

# PREVENT CHARGEBACKS

WITH **35**

EASY  STEPS



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# CHAPTER 1

## Use The Available Tools

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Accepting credit card payments is beneficial to a business, however, chargebacks can cause major drawbacks.

Chargeback prevention includes stringent process and complex procedure. Risk mitigation techniques need to acclimatize and develop as the technologies change.

However, there are certain steps you can take to minimize the risk of getting them. Take a look on the following steps that will help prevent chargebacks and protect your business from potential loss.

## Always Use Address Verification Service (AVS) For Online Orders



# Step 1

Address verification service is an automated fraud prevention programs that reduce the chance of a merchant accepting a fraudulent transaction. AVS crosscheck the billing address listed in the transaction against the address registered with the issuing bank. Ask the customer to provide their billing as well as shipping address while purchasing. Before processing the transaction, conduct an AVS check, which will provide different result codes.

Some of those are:

- ZIP code and address match
- ZIP code does not match, address matches
- ZIP code matches, address does not match
- Neither ZIP code nor address matches
- AVS Service not supported by issuer

According to the issued result code, the action will be taken. A ZIP code and address match indicated an authorized transaction. Partially matches need to be carefully reviewed. If the result is partially matched and accompanied by any of the following steps, proceed with excessive vigilance, as the transaction may be deceptive:

- Larger than normal orders
- Orders that contain big-ticket items
- Overnight or rush shipping
- Orders shipped to an address that is not the billing address
- Several units of the same item

In such cases, when you suspect a mismatch is not an indicator of fraud, one can take following steps to validate the transaction:

- Call the phone number associated with the transaction to verify the order
  - Call the issuer to check the information in the transaction against the issuing bank's file
- "AVS service not support by issuer" is a code generally associated with international orders. Verifying these transactions might be difficult. One might require a signed copy of the sales receipt submitted through fax.

## Use Card Verification Codes



## Step 2

Use the security feature provided by the every card network which matched security numbers found on the actual card. These codes are authentication proof and ensure the card is in the owner's possession. Since the information is available only on the back of the card, it is safe as long as the card is with the owner.

Every card network owns separate card security code

- Visa's Card Verification Value 2 (CVV2)
- MasterCard's Card Validation Code 2 (CVC2)
- Discover's Card Member ID (CMID)
- American Express's Card Identification Number (CID)



Asking the customers to enter the card security code during the checkout process can protect from fraud transactions. Using the security code increases the probability that the owner is placing the order.

## 3D Secure



## Step 3

3-D secure is another fraud prevention tool which protects from fraud transactions. With the 3D secure, the checkout process becomes more complex. Another security window pops out and a predetermined security code will be asked. In such cases, only the owner, who has predetermined the code, can only complete the transaction.

Each card network has its own product:

- Verified by Visa
- MasterCard SecureCode
- JCB International's J/Secure
- American Express's SafeKey

Incorporating this fraud detection tool helps in secure transaction and prevents chargebacks.





Visa Account Updater helps in preventing disruption of customer relationships and recurring payments, which improves customer satisfaction and loyalty. It serves as an automated, dedicated and secure clearing house, delivering updated cardholder account information in a timely, efficient and economical way benefiting acquirers, merchants, issuers and cardholders.





## CHAPTER 2

### Good Customer Service

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The only way to please unsatisfied customers is by providing them with outstanding customer service. Different approaches are taken to communicate with customers and to keep them contented. This way, the customers will contact you first, before calling their issuing bank to initiate a chargeback.





## Provide Contact Information



## Step 5

Share contact information so that the customer can connect with you instead of the bank. For this, the customer will require access to the business's contact information. Ensure that your contact information is provided on every page or at least on the contact us page of the website. Adding map, physical address, social media accounts and other information can help customer retention.

## Address Emails



## Step 6

Send automated reply to all emails or inquiries. Inform the customers about when they can expect an answer to their inquiry. Abide by the date provided by you and send a helpful reply that can address the customer's query.

## Addressing Customer Complaints Through Phone



## Step 7

Phone conversation is an essential form of customer service. It is important to answer the phone calls of customers to address their problems. An automated machine can be disappointing for a unsatisfied customer. To reduce chargebacks, human representative should answer the phone within four rings. Replacing automated machines with genuine customer service representatives can reduce chargebacks by 33%.





## Check Social Media Accounts

### Step 8

Social media has emerged as an easy and simple method of marketing. However, customers use social media as a tool for communication. It is a platform where customer's share their problems or register their complaints.

Keeping an eye on social media accounts and acknowledging customer's grievances can minimize the rate of chargebacks.



## Provide Round The Clock Service



### Step 9

Doing business 24 hours a day, 7 days a week means customer expect customer service round the clock. The expectations of a customer from online business are completely different from brick-and-mortar establishment. Customers expect quick reply to their query.

A recent study shows that 100% of surveyed consumers expected a reply within 48 hours. Nearly 705 expected a reply within 24 hours, 60% wanted acknowledgement within an hour and almost 35% expect a response within half an hour.

Consider providing round the clock support and live chat sessions to answer their complaints. Meet the customer's need as soon as possible to avoid chargebacks.



## Provide Policies And Procedures



### Step 10

The confusing and complicated return policies can make the employee file a chargeback. Make sure that the policy page is easier to find on the business's website.

A customer may not deal with your perplexing and complex return policy, and thus it may seem easier to file a chargeback. With clear refund and return policy on a website- it makes it hard for a customer to win a chargeback if they are around your stated policies. Clear information makes the customer feel more safe.



## CHAPTER 3

### Avoid Merchant Error

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Merchant errors are the major reason behind the chargeback reason. If business devotes their time and tactics to prevent those errors, then the risk of chargebacks can be reduced easily.



Extra vigilance can easily reduce merchant error chargebacks. The chargebacks are easily preventable. Adhering to the general business best practices, one needs to follow rules and regulations set forth by payment networks.

- Whenever a copy is request, submit the required copy timely.
- Provide credits and cancellations easily whenever the customer asks.
- Ensure the credits do not get processed accidentally as a charge.
- Ensure the sales receipts are legible.
- Payment batches needs to be settled on time.
- Do not accept an expired card.
- When authorization is denied, stop the transaction. Ask for different forms of payment without attempting multiple authorizations.
- Avoid payment processing with Dynamic Currency Conversion. Providing customers with the option to choose the right currency can help the customers make payment easily. Keep the customers informed about the DCC service.



**Best  
practice**



## CHAPTER 4

### Handling Recurring Payments

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Recurring payments are hassle free, save time and money. They generate more predictable cash flow, improve payment timeliness, and even lower the risk of merchant error. Still, recurring payments are not chargeback-proof.



## Be Clear About Terms Of Service

### Step 12

Ensure that customers know the terms of service involved with recurring payment process. Talk about additional fees, including early termination fees. Ensure that the customers accept the terms of service page.



## Ensure Cancellation Process Is Easy

### Step 13

Cancellation is a headache for the customers. Consider a simple cancellation process for the customers. A restrictive contract can restrict a user to use your website repeatedly.



## Cancellation Requests Need To Fulfill Quick

### Step 14

Customers don't want to get hassled. If the customer asks to discontinue a service, then without any further trouble, the cancellation requests need to be fulfilled.



## Inform About The Change In Payment Rate

### Step 15

The customers have the right to know about the change in the payment rate. To avoid chargeback, it is essential to notify the customers of the change at least 10 days prior to it. If the customer does not wish to continue with the payment plan, then provide with new plans or cancel the plan as soon as possible.



## Remind The Customer About The Upcoming Charge



## Step 16

Send a reminder to the customers before changing the card. Remind the customers about the upcoming charges to minimize the rate of chargebacks



PAYCROW





## CHAPTER 5

### Address Shipping Related Issues

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Most customers are not aware of what is involved in the order completion process. They assume that the product is picked from the shelf, packed in a box and sent for delivery. But when the customers get disappointed, chargeback is the only option which comes into their mind.





## Make Customers Aware About The Shipping Process



## Step 17

Shipping process is not as simple as it seems and thus educating the customers is essential. Let the customers know when the product will ship and the delivery date. Providing them with a complete procedure starting from packaging till delivery can help a customer understand the shipment process better. When they are aware of the delivery date, they will panic less.

## Inform The Customers About Delays & Discontinued Products



## Step 18

If an item is delayed, inform the customer. Give the customer options to cancel the order rather than waiting for its delayed arrival. Moreover, if an item is discontinued, remove it from the list or inform the customers immediately. Suggestions about similar products can be provided, however, substitution without the consent of the customer can lead to a chargeback.





## CHAPTER 6

### Transparent Marketing Of Products And Services

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While shopping in the brick and mortar shops, the customer can judge the qualities for themselves. However, for online customers, merchants have to provide all the required details that the customer might be looking for. The way you market the products and services will create an impact on the mind of the customers. If the product does not live up to the customer's expectation, chargebacks becomes difficult to avoid. Being careful about marketing products and services is important. Portraying goods and services in a positive way without being dishonest can help retain customers.

## Provide Product Descriptions

### Step 19

Every product should have a product description beside it. Elaborated descriptions are appreciated. Providing descriptions related to the size, weight, material and everything else required can help a customer to buy a product easily.

## Images And Videos Should Be Used Wisely

### Step 20

Product images should be provided in abundance. They should be taken from different angles and zoomed in so that the customer can view the details in particular. Though they may not touch the product, but the picture should help them feel the product with their eyes. Even the videos should highlight the most significant features.

## Careful Uses Of Words

### Step 21

Two of the most common reasons for chargeback is “not as described” and “services not rendered”. To avoid such chargebacks, the products should be marketed properly. Marketing jargons, phrases and words should be chosen carefully while describing the products. Information should be apt to ensure that the customers do not get disheartened after receiving the products.





## CHAPTER 7

### Identify And Prevent Fraud

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The biggest threats for online merchants are internet fraud. As the fraudsters put many efforts, one needs to be a little creative with chargeback prevention techniques. Combining different tactics, innovative fraud detection ideas, you can easily reduce the risk of fraud related chargebacks



Follow the below points to reduce chargebacks. If you observe one of the following in an online purchase, proceed with caution.

- Fraudster lookout for new victims and thus one have to be cautious about the new customers.
- Fraudster will place large orders to get as much as possible. Keep an eye on big sale, as they can be suspicious.
- The fraudster may purchase several items of the same product. If you are finding a person buying 10 of the same t-shirt, then he might be a fraud.
- Fraudsters will be attracted to products which are highly priced.
- As the frauds are not paying the bill, you can keep the orders that have rush shipping especially if the transaction is big.
- Since AVS cannot generate a match for international addresses, frauds can ship orders overseas. The fraudster might send the purchase to a shipping company. Later the shipping company will send the order to the fraudster.
- Watch for multiple orders with similar account numbers to prevent fraudsters. He may place several orders on different cards, but ship them all to the same address.
- Keep an eye on multiple cards used from the same IP address or multiple orders made with one card. It will definitely be a fraud case.



## Validate Fraud



## Step 23

Below are some simple ways to validate fraud

1. Validate the order by calling the customer or sending a letter to the billing address. The real cardholder will be able to provide correct details, however the fraud will probably get confused.
2. Search for the shipping address online. Check for the match between billing and shipping address or the item is shipped to a shipping office.
3. Search for the customer online. Few of the fraudster may have their name on the internet. Otherwise, social media accounts can be helpful to validate the authenticity of the customer.
4. Monitor repeat customers too. Any fraud can make a normal purchase to validate his account and later can order high tag products.

## Eliminate Fraud Enticements



## Step 24

Carefully consider the products sold. Most of the fraud people will make several small purchases to ensure the card is “safe” to use. If you become an easy target for the criminals then nobody can protect you from a chargeback.

## Make A Blacklist



## Step 25

Create a blacklist to ban the fraudster from doing business with you. The blacklist can block criminals by something specific like an IP address.

## Make A White List

## Step 26

If you wish you could create a white list, which will consist the people, whom you think should make purchases from your site.

## Set Limits To Control Repeated Purchase

## Step 27

If the first order goes through without a problem, the fraudster may try several other purchases. Set the velocity limit, so that no one can make purchases repeatedly within a fraction of minutes.

## Set Limits For Purchase

## Step 28

Set up a maximum purchase limit is a good idea. If you are hoping to earn profits without setting a limit, then you may be wrong. But setting the limit can put a stop on the chargeback risk.







## CHAPTER 8

### Information Security

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Securing information provided by the cardholder is important to protect their details. It helps in retaining the customers and prevents fraud related chargebacks



PCI-DSS or payment card industry data security standard comprises of a minimum set of security requirements to protect cardholder's data. It helps in securing sensitive information while it is stored, processed and in transit. Failing to integrate PCI DSS security processes could leave organizations more susceptible to security control failures, malicious attack or accidental information leakage.

As non-compliance fines are high, an acquirer may choose to terminate the merchant account for any business that is not compliant. If security breach does occur, a non-compliant merchants need to pay more amount to detect fraud.

Below are the 12 compliance requirements developed by the Payment Card Industry

- ★ Maintaining a secure network
  - Installing Firewall configuration can help protecting cardholder data
  - Restrict using vendor-supplied defaults for system passwords
- ★ Securing cardholder information
  - Ensure the stored cardholder information is secured.
  - Encrypt transmission of cardholder data across open, public networks
- ★ Address vulnerability management
  - Update antivirus software when required
  - Maintain secure systems and applications
- ★ Executing powerful access control measures
  - Don't share cardholder information with everyone
  - Unique ID code should be provided to each person
  - Confine physical access to cardholder data
- ★ Monitor and test networks frequently
  - Track and analyze network resources and cardholder data
  - Analyze security systems and processes often
- ★ Create policy to protect information
  - A policy should be created to address information security

As, data breaches are increasing, we have seen that PCI-DSS fails to provide complete protection. Most of the notable breaches are PCI-DSS compliant. As new technologies are emerging, further steps should be taken to enhance security level. Tokenization and end-to-end encryption are the two most popular forms used for additional data security.

### **Tokenization**

Nowadays, tokenization has been one of the best supplement security options. It is the process of replacing sensitive data with unique identification symbols to retain essential information without compromising its security. Advantages of tokenization- it is one of the economical option. The merchant does not have to pay to encrypt, decrypt and re-encrypt data. Once the tokens are created, they can be used seamlessly throughout the merchant's system. Disadvantages of tokenization- tokenization is a secured option, however there are chances of vulnerability to attacks created in the future. Merchants should monitor new threats and potential risks.

### **End-To-End Encryption**

End-to-end encryption is a security technique to protect the cardholder information. With this method, the data is encrypted at the web level and decrypted at database or application server. If implemented with trusted algorithms, end-to-end encryption can provide highest level of data protection.

#### **Advantages of end-to-end encryption**

Greater flexibility is provided to the user so that they can decide which data to encrypt. It protects the data throughout the transmission process.

#### **Disadvantages of end-to-end encryption**

The process of decrypting the data and re-encrypting before storing and transmitting makes the whole process costly. There are some chances of vulnerability when data is decrypted.



## CHAPTER 9

### Fighting Friendly Fraud

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The steady rise of 'Friendly Fraud' also known as 'I didn't do it' or 'it wasn't me' chargeback is one of the biggest challenges. However, there are few ways to prevent such chargeback.



## Confirmation After Delivery

### Step 31

Delivery confirmation is an essential step to prevent chargebacks. It is a valid way to prevent friendly fraud, as a customer cannot deny about receiving products after the confirmation of delivery.



## Verify Billing Descriptors

### Step 32

A billing descriptor consists of your business name and phone number, which appears on the cardholder's monthly statement and transaction activity log. It helps a consumer understand the charge, but it should be worded properly to avoid any harm. Including phone number and website can decrease the confusion. A credit card statement shows the static billing descriptor, for example: ABC SERVICES

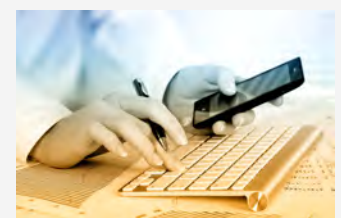


888-111-2345...\$ 17.00 The billing descriptions will change according to individual transactions. If your business offers wide range of products or services, then customized approach can be a good idea. Every processor does not allow soft billing descriptors. Selecting a processor wisely can be a good idea for preventing chargeback. Ensure your company is represented properly on credit card statements. Consider making several test purchases with different credit cards to check.

## Analyze Suspicious Activity

### Step 33

There are many indication of potential friendly fraud. Different shipping and billing address, making duplicate orders, abnormal large purchases, and suspicious inquiries to check the order status can help in analyzing suspicious activity.



## Analyze Sales Of Digital Goods

### Step 34

- Digital goods and services are easy targets. There are few things to be followed to reduce risk.
- Consider putting the activation key in the cloud to help the merchant prove that customer has accepted the delivery.
- An electronic signature page can be used to confirm the customer agrees to all the terms and conditions.
- To ensure the customer is genuine, ask him or her to login with a Facebook account.
- Even a code can be sent via text message to verify account details.



## Seek For Professional Help

### Step 35

The previous tips can help reducing chargebacks, however, it is always better to seek for professional help when your business is receiving excessive chargeback. With the changing eCommerce environment, it is necessary to discover, understand and implement constant shifting tactics. It is better to spend time and money on your business, rather than in managing chargebacks. Leave this to professionals who can manage the chargebacks in a better and cost-effective way.



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