Maximizing a Vendor's Order to Cash Profit Margins on Amazon

A Merchant AI White Paper

20 February 2024

1) Executive Summary

For many vendors Amazon is an important and inescapable channel for their products. Amazon has grown by competing on cost, service and selection to its customers, driving for scale and speed in its own operations and by passing back costs to vendors for any go-to-market costs that Amazon performs on their behalf. To further squeeze vendors, Amazon has pushed for the best deal on pricing and the shortest lead time to deliver to Amazon's numerous and far-flung fulfillment centers. At every stage of production, packaging, shipping, and receiving, Amazon is liable to bill brands for either chargebacks or shortages if there is any unrecognized product or anything not aligned with Amazon's rigorous standards. All these deductions negatively impact brand revenue and hurt profitability. What can be done? Brands must learn how to effectively combat shortages and chargebacks to reclaim their channel margins.

Merchant AI offers a focused web-based Financial Assistant™ application to recover revenue and margin leakages from Amazon's Vendor Order to Cash (O2C) processes. This application makes vendor personnel more productive by automatically acquiring Vendor Central financial data, tracking the status of all invoices and claims, automating raising Disputes and Cases, preparing Open Balance Statements and finally closing invoices in your financial system of record.

Using the Financial Assistant typically recovers an additional 1% or more of revenue over current processes from claims which goes directly to your bottom line, month after month. In addition, you will derive deep insight into your Amazon channel economics and identify supply-chain opportunities to avoid future chargebacks to improve revenue even further.

Merchant AI offers its software as a service for a fixed price per month depending on your vendor central account count and data volumes. If you'd prefer to outsource the entire process, we can do that too.

2) The Problem

Amazon is an important channel, and the sheer volume of transactions means lots of opportunities for error. Amazon does not break bulk, but rather expects vendors to ship products to the specific fulfilment centers identified on the PO. This leads to lots of order lines and opportunities for error. This complexity is echoed in the invoicing and payments system where Amazon documents every payment, every deduction e.g. coop, as well as reasons for non-payment e.g. shortages, price claims, missed adjustment claims & holdbacks.

Amazon's UI does not make it easy to gather information as information is spread across multiple screens, all of which are in the context of one vendor account in one marketplace.

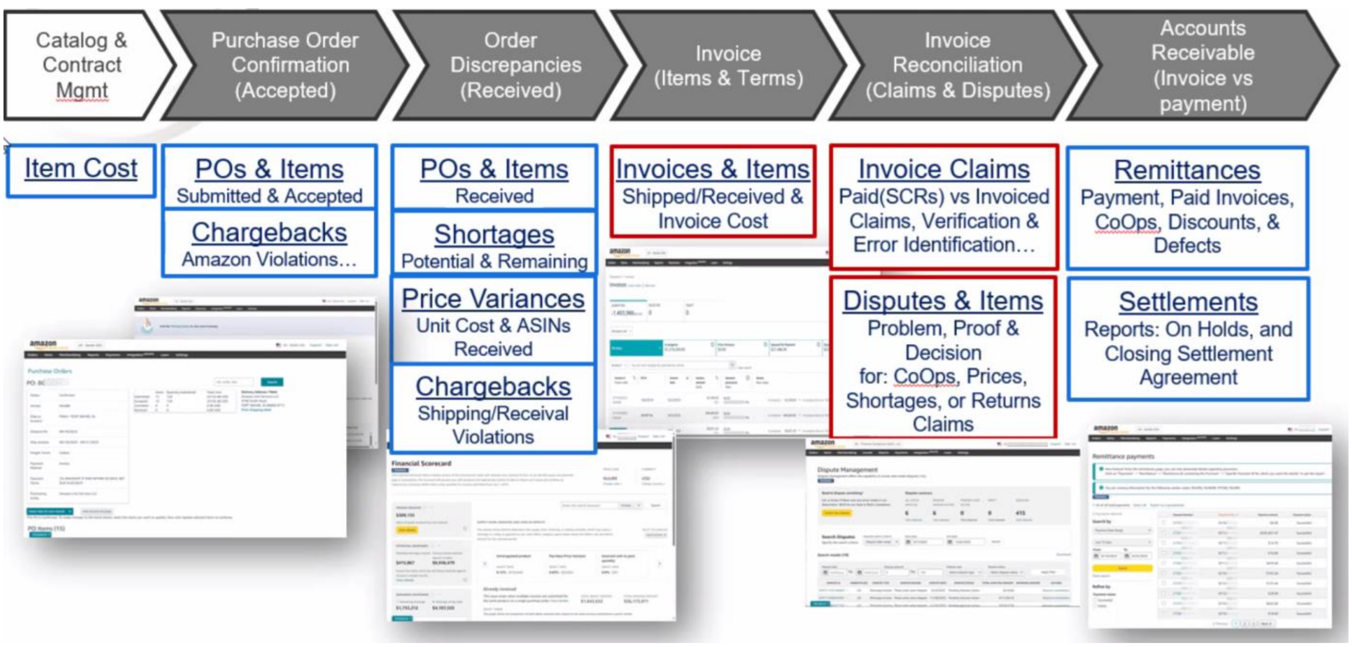


Figure 1.0

Unfortunately most vendors' invoicing systems can't auto reconcile against partial payments for invoices. They are seeing values they don't recognize and payables they didn't expect and therefore cannot accurately compute an open balance.

Furthermore, inside the vendor's Account Receivable function, few people have the knowledge and energy to navigate Amazon's dispute and case process to get lots of specific traceable differences reversed. This leaves a large number of claims to face up to, or at the end of each quarter, to settle – a process that rarely works in the vendor's favor.

As a result of these system disconnects, and an under-estimation of vendor's Accounts Receivable accounting task, few insights are shared or solicited. For an interested executive or analyst looking for detailed insight into their Amazon channel profitability, the complexity of accessing the data directly and repeatedly to refresh the analysis is so discouraging that it rarely happens.

The means very few vendor executives understand the potential of a good Order to Cash process to influence the profitability of the Amazon channel. It also means Amazon's shortage claims go undisputed, vendor margins get eroded, and management does not know why or what to do about it. As the Amazon channel grows, so will the value of monies forgone.

2) History

Amazon is a demanding retailer that eagerly pushes as much cost as possible back on to their vendors. Viewed holistically, there is revenue leakage, either real or as opportunity cost, at every stage in the O2C process

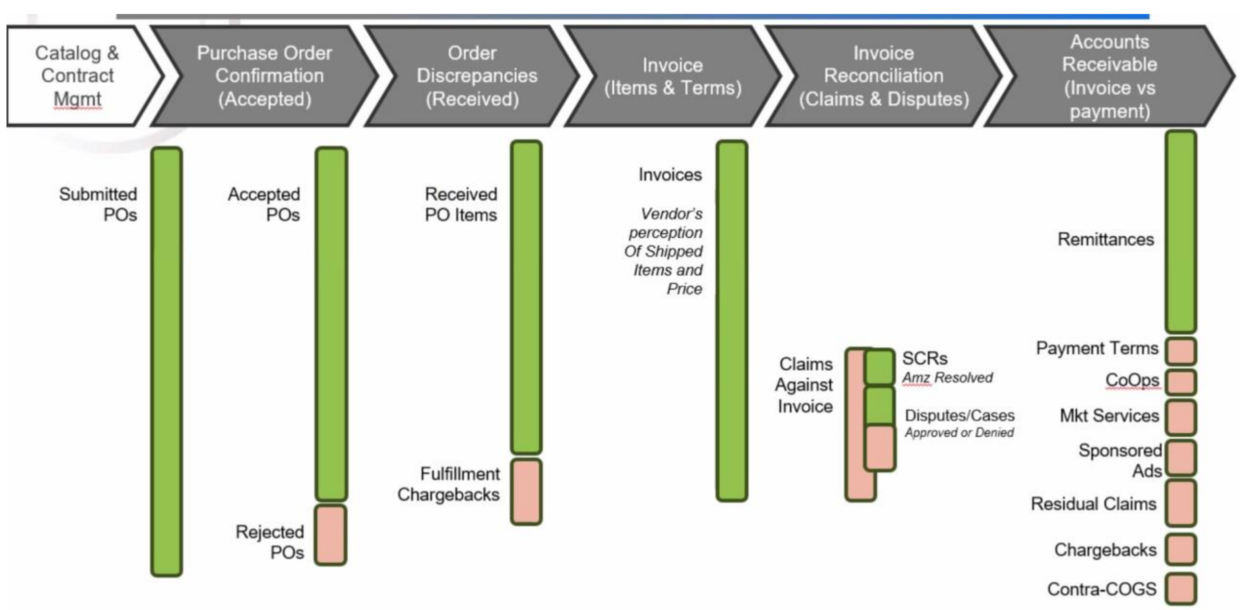


Figure 2.0

Amazon operates a "Deduct and Pay" process to de-risk its business. Before Amazon remits any money to a vendor, it deducts any costs that were contractually-agreed in the annual Vendor Agreement, as well as subsequent agreements from the vendor's valid invoice settlements. If the net result is a projected negative/debit balance, Amazon will hold back money via a 'Provision(s) For Receivable'. This means that all the charging detail that affects payments is only visible in Amazon's remittance data which is expressed cryptically in terms of a multitude of deductions against coop or other agreement numbers. This process also circumvents the critical eye of a vendor's Account Payable process.

The Remittance data is voluminous, hard to work with, but inescapable as other reports become stale. To preserve traceability, Amazon only adds to Remittance data over time. This applies to other data too - even if a shortage claim is subsequently reversed, it is never removed from the data. This means you have to look for any subsequent reversal transactions, or elsewhere in your notes, to know if a matter was ever contested and resolved.

Every type of payment is detailed in the Remittance report. Remittance data is payment date-based and hence is closest to a cash accounting basis. Some payments can be readily linked to vendor invoices and re-dated to get closer to an accrual view. Other, non-invoice related Charges are loaded in at the end of month and only have cryptic linkages via the Description field to the agreement number. Until the agreement numbers are looked up, its charge type, basis and scope and timeframe are not evident.

One class of deductions that are hard to dispute is chargebacks. The 40 or so reason codes are embedded in the Description field. These are "fines" for non-conformance and causing Amazon extra work.

Amazon's shortages, missed adjustment claims, and price variance charges are hard to find but there are patterns to the types of claims that don't resolve themselves automatically. Amazon systems are geared to expect the happy path. Even if such shortages resolve themselves within the 35-day Amazon

Smart-Match receiving system horizon and the Amazon system gets its numbers straight via reversal payments, the vendor's (ERP) system of record still doesn't' recognize the numbers provided by Amazon without human intervention.

For the residual Price Claims (PC), shortage claims (SC) and Missed adjustment Claims (MAC) where vendors suspect errors, few know how to raise disputes and follow through with the support case system for maximum approvals. Amazon allows one dispute of one type per invoice e.g. a single Shortage Dispute Type. If there are extra, or subsequent issues, these need to be contested via support Cases/Tickets. Disputes can be Approved, Partially Approved, or Denied. If the vendor is still not satisfied, another iteration of the same can be raised, sometimes multiple times hence all the …SCRSCR… suffixes.

Unfortunately, there is no note-taking ability in the Vendor Central system to record any support Case number raised against an invoice item. This means users' pain is compounded by having to maintain offline notes (typically Excel or SharePoint) as they move disputes and cases along e.g. "Raised Case#123456 on 2024/2/1 for ASINs …". Unless these notes are sharable, only one person can work the account which can be a bottleneck. Even if shared, the notes are not in the same system making reporting progress and status more complicated.

While some claims might be for tens of thousands of dollars, many of the erroneous fees are small – perhaps less than $100. The make such claims worthwhile to chase, it takes a very low transaction cost and a lot of tenacity realize the benefits. Few vendors have the time, energy and diligence to pursue all the claim opportunities.

However, the best practice is to chase all the small disputes for which you have evidence and minimize the volume that will be subject to quarterly settlement negotiation. There appears to be some psychology at play (aka "this is not worth my time") whereby it is easier to get a small amount accepted than a large one especially if you have the evidence e.g. an Amazon driver signature on Collect freight terms. If lots of small claims are submitted together for big settlement, the number is bigger, the evidence murkier, the possibility of escalation to Finance higher, and the turnaround time longer.

Another class of opportunities is un-invoiced Purchase Orders (POs). Many finance processes only really track invoices, indeed some companies call the process 'Invoice to Cash". Unfortunately, errors do happen on people transition and EDI failures so it is pretty common to find un-invoiced POs for which Amazon has received product. These are the easy money. While Amazon does highlight missing invoices, vendors often have multiple vendor accounts even within one marketplace for different product groups/divisions so multiple account checks need to be routinely performed. Apart from human error, Un-invoiced POs can arise because of EDI misconfiguration whereby the ERP system thought an invoice was submitted but missed seeing its rejection, so did not know to resubmit.

Un-invoiced POs are remarkably common. Below is the startup state of a major multinational with an ERP system from a top vendor. Each invoice is a color-coded dot based on state. Oldest invoices are on the left, most recent on the right. Black is fully paid, gray is partial, while every red dot is an un-invoiced Amazon PO. By performing and end-to-end check we found 15 POs, with the highlighted one worth $165k!

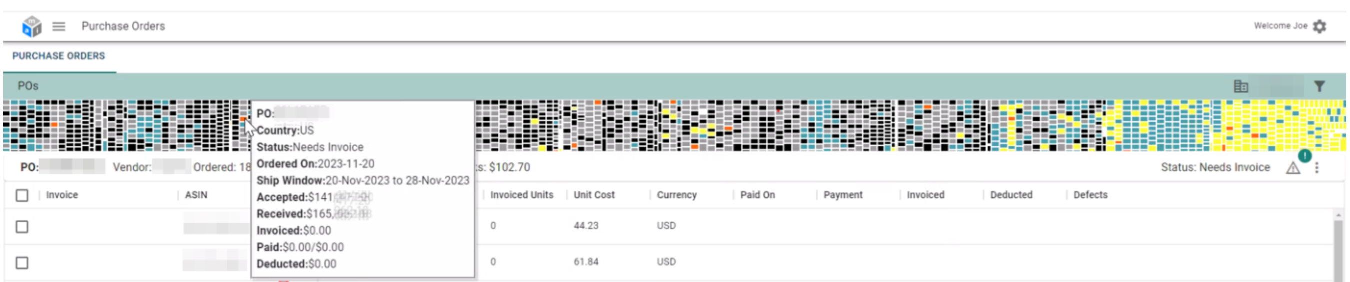


Figure 2.1

To wrap up the O2C process after any disputes & cases have run their course or not even been contested, the final closure for a period is done via the Settlements process. Keep in mind that Best Practice is to proactively submit disputes and cases before submitting an open balance statement and proceedings settlement negotiations. The settlements process is painful when performed manually. Amazon's objective, and the vendor's, is to wrap up all the open claims up to some point in time, ideally a financial quarter end, after which claims cannot be re-opened. The settlements process requires the vendor to submit an ‘Open Balance Statement’ (OBS) of all the claims the vendor thinks are open and dissatisfied with. This is generally an e-mail negotiation. If your received quantity and/or price numbers disagree with Amazon, your OBS comes back with a terse message to the effect of ‘get the data straight in your system before you bother us’.

Preparing the ‘Open Balance Statement’ is a very daunting task unless you’ve kept accurate records of every shortage and price claim status within your system of record. Our analysis shows that many clients with NetSuite or SAP are not able to maintain a correct open balance on the SCR level in their systems.

	Payee	Vendor Doc Numbe	Vendor Doc Amoun	Vendor Doc Date	Amazon Doc Nu	Amazon Doc Date	Amazon Curren	Docume	Refers To	Status	Payment(Re	Payment Date	Action Owner	Org	Due Date
90	[illegible]	[illegible]SCRSCRSCR	2872.51	4/6/2023	[illegible]SCRSCRSC	4/6/2023		Invoice	Invoice PQV	Invoice is On Hold due to Matching Issue			Pending your Action	US	6/5/2023
91	[illegible]	[illegible]SCR	900.6	4/6/2023	[illegible]SCR	4/6/2023		Invoice	Invoice PQV	Invoice is On Hold due to Matching Issue			Pending your Action	US	6/5/2023
92	[illegible]	[illegible]SCRSCR	853.68	4/6/2023	[illegible]SCRSCR	4/6/2023		Invoice	Invoice PQV	Invoice is On Hold due to Matching Issue			Pending your Action	US	6/5/2023
93	[illegible]	[illegible]SCR	2786.16	4/12/2023	[illegible]SCR	4/12/2023		Invoice	Invoice PQV	Invoice is On Hold due to Matching Issue			Pending your Action	US	6/11/2023
94	[illegible]	[illegible]SCR	936.48	4/13/2023	[illegible]SCR	4/13/2023		Invoice	Invoice PQV	Invoice is On Hold due to Matching Issue			Pending your Action	US	6/12/2023
95	[illegible]	[illegible]SCR	286.71	4/13/2023	[illegible]SCR	4/13/2023		Invoice	Invoice PQV	Invoice is On Hold due to Matching Issue			Pending your Action	US	6/12/2023
96	[illegible]	[illegible]SCR	1618.2	4/13/2023	[illegible]SCR	4/13/2023		Invoice	Invoice PQV	Invoice is On Hold due to Matching Issue			Pending your Action	US	6/12/2023
97	[illegible]	[illegible]SCR	2286.2	4/13/2023	[illegible]SCR	4/13/2023		Invoice	Invoice PQV	Invoice is On Hold due to Matching Issue			Pending your Action	US	6/12/2023
98	[illegible]	[illegible]SCR	278.95	4/20/2023	[illegible]SCR	4/20/2023		Invoice	Invoice PQV	Invoice is On Hold due to Matching Issue			Pending your Action	US	6/19/2023
99	[illegible]	[illegible]SCR	405	4/20/2023	[illegible]SCR	4/20/2023		Invoice	Invoice PQV	Invoice is On Hold due to Matching Issue			Pending your Action	US	6/19/2023
100	[illegible]	[illegible]SCR	284.56	4/20/2023	[illegible]SCR	4/20/2023		Invoice	Invoice PQV	Invoice is On Hold due to Matching Issue			Pending your Action	US	6/19/2023
101	[illegible]	[illegible]SCRSCR	1138.24	4/25/2023	[illegible]SCRSCR	4/25/2023		Invoice	Invoice PQV	Invoice is On Hold due to Matching Issue			Pending your Action	US	6/24/2023
102	[illegible]	[illegible]SCR	853.68	4/25/2023	[illegible]SCR	4/25/2023		Invoice	Invoice PQV	Invoice is On Hold due to Matching Issue			Pending your Action	US	6/24/2023

Figure 2.2 An Example OBS Excel sheet as returned

In many ways, the OBS is an acid test of your data integrity, record keeping and process credibility as nothing will get paid till you agree on the input data. Once the settlement is agreed, the final ignominy is that the settlement results (e.g. “20c on the $”) need to be (painfully) applied/smeared to all relevant invoices and the invoice closed, and write-offs taken on the ERP/Financial system of record. The net effect of enduring all this complexity is vendors leave money on the table.

3) The Solution

Merchant AI offers two SaaS modules for improving vendor O2C margins and Amazon reporting generally. Both modules can stream their data to downstream data warehouses or ML applications with the assurance that you have the latest data that Amazon is making available.

The first module is our Financial Assistant web application that automatically acquires your Amazon financial data, analyzes it, and makes and creates recommendations. Since Amazon doesn't provide an API to access most of this financial data, Merchant AI's data bots continuously refresh the PO, Invoice and Payment details, as well as user notes on disputes and support cases (See Figure 1.0 for all the types of data routinely acquired). Because the data is always refreshed at least weekly, vendors can credibly take the next step within the dispute, case or settlement process without getting pushback on 'your (PQV) data is different than ours – please fix your system first' response. Financial Assistant can identify erroneous charges like Shortages, and Price Claims, simplifying and accelerating the process of raising disputes, cases and ultimately the 'Open Balance Statement' used for periodic settlements. Financial Assistant plays well with your existing invoicing system as it automatically generates reports used to facilitate quarterly close. This creates a workflow and punch list for front line workers to accurately and effectively manage the shortage and price claim disputes to minimize cash lag and maximize margins.

For enterprise customers, the second module Merchant Assistant™ provides access, enrichment, and value-added services for almost all Vendor Central Retail and Brand Analytics data such as Search Terms, Traffic, Sales, Inventory and Net PPM. Although this data is available daily via Amazon's APIs, it is constantly being restated to adjust for customers' returns, discovered shipments and other receival and payment changes, and hence such data may need constantly resampling for prior periods of up to 6 months in the past for the assurance that you are always working with the same data set that Amazon is using.

Financial Assistant is a SaaS product that is rapidly implemented. With the notable exception of PO-level chargebacks, most chargeback types can be valued and attributed to their origin process based on payee codes and ASINs involved. These might be one of your locations, an Amazon location or the transport/carrier process in between. Some chargebacks might be waivable via a dispute as new vendors are on-boarded or new chargeback programs are introduced. With root cause analysis on their origin system, location or product, fixes can be made in the supply chain to avoid such chargebacks in the future.

In the following Financial Assistant screenshot, across the top we have a color-coded, filterable map of the status of invoices – oldest on the left and most recent on the right. The grey are partially paid and the teal colored are unpaid. Clicking on a particular invoice shows each item's status with any deductions in red.

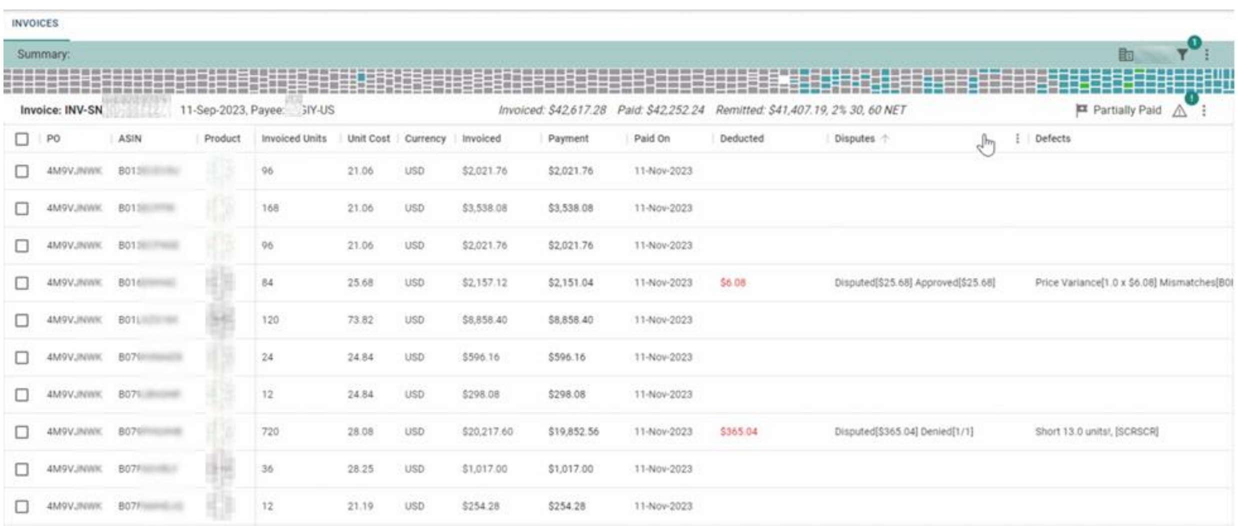
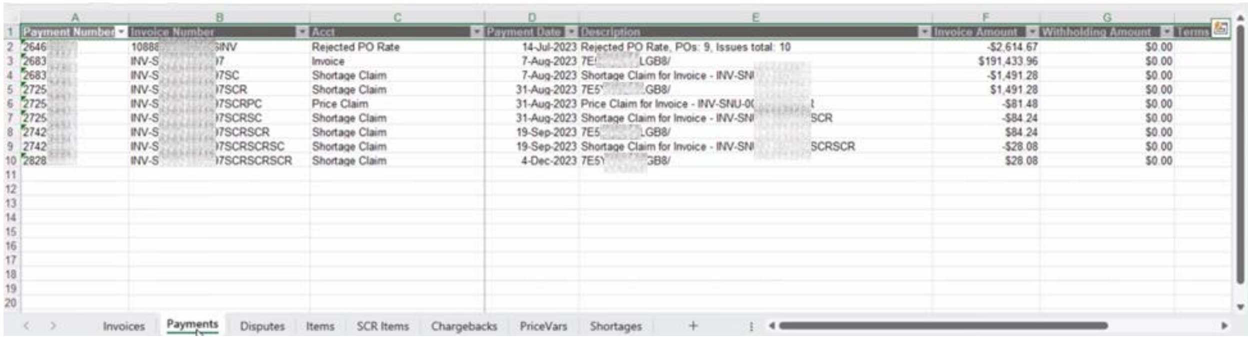


Figure 3.0

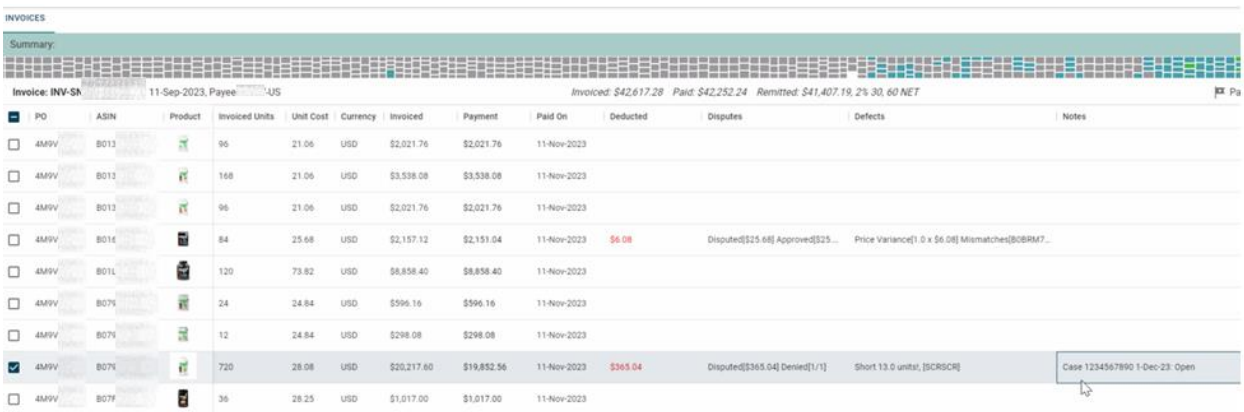
When needed, MAI's Financial Assistant can generate a complete summary and latest status of an invoice with worksheet tab for each information type. This example has 6 levels of claim-upon-claim in ever decreasing amounts that were eventually won.



Payment Number	Invoice Number	Acct	Payment Date	Description	Invoice Amount	Withholding Amount	Terms
2646	10888 SINV	Rejected PO Rate	14-Jul-2023	Rejected PO Rate, POs: 9, Issues total: 10	-$2,614.67	$0.00	
2683	INV-S)7	Invoice	7-Aug-2023	7E LGB8/	$191,433.96	$0.00	
2683	INV-S)7SC	Shortage Claim	7-Aug-2023	Shortage Claim for Invoice - INV-SN	-$1,491.28	$0.00	
2725	INV-S)7SCR	Shortage Claim	31-Aug-2023	7E5 GB8/	$1,491.28	$0.00	
2725	INV-S)7SCRPC	Price Claim	31-Aug-2023	Price Claim for Invoice - INV-SNU-0(	-$81.48	$0.00	
2725	INV-S)7SCRSC	Shortage Claim	31-Aug-2023	Shortage Claim for Invoice - INV-SN SCR	-$84.24	$0.00	
2742	INV-S)7SCRSCR	Shortage Claim	19-Sep-2023	7E5 LGB8/	$84.24	$0.00	
2742	INV-S)7SCRSCRSC	Shortage Claim	19-Sep-2023	Shortage Claim for Invoice - INV-SN SCRSCR	-$28.08	$0.00	
2828	INV-S)7SCRSCRSCR	Shortage Claim	4-Dec-2023	7E5 GB8/	$28.08	$0.00	

Figure 3.1

Financial Assistant offers automation support for raising Disputes and Cases. By making it much easier and quicker to group & assemble the information supporting a claim, it becomes more practical to chase every claim for which you have evidence. Hence you get to contest claims that would have gone unchallenged in the past thus recovering more revenue than you would otherwise have collected.

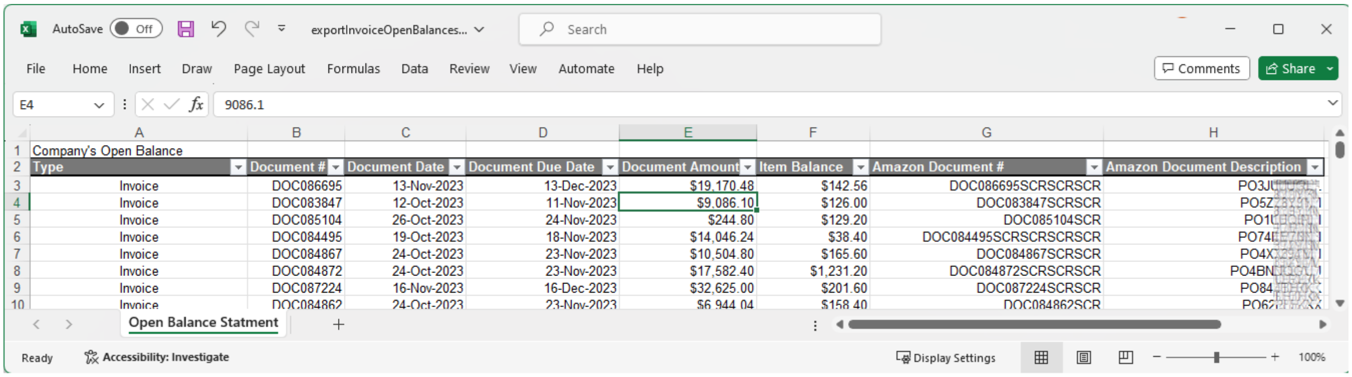


PO	ASIN	Product	Invoiced Units	Unit Cost	Currency	Invoiced	Payment	Paid On	Deducted	Disputes	Defects	Notes
4M9V	B013		96	21.06	USD	$2,021.76	$2,021.76	11-Nov-2023				
4M9V	B013		168	21.06	USD	$3,538.08	$3,538.08	11-Nov-2023				
4M9V	B013		96	21.06	USD	$2,021.76	$2,021.76	11-Nov-2023				
4M9V	B01(		84	25.68	USD	$2,157.12	$2,151.04	11-Nov-2023	$6.08	Disputed[$25.68] Approved[$25...	Price Variance[1.0 x $6.08] Mismatches[B0BRM7...	
4M9V	B01L		120	73.82	USD	$8,858.40	$8,858.40	11-Nov-2023				
4M9V	B079		24	24.84	USD	$596.16	$596.16	11-Nov-2023				
4M9V	B079		12	24.84	USD	$298.08	$298.08	11-Nov-2023				
4M9V	B079		720	28.08	USD	$20,217.60	$19,852.56	11-Nov-2023	$365.04	Disputed[$365.04] Denied[1/1]	Short 13.0 units!, [SCRSCR]	Case 1234567890 1-Dec-23: Open
4M9V	B07F		36	28.25	USD	$1,017.00	$1,017.00	11-Nov-2023				

Figure 3.2

Financial Assistant allows user notes and annotations to support tracking of support Cases raised outside of, and hence invisible to, Amazon Vendor Central. Given that there is only one dispute type per invoice, other claim types, or any additional claims of the same type (e.g. Shortages) need resolving via a support case/ticket. Allowing user notes within Financial Assistant avoids another tracking tool, makes reporting easier and allows two more people to work concurrently on the same account and see each other's notes in a single source of the truth aligned to Amazon's system of record.

When the time comes to submit all residual claims for settlement, Financial Assistant generates the ‘Open Balance Statement’ (OBS) Excel sheet whose numbers will agree with Amazon’s. Once agreed, the settlement will close off any further opportunity to open claims up to that point in time. Since Financial Assistant continually tracks invoice, disputes and payments status, vendors can confidently auto-generate & submit their Open Balance Statement to close off each financial quarter.



Company's Open Balance

Type	Document #	Document Date	Document Due Date	Document Amount	Item Balance	Amazon Document #	Amazon Document Description
Invoice	DOC086695	13-Nov-2023	13-Dec-2023	$19,170.48	$142.56	DOC086695SCRSCRSCR	PO3J
Invoice	DOC083847	12-Oct-2023	11-Nov-2023	$9,086.10	$126.00	DOC083847SCRSCR	PO5Z
Invoice	DOC085104	26-Oct-2023	24-Nov-2023	$244.80	$129.20	DOC085104SCR	PO1
Invoice	DOC084495	19-Oct-2023	18-Nov-2023	$14,046.24	$38.40	DOC084495SCRSCRSCRSCR	PO74
Invoice	DOC084867	24-Oct-2023	23-Nov-2023	$10,504.80	$165.60	DOC084867SCRSCR	PO4X
Invoice	DOC084872	24-Oct-2023	23-Nov-2023	$17,582.40	$1,231.20	DOC084872SCRSCRSCR	PO4BN
Invoice	DOC087224	16-Nov-2023	16-Dec-2023	$32,625.00	$201.60	DOC087224SCRSCR	PO84
Invoice	DOC084862	24-Oct-2023	23-Nov-2023	$6,944.04	$158.40	DOC084862SCR	PO62

Figure 3.3

The OBS can often have tens or hundreds of rows upon which the final negotiated settlement will be made. Once concluded, the spreadsheet is imported back into Financial Assistant to auto-update the many invoices’ status, and the ERP system advised on how to close each invoice and make the residual write-offs.

While Financial Assistant can stand alone, further integration of other Amazon data brings additional insight into the two largest buckets of Amazon charges – Coop and Advertising. By integrating O2C with Amazon Vendor Central (AVC), Finance can better understand Net PPM, inventories, receipts, and other bases used in coop calculations. By linking O2C with Amazon Ads/AMS, the contribution of advertising to run rates can be examined and its campaign budget allocations reviewed.

Many companies have an appetite for data in downstream systems & databases e.g. Snowflake for further analysis. It is especially useful to be able to export data across all payee accounts for a period once the heavy lifting of data staging has been done e.g. extra fields for joins etc. This enables analysts to spend more time analyzing and less time staging. Favorite applications for such analyses include cost to serve/landed cost and contribution margin analysis that recognize vendor’s in-house costs of production and sales.

Similarly, integration with Amazon Vendor Central data might allow Customer Returns rates to be compared to negotiated Damage Allowances, AVC's Net Receipts against the Accruals Coop, or the AMS Advertising reported spend against the Payment reported Advertising spend, etc.

Merchant AI understands the sensitivity of your financial data. Merchant AI never shares or aggregates data in any form with third parties. Dedicated server FYI, the sanitized screenshots and data in this article have been approved for release by our clients.

4) The Benefits

Recognizing that few vendors have deep insights into their Amazon channel economics, there is a lot to be gained by making the costs more transparent and making those responsible for them more accountable for improvement.

There are typically 4 sources of hard benefits:

- A one-off cash flow improvement by submitting invoices for un-invoiced POs (as well as not having such issues recur in the future)
- A recurring improvement in shortage and price claim reversals for erroneous fees typically equivalent to 1-10% of revenue, all prepared with 50% or more less effort.
- A recurring benefit of avoiding future chargebacks by fixing problems at source.
- Avoidance of in-house personnel cost especially if the business is growing.

For most clients, the pilot implementation will result in a very rapid payback for the effort and the early cash release from un-invoiced POs will typically exceed multiple years of MAI's Financial Assistant operating cost. Should we not find such immediate opportunities you can have the satisfaction that all your invoices are all submitted.

Chargebacks are fines for non-compliance with Amazon's operating guidelines. The type of chargebacks gives clues on who to call, get fixed at source and avoided in the future. A range of 0.5-5% of revenue is typical but rarely acceptable. Here is an example breakdown worth 0.4% but still worth millions of dollars:

Chargeback	-2,640,711
ASN Accuracy	-320,724
Carton Content Accuracy	-146,747
Carton Information Compliance	-163,071
No Show	-2,520
Other	-125,414
Oversized Carton	-4,422
Overweight Carton	-4,515
PO On-Time Accuracy	-761,591
Prep Issues	-465,644
Rejected PO Rate	-558,243
Ship In Own Container	-84,297
Unconfirmed PO units	-3,525

Figure 4.0

The success rate on reversals varies by charge type and by the contracted terms. Of the $222m of expenses, after reversals, $64M was recovered, of which shortages were the largest component. In this example, the freight terms were 'Collect', so since the driver signed for it, Amazon was then responsible for any loss. If your freight terms are not 'Collect', did you factor this cost into your calculations?

Expense	-222,146,661
Advertising	-50,200,819
Amazon Vendor Services	-6,212,088
Chargeback	-2,640,711
CoOp	-107,307,389
Other	1,193,859
Price Issue	-591,021
Returns	-1,041,588
Shortages	-55,346,905
Reversals	**64,369,664**
Advertising	544,180
Chargeback	221,317
CoOp	2,171,603
Other	7,387,038
Payment Terms	913,924
Price Issue	168,527
Shortages	52,963,074

Figure 4.1

The broad visibility of Amazon economics will bring some closure to the debate about how profitable the Amazon channel is relative to the alternatives. When the Amazon economics are understood in aggregate, and once costs can be attributed to the more specific product groups and even specific ASINs, then vendors can make informed decisions about which products to offer via Amazon 1P as distinct from 3P or other marketplaces. This tends to lead to a healthy and informed discussion on how to manage each channel and mitigate cross-channel conflicts.

Without digging any deeper into specific agreements, you can imagine how a similar presentation of your O2C data in Figure 4.2 below (which has complete traceability to every payment and agreement) might be eye-opening for most channel, marketing, operations, and finance managers:

Chart of Accounts	Invoice Amount	Amount Paid	% of Invoice Amount
Income	**615,326,263**	**606,027,078**	**98.49%**
Expense		**-222,146,661**	**-36.10%**
Advertising		**-50,200,819**	**-8.16%**
Unclassified		-13,554,698	-2.20%
Advertising Charge		-8,459,002	-1.37%
Sponsored Advertising Charge		-28,187,119	-4.58%
Amazon Vendor Services		**-6,212,088**	**-1.01%**
Amazon Brand Specialist		-6,156,988	-1.00%
Amazon Vine Program		-55,100	-0.01%
Chargeback		**-2,640,711**	**-0.43%**
CoOp		**-107,307,389**	**-17.44%**
Advertising Allowance		-1,022,656	-0.17%
Damage Allowance		-535,342	-0.09%
Deal-Promotion Allowance		-187,300	-0.03%
Defective Allowance		-331,089	-0.05%
Flexible Allowance		-506,814	-0.08%
Freight		-55,811	-0.01%
Marketing		-104,367,185	-16.96%
Price Protection		-247,422	-0.04%
Quantity Allowance		-32,895	-0.01%
Subscribe-N-Save		-20,875	-0.00%
Other		**1,193,859**	**0.19%**
Price Issue		**-591,021**	**-0.10%**
Returns		**-1,041,588**	**-0.17%**
Shortages		**-55,346,905**	**-8.99%**
Reversals		**64,369,664**	**10.46%**
Working Capital		**-9,447**	**-0.00%**
Total	**615,326,263**	**448,240,634**	**72.85%**

Figure 4.2

5) The Call-To-Action

O2C is a hidden nugget – both a pocket of money and as a source of great actionable insight into your Amazon economics and margin drivers.

There should be some urgency to getting started as Amazon is continually placing orders to keep it inventory topped up. The quicker you can identify your chargebacks, the faster you can address your supply chain problems and prevent further revenue leakage. In parallel, your Finance team get to work to recover unclaimed money owed but trapped in Amazon's system.

Figure 5 below shows the type of status information that can be shown at any time, e.g. upon startup with a new client. This example shows Undisputed shortage claims in orange and their month of origin over the past 14 months.

Example Unpaid Invoice Status Summary by Month (Orange = Undisputed)

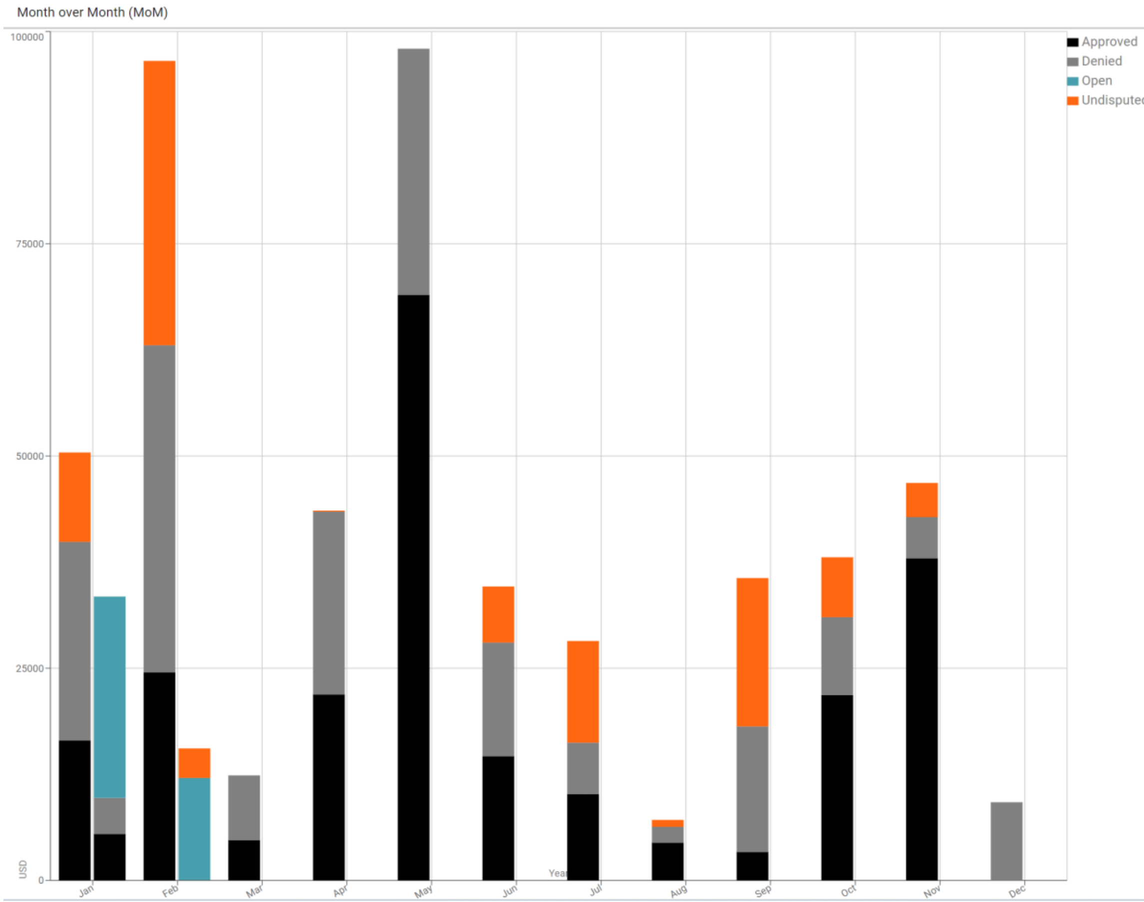


Figure 5.0

Merchant AI offers a risk-free startup of Financial Assistant against your data. We'll need a mutual NDA to get started, and then a set of Amazon Vendor Central credentials to login on your behalf and download the data. Within a few days, depending on the number of accounts and the scale of data involved, we can give you a confidential snapshot of your economics and recent fee recovery performance and hence an estimate of how much money is at stake. If you like what you see, and dependent on your support needs and expectations, we'll agree a monthly fee, or turn it off.

With Merchant AI's Financial Assistant, vendors can choose to operate the portal themselves, or outsource the operation to a trusted subcontractor to whom we can introduce you if necessary.

If you'd like to take advantage of this opportunity, please contact MAI to discuss your service needs and expectations to discuss the fit and how to realize the benefits.

Please contact Oliver Scutt at oliver@merchant-ai.com or visit www.merchant-ai.com to schedule a demonstration.

7) About Merchant AI Incorporated

Merchant AI is an Amazon specialist Software-As-A-Service vendor based in Seattle, WA USA.

We have a well-rounded view of the Amazon eco-system having consulted with Amazon, worked with major F100 global vendors, vendor representatives and ad agencies representing clients big and small. In 2023 we helped make sense of the data behind over $5Bn of Amazon sales across 16 marketplaces.

Our functional breadth spans demand generation, operations, financials and corporate reporting. We integrate Amazon provided data with other respected or proprietary sources and are very familiar with a variety of tools and technologies for enterprise-scale data gathering, curation and presentation including Snowflake and Power-BI.

