

## **Are Amazon Chargebacks Eating into Your Profits? 8 reasons why, and what you can do about it.**

**By Sreedhar Narahari, CEO and Founder**

Go ahead. Talk to any vendor selling on Amazon. Chances are the majority find the chargeback screens and procedures frustrating, with changes implemented seemingly randomly, and governed by increasingly complicated algorithms. Vendors speculate that Amazon makes processing chargebacks deliberately complex, to make it harder for vendors to dispute chargebacks; thereby increasing Amazon's own profit margins. At iNymbus we disagree. We strongly believe Amazon's chargeback processing has the strategic goal of making Amazon more efficient, with the unintended consequence of driving their sellers crazy.

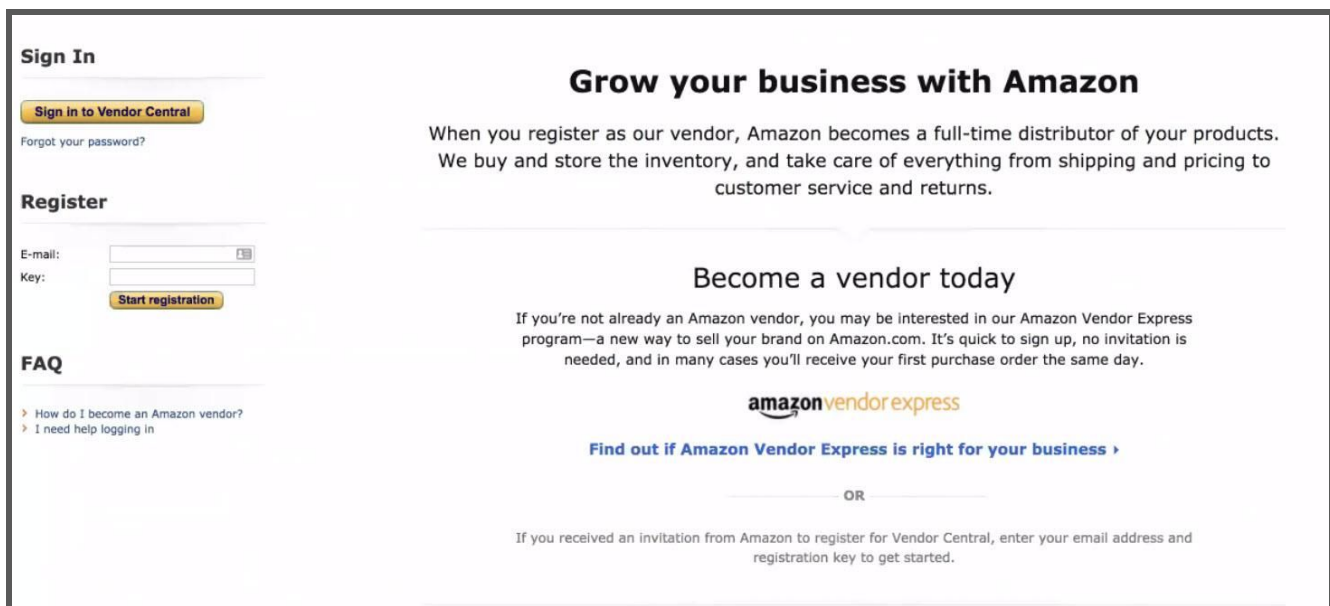
**How many of you can relate to these 8 Amazon Chargeback processing issues?**

## #1: Where oh where has the chargeback menu gone?

Over the past several years we have seen the chargeback screen locations bounce around Vendor Central. For a period of time, the Chargeback screens were listed under Payments. Then, all of the sudden with no warning, Chargebacks disappeared from Payments. It took some digging for our Chargeback experts to locate Chargebacks under a really odd and unexpected menu item.

Why would this change be made? Somehow it facilitated Amazon's efficiency. However, for the 5-30 temps that our clients sometimes hire to process chargebacks in the first quarter after holiday sales, menu changes like this cost temp time, plus manager time, figuring out where the menu went and how the new screens were organized. Hours end up being wasted in hard human resources costs.

And we have even seen changes to the login screen itself. The login below didn't always look like this. The current Vendor Central Login screen, requires an extra click to "Sign In" and the new customer "Register" fields look mistakenly look like a login. Confusing? You betcha!



The screenshot shows the Amazon Vendor Central login and registration interface. On the left, there is a 'Sign In' section with a 'Sign in to Vendor Central' button and a 'Forgot your password?' link. Below that is a 'Register' section with fields for 'E-mail' and 'Key', and a 'Start registration' button. At the bottom left is an 'FAQ' section with links for 'How do I become an Amazon vendor?' and 'I need help logging in'. The main content area is titled 'Grow your business with Amazon' and describes the Amazon Vendor Express program. It includes the heading 'Become a vendor today' and a paragraph explaining the program. Below this is the 'amazon vendor express' logo and a link to 'Find out if Amazon Vendor Express is right for your business'. At the bottom, there is an 'OR' separator and a paragraph for users who received an invitation from Amazon to register for Vendor Central.

## #2 - Penny chargebacks

When a vendor opens their Chargebacks screen and sees a row of penny chargebacks, one could argue that this is insanity.

Available actions		Chargeback ID	Purchase order/ Customer order	Status	Date	Product ASIN	EAN	UPC	Notes	Financial charge
Dispute chargeback		1185917689VCBSCB		Waived	11/14/2017			N/A	PO On-Time Accuracy	\$0.00
		1181376548VCBSCB		Waived	10/23/2017			N/A	PO On-Time Accuracy	\$0.02
		<input type="checkbox"/> 1182745947VCBSCB		Charged	10/29/2017			N/A	PO On-Time Accuracy	\$0.03
		<input type="checkbox"/> 1186519097VCBSCB		Charged	11/18/2017			N/A	PO On-Time Accuracy	\$0.04
		1185952343VCBSCB		Waived	11/14/2017			N/A	PO On-Time Accuracy	\$0.04
		<input type="checkbox"/> 1185701644VCBSCB		Charged	11/13/2017			N/A	PO On-Time Accuracy	\$0.04
		1184175961VCBSCB		Waived	11/5/2017			N/A	PO On-Time Accuracy	\$0.04
		<input type="checkbox"/> 1184174643VCBSCB		Charged	11/6/2017			N/A	PO On-Time Accuracy	\$0.04
		1183934243VCBSCB		Waived	11/4/2017			N/A	PO On-Time Accuracy	\$0.04
		<input type="checkbox"/> 1181401555VCBSCB		Charged	10/23/2017			N/A	PO On-Time Accuracy	\$0.04
		<input type="checkbox"/> 1181339365VCBSCB		Charged	10/23/2017			N/A	PO On-Time Accuracy	\$0.04
		<input type="checkbox"/> 1186646030VCBSCB		Charged	11/18/2017			N/A	PO On-Time Accuracy	\$0.05
		<input type="checkbox"/> 1186645533VCBSCB		Charged	11/18/2017			N/A	PO On-Time Accuracy	\$0.05
		<input type="checkbox"/> 1185716253VCBSCB		Charged	11/13/2017			N/A	PO On-Time Accuracy	\$0.05
		1185121675VCBSCB		Waived	11/10/2017			N/A	PO On-Time Accuracy	\$0.05
		1185096883VCBSCB		Waived	11/10/2017			N/A	PO On-Time Accuracy	\$0.05
		1184180024VCBSCB		Dispute approved	11/5/2017			N/A	PO On-Time Accuracy	\$0.05

At iNymbus, we do not believe the reasons for thousands of penny chargebacks are nefarious. Invoice chargebacks are tied to many different rules and algorithms having to do with Shipping, ASN, PO Compliance, Preparation and the like. As Amazon evolves, these rules evolve and change as well. Amazon doesn't mean to be ridiculous; its robots are just infinitely more efficient and better at calculating chargebacks and do not differentiate between a chargeback for \$101.01 and one for \$0.01. And Amazon robots can perform these calculations in the blink of an eye.

## #3: High Amazon chargeback volume

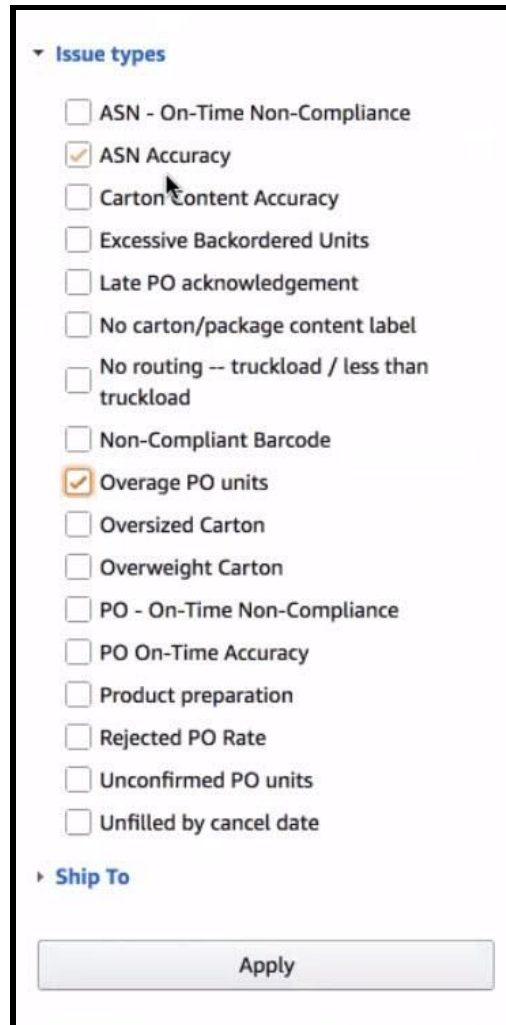
In our experience, it is not unusual for a typical high-volume Amazon vendor to receive tens of thousands of chargebacks a month. The volumes can rise and fall suddenly. There may be multiple violations on a single shipment which could be at the item level, the truck level, or even the carton level. And, the Amazon dispute time limit is 30 days. If a rule changes, which triggers the Amazon rules engine to calculate chargebacks, a vendor can quickly be assessed thousands of chargebacks and have to react very quickly. In the case of our customer below, thousands of chargebacks at an average value of \$0.10 each, or \$thousands of dollars showed up over night with no warning. And, these chargebacks are not immaterial, especially when retail margins are razor slim.



Currently, Amazon has no automation available to process these chargebacks (e.g. easy software API or uploading process). Because of the labor costs of processing these tiny chargebacks, our client, in the past, was forced to pick and choose, only disputing chargebacks of \$10 or higher, as anything less did not justify the cost of staff time.

## #4 - Evolving chargeback issue types

Amazon chargeback Issue Types notoriously grow and shrink. Just when you have your Standard Operating Procedure written explaining to your temporary work force how to process chargebacks, Amazon will modify the Issue Types, throwing a curve ball at your processing rules.



A screenshot of a web interface for selecting chargeback issue types. The interface is titled "Issue types" with a dropdown arrow. Below the title is a list of 18 issue types, each with a checkbox. The checkboxes for "ASN Accuracy" and "Overage PO units" are checked. Below the list is a "Ship To" label with a right-pointing arrow. At the bottom of the form is an "Apply" button.

- ☐ ASN - On-Time Non-Compliance
- ☒ ASN Accuracy
- ☐ Carton Content Accuracy
- ☐ Excessive Backordered Units
- ☐ Late PO acknowledgement
- ☐ No carton/package content label
- ☐ No routing -- truckload / less than truckload
- ☐ Non-Compliant Barcode
- ☒ Overage PO units
- ☐ Oversized Carton
- ☐ Overweight Carton
- ☐ PO - On-Time Non-Compliance
- ☐ PO On-Time Accuracy
- ☐ Product preparation
- ☐ Rejected PO Rate
- ☐ Unconfirmed PO units
- ☐ Unfilled by cancel date

► Ship To

Apply

And, more than occasionally, Amazon will combine several Chargeback Issue Types into one. Witness a change this September, 2017 having to do with PO Chargeback Issue Type Consolidation (excerpted from Amazon training material).

## Purchase Order (PO) Chargeback Consolidation

### What is happening?

Three chargebacks are being merged to a single chargeback: "PO On-Time Accuracy"

### Which chargebacks?

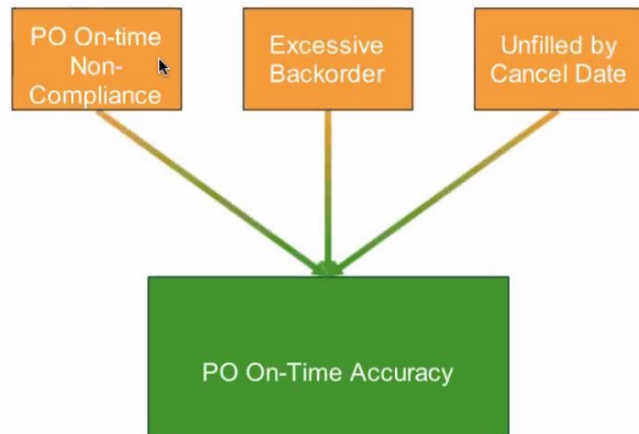
On-Time Non-Compliance, Excessive Backorder and Unfilled by Cancel Date

### Why?

To simplify your lives

### When?

Effective September 1<sup>st</sup>, 2017 and based on defect occurrence date or cancellation date, not PO issuance date



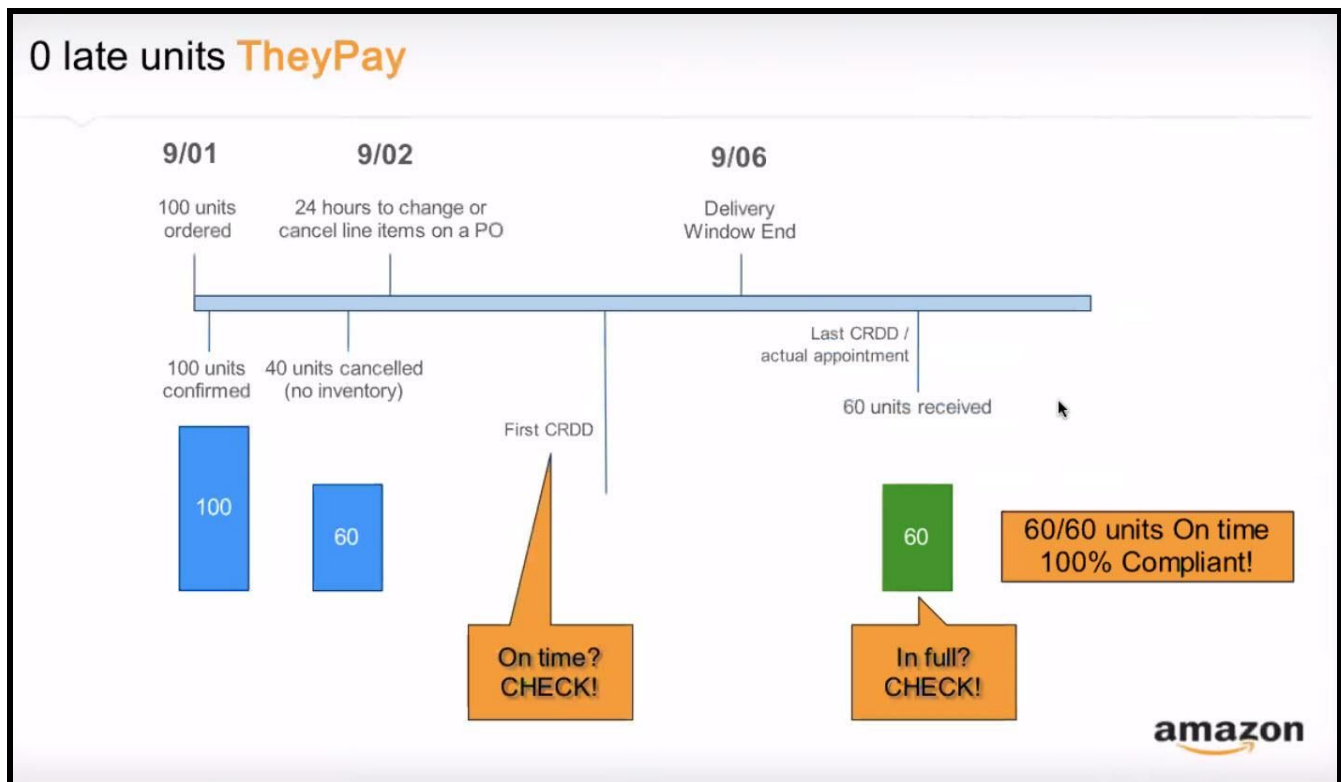
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amazon

"Why?" says Amazon. "To simplify your lives." But did it? First of all, you and your managers need to train the army of temps you hired to process this new Issue Type. But even more harmful, if Amazon had provided you a threshold of say 10% or \$100, meaning if your chargebacks are less than \$100 by Issue Type, Amazon might waive the violation; but by combining Issue Types you have gone over the Threshold of \$100, and you now have to move fast, and start disputing these Chargebacks quickly. Once you figure out what exactly happened!

## #5 - Complex and ever-changing algorithms

We admit, you do need to have some serious math and Excel smarts to design spreadsheets to calculate Amazon Chargeback algorithms. Not to mention, the algorithms change frequently. Here is an example from a recent Amazon training. If you are left scratching your head, we don't blame you:





Vendors end up building spreadsheets that look a bit like the below training slide from Amazon in order to double check Amazon's calculations.

## PO Accuracy Calculations

11-week order fulfillment history				On-time accuracy chargeback assessment			Chargeback calculation						
Week	On-time units	Late units	Auto-cancelled units	Trailing 4-week % on-time calculation	Grace or charge? Threshold is 90%	Late charge (3% COGS)		Auto-cancel charge (10% COGS)		Chargeback		Notes	
1	100	0	0	For this example, we are simplifying and assuming all units are \$10 COGS								No charge assessment until 4 weeks of data accumulate	
2	85	10	0										
3	95	5	0										
4	85	5	0										
5	79	11	10	Trailing 4-Wk Avg=365/385=	95%	Grace	Grace	-	Grace	-	= \$0.00+ \$0.00	\$ -	No charge applied because Wk1-Wk4 performance was greater than 90%
6	250	0	0	Trailing 4-Wk Avg=344/385=	89%	Charge	(0 late units) * (3%) * (\$10)=	\$ -	(0 cancelled units) * (10%) * (\$10)=	\$ -	= \$0.00+ \$0.00	\$ -	No charge applied because all 250 units were on-time
7	60	40	0	Trailing 4-Wk Avg=509/540=	94%	Grace	Grace	-	Grace	-	= \$0.00+ \$0.00	\$ -	No charge applied because Wk3-Wk6 performance was greater than 90%
8	80	10	10	Trailing 4-Wk Avg=474/540=	88%	Charge	(10 late units) * (3%) * (\$10)=	\$ 3.00	(10 cancelled units) * (10%) * (\$10)=	\$ 10.00	= \$3.00+ \$10.00	\$ 13.00	Chargeback applied to late and cancelled units
9	90	0	10	Trailing 4-Wk Avg=469/550=	85%	Charge	(0 late units) * (3%) * (\$10)=	\$ -	(10 cancelled units) * (10%) * (\$10)=	\$ 10.00	= \$0.00+ \$10.00	\$ 10.00	Chargeback applied to cancelled units
10	75	0	0	Trailing 4-Wk Avg=480/550=	87%	Charge	(0 late units) * (3%) * (\$10)=	\$ -	(0 cancelled units) * (10%) * (\$10)=	\$ -	= \$0.00+ \$0.00	\$ -	No charge applied because all 75 units were on-time
11	60	40	0	Trailing 4-Wk Avg=305/375=	81%	Charge	(40 late units) * (3%) * (\$10)=	\$ 12.00	(0 cancelled units) * (10%) * (\$10)=	\$ -	= \$12.00+ \$0.00	\$ 12.00	Chargeback applied to late units



Can we just gnash our teeth for you?



## #6 - Uploading proof documentation required at the item level

Populating line item data can be very time consuming. But to successfully dispute Amazon chargebacks, it has to be done line by line. And it is necessary to upload individual supporting documents for every disputed line item. The process of finding the proper supporting documents like FedEx Shipment information on every line item on an invoice is time consuming, but is the only way to get your money back from Amazon.

### Create a dispute

Shortages on an invoice can be disputed only once. Make sure the information you provide is accurate. Failure to do so might delay resolution.

	Invoice #	Purchase order	Payee	Invoice date	Due date	Invoiced qty	Dispute quantity	Invoice amount	Dispute amount	Actions
X				10/19/2017	11/19/2017	55	0	687.99	0	Dispute by ASINs

Total dispute amount:

**Dispute title\***

Characters remaining :

**Dispute summary\***

Characters remaining :

**(Optional) Additional email addresses that you would like to include in this dispute**

**Upload supporting documents**

Choose File | No file chosen

Files have a 4 MB size limit.

A clever processor can take advantage of some consolidation available, particularly in the pricing area, by utilizing filters and combining common issues into one dispute. For example, on this screen, multiple items can be clicked and disputed at once. But any mistake, will cause the whole group of items to come back for re-processing.

# iNymbus White Paper



## Invoices

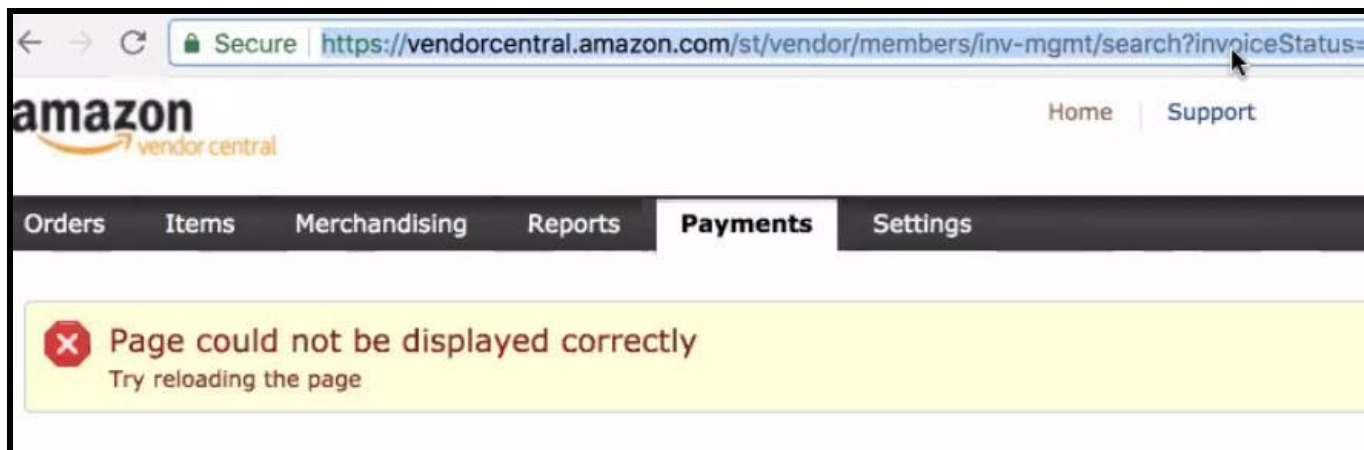
### Review/Dispute Recent Shortages

Review shortages from the past month. You can select multiple invoices and create a single dispute by clicking **Dispute selected items**. Older Shortages.

Filter	Export data												Search
#	Pay...	Invoice #	Invoic...	Invoic...	Due d...	Invoice am...	Qty varian...	Source	Invoice Status	Dispute Status	Already Dis...	Actions	
<input type="checkbox"/>	1		10/6/2017	10/5/2017	11/4/2017	\$8.43	\$8.43	EDI	Submitted	Pending Amazon Action	<input checked="" type="checkbox"/>	Actions	
<input type="checkbox"/>	2		10/30/20...	8/15/2017	9/14/2017	\$23,261.24	\$23,261.24	MANUAL	Submitted	Resolved : Denied	<input checked="" type="checkbox"/>	Actions	
<input type="checkbox"/>	3		10/30/20...	9/22/2017	10/22/20...	\$206.04	\$206.04	MANUAL	Sub	<div>Invoice Actions</div> <div>View invoice details</div>			
<input type="checkbox"/>	4		10/30/20...	8/17/2017	9/16/2017	\$67.28	\$67.28	MANUAL	Sub				
<input type="checkbox"/>	5		10/30/20...	8/14/2017	9/13/2017	\$555.37	\$555.37	MANUAL	Sub				
<input type="checkbox"/>	6		10/30/20...	8/30/2017	9/29/2017	\$21.11	\$21.11	MANUAL	Submitted	Resolved : Partially appr...	<input checked="" type="checkbox"/>	Actions	
<input type="checkbox"/>	7		10/30/20...	8/30/2017	9/29/2017	\$129.11	\$129.11	MANUAL	Submitted	Resolved : Partially appr...	<input checked="" type="checkbox"/>	Actions	
<input type="checkbox"/>	8		10/30/20...	9/14/2017	10/14/20...	\$173.36	\$173.36	MANUAL	Submitted	Pending Amazon Action	<input checked="" type="checkbox"/>	Actions	
<input type="checkbox"/>	9		10/30/20...	7/18/2017	8/17/2017	\$22.12	\$22.12	MANUAL	Submitted	Resolved : Partially appr...	<input checked="" type="checkbox"/>	Actions	
<input type="checkbox"/>	10		10/30/20...	8/15/2017	9/14/2017	\$235.85	\$235.85	MANUAL	Submitted	Resolved : Partially appr...	<input checked="" type="checkbox"/>	Actions	
<input type="checkbox"/>	11		10/30/20...	9/13/2017	10/13/20...	\$446.08	\$430.63	MANUAL	Submitted	Pending Amazon Action	<input checked="" type="checkbox"/>	Actions	
<input type="checkbox"/>	12		10/29/20...	8/24/2017	9/23/2017	\$86.01	\$86.01	MANUAL	Submitted	Resolved : Partially appr...	<input checked="" type="checkbox"/>	Actions	
<input type="checkbox"/>	13		10/19/20...	9/26/2017	10/26/20...	\$12.39	\$12.39	MANUAL	Submitted	Pending Amazon Action	<input checked="" type="checkbox"/>	Actions	
<input type="checkbox"/>	14		10/26/20...	9/15/2017	10/15/20...	\$2.71	\$2.71	MANUAL	Submitted	Pending Amazon Action	<input checked="" type="checkbox"/>	Actions	
<input type="checkbox"/>	15		10/26/20...	9/28/2017	10/28/20...	\$8.54	\$8.54	MANUAL	Submitted	Pending Amazon Action	<input checked="" type="checkbox"/>	Actions	
<input type="checkbox"/>	16		10/23/20...	8/7/2017	9/6/2017	\$1,373.53	\$1,373.53	MANUAL	Submitted	Resolved : Partially appr...	<input checked="" type="checkbox"/>	Actions	
<input type="checkbox"/>	17		10/27/20...	10/2/2017	11/1/2017	\$67.35	\$67.35	MANUAL	Submitted	Pending Amazon Action	<input checked="" type="checkbox"/>	Actions	

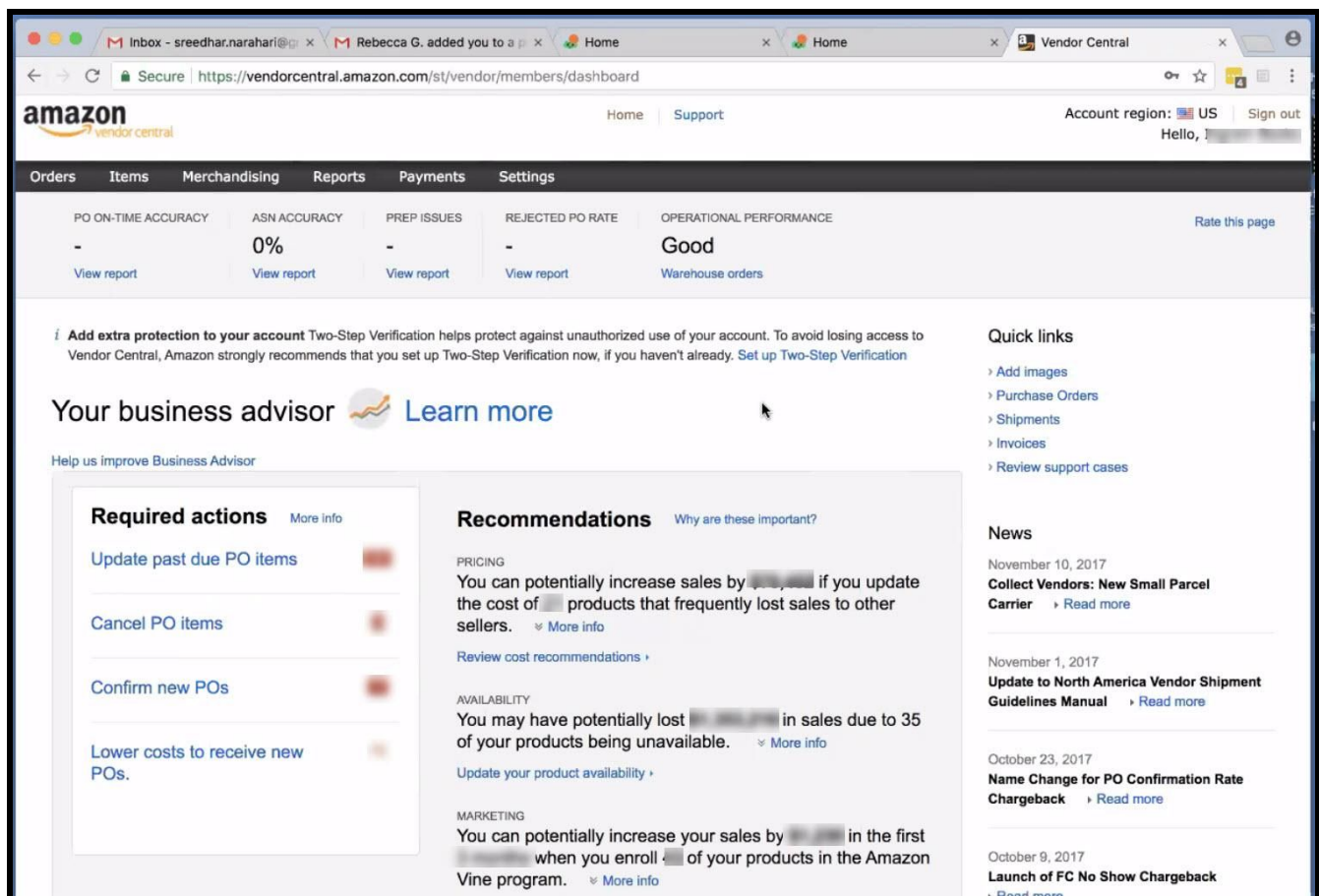
## #7 - Amazon portal gets overloaded

We have seen instances, over the years, where the Amazon Vendor Central portal gets a bit overloaded and slows down. Sometimes it throws errors at unusual times. Any Temp Staff has to be trained on this occurrence. And, the inevitable slow down costs money in increased Staff and Temp Worker time.



## #8 - Nobody to talk to

Our Amazon Seller clients get frustrated because there is no real way to communicate with Amazon. Many of the larger established retailers have communication channels in addition to online in order to provide vendors advice, facilitate problem solving and even negotiating (e.g. Target, Walmart, Costco, etc.). However, Amazon's strategy is not conducive to one on one communication. This doesn't surprise us. Amazon does not have human beings processing chargebacks at just pennies an item. These detailed chargebacks are being calculated by robotic automation. Even recommendations of how to improve your business with Amazon are made by robots.



The screenshot shows the Amazon Vendor Central dashboard. At the top, there's a navigation bar with 'amazon vendor central' logo, 'Home', 'Support', and 'Account region: US'. Below this is a menu with 'Orders', 'Items', 'Merchandising', 'Reports', 'Payments', and 'Settings'. The main content area displays performance metrics: 'PO ON-TIME ACCURACY' (0%), 'ASN ACCURACY' (0%), 'PREP ISSUES' (0%), 'REJECTED PO RATE' (0%), and 'OPERATIONAL PERFORMANCE' (Good). There are links to 'View report' for each metric. A section titled 'Your business advisor' includes 'Required actions' (Update past due PO items, Cancel PO items, Confirm new POs, Lower costs to receive new POs) and 'Recommendations' (Pricing, Availability, Marketing). A 'Quick links' section on the right lists 'Add images', 'Purchase Orders', 'Shipments', 'Invoices', and 'Review support cases'. A 'News' section at the bottom right lists recent updates and announcements.

## Conclusion

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### What to do?

#### Manual Solutions

As a Seller's Amazon volume grows (a fantastic problem), it is imperative to immediately implement a strategy to deal with the chargebacks that will also grow with this volume. In the beginning these simple steps will succeed in containing chargebacks:

- Plan to hire seasonal temps
- Organize chargebacks into categories by Issue Type and related documentation
- Establish written chargeback processing SOPs
- Utilize standardized spreadsheets to organize processing and research
- Provide close supervision to answer questions and troubleshoot processing issues
- Establish a chargeback threshold - minimum amount that is worthwhile for a team member to process.

But quickly, especially after the holidays, volumes can get out of hand with thousands of penny chargebacks adding up to thousands of dollars.

#### Automated Solutions

At this point, the only way to dispute these chargebacks on-time and successfully, is to automate processing and use similar robotic technology that Amazon used to create the chargebacks in the first place. It is 100% possible to take your company's SOP and automate the document matching and uploading, the algorithm calculations and data entry required to dispute Amazon chargebacks. Truly, this is the only possible way to win with Amazon chargeback disputes at any kind of volume. [Request an Amazon Chargeback Audit from iNymbus](#) and find out if your Amazon Chargebacks are at the volume and dollar amount where dispute and resolution automation will pay back.

We think you'll be surprised at how quick and easily a solution can be implemented that essentially pays for itself in a matter of a month or two.

**Are Amazon Chargebacks eating into profits?**  
**Contact iNymbus for a FREE Chargeback Audit!**  
**Go to [www.inymbus.com/deductions-audit](http://www.inymbus.com/deductions-audit) Today!**

## About Sreedhar Narahari, CEO and Founder iNymbus.

*Early in his career, Mr. Narahari worked as a lead engineer, developing and implementing SAP Accounts payable and SAP workflow solutions at OpenText. He soon applied his rich skillset and intimate understanding of SAP to launch his first venture, HighRadius. HighRadius is an integrated receivables solution that now serves numerous Fortune 500 companies including Warner Bros, ConAgra Foods, Pfizer, NBC Universal, Adidas and many more. Mr. Narahari is the author of Receivables and Collections Automation with SAP FSCM and holds a BS in Mechanical Engineering from Osmania University.*

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