

Copyright Smart Gladiator/LoadProof

This document is protected by US and International copyright laws. Reproduction and distribution of this document without the written permission of Smart Gladiator/LoadProof is Prohibited.



Load Proof
Image Enable Your Supply Chain

Highly Confidential – For Selective Circulation Only

How an Effective Chargeback Management System will help address chargebacks and save a lot of \$\$\$?

INTRODUCTION

This document describes the benefits of an effective chargeback management system.

An effective chargeback management system helps with

- 1 - Eliminate or at the least significantly reduce the chargebacks,
- 2 - Provides visibility to the chargebacks. The visibility gained provides insight into the compliance mistakes made while the orders are fulfilled, so that the warehouse team can address those compliance mistakes one by one.

TERMINOLOGY

Term	Definition
Supply Chain Community	All the different participants in the Supply Chain community form this community. They are manufacturers, distributors, transportation service providers, cross dock operators, lumpers etc.
Supplier	Any manufacturer that manufactures a product. A supplier could also be a vendor that is sourcing products from the far east countries such as China, India, Bangladesh, Indonesia etc. and then distributing the products to its customers within United States.
CYA	Cover your Ass, so when something goes wrong, you can show that it is not your fault and you did your job right.
Shipment	It is product that a supplier ships out of their facility, usually this is in the form of pallets.
Load	Same as shipment for the purposes of discussion in this document only.

BACKGROUND

What are chargebacks?

Chargebacks are fines that retailers impose on suppliers because the Retailers are doing extra work to process the Supplier's product through the Retailer's Supply Chain.

Why are suppliers getting chargebacks?

- Because Supplier's shipments are not fully in compliance with the requirements set by the retailers on how the shipments should be arriving at the Retailer's distribution center
- If a supplier is not fully following the compliance requirements, then that needs to be addressed first. So dedicate a person to this activity, there are people called Compliance specialists available that knows how to get this right, they have a lot of experience working with specific retailers or you will have to review the routing guide. However a very good chargeback system will show your people the mistakes being made
- If you are doing everything correctly, then still getting chargebacks, then the chargeback management system will absolutely help you
 - Are you including all the documentation? Packing slip, Shipping Label, Retailer label, BOL or Manifest, Invoice, Is your product in a good condition? Are you using correct box dims? Are you shrink wrapping as per the spec? White color/Black color/transparent - are you using the correct shrink wrapping?
 - Are you floor loading or building pallets?
 - If building pallets, are you building to the right height?
 - Are you using CHEP pallets?

- Is your trucking company making on time deliveries?
 - On date deliveries? Or Are they missing?
- If you do any of the above and if you are not sure if you are in compliant with the routing guide issued by the retailer, then you would get a chargeback.

What is the best way to eliminate chargebacks?

The best way to eliminate chargebacks is to show that the shipment or load left your facility in perfect shape through pictures. When you show pictures, the person on the retailer end thoroughly sees everything and has proof to check on their side for any issues, because the big retailers often pay for transportation.

What could have happened to the shipment/Load? Everything was fine when you shipped it, but it arrived damaged or it arrived with issues at the retailer facility, how did that happen?

There are two scenarios possible on what could have happened.

Scenario1 – Your trucking company messed up

- In this scenario the supplier is paying for the transportation, hence the supplier has the liberty to pick and choose the trucking company.
- However the trucking company did not follow all the rules they were supposed to follow while handling the loads, which resulted in damages to your load.

Scenario2 – The retailer trucking company messed up

- In this scenario, the retailer you are shipping to is paying for transportation, because the retailer is leveraging their economies of scale and getting better rates, as they also have other product they pick up from other vendors in the vicinity.
- The problem here is that, because the retailer is paying for transportation, if the trucking company damages product, as a supplier you don't have a solid voice to hold the trucking company accountable.

And how can this be addressed with a good chargeback management system?

Scenario1 – Your trucking company messed up

- If you take pictures of the damages, then you can have a conversation with the trucking company and ask them to eliminate these damages.
- You can even ask your customer on the other end to take pics of the condition of the product that they are receiving and then show the trucking company, the condition when the product left your facility and also the condition when the product arrived a their facility by taking pictures on both the instances.
- Then you can clearly hold the trucking company accountable and have a conversation with them.
- Listed below are some of the things, that the trucking company is doing, that they are not supposed to do
 - Possibly going through the cross-dock facility, where your product is touched multiple times, even though they might have told you otherwise
 - Possibly depalletizing your pallets, which normally is not done and as a supplier you are not aware.
 - Possibly placing nonfragile heavy items on your fragile products
 - Possibly handling through an LTL truck, which as a supplier you are not aware of. It is perfectly fine to handle products as an LTL, but they need to let you know, so that you can reinforce on the packaging, such that the packaging enables more handling

- Just keep in mind that, it is not a good idea to have a stand offish conversation, however work with them as a partner and get the issues addressed in a collaborative manner.

Scenario2 – The retailer trucking company messed up

- If you take pictures of the damages, then you can have a conversation with the Retailer and tell them that the damages were not there when the product left your facility.
- You can even ask your Retail customer on the other end to take pics of the condition of the product that they are receiving and then show the retailer, the condition when the product left your facility and educate them on what is happening to the product.
- Listed below are some of the things, that the trucking company is doing, that they are not supposed to do
 - Possibly going through the cross-dock facility, where your product is touched multiple times, even though they might have told you otherwise
 - Possibly depalletizing your pallets, which normally is not done and as a supplier you are not aware.
 - Possibly placing nonfragile heavy items on your fragile products
 - Possibly handling through an LTL truck, which as a supplier you are not aware of. It is perfectly fine to handle products as an LTL, but they need to let you know, so that you can reinforce on the packaging, such that the packaging enables more handling
- Just keep in mind that, it is not a good idea to have a stand-offish conversation with the retailer, however work with them as a partner and get the issues addressed in a collaborative manner.
- Large companies have plenty of inertia in their organization, so provide enough pictures proof to demonstrate you are doing your job right, then your partner on the retailer side, can share these with his bosses and get the situation addressed.
- Be cognizant of the fact that the Supply Chain is a community and work with all the partners in the Supply Chain in a collaborative manner, that will help you get your issues addressed. If you follow a stand-offish approach then you will not be able to get your issues addressed quickly and effectively.

What is the most important thing in this entire chargeback management system?

The most important thing to have an effective conversation with your Supply Chain partners is Pictures for the reasons below.

- The Supply Chain has gotten very complex and there are way too many operators in each Supply Chain, very few people realize this
- You don't have control over who touches the product you ship. LTL terminals, Transportation companies, Truckers, Lumpers, other Intermediaries, Ports if International, Receivers etc
- Very few Warehouse Managers understand this, realize this and recognize this.
- There are way too many people touching any product you ship in the Supply Chain today, so a lot could go wrong, especially LTLs - LTLs - work on a hub & spoke model
- So you need to make sure you have proof to show that you did your job right, just in case something goes wrong
- For example nowadays When Amazon makes a delivery at your house, there is a picture of the product they left at your doorstep - to show that they did their job right & Anything that happens after that - it is not their fault
- That is why it is important to do your CYA, always have proof that you did your job right
- And so pictures are the best way to show that you did your job right.

- It is not your fault because - The fact is there are so many operators in the Supply Chain that are touching the product you ship and you have no idea who is touching that product and who is handling that product appropriately & who is not.
- Pictures are the best Proof - You cannot argue with Pictures - Pictures help with resolving issues so much faster, so the best proof (CYA) is pictures
- A picture is worth 1000 words
- If you can get videos that is even better, as videos don't lie.

How do pictures help getting your problems addressed while operating in a Supply Chain community?

The following are the reasons how showing pictures helps with getting your issues addressed within the Supply Chain community

- When you show pictures, you come across as transparent, people trust you and people are willing to work with you
- Now with the proliferation of Smart Phones in everyone's hands, pictures have become a very important part of our lives and they become a basic expectation and a necessity. It is very common to ask for a picture in any conversation, hey can you quickly snap a picture of that thing and text it to me please? It just helps understand the situation in a crystal-clear fashion. If you don't provide pictures, you are looked upon as you are hiding something and you are not considered trust worthy.
- Once such a crystal-clear visibility is provided on the situation to all parties involved, it is much easier to build consensus and get everybody to act upon

What are some of the current methods of capturing picture documentation?

The following are the different methods of capturing picture documentation that are widely used

- None – there is none whatsoever
- Old School Digital Cameras
 - Usually there is an operator that takes pictures of outbound loads
 - After taking certain number of pictures, the memory card gets full
 - At this point the operator walks down to his computer, inserts the memory card into his computer, copies the pictures into this computer or sometimes the pictures are copied into Google drive
 - Then there is another employee that goes to the computer and or the Google drive and updates the pictures with the relevant contextual data. Not everybody does it with discipline
- Operators using their personal smart phones
 - Operators use their personal smart phones and take the pictures
 - Then they email the pictures to themselves and or their colleagues

What are some of the drawbacks with the current methods of capturing picture documentation?

- None – This is not good, no pictures whatsoever
- Old School Digital Cameras
 - The problem with this system is that this is the least efficient system
 - Way too much labor is spent on the following
 - Taking pictures, walking down to the computer and copying them – this creates bottle necks in the current processes, such as loading especially during the peak time in the evenings when the shipments are prepared to sent out

- There is another employee that performs the tagging of the pictures with the relevant contextual data, which is extra labor that is spent on this activity.
 - This system also creates bottle necks while performing important steps during shipping of loads
 - Many distributors have tried this to make it work but abandoned this process due to the inherent inefficiency in this process.
- Using personal smart phones
 - This solution temporarily solves the problem but does not help after 3 months or 4 months, when a claim is submitted, and the pictures are needed the most
 - At that time, nobody knows where the pictures are. Operators and supervisors end up searching for pictures in their smart phones, inboxes, computers etc. but realize they are nowhere to be found.

What are the most important capabilities that a chargeback management system needs to have?

The core in the chargeback system is to have the ability to do the following

1. High-speed picture taking,
2. High speed picture tagging with appropriate meta data,
3. High Speed picture uploading
4. A failsafe repository of pictures, where pictures are never lost and that can be accessed by anybody and everybody in a controllable fashion
5. High speed picture retrieval capabilities and
6. High speed picture sharing capabilities

so that there are no bottle necks added to the current processes.

ABOUT THE AUTHOR

Puga Sankara is the co-founder of Smart Gladiator LLC. Smart Gladiator designs, builds, and delivers market-leading mobile technology for retailers, distributors, and 3PL service providers. So far, Smart Gladiator Wearables have been used to ship, receive, and scan more than 50 million boxes. Users love them for the lightweight, easy-to-use soft overlay keyboard and video chatting ability, data collection ability etc.

Puga is a supply chain technology professional with more than 17 years of experience in deploying capabilities in the logistics and supply chain domain. His prior roles involved managing complicated mission-critical programs driving revenue numbers, rolling out a multitude of capabilities involving more than a dozen systems, and managing a team of 30 to 50 personnel across multiple disciplines and departments in large corporations such as Hewlett Packard. He has deployed WMS for more than 30 distribution centers in his role as a senior manager with Manhattan Associates.

He has also performed process analysis walk-throughs for more than 50 distribution centers for WMS process design and performance analysis review, optimizing processes for better productivity and visibility through the supply chain. Size of these DCs varied from 150,000 to 1.2 million SQFT. Puga Sankara has an MBA from Georgia Tech. He can be reached at puga@smartgladiator.com or visit the company at <https://www.smartgladiator.com>. Also follow him at www.pugasankara.com.