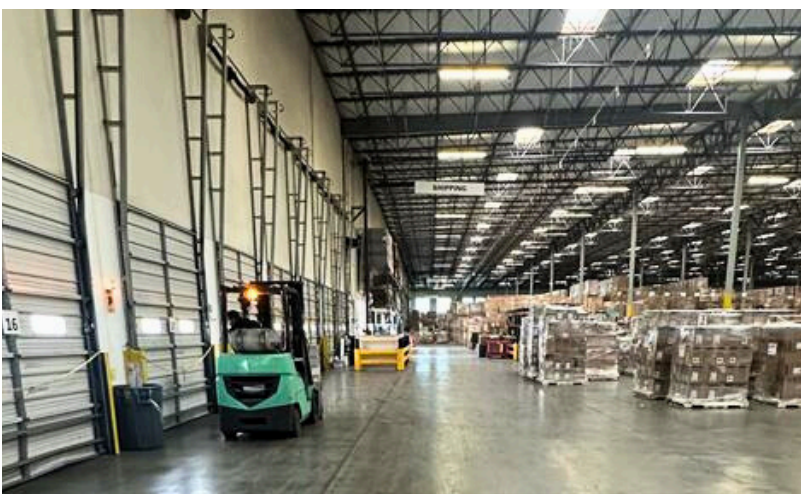


HOW TO MINIMIZE CHARGEBACKS IN RETAIL LOGISTICS



CONTENTS



3

INTRODUCTION

4

UNDERSTANDING VENDOR COMPLIANCE

5

THE COST OF NON-COMPLIANCE

7

HOW TO MINIMIZE RETAIL
CHARGEBACKS: AN OVERVIEW

8

COMMON CAUSES OF RETAIL
CHARGEBACKS & HOW TO AVOID THEM

9

PACKAGING AND LABELING ERRORS

11

DOCUMENTATION VIOLATIONS

13

TRANSPORTATION ISSUES

15

QUALITY CONTROL

17

OTIF (ON TIME IN FULL)

19

FINAL THOUGHTS: VENDOR COMPLIANCE
AS A STRATEGIC ADVANTAGE

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 QuickBox, 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 each retailer's guide handy for your logistics staff.
- c. Make sure your logistics staff understands how to use those 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. QuickBox 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.





QuickBox 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, QuickBox 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.





QuickBox 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. QuickBox 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.





QuickBox 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 QuickBox 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.





QuickBox Pro Tip

Review Your Quality Control Procedures

Review your order verification procedures to ensure accurate picking and packing. Inspect all orders 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 QuickBox, 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.





QuickBox 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 QuickBox, 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



(720) 990-5642



www.quickbox.com



sales@quickbox.com



<https://www.linkedin.com/company/quickbox-fulfillment>



Denver, CO

ABOUT QUICKBOX FULFILLMENT

QuickBox Fulfillment is the go-to 3PL for growing CPG brands that are obsessed with quality, passionate about enhancing the consumer experience, and intentional about cost-efficiency.

We are proactive about finding opportunities for cost savings, supply chain optimization, and elevating your brand. (Ask us how we saved AS Beauty \$500K in postage.)

Our executive team brings 100+ years of operations experience, and our full team serves as a true extension of your business.

Whether you are shipping DTC or to TikTok consumers, Amazon, big box retailers, boutiques, med spas, or via subscription boxes, QuickBox simplifies operational complexities so you can stay focused on building your brand beautifully.