

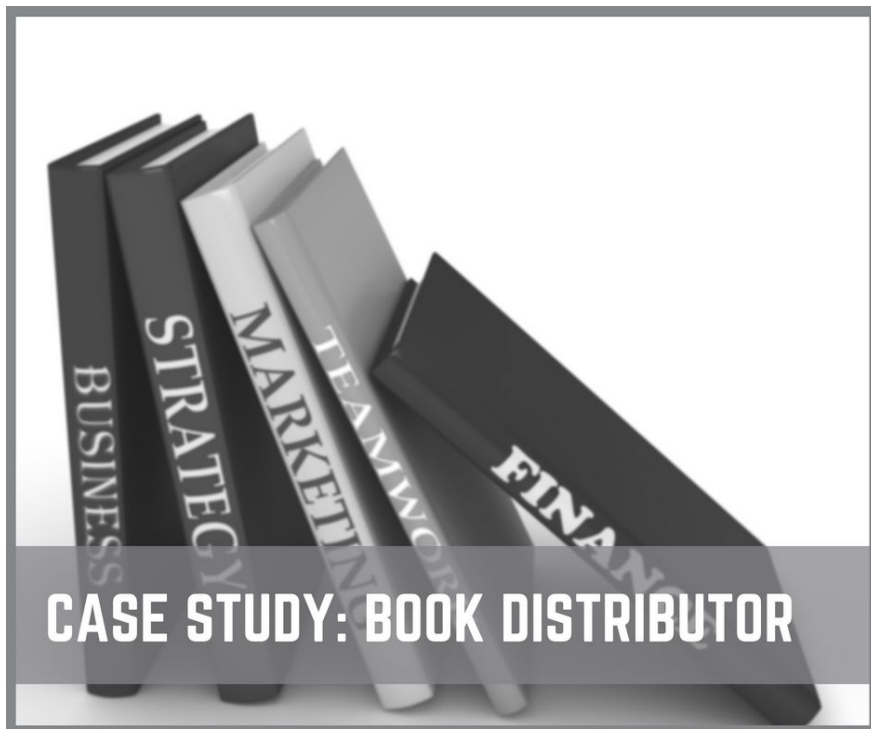


Amazon Chargebacks: How to Cut Processing Costs by 80%

Case Study: Book Distributor

By iNymbus

A book distributor fights Amazon chargebacks with cloud robotic automation and wins!



The Case Study

Large Book Distributor

Large book distributor fights Amazon chargebacks and deductions with cloud robotic automation, and WINS!

The Challenge with Amazon Chargebacks and Deductions.

To no one's great surprise, Amazon is the top retail outlet for book distributors. And Amazon was posing increasing problems for a large book distributor by rapidly eating into their already razor thin margins with deductions and chargebacks. The key complaints were:

- Amazon was charging back some amount on nearly a third of the invoices submitted.
- These chargebacks were frequently only pennies on the dollar, but in total amounted to substantial hits to margin.
- The high volume of the book distributor's transactions created thousands of chargebacks every single month.
- Amazon required specific matched paperwork be submitted in order to dispute the chargebacks.
- The paperwork needed was not readily available to attach to transactions on Amazon's portal.
- Amazon's chargeback portal was not simple to use. At all.
- Every single chargeback disputed could take between 5 minutes to 15 minutes to submit.
- The book distributor was not able to process the Amazon chargebacks fast enough to fall within the allowed dispute window.
- Seasonality, after the holidays, made chargeback processing insurmountable as the volumes were crushing.

Sound familiar?

Manual Chargeback Performed by a Trained Analyst

An analysis showed what it took to process chargebacks and deductions manually and we found that even a very motivated and trained resource needed on average between 5 to 8 minutes to organize a claim and 5 to 7 minutes to dispute a claim in the Amazon portal. That's a total of 10 minutes to 15 minutes per claim. The cost per manually processed claim can be easily calculated.

Item	Domestic Labor
Hourly Rate	\$20
Claims Per month	1,000
FTEs per 1,000 claims	One to 1.5
Work Hours Per Month	160 to 240
Cost Per 1,000 Claims	\$3,200 to \$4,800
10% Cost Increase Retaining, Systems Changes, Turnover	\$3,520 to \$5,280
Cost per Claim	\$3.52 to \$5.28

The Solution: Chargebacks Resolved!

A unique solution: Cloud Robotic Automation to process Amazon chargebacks and deductions quickly and automatically. In about 90 days, the book distributor implemented robotic processing and brought their chargebacks to zero. They found themselves current on Amazon chargebacks for the first time **EVER**. The cost was minimal compared to the manpower costs and mental fatigue surrounding the in-house manual processing of Amazon chargebacks and deductions.

Prior to the implementation of cloud robotic automation, all they did was firefight. Now they have time to work with downstream departments like Logistics and Warehouse to discuss and streamline processes and they are strategizing with Order Management to get a handle on real pricing and back order issues.

Savings:

Cloud robotic automation proved to be a “must” for our book distributor, in order to keep up with and get ahead of the Amazon portal. The cost savings in time and resources made cloud robotic automation a no brainer.

Advantages of Cloud Robotic Automation	Cloud Robotic Automation	Manual
Time to organize and file a claim	24 hours	3 to 6 months
Cash Flow	0 to 1 month	3 to 6 months
Retailer upload resource effort per 1,000 claims (a month)	0 hours	240 FTE hours
Yearly training / retraining	0 hours	200 hours (10% annually)
Cost per claim	\$1* ~80% savings	\$5.28

*We have seen costs as low as \$0.40 per claim

This is a true story. And it could be your story.

The Back Story

Traditional Solutions Don't Work with Amazon.

Sellers have been dealing with retailer chargebacks and deductions since the beginning of, well, retail. Solving these problems has been an ongoing struggle which we have witnessed first hand.



Suppliers' and Manufacturers' accounting departments are constantly trying to figure out what magic mix of solutions will finally beat Amazon Deductions & Chargebacks down.

The answer is none. Retailers such as Amazon, Walmart and Target, are more automated than everyone including our book distributor. These retailers have exceptional resources at their fingertips and are using systems, computer automation and robots to raise chargebacks. Nothing will work to combat these robots, except the same technology, re-engineered right back at them!

What's Up With Amazon?

We have found, without exception, the rate and volume of Amazon applying deductions and chargebacks to our customers is not only super-efficient but also can feel a little ruthless. Super-efficient means sellers get charged back in pennies, on literally hundreds of items, over multiple invoices, shipments and POs, literally in a matter of an hour. Ruthless means Amazon provides short windows to dispute and has been known to change their portal and dispute process rapidly for their own efficiency reasons which then causes problems downstream, as any change to the Amazon portal can halt processing of chargebacks on the supplier side and create instant retraining issues.

For Amazon to be that efficient and timely, it **must** use robots and systems, not people. Amazon's chargeback machine doesn't care if a chargeback is five cents or five dollars. Every single chargeback is just as important and weighted just as high as the next one.

Suppliers and Distributors working these deductions and chargebacks have to go through many, detailed steps to dispute and provide proper evidence for denials. Amazon provides elaborate procedures for each deduction type and chargeback type. Our vendors find that multi-page documentation exists just to define procedures and chargebacks related to ASN accuracy.

Example ASN Accuracy Compliance Issues from the Amazon Portal:

- *On time non-compliance (OTNC)*
- *Invalid/missing number for TL/LTL - Collect shipments only*
- *Unit count mismatch*
- *Missing expiration date*
- *Small Parcel - PRO/BOL mismatch*
- *TL/LTL Import – PRO/BOL mismatch – Prepaid shipments only*
- *TL/LTL – PRO/BOL mismatch – Prepaid shipments only*

Why is Amazon so Good at Deductions and Chargebacks?

For suppliers, manufacturers, and distributors, working Amazon deductions and chargebacks creates departmental pressure, is tedious and time consuming, and does not seem to be worth the human capital. The reasons are simple:

- Amazon's ruthless ability to apply deductions and chargebacks has reached unprecedented levels and speeds.
- Volumes are high because Amazon accepts disputes only at a line item level.
- This explosion of line item level work puts tremendous pressure on departments to get transactions sorted and resolved within Amazon's window.
- Amazon can raise deductions and chargebacks continuously 24 hours a day.

Amazon is, simply put, a machine. Amazon uses robots and systems to maximum effect and no amount of human capital, whether it be departmental or outsourced labor, onshore or offshore, can counter Amazon speed.

Example: Manual Amazon Resolution Process

- It requires 8 clicks in the Amazon portal to get to the deductions screens before working them.
- Another 8 clicks to start working them.
- 5 separate data entries to submit the dispute.
- To make successful data entries you have to get the correct product details and ship dates which will require accessing different systems, let's say another 5 steps.
- If Amazon requires proof of delivery or bill of lading as evidence then you have to access the shipper or warehouse system to retrieve these. That's another 4-5 steps.

Time to File Claims and Your Cash

Due to sheer volume, most accounting departments fall behind. For example, on the last day of the month, the clerks are just beginning to dispute claims received the last day of the prior month. Even in an extremely efficient organization, deductions received in one quarter are processed in the next quarter and invalid deductions or claims are sent back to the customer the following quarter. That's easily two quarters after a deduction is initially received from Amazon.

One would surmise that Amazon has a mountain of cash from hundreds of thousands of sellers who will never file chargeback claims, haven't gotten around to filing chargebacks claims, or have pending chargeback claims under review from Amazon.

Apply Cloud Robotic Automation Against Chargebacks!

Our research dictates the following four components are essential in processing chargebacks automatically:

1. **Internal document/data extraction programs**

Can be built in-house by IT or by a third-party IT firm. It does not usually cost much, because it's a straightforward extraction of documents and data.

- a) Extract documents from Invoice (A/R system) and Order (sales system)
- b) Gather data from Cash Application System, A/R system, Order Management system

2. External document/data extraction programs

To gather documents from external websites for claims and proof of delivery, SaaS (Software as a Service) providers are used. SaaS providers may provide this service for a monthly fee or on a transaction basis.

- a) Gather documents from websites Claims & PODs

3. Organizing engine

Sophisticated programs or engines with robotic components. SaaS companies provide this service for a monthly fee or on a transaction basis.

- a) Sort documents by vendor, reason code & document type (claim, invoice, order, POD)
- b) Create claim package per claim, vendor, and reason code

4. Upload engine

Sophisticated programs or engines with robotic components. SaaS companies provide this service for a monthly fee or on a transaction basis.

- a) Upload each claim package to portals by vendor and reason code
- b) When there is no portal print and ship or email

Real World Robotic Process Automation: Book Distributor

The above approach took the book distributor three months for automation to be put in place and allow them to realize benefits. Costs involved were minimal including a small amount of in-house development to make the data available, literally 40 hours, and a SaaS company to implement the cloud robotic automation solution. The final result was ongoing monthly SaaS costs ranging from \$0.40 to \$0.70 per claim with the book distributor able to dispute every Amazon claim well within Amazon deadlines.

And now our book distributor's accounting department is working on real company problems, rather than just pushing paper between their systems and Amazon.



About iNymbus DeductionsXchange

iNymbus DeductionsXchange resolves and disputes deductions and chargebacks automatically, while increasing speed and efficiency by 30X. DeductionsXchange introduces cloud robotic automation for uploading denied claim packets to retail vendor portals and submitting disputes on the customer's behalf. Not only are processing costs reduced dramatically via elimination of manual labor, companies can take back revenue from previously invalid and undisputed chargebacks and deductions.

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