**In Depth:**
CHARGEBACKS

Years of Fulfillment Delivered

# Imagine this:

You're a brand hustling to make every dollar count. You've partnered with big names like Nordstrom and Sephora, but a tiny misstep can lead to a major headache – **RETAILER CHARGEBACKS.**

Ouch!

# Chargeback avoidance

## This article is your guide to avoiding those painful chargebacks.

We'll explore why they happen (think: Invalid Advanced Ship Notices, missed shipping windows, or defective UCC128 labels) and share 10 tips to keep your brand and your 3PL (think of them as your logistics sidekick) on the same page.

Capacity's very own Marian Ibrahim, Kanika Lamba, and Jennifer Nuñez are seasoned logistics experts who anticipate and tackle chargeback obstacles. To help your brand avoid preventable chargebacks, let's dive into why they occur and 10 recommendations to help you reduce the risk of chargebacks.

If at any time you have questions, we're here to help.

Email info@capacityllc.com or give us a call at 732.745.7770 Option 3

# Why chargebacks happen

## Packing mishaps:

Commonly seen mistakes are incorrect packaging materials (e.g., paper void fill instead of foam), wrong or incorrectly placed product labels, missing packing slips, and wrong pallet type usage.

## Inaccurate shipment data:

The retailer isn't prepared to accept the delivery when the advanced shipping notice (ASN)—the document providing the retailer detailed info about a pending delivery—is late or missing.

## Unreadable product labels:

If the label cannot be scanned by the retailer, it's useless. Chargebacks can also occur if the label is incorrectly placed, as retailers have different requirements (e.g., bottom right, top left).

## Timing troubles:

Timely delivery is crucial to meet seasonal or promotional deadlines. Late arrivals mean missed sales opportunities and operational disruptions for the retailer. Early arrivals require additional inventory holding costs or a rescheduled delivery for when the retailer is ready..

## Inventory woes:

Retailers have reserved a certain amount of shelf space for your brand's products, so the exact amount of units need to arrive. Even when the number of units is correct leaving the warehouse, something could have happened in transit or during the unloading of the truck.

## Oops, wrong order:

When retailers receive products that are damaged or otherwise not as described—wrong product, incorrect color and size mix, etc.—they are unsellable. Chargebacks are issued to cover the cost of handling the returns back to the warehouse.

From packing mishaps, inventory issues to wrong orders

# Teaming up to win

Don't let chargebacks be your nemesis! By combining highly trained and dedicated client account managers (people) with custom integrations (tech), Capacity ensures compliance to retailer packaging and shipping standards. We've seen it all and know where the vulnerabilities are across the supply chain.

## Here's how you and your 3PL can work together:

TIP #1

### Ask for updated routing guides

While your 3PL handles the heavy lifting, make sure your team is also familiar with retailer guides like Nordstrom's. This double-check strengthens compliance and keeps your brand safe.

*"We recommend asking retailers at least once a year," suggests* ***Jennifer****. "Your 3PL does not have real-time access to the routing guide. The retailer could have made some amendments to their guidelines and we are unknowingly following outdated rules, resulting in chargebacks."*

TIP #2

### Ensure accountability with an internal chargeback program

Let's face it, chargebacks can be a pain, especially when the blame game starts. If your brand gets hit with a chargeback from a retailer, things can get tense with your 3PL.

Establish a clear, internal chargeback program with both your team and the 3PL. This open communication helps identify the root cause of errors, whether it's a training gap or a tech hiccup. Log, review, and assess each chargeback to understand future risks. Was it a one-time mistake or a pattern? Finding the "why" helps prevent similar issues down the line. Solutions range from targeted training for specific teams to investing in better technology. Prevention is key!

At Capacity, we offer dedicated Client Account Managers (CAMs), continuous training, and clear documentation to ensure our services are reliable and error-free, keeping you in good standing with your retailers.

TIP #3

## Be a chargeback detective

Mistakes happen, but don't accept blame blindly. Have your 3PL investigate claims thoroughly. If something fishy smells, ask Amazon or other retailers for proof before paying up.

***"If the retailer says that we added the wrong label on the box or there is a damaged carton, we're going to ask for photographic evidence," says Kanika. "We do our due diligence to investigate on our side and if we find that no discrepancy has been made by Capacity, we will go back to the brand and recommend they fight the chargeback. A lot of them do challenge the chargeback successfully based on the documentation and pictures we give them."***

TIP #4

## Ditch the paper chase: streamline data with EDI

Tired of manual orders and delayed ASNs causing retailer chargebacks? We hear you! That's why investing in an effective EDI system is a game-changer. Think of it as a digital translator that seamlessly handles POs, PO changes, ASNs, and more – all in one place. No more messy paperwork or missed deadlines!

Now, for some brands, setting up EDI connections can feel like climbing Mount Everest. But wait, there's good news! Here at Capacity, we're EDI experts. We can take over the entire process, connecting you with your retailers and ensuring smooth data flow. ***"Think of us as your data ninjas," says Jennifer, a Capacity pro. "We handle everything so you can focus on what you do best!"***

But hey, we get it. EDI isn't one-size-fits-all. If you're a smaller brand with just one retail partner, investing in a full-blown EDI system might not be the most cost-effective option. In that case, exchanging data directly with X12 documents is perfectly fine.

The bottom line? Ditch the paper chase! Whether you go it alone or team up with EDI experts like Capacity, streamlining your data flow is key to avoiding those pesky chargebacks and keeping your retailers happy.

TIP
#5

## Talk to your manufacturers

Large retailers typically demand fulfillments from their suppliers in case packs, since case packs are the most efficient way of consolidating a bulk order. Make sure your manufacturers are on the same page with consistent case pack sizes. When warehouse employees take the master case information at face value (as they cannot open every box), these inconsistencies can lead to overages and shortages.

TIP
#6

## Communicate with your buyers

***"Make sure you have enough inventory," encourages Marian. "Sometimes we have to delay shipping orders because the item is out of stock, so it's important to give your buyers a heads up that you are running low on a certain product that is already promised to a retailer."***

To keep your buyers on the same page, consider ditching the spreadsheets and embracing the power of inventory management systems (IMS) or enterprise resource planning (ERP) platforms. Think of it as your personal stock detective, tracking every item in real-time – on hand, on order, reserved, you name it! The best part? You'll know exactly where everything is, whether it's at the warehouse or on its way to a retailer. This means your buyers get instant alerts when it's time to restock, saving them (and you!) from those frantic last-minute searches. Capacity is ready to discuss your integration needs and make sure that you're covered.

TIP
#7

## Have dedicated inventory for B2B

Keep your direct-to-consumer and B2B inventory separate. This prevents overselling units promised to retailers like Ulta.

Let's say your brand has a sale on your direct-to-consumer (DTC) website and it exceeds expectations. Great! But wait… those extra units sold now means you are short on units promised to your retailer.

When brands share inventory, the scenario above occurs. ***"When you share inventory, the same location where the units are is being allocated to multiple orders," warns Kanika. "So if I'm waving one order and I'm over-committed, I might not have stock for the other order that was released at the same time."***

When brands segregate their inventory into two separate buckets—one for eCommerce and one for business-to-business (B2B)—it safeguards those units already promised to their retail partners; that is, those units are not considered on-hand and therefore can't be sold online.

TIP #8

## Align marketing & sales with operations

Ever feel like your departments are operating on separate islands, speaking different languages? This can be a recipe for disaster, especially when it comes to inventory management. Imagine this: Marketing announces a flash sale on red raincoats, all excited, while Operations unknowingly committed those same coats to Macy's! Boom – sold out on your website (yay!), but unable to fulfill your commitment to a major retailer (oops!).

This scenario, unfortunately, isn't all that uncommon. That's why fostering open communication across departments is crucial. A quick 15-minute check-in between Marketing, Sales, and Operations could have prevented this whole chain reaction and saved you a potential headache and chargeback fees.

Remember Tip #7 about segregating inventory? Here's where it connects. If the dedicated Macy's stock had been separate from the general sale inventory, your B2B inventory wouldn't have been released to fill the online sales. No surprises, no chargebacks, just smooth selling!

So, what can you do? Encourage regular cross-departmental meetings, even if it's just a short brainstorming session. Sharing information and aligning plans prevents silos from forming and keeps everyone on the same page. Remember, communication is key to avoiding chargebacks and ensuring happy customers (and retailers!) across the board.

TIP #9

## Get inventory tracking out of spreadsheets

The 3PL you partner with should, at a minimum, have a warehouse management system (WMS); bonus points if they have technology partners that they can connect to an open API for more robust real-time inventory management (IMS). By having a centralized system to manage inventory, your brand can ensure that they are keeping track of all available (and reserved) stock across different channels.

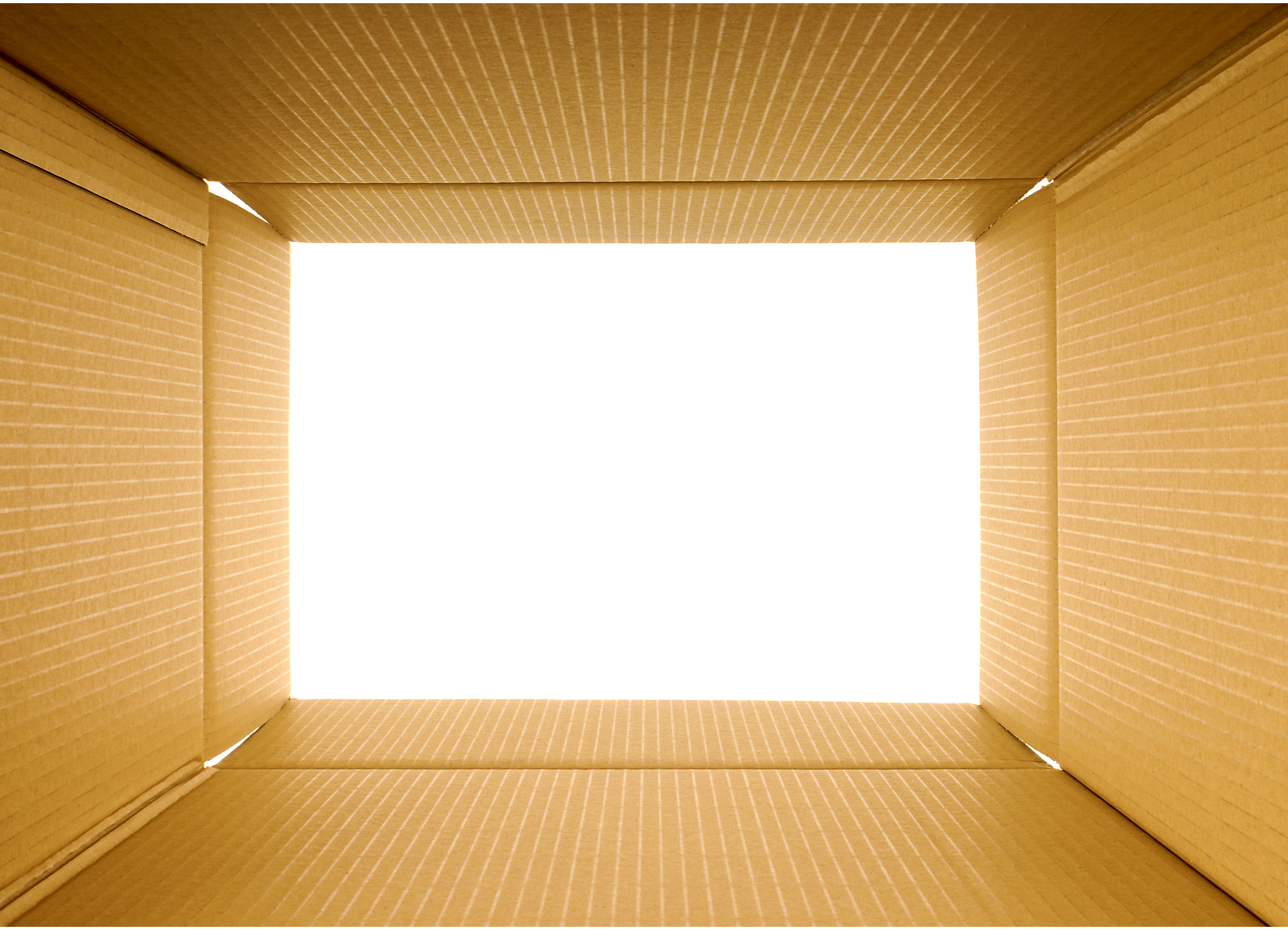
As long as you are using error-prone manual processes, you are increasing your risk of inventory shortages for your B2B sales efforts. That's why at Capacity, our engineers and IT experts are just as important as our warehouse associates and forklift operators; the tech that supports the manufacturer–warehouse–retailer flow aids in fulfillment success, so we're here to help you automate your inventory tracking.

TIP #10

## Don’t rush your 3PL

When a brand is short on their promised number of units and is waiting for that crucial delivery from their manufacturer, this means that the 3PL has less time to fulfill their part of the bargain.

*Jennifer explains how rushing orders costs brands in two ways: “To get it to the retailer on time, you’re now paying your 3PL for expedited shipping. The other cost is that some retailers will dock a percentage of what they owe you for every single time a supplier requests an extension on a PO.”*



# Final thoughts

Chargebacks are no joke. They can drain your bank account with thousands disappearing monthly, and your brand reputation takes a hit too. No one wants that awkward “we’re not working out” conversation with a key retailer.

That’s where the magic of a partnership with the right 3PL comes in. Clear communication across your entire supply chain is the foundation for a smooth operation, and communication is our middle name at Capacity. We’ve got decades of experience delivering to retail giants like Target, Sephora, and Ulta, so you can rest easy knowing you’re in capable hands.

So, are you ready to say goodbye to chargeback stress? Let’s chat about how Capacity can be your partner in building a smooth, efficient, and profitable supply chain. Remember, communication is key – and we’re here to listen, collaborate, and help you conquer those chargebacks once and for all!

Shoot us a note at info@capacityllc.com, give us a call at 732.745.7770, Option 3 for Sales or book a call directly **on our calendar**.

Thanks for reading,
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