HOW TO REDUCE
CHARGEBACKS

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REDUCING CHARGEBACKS

Chargebacks are what nightmares are made of for online merchants. Simply put, chargebacks are the reversals of credit card payments that comes directly from the bank. They're common, too – a record 78% of all organizations were hit by payment fraud in 2017 according to the Association for Financial Professionals (AFP) Payments Fraud Survey.

The purpose of chargebacks is to allow customers to feel secure. In the online sphere, credit card fraud and identity theft can be a major issue. A customer can ask their bank to forcibly take money from a business if there is a transaction they're disputing or claiming as fraudulent.

When this request is made, the bank will begin an investigation to determine if the claims made by the cardholder are valid. If it's determined that they were, the appropriate funds will be removed from the business merchant's account and returned to the cardholder. The cardholder isn't obligated to return what was purchased.

As you can see, chargebacks may help the consumer feel secure and allow them to avoid being victims of online fraud, but as an online seller, they can be devastating to business:

- A fee ranging from $20 to $100 per transaction is charged to a merchant every time a customer files a chargeback (even if a chargeback is cancelled down the road)

- If chargebacks exceed a threshold during a given month, even larger, more excessive fines can affect the business

- Disputing illegitimate chargebacks takes a large amount of resources that the business could be using to grow, and these disputes rarely rule in favor of the business (only 18% of merchants surveyed reported winning most disputes)
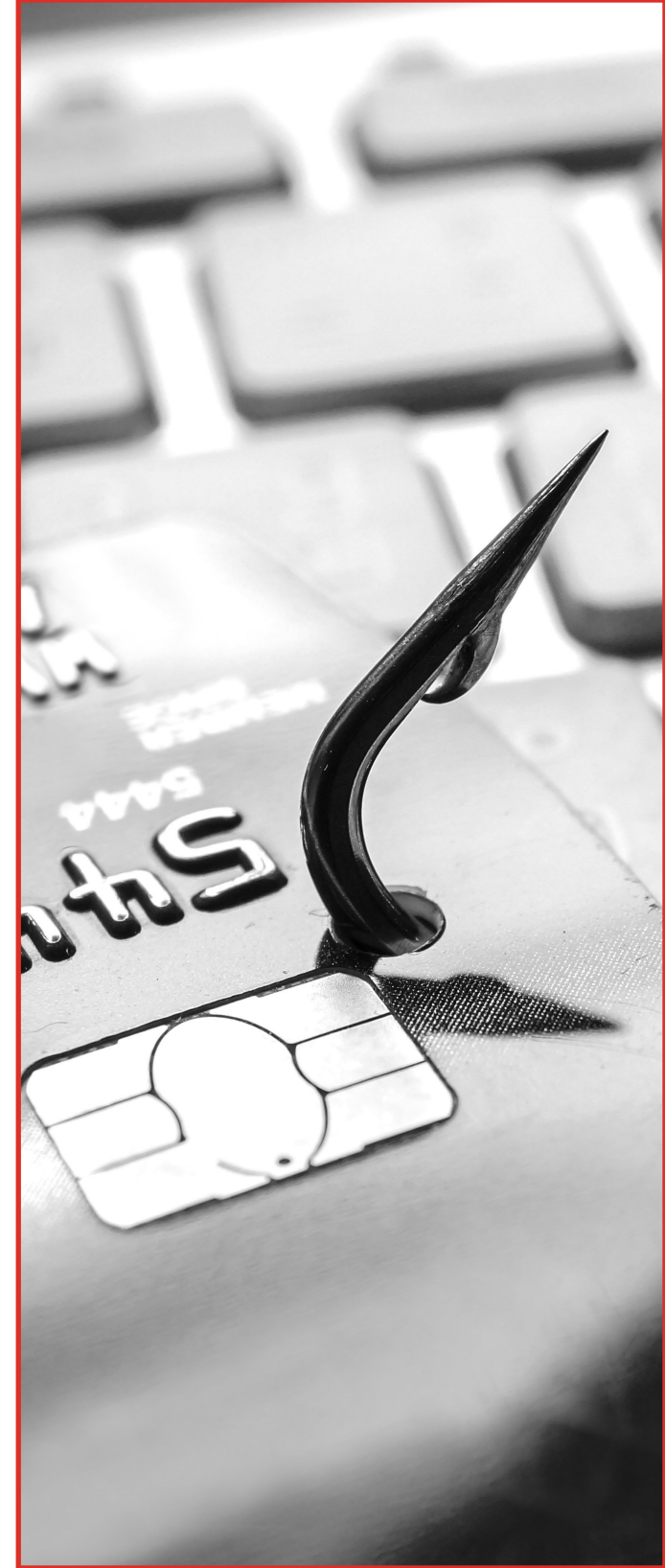
Knowing how to best reduce chargebacks can help you maintain a profitable online store and reduce headaches in the future.

Limiting the chances of chargebacks occurring can start with a few simple steps:

Offering refunds

The number one way to reduce the number of chargebacks that could be filed is by having a return or refund policy that is clear to the consumer. Remember, chargebacks came about as a tool of protection. If a customer sees another way to get their money back, the amount of illegitimate chargeback requests that your company sees will go down.

Keeping product descriptions up-to-date

Sometimes, chargebacks can occur because a customer was unhappy with the product they received compared to the description on the website. Having accurate and detailed product descriptions can ensure your customer knows what they're buying. Pictures are a great addition to these pages to further establish what the item is.

Having a recognizable name

Often times, merchants will receive chargebacks because a customer doesn't recognize the charge on their credit card bills. You want to make your credit card descriptor as clear as possible so that your customers will know exactly where the purchase came from. The name that appears on your website for your online store works well as a descriptor.

Making yourself available

It's good business practice to be available for customer questions or concerns anyway, but it can also help make a difference when it comes to reducing chargebacks. If your customers don't recognize a charge, having an email they can contact to resolve issues can help you clear up any misunderstanding and also establish yourself as a reputable company.

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While these steps are great to take to help reduce chargebacks and establish trust with customers, there are additional ways that you can check for and reduce fraud before even processing an order. Knowing some common red flags for potentially fraudulent activity can help you prevent issues in the future – saving you and your customers both a hassle.

Shipping and billing addresses don't match

While it's entirely possible that a customer's billing and shipping addresses can differ for a variety of reasons (they just moved, they're ordering a gift, etc.), this should give you at least a moment's pause. You can check residency of a delivery address to see if a customer's name matches the occupants. A P.O. box or non-residential delivery address tends to be more suspicious.

Re-attempting an order with a small amount

If a credit card thief tries to make a large purchase that gets declined, often they will try to place another, smaller order.

Large, high value orders are expedited

Credit card thieves try and get the most bang for their buck, meaning they may place large orders without any care as to the cost of shipping. They have a limited timeframe and want to get their items as quickly as possible, so they can resell them.

These are just a few indicators that an order may not be legitimate. A good rule of thumb is to be wary of orders that seem inconsistent with your normal customer activity.

When in doubt, get extra verification before processing an order. It's entirely your right as a business to do so. The simplest way is to call the customer to verify their identity. Let them know the reason for needing extra verification (shipping address concern, large order size) and ask for a driver's license photo. Even better is a picture of a license next to the method of payment.

Having an eCommerce platform with built-in fraud tools can also help reduce the number of chargebacks filed against your business.

RevolutionParts helps dealers to significantly reduce fraudulent orders by quickly identifying many red flags and presenting them to you in the form of a risk score. Each order is scored using more than 25 different criteria that are known to be red flags, making it easier to identify potential risk.

Keep in mind: online fraud is always evolving. While fraud tools can't completely stop fraud from happening, combining them with awareness and a proactive approach can certainly reduce the number of chargebacks and risks in the future.

Get Started Today!

Of course, we understand if you want to try before you buy – which is why we have demos available.

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