



WHITEPAPER

# A RETAILER'S GUIDE TO VENDOR COMPLIANCE AND REDUCING CHARGEBACKS

**AVERITT**<sup>®</sup>

## Overview

Landing products on retail shelves or in a big-box store can be one of the most rewarding achievements for a business or entrepreneur. However, managing to keep your retail buyer satisfied can turn out to become one of the most challenging aspects of the retail relationship.

As a result of more retailers enforcing stricter delivery guidelines, including Must Arrive By Dates (MABD) and delivery windows, the requirements of retail transportation tend to be easily misunderstood. Unfortunately, misunderstanding and inexperience are not limited to only the businesses that supply products to the retailers. In many cases, it’s the carriers that have not figured out how to properly handle retail shipments.

In this whitepaper, we will discuss three important factors that impact your ability to meet vendor compliance requirements. We’ll also talk about different practices you can utilize to improve your compliance rating and reduce the chance of getting hit with chargeback fees and vendor fines.

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## 1. KNOW YOUR RETAIL BUYER

Laying the foundation of a successful supplier strategy rests heavily on your ability to understand the needs and demands of the retailers that you are working with. Each will have its own unique set of compliance standards and delivery procedures that you will be expected to meet. In the same light, the fallout for not meeting compliance standards will vary from retailer to retailer.

There are several key points that you and your team will need to keep in mind as you establish a relationship with a new retailer or seek ways to improve your current compliance procedures.

### WHAT SUPPORT WILL THEY PROVIDE?

What role your retail buyer will play within the order and delivery process will vary. Since retail buyers often deal with dozens, hundreds or even thousands of shippers, their ability to provide individually-focused support may be very limited.

For example, if you're having problems navigating the retailer's website, they might provide you with technical assistance. Then, again, they may not. Your only contact may be your buyer who simply gives Purchase Order (PO) and due dates.

Part of understanding your retail buyer is knowing what type of a relationship will exist. Always ask questions upfront and determine what type of support they will provide your company.

Due to the competitive nature of getting into larger retail chains, such as Walmart or Target, sellers are often expected to be able to handle their transportation and Purchase Order concerns on their own.

When this is the case, there are two questions you should ask yourself:

- **Can we handle all of the fine details alone in order to avoid chargebacks?**
- **If we can't, will our carrier help us (work with us)?**

### IDENTIFY REQUIREMENTS FOR YOUR ORDERS

The next step in understanding your retail buyer and having a successful, long-term relationship is being able to identify the different requirements your orders must meet.

#### **Product Purchased:**

Ensure that each shipment matches the information documented in the purchase order. If the freight is supposed to be delivered wrapped on a pallet, make sure that it is delivered wrapped on a pallet. Deliveries can easily be rejected because of simple mistakes.

## **Delivery Dates (Single Date or Window):**

This often leads to chargebacks and penalties for sellers. Buyers may give inappropriate or unreasonable dates. It's important to know what to do to position your self to be successful. MABDs and delivery windows may not sound complex at first, but if your carrier is not experienced with meeting retail requirements and deadlines, the financial penalties can quickly add up.

## **Shipment Numbers:**

Identify all of the numbers that the driver will need in order for the distribution center or retail store to accept your shipment. This may include the Purchase Order (PO) number, piece count and weight.

## **Transportation Billing:**

Some retailers will pay for the transportation costs. In this case, identify their system for scheduling pickups. They may also have an approved list of carriers that you will have to use. If you are responsible for the shipping costs and service provider selection, your choice of carrier will be critical.

### **5 BASIC STARTER QUESTIONS TO ASK POTENTIAL RETAIL BUYERS**

- 1. Will they address your technical/web concerns?**
- 2. What methods of communication will exist?**
- 3. Will they provide help with proper PO and due dates?**
- 4. Will they allow you to challenge chargebacks?**
- 5. Will they maintain copies of important documents that could help fend off wrongful chargebacks? Retailers rarely do, so will your carrier?**



## **2. WAREHOUSING AND PRODUCTION**

In this section, we will look at ways you can improve the coordination of your company's warehousing and production processes. These two areas of your supply chain usually have the biggest impact on your speed-to-market, which sequentially leads to increased vendor compliance infractions and missed deliveries. For many companies, warehouse operations and even production are outsourced. When that is the case, these two areas can be the most difficult to manage and coordinate—especially when communication gaps exist.

Let's take a look at a few tips that you should keep in mind and subsequently carry out to improve your ability to ensure that shipments arrive at your retailer's distribution center or store location on time.

## MANAGE LEAD TIMES EFFICIENTLY AND BE PREPARED

The lead time is the amount of time it takes to get from the beginning to the completion of your company's production or manufacturing process. In retail supply chain terms, lead time begins when your retailer places an order and ends when your product is ready for delivery.

If you ship to a large retailer that enforces vendor compliance or other delivery guidelines, which may result in chargebacks or fines upon failure to comply, ask yourself if your business has to deal with the following potential obstacles:

- **Routine shipments (replenishments) to a retailer or a set schedule of deliveries (Quarterly, Monthly, Weekly, etc.) that could be disrupted by emergencies (flood, fire), holidays, or sudden staff and equipment shortages**
- **Reliance on a warehousing company or manufacturer that provides an imperative service to your supply chain**

If you said yes to either or both of the previous points, there's a good chance that a disruption at your business or at one of your service provider's businesses could throw your retail supply chain into disarray. It's important to work closely with your team and your service providers to determine the amount of time it would take to bounce back from a disruption.

On the occasion that a delivery date cannot be met, work with your retail buyer to see if they will extend the date or ask your carrier to expedite the shipment.

### 3 PRACTICES TO OVERCOME SUPPLY CHAIN DISRUPTIONS

1. **Know your current lead time and ensure that it constantly meets your retailer's required MABD windows and delivery dates.**
2. **Estimate how different disruptions affect your lead time, including ice storms and holidays. Most retailers waive chargebacks for weather-related events (gather proof!).**
3. **Have a back-up plan for every scenario under the sun and make sure your vendors do too.**



## COMMUNICATION IS ALWAYS THE KEY TO SUCCESS

Communication is what makes the world go around. Unfortunately, it is often underutilized in the way we do business.

If your business frequently misses the target on vendor compliance and other retail delivery guidelines, there's a good chance that miscommunication or a lack thereof is the main culprit. If you feel that one of your suppliers is the reason that you are unable to make on-time shipments, be sure to inform them of the situation and how it is affecting your business. In the end, it's not just your company that will suffer; it's everyone that has a fingerprint somewhere within your retail supply chain. Your lost business equals lost business for others.

## 3. IDENTIFYING RETAIL READY CARRIERS

In this section, we will discuss the key to making a successful journey to retail store shelves with respect to vendor compliance: *your carrier*.

The truth of the matter is that you can have a spotless supply chain, and an excellent team of employees and vendors, but if your transportation provider doesn't bring expertise in retail delivery to the table, you can expect your chargebacks to add up.

## WHAT TO LOOK FOR IN A CARRIER

As you research and talk with companies about handling your retail shipments, keep in mind that this service area differs from traditional less-than-truckload and other delivery services. You should identify transportation providers that can provide you with a working knowledge of retail vendor compliance.

Work with a carrier that pays attention to your business. You shouldn't have to take a million extra steps or devote extra resources to ensure that your retail shipment arrives to a distribution center on time. Here are two basic questions you should ask:

- **Do you understand retail compliance requirements and delivery specifications?**
- **What is your on-time performance when it comes to vendor compliance transportation?**

Your contact should be able to answer these questions without hesitation or at least be able to put you in contact with their compliance operations team (if they have one).

## VENDOR COMPLIANCE SYSTEMS ALREADY IN PLACE

Any carrier can watch shipments with a team or check compliance afterwards, but you need the carrier that has systems in place to manage the shipments without constant supervision.

An experienced transportation provider should also be flexible in how you can go about requesting vendor deliveries. Do they allow you to notify them via web, EDI, telephone, or simply by making note of it on the bill of lading (BOL)?

Additionally, a proactive retail transportation company should be able to monitor and report easily and quickly about whether delivery window or single-day due dates are being met.

## MAINTAINING RECORDS OF DELIVERY

If you do receive a chargeback or fine that you believe you shouldn't have, you should know that there are ways to recoup losses. Most retailers have processes in place that allow their suppliers to challenge chargebacks.

Keeping documentation of the delivery process and events that may impact transportation will provide proof that you met all of your vendor's compliance expectations. Some transportation services providers will actually keep records, such as appointment confirmations and proof of drop deliveries, that can help you challenge your vendor's chargeback.

### HOW YOUR CARRIER CAN HELP YOU CHALLENGE CHARGEBACKS

- **Retain copies of delivery documents, such as drop delivery records that can be used to confirm a delivery date**
- **Keep copies of appointment confirmations with the consignee**
- **Make note of weather delays**
- **Be willing to review and assist you with communicating with the retailer when you feel you have been wrongfully fined**



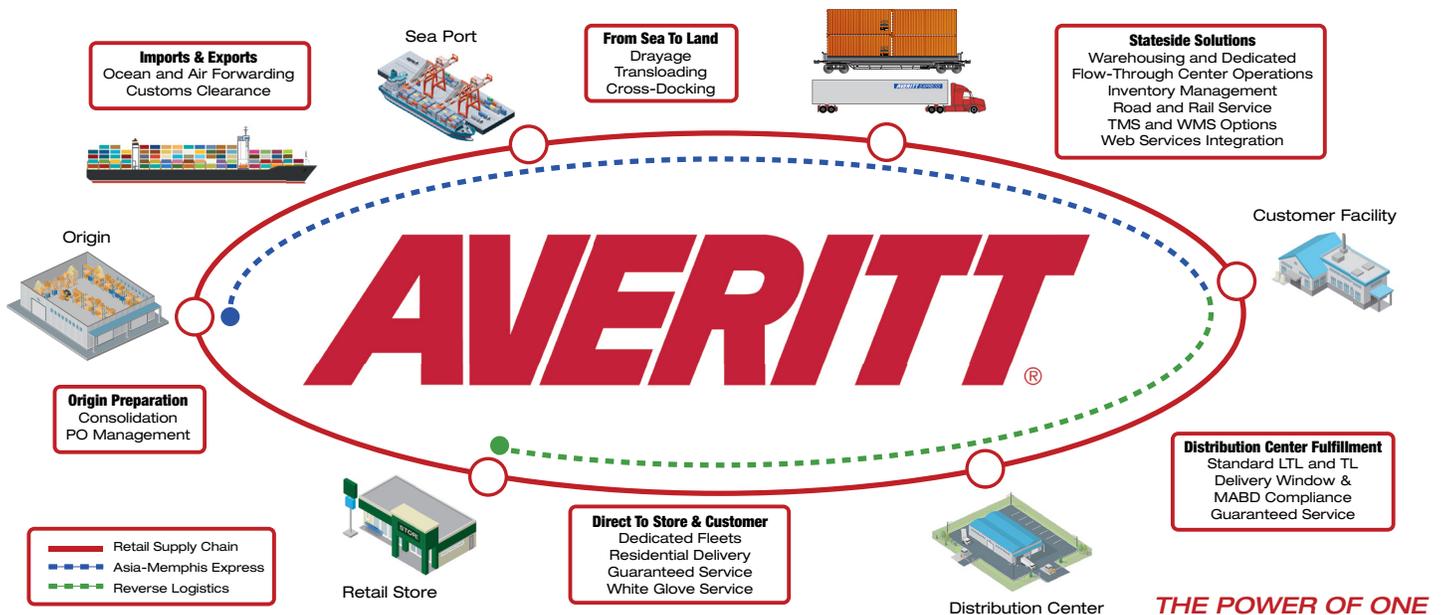
## OPTIMIZING THE WHOLE SUPPLY CHAIN

Does your carrier go beyond one-way LTL deliveries to retail distribution centers? Your retail supply chain is probably more diverse than that. It may start in Hong Kong and is then shipped on a container vessel to the Port of Los Angeles. From there, your products may be transloaded for intermodal service onto a flatcar bound for Texas.

Running a business is complex enough, but that doesn't mean your supply chain has to be. When you deal with multiple transportation and logistics providers, your freight is touched by just as many hands. Look for ways to streamline your transportation processes. When you find a partner instead of a transportation provider, vendor compliance fines and chargebacks will disappear in the rearview mirror!

## ABOUT AVERITT EXPRESS

From importing to warehousing and distribution, we bring decades of award-winning retail transportation excellence to businesses, both small and large. We understand the ins and outs of vendor compliance and the larger retail supply chain. Our overall goal is to help customers worry less about the wheels on the ground so that they can focus on growth!



**CLICK HERE TO DISCOVER YOUR WORRY-FREE SUPPLY CHAIN**

To learn more about our retail capabilities and what *The Power of One* can do for your business, visit [www.retail.averittexpress.com](http://www.retail.averittexpress.com) or call us at 1-800-AVERITT and ask for retail assistance.