance team and auditing process are all crucial steps toward limiting chargebacks, but without the right technology you will remain at a severe disadvantage.

When shopping for a solution, start by looking for platforms that can be used by all team members regardless of their tech backgrounds. Why pay for IT resources when it's not necessary? When your supply chain data is accessible in real-time, in an easy-to-understand format and users have access to effective pre-configured tools, they will naturally make wiser decisions. Collaboration is key, throughout all in-house departments, as well as beyond the walls of your organization, so look for a solution that your business partners can access too.

The system you select should offer full order lifecycle visibility from PO to invoice so that users can easily identify, prioritize, and resolve discrepancies in just a few clicks. Having a visualization tool to break down complex EDI data into easy-to-read insights will help users take corrective action, improve communications, and ultimately reduce chargebacks.



Ready to take charge of chargebacks?

With the right software and a little bit of guidance, you can integrate a modern vendor compliance program and start protecting your profits—and we can help.

Meet Syncrofy for Supply Chain.

Designed with non-technical users in mind, SSC provides full supply chain visibility and actionable insights from day one—no need to configure, map, or develop a specialized data warehouse. SSC calculates fill rate and lead time for both orders and shipments and reconciles invoices against POs, shipment documentation, and receipts to identify quantity and price discrepancies. Not only are you empowered to make smarter, better-informed decisions, but you can reduce your chargebacks by up to 30% and achieve an ROI of up to three times your initial investment.

What else is SSC capable of?

To learn how SSC can help you take the reins in chargeback mitigation, visit www.coenterprise.com/solutions/syncrofy_supply_chain/



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