



V O L U M E I I I

C A S E S T U D Y 0 0 3

The Six-Figure Compliance Leak.

Turning fines into moats — scorecard correction for protein suppliers.

O R G A N I C F R O Z E N S E A F O O D

S U S T A I N A B L E L I N E

\$98K

97.4%

Top 15%

Invalid Deductions
Recovered

Inbound Fill Rate

Distributor Compliance
Rank

O P E R A T I O N A L I N T E L L I G E N C E · M A R G I N A R C H I T E C T U R E · E X E C U T I O N
I N F R A S T R U C T U R E

P R O S T R A T E G I C S U I T E

E D I T I O N 2 0 2 6

P O R T F O L I O & C L I E N T P O S I T I O N I N G U S E · C O N F I D E N T I A L

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A complete diagnostic record of the engagement: findings, root cause, intervention sequencing, results, and operator insight. Built for portfolio presentation, capital conversations, and broker alignment.

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ENGAGEMENT PARTICULARS

Type: Deductions Control & Scorecard Correction

Timeline: 6-Month Engagement

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Date: April 2026

0 1 | EXECUTIVE SUMMARY

Compliance is a margin discipline, not a back-office function.

An organic frozen seafood brand entered KeHE and UNFI authorized to win and was bleeding on the deduction register within eighteen months. PRO converted the compliance failure into a competitive moat — and recovered \$98K in invalid deductions in the process.

Within eighteen months of entering KeHE and UNFI, an organic frozen seafood brand had accumulated \$142K in chargebacks and compliance deductions across labeling fines, ASN errors, fill-rate penalties, and 'unacceptable product' claims. Inbound fill rates were chronically running at 89–92 percent and OTIF at 89.1 percent. The brand was sliding toward de-authorization, and the broker had not flagged the trajectory because the broker was not paid to flag it.

PRO's diagnostic identified the failure as systemic, not incidental. There was no internal owner for compliance, EDI errors were untraced, and ASN accuracy was being managed reactively by the 3PL. Plant capacity was prioritized for national-account orders — leaving KeHE and UNFI as residual fillers, and the highest-fee channels served with the lowest production priority. The compliance leak was structural.

The intervention installed a deductions recovery engine with a 72-hour dispute SLA, executed a scorecard correction campaign that negotiated \$41K in legacy fine waivers, rebuilt plant capacity allocation to protect distributor slots, and shifted volume to temperature-controlled consolidation programs that reduced LTL exposure. Within six months, inbound fill rate moved to 97.4 percent, OTIF to 96.1 percent, and the brand moved from bottom-quartile compliance ranking to top 15 percent at both distributors.

ENGAGEMENT FRAMING

This engagement is the clearest illustration of PRO's core thesis: compliance is not a cost center. It is a competitive position. Brands that treat scorecard performance as a strategic asset earn promotional access and buyer trust. Brands that treat it as a back-office nuisance lose both — typically before they understand they are losing them.

0 2 | PERFORMANCE SNAPSHOT

At a glance.

The numbers below are the engagement-window deltas — measured against the pre-intervention baseline at scope kickoff. Every line was reconstructed from distributor scorecard data, deduction registers, and the brand’s own P&L.

METRIC	BEFORE	AFTER	IMPACT
Invalid Deduction Recovery (Annual)	\$0	\$98K	+\$98K
Inbound Fill Rate (UNFI)	91.2%	97.4%	+6.2 pts
OTIF Compliance	89.1%	96.1%	+7.0 pts
Service-Level Fines (Annual)	\$38K	\$4K	-89%
Distributor Compliance Ranking	Bottom Quartile	Top 15%	+2 Quartiles

<h1>\$98K</h1> <p>Invalid Deductions Recovered</p>	<h1>97.4%</h1> <p>Inbound Fill Rate</p>	<h1>Top 15%</h1> <p>Distributor Compliance Rank</p>
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0 3 | DETAILED FINDINGS

What the diagnostic actually surfaced.

The findings below were extracted from eighteen months of distributor scorecard data, deduction registers, and chargeback notices. None of it was hidden. None of it had been read.

2.1 The Deduction Iceberg

I S S U E · \$142K in trailing-eighteen-month deductions, fragmented across categories.

Trailing-eighteen-month chargebacks and compliance deductions totaled \$142K, fragmented across labeling fines (\$275–\$450 per incident), ASN chargebacks, 'unacceptable product' claims with zero physical returns, fill-rate penalties, and pallet configuration violations. The brand had been treating each line as an isolated event rather than reading the pattern.

C O N S E Q U E N C E · *Fragmented deductions look manageable line by line. They become a six-figure leak when read collectively. The brand's finance function had no centralized view, no GL mapping, and no dispute discipline — which is the precondition for sustained chargeback exposure.*

2.2 Fill-Rate Crisis

I S S U E · Chronic 89–92% inbound fill rates — below distributor thresholds.

Inbound fill rates were chronically running at 89–92 percent across both KeHE and UNFI. Distributor scorecard thresholds at both partners begin compounding demerits below 95 percent. The brand was structurally generating scorecard damage on every shipping cycle and absorbing the cost as recurring penalty rather than addressing the root cause.

C O N S E Q U E N C E · *Fill rate below the scorecard floor is the single fastest path to de-authorization. It compounds across categories — one short shipment becomes a labeling demerit becomes an OTIF miss. The brand was approximately one quarterly review away from a category-buyer conversation it was not prepared to have.*

2.3 OTIF & MABD Failures

I S S U E · 11% of shipments missing MABD windows — LTL and temp-controlled routing.

Eleven percent of shipments were missing MABD windows, primarily driven by LTL delays and temperature-controlled routing failures. The brand was using mixed carriers without consolidation, and the temp-control transfers between LTL legs were generating cold-chain incidents that produced 'unacceptable product' claims downstream.

C O N S E Q U E N C E · *MABD misses in frozen seafood are not just compliance failures. They are quality failures. A late shipment in a frozen category often arrives with thaw exposure, which produces a separate deduction code and damages buyer trust. One compliance failure was generating two deduction lines.*

2.4 Plant Allocation as Residual

I S S U E · KeHE/UNFI treated as residual fill against national-account priority.

Production capacity at the plant was being allocated to national-account orders first, with KeHE and UNFI orders filled from residual capacity. The result was that the highest-fee, highest-compliance-cost channels were being served with the lowest production priority and the tightest cycle times. When capacity tightened, the natural-channel orders absorbed the schedule misses.

C O N S E Q U E N C E · *If KeHE and UNFI are residual fillers, the model is structurally guaranteed to generate compliance failures at exactly the channels least tolerant of them. Capacity allocation is itself a compliance discipline — it determines which channel pays the cost of production constraints.*

0 4 | ROOT CAUSE ANALYSIS

Compliance was being treated as a back-office nuisance.

The brand had no internal owner for distributor compliance. EDI was being handled by the 3PL with no internal audit. ASN accuracy was being managed reactively. Scorecard data was arriving and not being read. Without an owner, the failure mode was inevitable: small errors compounded into material P&L damage because no one was tracking the trajectory.

Underneath that ownership gap was a deeper allocation failure. The plant was prioritizing national-account orders and treating KeHE and UNFI as residual fillers. In the protein category, where MABD windows are tight and temperature compliance is non-negotiable, residual-priority status guarantees compliance failures. The plant was structurally set up to fail the channels that fined the most aggressively.

The third compounding factor was the absence of a deduction defense process. Of the \$142K in trailing chargebacks, PRO's reconstruction suggested that approximately \$98K was potentially recoverable on the basis of mis-applied codes, duplicate charges, or process fixes the brand could document. None of it was being contested. The brand was paying penalties it did not owe because no one was reading the deduction register.

THE STRUCTURAL READ

Compliance is not a back-office function. It is a margin discipline. Brands that treat scorecard performance as a strategic asset earn the right to expand. Brands that treat it as a nuisance lose authorization quietly and then loudly.

0 5 | INTERVENTION STRATEGY & SEQUENCING

Treat every ASN, label, and fill-rate miss as a recoverable defect.

The intervention attacked four surfaces simultaneously: recover what could be recovered, fix the upstream causes, rebuild plant allocation, and protect distributor slots from production constraints.

PHASE I. Deductions Recovery Engine

Weeks 1 - 6

Centralized deduction inbox installed. 94 percent of deduction codes mapped to specific events, GL buckets, and distributor program terms. 72-hour dispute SLA installed on every incoming deduction. Trailing-eighteen-month deductions reviewed and contested where defensible — produced \$98K in recovery within the engagement.

PHASE II. Scorecard Correction Campaign

Weeks 4 - 10

Direct engagement with distributor compliance teams at both KeHE and UNFI. Process fixes documented and presented. Negotiated \$41K in legacy fine waivers on the basis of demonstrated remediation. Scorecard GPA monitored weekly with internal owner installed.

PHASE III. Protein-Specific S&OP & Capacity Allocation

Weeks 6 - 18

Plant capacity allocation rebuilt to protect distributor slots in advance of national-account orders. 10-day buffer inventory installed on high-velocity SKUs at the 3PL to absorb plant constraint shocks. Production priority sequenced by channel cost-of-failure rather than by order size.

PHASE IV. Compliance Hardening

Weeks 8 - 24

LTL volume migrated to temperature-controlled consolidation programs to eliminate cold-chain transfer risk. QA gates installed on pallet labeling. ASN accuracy escalated to 98 percent within twelve weeks. Scorecard ranking moved from bottom quartile to top 15 percent at both distributors within the engagement window.

0 6 | RESULTS & OPERATING IMPACT

Bottom quartile to top 15% — compliance as competitive position.

Within six months, the brand had moved from a structurally non-compliant model to one of the better-performing scorecards in its category at both distributors. Inbound fill rate moved from 91.2 percent to 97.4 percent. OTIF moved from 89.1 percent to 96.1 percent. Service-level fines dropped from \$38K annual run rate to \$4K — an 89 percent reduction.

Invalid deduction recovery alone produced \$98K within the engagement window, materially exceeding the engagement fee. Beyond the recovery, the structural change was that deductions were no longer being silently absorbed. They were owned, contested, and tracked — and the dispute SLA itself reduced new-deduction velocity, because distributor compliance teams stopped applying questionable codes against a brand that consistently contested them.

The most consequential result was positional. The brand moved from bottom-quartile compliance ranking to top 15 percent at both distributors. That positional shift unlocked promotional access that had been quietly restricted, restored buyer trust, and produced an estimated \$1.1M in incremental annual revenue potential through ad eligibility, expanded SKU authorizations, and category-buyer conversations the brand could not previously hold.

M E T R I C	B E F O R E	A F T E R	I M P A C T
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What this engagement confirmed.

Portable lessons from the engagement — the kind of diagnostic principles that compound across suppliers, categories, and capital deployments. These are the patterns PRO carries into the next engagement.

- 01** Compliance is a margin discipline, not a back-office function. Brands that treat scorecard performance as a strategic asset earn the right to expand.
- 02** An unmanaged deduction register is silently absorbing capital. Centralize, map, contest within 72 hours, and recovery alone often exceeds the engagement fee.
- 03** Capacity allocation is a compliance discipline. If KeHE and UNFI are residual fillers behind national accounts, the model is guaranteed to fail at the highest-fee channels.
- 04** Fill rate below 95 percent is not a missed shipment — it is a scorecard demerit that compounds into de-authorization risk over a quarterly review cycle.
- 05** Scorecard correction is negotiable. Documented process fixes presented to distributor compliance teams routinely produce legacy fine waivers when properly framed.

“The moment we treated every ASN, label, and fill-rate miss as a recoverable defect instead of a cost of doing business, the money started coming back. The recovery alone exceeded the engagement fee.”

FOUNDER / CEO • ORGANIC FROZEN SEAFOOD BRAND

0 8 | BOTTOM LINE

Compliance is the moat. Treat it that way and the channel pays you for it.

PRO turns compliance from a silent margin killer into a competitive position. The \$98K in recovered deductions exceeded the engagement fee inside six months. The restored promotional access added an estimated \$1.1M in annual revenue potential. The structural shift from bottom-quartile compliance to top 15 percent gave the brand the kind of channel standing that compounds across categories, distributors, and capital conversations.

The lesson is portable. Every brand that ships through KeHE and UNFI absorbs some level of deduction friction. The brands that own the friction operationally — with named accountability, mapped codes, and contested SLAs — convert that friction into a moat. The brands that do not absorb it as a permanent margin tax until the de-authorization conversation forces a reckoning.

THE PRO MANDATE

PRO can scale suppliers without letting distribution destroy them.

Every engagement begins with a diagnosis and ends with a system the operator can run without us. We do not advise on operations — we install them.

ENGAGE

Scott M. Short

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Prime Retail Operations · Margin Architecture · Operating Intelligence