

VENDOR CHARGEBACK POLICY

11.1. PURPOSE OF THE VENDOR CHARGEBACK POLICY..... 2

11.2. LATE SHIPMENTS 2

 11.2.1. FREIGHT TERMS..... 2

 11.2.2. PENALTY FOR LATE SHIPMENTS..... 2

11.3. NON-COMPLIANCE WITH TRAFFIC OR ROUTING INSTRUCTIONS..... 3

 11.3.1. FAILURE TO COMPLY WITH FREIGHT INSTRUCTIONS 3

 11.3.2. FAILURE TO COMPLY WITH “SHIP TO” INSTRUCTIONS 3

11.4. UNAUTHORIZED PARTIAL SHIPMENTS 4

11.5. OVERSHIPMENTS 4

11.6. INCORRECT MASTER AND INNER CARTON MARKINGS 4

11.7. PACK SLIP NON-COMPLIANCE 4

11.8. ADVANCE SHIPMENT NOTICE (ASN) NON-COMPLIANCE 4

11.9. QUALITY ASSURANCE FAILURE 5

 11.9.1. FIRST-PIECE SAMPLE VIOLATION..... 5

 11.9.1.1. *Aborted Pre-Shipment Finished Goods Audit..... 5*

 11.9.1.2. *Pre-Shipment Finished Goods Audit Change with less than 48 hours notice. 5*

 11.9.1.3. *Re-inspection fine for filed Pre-Shipment Finished Goods Audit..... 5*

 11.9.2. FAILURE TO MEET QUALITY AND PACKAGING REQUIREMENTS 6

11.10. DIRECT COSTS RESULTING FROM VENDOR ERROR 6

11.11. VENDOR CHARGEBACK FORM..... 6

Figure 1 Example of Vendor Chargeback Form 7

11.1. PURPOSE OF THE VENDOR CHARGEBACK POLICY

QVC's Purchase Order terms and shipping and quality requirements are designed to facilitate timely and accurate processing of Vendor receipts. The Vendor's compliance with these requirements is important, and our Vendors' support in this regard is greatly appreciated.

The purpose of QVC's Vendor Chargeback policy is to help ensure that the Vendor complies with QVC's Purchase Order terms as well as the shipping and quality requirements. Under the Vendor Chargeback policy, QVC holds the Vendor accountable for certain violations, and *financial penalties will be assessed for non-compliance*.

The remainder of this chapter outlines the most common infractions and the corresponding Vendor Chargeback penalties. For more information regarding QVC's Vendor Chargeback policy, Vendors may call QVC's Vendor Chargeback phone line at 484 - 701 - 8090.

11.2. LATE SHIPMENTS

11.2.1. Freight Terms

QVC requires Vendors to comply with the ship / delivery dates specified on the Purchase Order. A Vendor Chargeback will be generated for late shipments / deliveries each time product is shipped or delivered outside these dates. There are two different freight terms that affect the ship / delivery dates: Collect and Prepaid.

A. Collect

A Purchase Order with freight terms of Collect will have a “**do not ship before**” and a “**do not ship after**” date. The Vendor must *ship* on or between these dates to avoid late status. Vendors cannot call on last ship / delivery date to arrange same day pick-up or delivery. To avoid late shipment penalties see *Chapter 10 Transportation Instructions*.

B. Prepaid

A Purchase Order with freight terms of Prepaid will have a “**do not deliver before**” and a “**do not deliver after**” date. The Vendor's product must *arrive* at QVC on or between these dates to avoid late status. To avoid late shipment penalties, see *Chapter 10 Transportation Instructions*.

11.2.2. Penalty for Late Shipments

The penalty for a late shipment is determined by the following schedule:

Minimum Penalty: \$1,000

-Or-

One (1) to five (5) days late	5% of total Shipment cost
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Greater than five (5) days late	10 % of total Shipment cost
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Note: At QVC's sole discretion, QVC may schedule pick-up or delivery appointments outside the dates stated on the order. In these instances, there will be no charge to the Vendor.

11.3. NON-COMPLIANCE WITH TRAFFIC OR ROUTING INSTRUCTIONS

11.3.1. Failure to Comply with Freight Instructions

The Vendor is required to ship in accordance with the freight terms specified on the Purchase Order. Vendors are required to follow the instructions of QVC's Supply Chain Department regarding carriers and appointments.

The charge for failure to comply with QVC's freight instructions will be **\$500** plus any additional freight cost incurred by QVC. Please refer to Chapter 10 Transportation instructions for further details on Non-compliance charges.

11.3.2. Failure to Comply with "SHIP TO" Instructions

The SHIP TO warehouse is specified on the Purchase Order. If the Vendor ships product to a warehouse other than the one specified on the Purchase Order, without the documented authorization of QVC's Traffic Department, the Vendor will be charged **\$500** plus any freight cost incurred by QVC.

11.4. UNAUTHORIZED PARTIAL SHIPMENTS

The Vendor is required to ship entire Purchase Order quantities complete, unless approved in writing by QVC buyer prior to shipment. QVC does understand and has accounted for short shipments due to Vendor shipping to case pack quantities and timing issues surrounding multiple truckload shipments.

The Vendor will be charged **\$500 for each partial shipment** made to QVC.

11.5. OVERSHIPMENTS

QVC will not accept shipment quantities in excess of that specified on the Purchase Order. While allowance is made for a minimal tolerance, over shipments (determined at the SKU/Purchase Order level) will be returned to the Vendor. QVC will not pay for goods received in excess of the Purchase Order quantity, and the value of such overages will be deducted from the Vendor's invoice in anticipation of returning the excess goods to the Vendor. The Vendor will be charged **\$250 for each QVC SKU** on a shipment, which is confirmed as an overage. Estimated inbound and outbound freight cost will also be charged.

11.6. INCORRECT MASTER AND INNER CARTON MARKINGS

Each master carton must meet all of QVC's packaging and labeling requirements as established in *Chapter 8 Packaging and Labeling* and for Hardgoods, *Chapters 7 and 8, Package Integrity and the Ability to Survive Transit and Unit, Carton and Bulk Goods Packaging Requirements*. A charge of **\$100 per master carton or inner carton (not to exceed \$2,000)** will be assessed for failure to comply with any of these provisions.

11.7. PACK SLIP NON-COMPLIANCE

All Vendors are required to supply one (1) detailed packing slip with each shipment. The packing slip must be on the lead carton or garment of the shipment. (*See Chapter 10 Transportation Instructions for details*). A charge of **\$500** will be assessed for failure to include a correct, complete and legible pack slip.

11.8. ADVANCE SHIPMENT NOTICE (ASN) NON-COMPLIANCE

All Vendors are required to complete and return QVC's Advance Shipment Notice (ASN) by fax or email to the QVC Supply Chain Department at least 48 hours (2 business days) prior to the time of shipment. A charge of **\$500** will be assessed for failure to return the ASN prior to shipment. (*See Chapter 10 Transportation.*)

11.9. QUALITY ASSURANCE FAILURE

11.9.1. First-Piece Sample Violation

Before the Vendor can ship goods, the First-Piece QA Sample* must have been submitted in accordance with QVC policy and must have undergone evaluation and been placed in either Accept or Conditionally Accept status by QVC Quality Assurance. A "First Piece QA Sample" is an actual production sample that represents, in *all* respects, the merchandise to be sold and shipped to the customer. (See Chapter 2: *First-Piece QA Sample Evaluation* or for Apparel, Chapter 29: *Production Sample*.)

*For failure to submit the required First-Piece QA Sample(s) three weeks prior to the First Ship / delivery date of the Purchase Order, the vendor will be charged **\$500.00 per QVC SKN number**.*

Goods delivered to a QVC distribution center without prior approval of the First-Piece QA Sample(s) by QVC QA will be rejected and returned to the Vendor. A Vendor Chargeback of **\$500 per occurrence** will be applied. Estimated inbound and outbound freight cost will also be charged.

Apparel Goods requiring a third fit sample to correct Vendor issues will be charged **\$350.00** per QVC SKN number.

*First Piece QA Sample is equivalent to the Production Sample in Apparel and Accessories.

11.9.1.1. Aborted Pre-Shipment Finished Goods Audit

For each aborted Pre-Shipment Finished Goods Audit a Vendor will be charged **\$500.00**. An aborted Pre-Shipment Finished Goods Audit is defined when a Vendor schedules inspection, inspector arrives and cannot proceed due to shipment not being ready.

11.9.1.2. Pre-Shipment Finished Goods Audit Change with less than 48 hours notice.

Each time a Vendor reschedules a Pre-Shipment Finished Goods Audit with less than 48 hours notice a charge of **\$500.00** will be assessed per occurrence.

11.9.1.3. Re-inspection fine for filed Pre-Shipment Finished Goods Audit.

For any inspection performed by QVC, Shanghai. If initial inspection does not meet QVC standards and Vendor must have that portion re-inspected. The Vendor will be charged **\$300.00** for each additional re-inspection.

11.9.2. Failure to Meet Quality and Packaging Requirements

QVC inspects all goods received at its warehouses. Products received which are not in compliance with QVC's quality and packaging requirements will be rejected. A Vendor Chargeback of **\$500 per occurrence** will be applied. In certain instances, QVC may elect to rework the product and a minimum charge of \$1.00 per unit reworked will be charged. If actual rework costs are higher than \$1.00 per unit, the actual rework costs will be charged.

In certain instances, QVC may elect to send the product back to the Vendor to be reworked. A Vendor Chargeback of **\$500 per occurrence** and estimated inbound and outbound freight costs will be charged.

11.10. DIRECT COSTS RESULTING FROM VENDOR ERROR

If QVC incurs costs due to the Vendor's error, QVC reserves the right to recover such costs from the Vendor. Charges include, but are not limited to, incremental freight costs, labor costs, and material costs incurred as a result of problems such as the following:

- Product recall;
- Failure to meet Purchase Order dates;
- Shipment of missing part(s) to QVC customers.

11.11. VENDOR CHARGEBACK FORM

A Vendor Chargeback Form is completed each time a Vendor violates a requirement outlined in QVC's Vendor Chargeback policy. A copy of the Vendor Chargeback Form is faxed to Vendor upon buyer approval. All questions are to be submitted in writing to your QVC buyer within 60 days of VCB being deducted from your account.

(A sample of the Vendor Chargeback Form is on the following page.)

Figure 1 Example of Vendor Chargeback Form

COMPLIANCE ISSUES SUMMARY

QVC **VENDOR CHARGE-BACK** **VCB NUMBER** 95120

P.O. NUMBER

VENDOR **DATE**

VENDOR NUMBER **BUYER NUMBER**

THE FOLLOWING INFRACTIONS DID NOT COMPLY WITH THE REQUIREMENTS OUTLINED IN THE QVC GUIDELINES:
**Charge Amt shows as pending during the receiving process.*

INFRACTION	CHARGE AMT
LATE SHIPMENTS	
Late Shipment/Delivery >5 days late	Pending*
MASTER CARTON INFRACTIONS	
Master Carton Infractions	Pending*

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