

# MASTERING RETAIL COMPLIANCE:

A Guide to Reducing Chargebacks  
and Becoming a Preferred Vendor



*ArcBest*



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## Retail vendor compliance is becoming increasingly complicated and costly

for consumer goods companies and their distributors as they seek to meet the differing demands of retailers. If requirements for electronic notification, delivery time and location, packaging and labeling, and numerous other details are not met perfectly, the vendor can receive a short payment on a shipment invoice, commonly called a chargeback.

Avoiding chargebacks, which take a knife to vendors' margins, is difficult because what's compliant for one retailer is not necessarily acceptable for another, and there's a wide range of possible violations. Some are based on one-off problems such as delivery made outside of the approved time window, which could cost the vendor up to 3% of the cost-of-goods sold. Others may be applied due to multiple repeated violations or an inability to reach the required percentage of acceptable, on-time deliveries.

**Financial penalties aren't the only risk with supply chain noncompliance. As more retailers use a combination of chargebacks and performance reviews to evaluate vendors, those that are unable to improve compliance could be dropped altogether.**

Using chargebacks is not a new strategy for retailers, and it hasn't always been looked at favorably. Retailers have been accused of trying to use chargebacks to boost profits over and above recouping the costs they incur due to vendor noncompliance. While that might have been true for some retailers in the past, the imperative to have an automated and highly efficient supply chain is driving these charges today.

Strict vendor compliance programs, scorecards and chargebacks are strategies to dissuade vendors from disrupting a retailer's finely-tuned, multifaceted, omnichannel supply chain. Given the high stakes involved, setting penalties high enough to be considered punitive ensures that retail vendors pay attention and make compliance a priority.

The rapidly changing world of retailing has taken many casualties, as Retail Dive has detailed in its running lists of bankruptcies in [2018](#) and [2019](#). In this environment, neither retailer nor vendor can succeed if they don't work together to improve supply chain efficiency and satisfy demanding consumers regardless of where they buy or have their orders fulfilled.

"We have found that retailers would like to build better relationships with their vendors because having an efficient supply chain is a huge priority for them, and carriers have the experience and expertise to really help in that effort," said Brent Dorrough, director of Customer

Solutions at ArcBest. "Both retailers and vendors will end up with higher margins if they work collaboratively toward the goal of getting the products efficiently to consumers wherever they want to receive them. When both parties seek to understand the other's point of view, these problems can be solved."

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**BRENT DORROUGH**  
DIRECTOR OF CUSTOMER SOLUTIONS AT ARCBEST

# SOME COMMON NON-COMPLIANT ACTIONS THAT INCUR PENALTIES

- » Order was delivered outside of the agreed and confirmed delivery window
- » Bill of Lading format was not executed per specification
- » Advance Ship Notice (ASN) was incorrect, incomplete or late
- » Routing instructions were not followed
- » Packaging or labeling was incorrect, insufficient or in the wrong place
- » Invoice documents were rejected as incomplete or missing data
- » Packing slip was in the incorrect place
- » Pricing errors on the invoice

# THE RETAILER'S PERSPECTIVE

Since the dawn of online retailing, consumers no longer evaluate retailers only on price, brands, product assortments and service—although all of these factors remain important—they also make choices based on how quickly and conveniently they can receive their purchases at the place, time and speed of their choosing.

Consumers still expect inventory to be sitting on store shelves awaiting their visit to a physical location, but those products also must be available for online ordering and shipment to their homes when that method suits their needs. Retailers in turn must maintain an efficient chain to supply their stores, fulfill ecommerce orders and, increasingly, develop new omnichannel capabilities such as Buy Online Pick up In Store (BOPIS).

Today, retailers are employing sophisticated supply chain management software powered by artificial intelligence (AI) and automated systems, including robotics, to manage these extended supply chains cost effectively, and their financial health depends upon it. Retail vendors are an important part of these complex supply chains, so it is imperative that their shipments align with the retailer's standards and practices.

To retailers, chargebacks and other penalties are necessary to incentivize vendors to take their role in the supply chain seriously.

"Retailers are looking for flow and precision in their businesses," said Dwight Hayes, executive director of Enterprise Sales-Retail at

**"They expect vendors to become as compliant with their requirements as possible in order to create efficiencies and drive out unnecessary expenses."**

DWIGHT HAYES  
EXECUTIVE DIRECTOR OF ENTERPRISE SALES-RETAIL  
AT ARCBEST

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# TAKING STEPS TO IMPROVE RETAIL COMPLIANCE

Although vendors and retailers share the ultimate goal of making products available for sale to produce revenue, vendors sometimes perceive the relationship as being more adversarial than collaborative. According to a [2018 Supply Chain Digest survey](#), vendors reported their biggest issues with retailers are a lack of detailed information on the noncompliant action that triggered a short payment and the appropriateness of chargeback levels.

When vendors take responsibility for becoming compliant, however, retailer relationships improve and sales should, too. Here are some basic steps vendors can take that will work with any retailer's program:

## 01. Build a culture of compliance

People can make or break a program's success. Train staff on the technical aspects of preparing shipments that are compliant with each retailer's specifications, but also communicate the reasons why compliance is important.

## 02. Track the Details

Review all noncompliant events where chargebacks have occurred to identify the underlying problems and take corrective action. In addition, track trends over time, which may uncover issues that didn't emerge when chargebacks were reviewed one-by-one. Setting and measuring key performance indicators (KPIs) and communicating the results to those responsible is critical to driving performance improvements.

Because there's no set standard for compliance, vendors have to consider each retailer's requirements separately. Because it is cumbersome and time consuming to manage the process manually, technology and a trusted logistics partner can help.

### 03. Keep Records

Most retailers have processes in place that allow their vendors to challenge chargebacks. When disputing charges, you'll need proof to indicate where a chargeback may be inaccurate or not your fault. It is vital to have an auditable invoicing process to be able to challenge unfair or inaccurate charges.

### 04. Stay Updated on Retailers' Policies

Retailers update their vendor guidelines when they discover better processes. It's important to respond to changes as quickly as possible so that failures don't occur. Vendors should maintain open communication with their retailers and logistics providers to ensure everyone is following current requirements.

### 05. Employ Experienced Logistics Providers

It's always costly and risky to try to reinvent the wheel. Experienced logistics providers are in the best position to understand the flow and timing of goods through to final delivery according

to the specifications of different accounts. In addition, the trust that these partners have already built with retailers accrues back to the retail vendor.

When a logistics provider works extensively with retail customers, much of the groundwork for compliance is already in place. Providers accustomed to working in the retail environment are familiar with the rules and have the expertise to meet them. They also should have the technology to adapt to unusual circumstances, such as storms and major road construction projects, as well as last-minute changes in retailers' instructions.

# LOGISTICS PROVIDERS SIMPLIFY THE PROCESS

Logistics providers are formalizing programs that make compliance easier for retail vendors. For example, ArcBest®, which is [ranked as the 13<sup>th</sup> largest](#) for-hire carrier in North America by Transport Topics, has responded to this need with the launch of its Retail+ program – created by customers, for customers, using the experiences of retail vendors to develop solutions that solve common compliance issues.

The objectives of Retail+ include:

- » Reduction of chargebacks through better planning and scheduling of deliveries in line with retailer requirements
- » Simplification of the retail compliance process by letting the experts handle bookings and documentation

- » Delivering shipments within the retailers' guidelines to position ArcBest customers to become vendors of choice for retailers
- » Reducing administration and supervision time for better use of the retail vendor's internal resources
- » Keeping accurate and reliable documentation that can provide an audit trail for resolving disputes

"Our program makes sure that everyone involved in the shipment does it correctly," Dorrough said. "And if a chargeback should occur, we're equipping vendors with the data they'll need to defend themselves."

For vendors using Retail+, ArcBest lays out three ways they can prepare for a successful partnership:

- 01. Provide correct and complete information on the Bill of Lading and Purchase Order**
- 02. Allow sufficient transit time for the carrier to complete the delivery within the agreed delivery window**
- 03. Calculate a realistic pick-up date for the shipment and advise the shipper well in advance**

“Vendors can become more compliant when their focus is on providing accurate information,” Hayes said. “This sets everyone up for success. Then vendors can focus on the rest of their business and leave delivery to us.”

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# **SIMPLY PUT, RETAIL COMPLIANCE DRIVES REVENUE.**

## **CONCLUSION**

While chargebacks can cause tension in the relationship between retailers and their vendors and distributors, neither the chargebacks nor the tensions are necessary. Vendors can avoid chargebacks by prioritizing compliance within their organizations, employing the right technology, and choosing logistics providers with experience and a history of success with retailers.

Supply chain compliance is a complex process that requires the management of numerous moving parts, but it is also good business. Vendors that make the effort to work themselves seamlessly into a retailer's supply chain don't only avoid costly, profit-draining chargebacks. By becoming preferred vendors, these businesses position their products to be available wherever and whenever a consumer is ready to buy them. Simply put, retail compliance drives revenue.

# ArcBest<sup>®</sup>

For more than 95 years, ArcBest has provided innovative approaches to our customers' logistics challenges – and we're ready to help you, too.

If retail compliance is essential for your business, Retail+ is the solution you need. We'll provide customized transportation solutions, a team of creative problem solvers, and the compliance planning tools you need to meet retailer requirements. Count on us for a dedicated partnership, around-the-clock support and outstanding retail logistics service. Count on us for More than Logistics<sup>SM</sup>.

**LEARN MORE ABOUT RETAIL+**





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