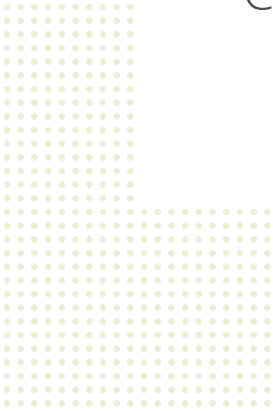




Chargeback Management Masterclass: **Prevention Solutions**



WARNING

The information you are about to receive is subject to change. In fact, the information may already have changed during the time it has taken you to read this message. NOTE: The contents in the following slides are NOT endorsed by ANY card brand and are the opinions of really, really, really smart people who have been in the payments industry for 20+ years but are nonetheless NOT official spokespeople for any specific card brand. The fact that you are still reading this means that you are, in fact, a true risk professional and therefore will more than likely be both amused and bewildered by the following information.



Agenda

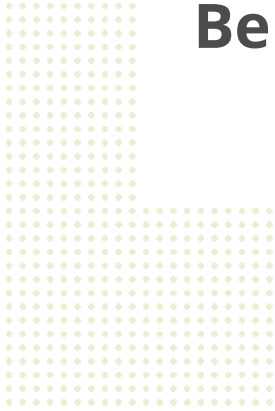
Benefits of preventing chargebacks

Explanation of each chargeback prevention tactic

- Where it sits in the life cycle
- How it works
- Pros and cons
- Management tips

Suggested KPIs

Questions



Benefits of Chargeback Prevention

Benefits



Keep chargeback **counts low**



Possibility to **retain revenue**



Solve problems **faster**



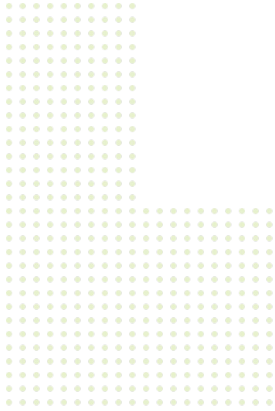
Save cost of goods sold (COGS)



Enhance the **customer experience**



Reduce **declined transactions**

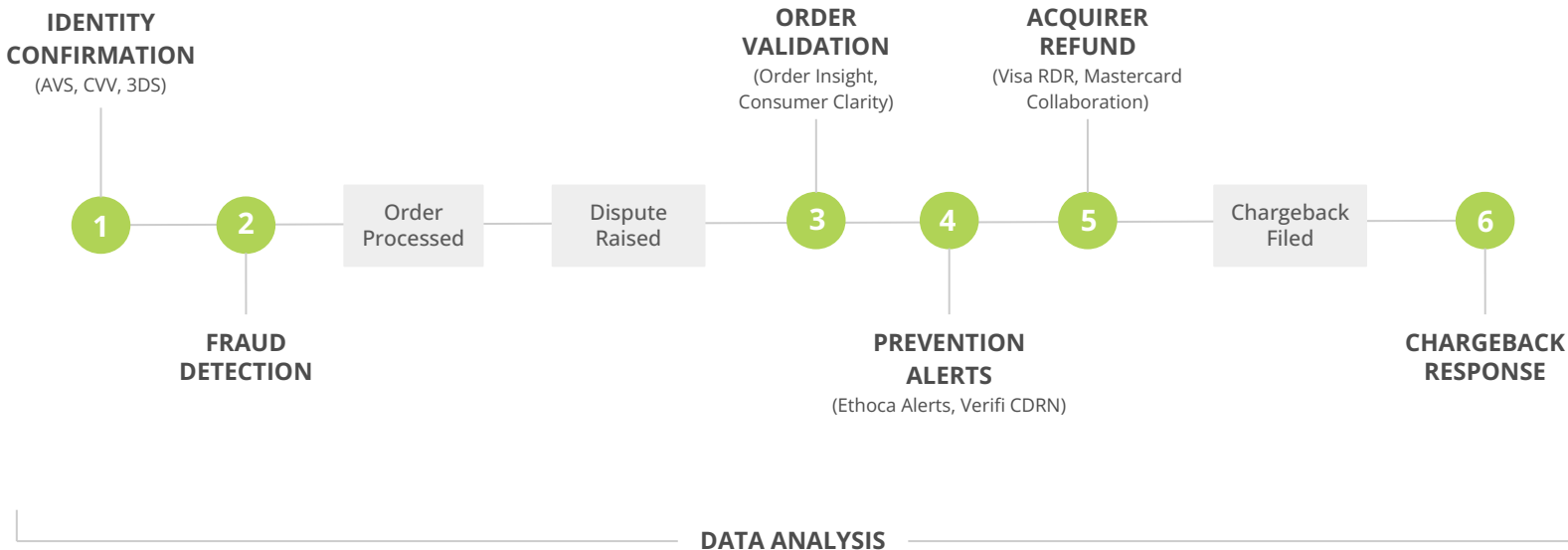


Dispute **Life Cycle**

Preventing Chargebacks



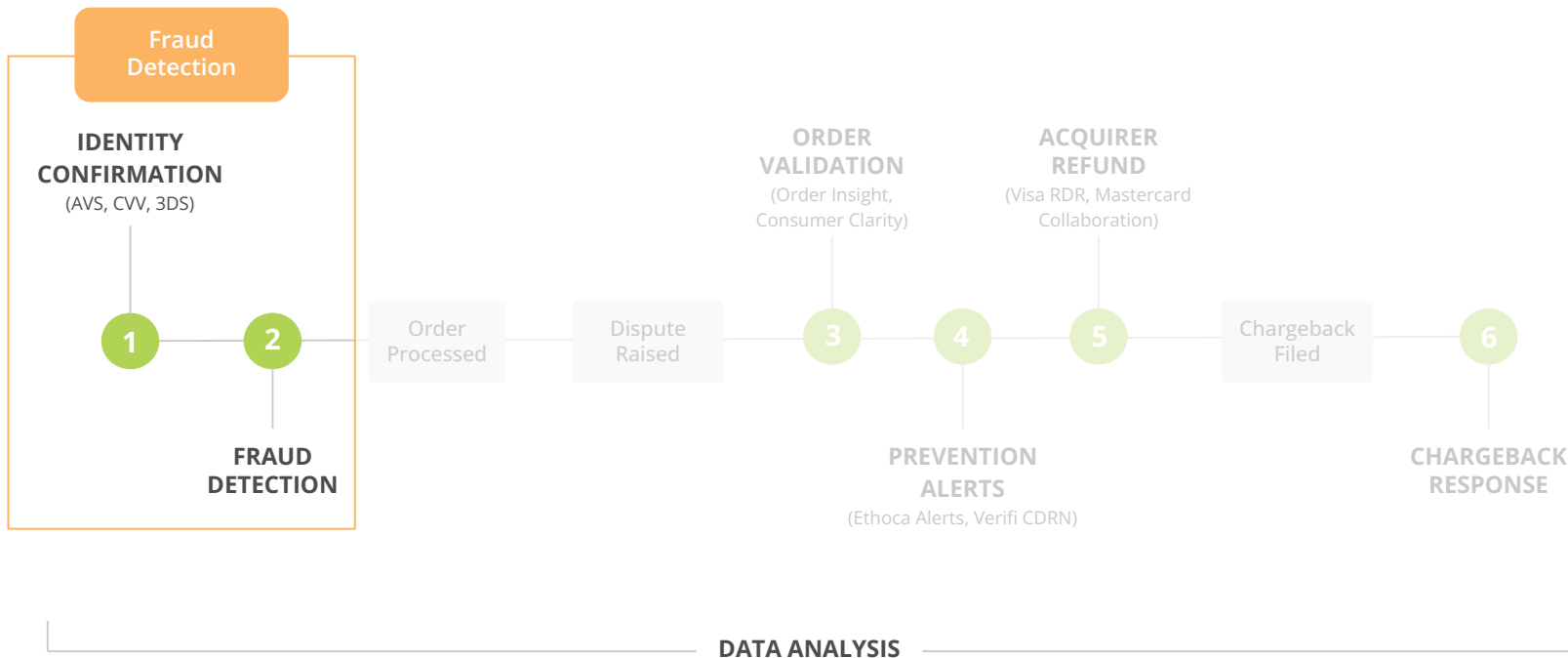
HOW DOES IT WORK?



Preventing Chargebacks



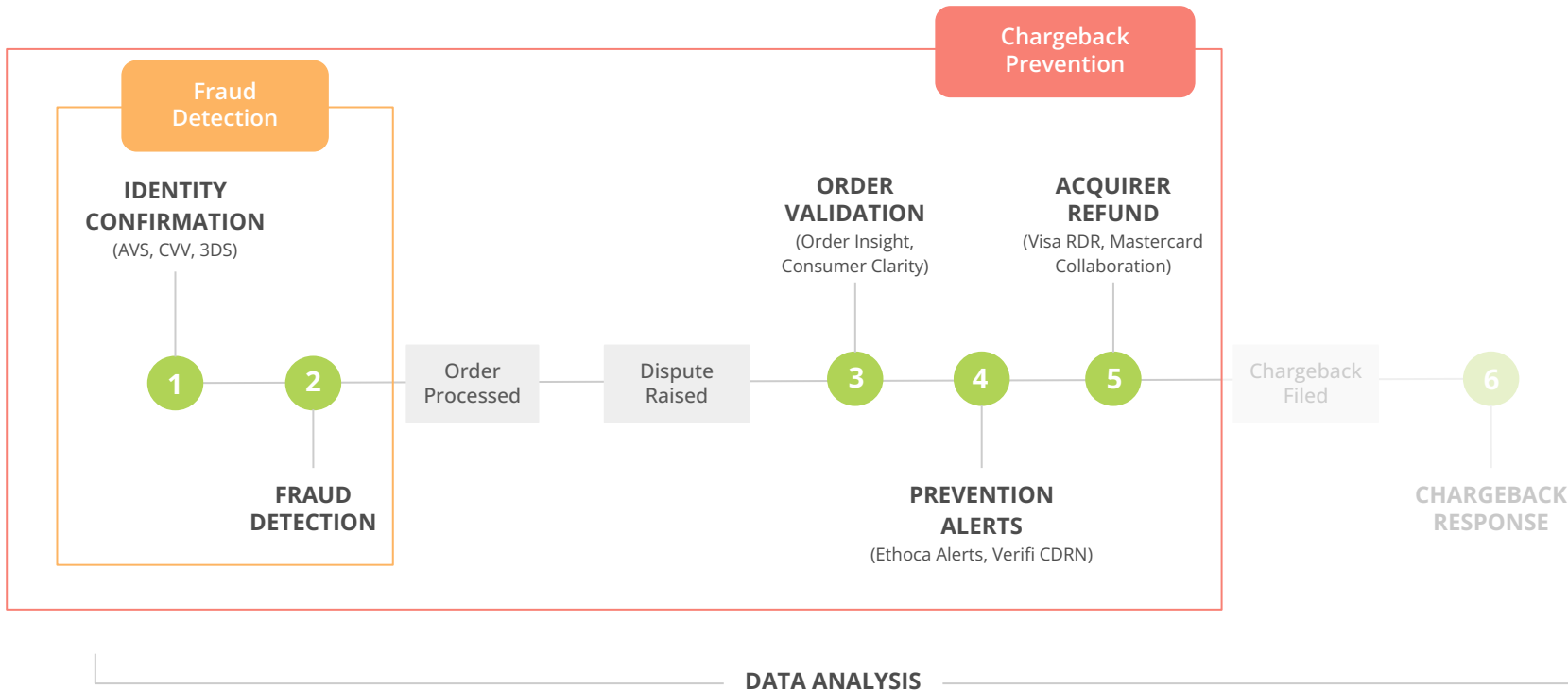
HOW DOES IT WORK?



Preventing Chargebacks



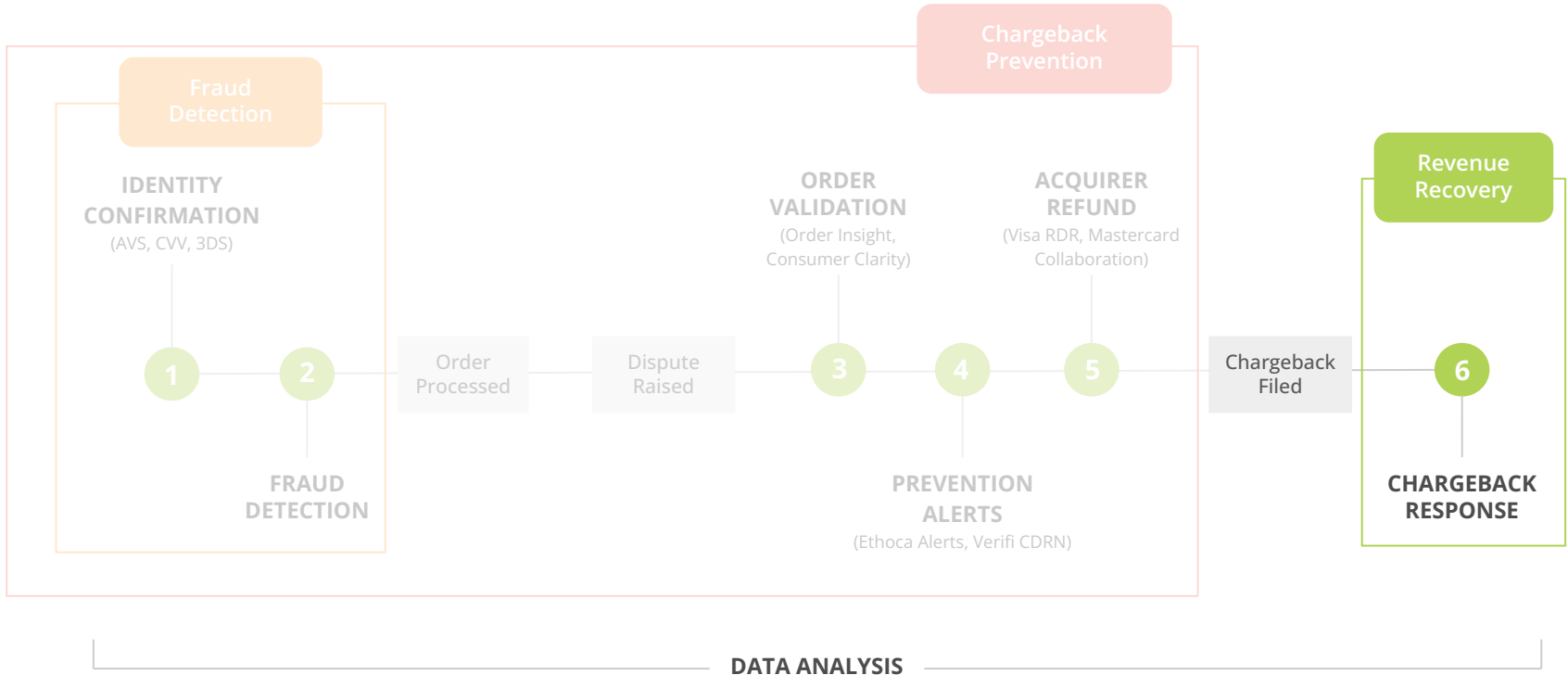
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Preventing Chargebacks



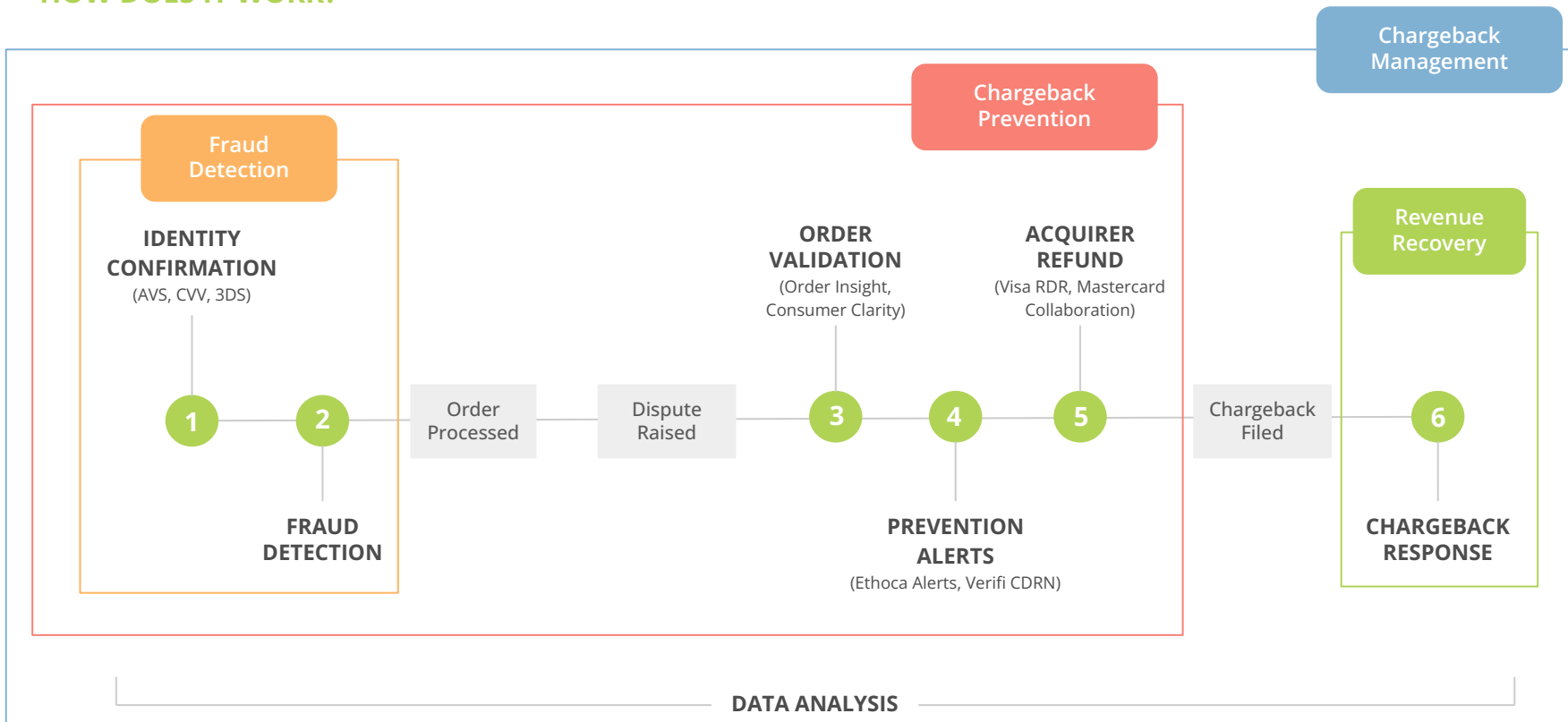
HOW DOES IT WORK?





Preventing Chargebacks

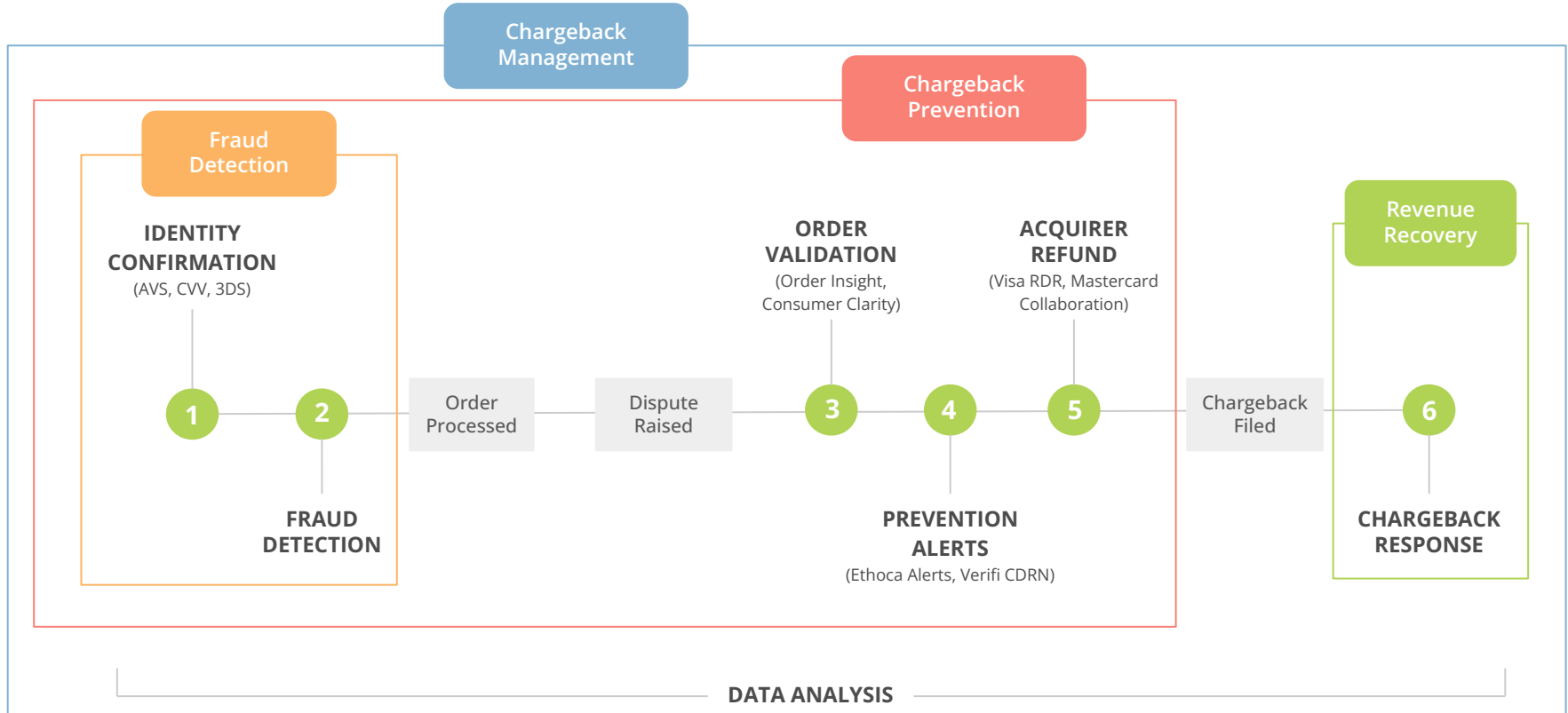
HOW DOES IT WORK?





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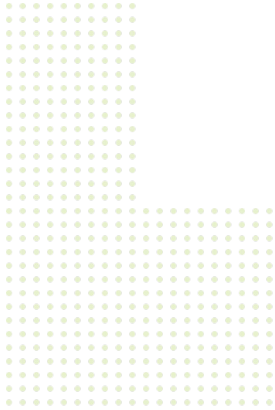
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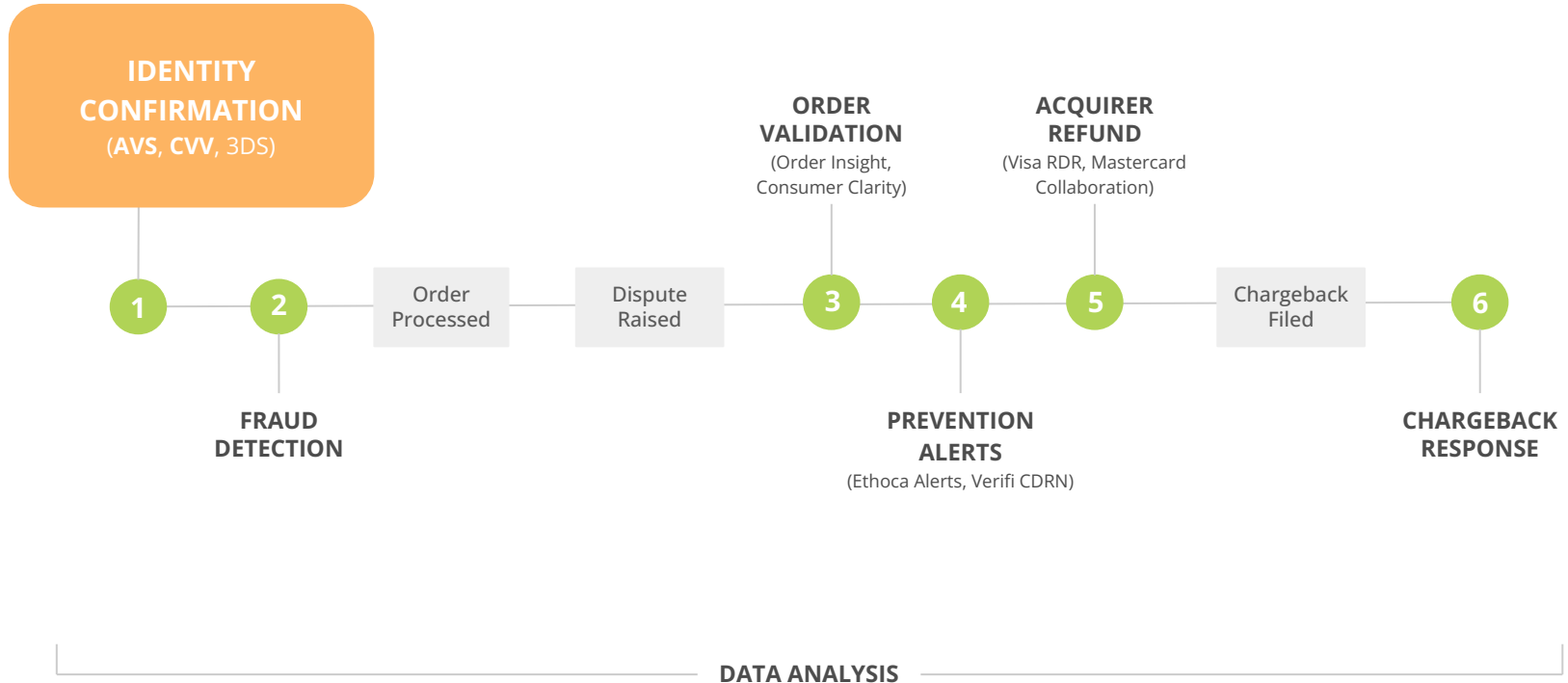


Identity Verification

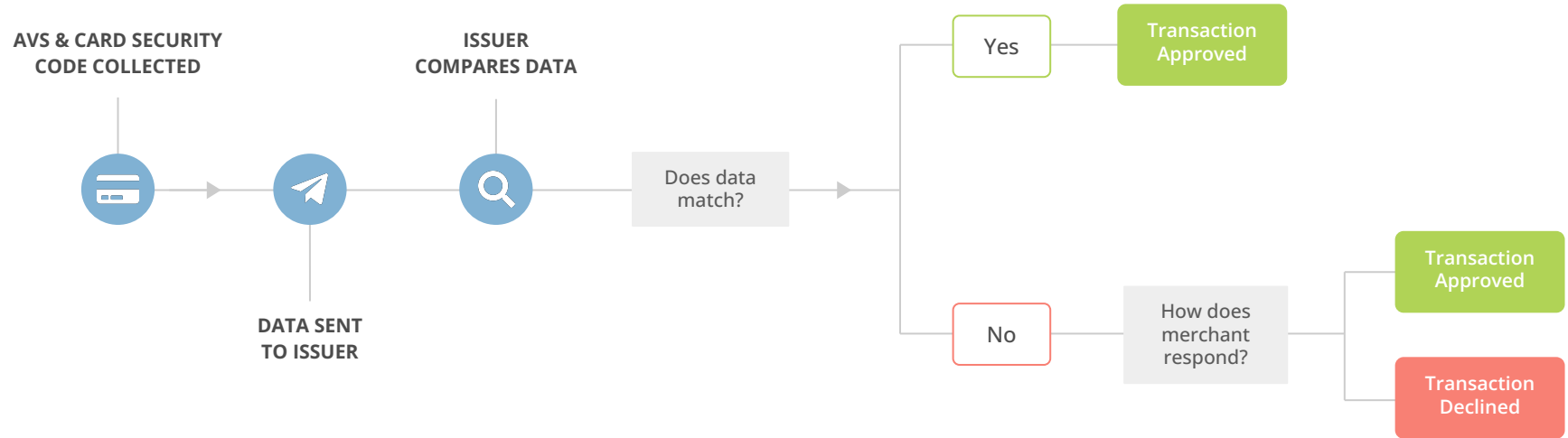
(AVS, CWV, 3DS 2.0)



Preventing Chargebacks



AVS & Card Security Code (CVV, CVC, etc.)



AVS & Card Security Code (CVV, CVC, etc.)



Why?

- ✓ Can help detect and block unauthorized transactions
- ✓ Serves as compelling evidence for revenue recovery
- ✓ Basic protection that card brands expect

Why Not?

- ✗ Can increase cart abandonment in certain industries
- ✗ Only relevant for U.S. transactions (AVS)
- ✗ Risk of false positives
- ✗ Doesn't prevent 'friendly' fraud*

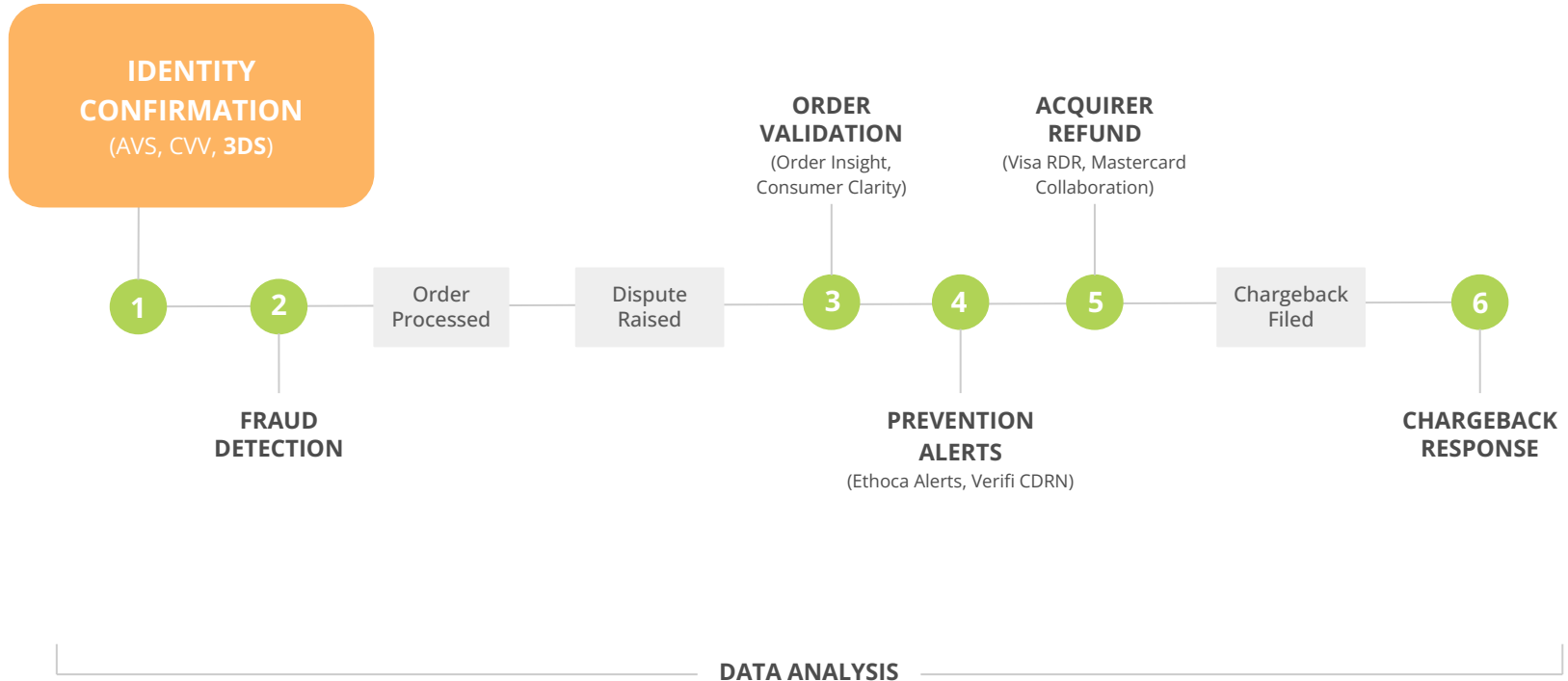
AVS & Card Security Code (CVV, CVC, etc.)



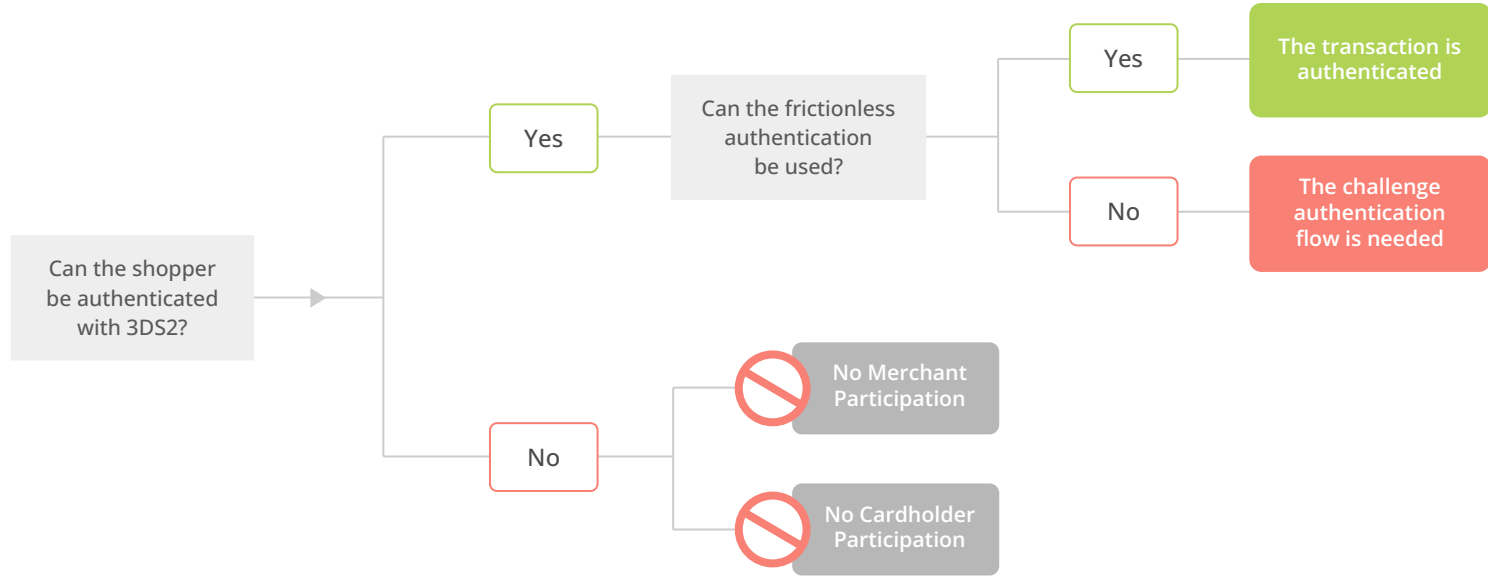
Management Tips

- ✓ To minimize impact on conversion rates, collect but don't decline
- ✓ If you only use one, use CVV/CVC

Preventing Chargebacks



3D Secure 2.0



3D Secure 2.0



Why?

- ✓ Can help detect and block unauthorized transactions
- ✓ Serves as compelling evidence for revenue recovery
- ✓ Helps prevent 'friendly' fraud (on fully authorized transactions)
- ✓ Mandated in Europe as part of SCA
- ✓ Could increase transaction authorization rates for certain industries

Why Not?

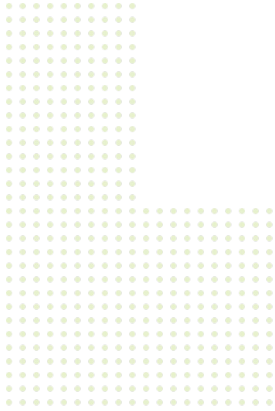
- ✗ Can increase cart abandonment in certain industries
- ✗ Need a third-party service provider
- ✗ Limit to liability shift
- ✗ Could decrease transaction authorization rates for certain industries

3D Secure 2.0



Management Tips

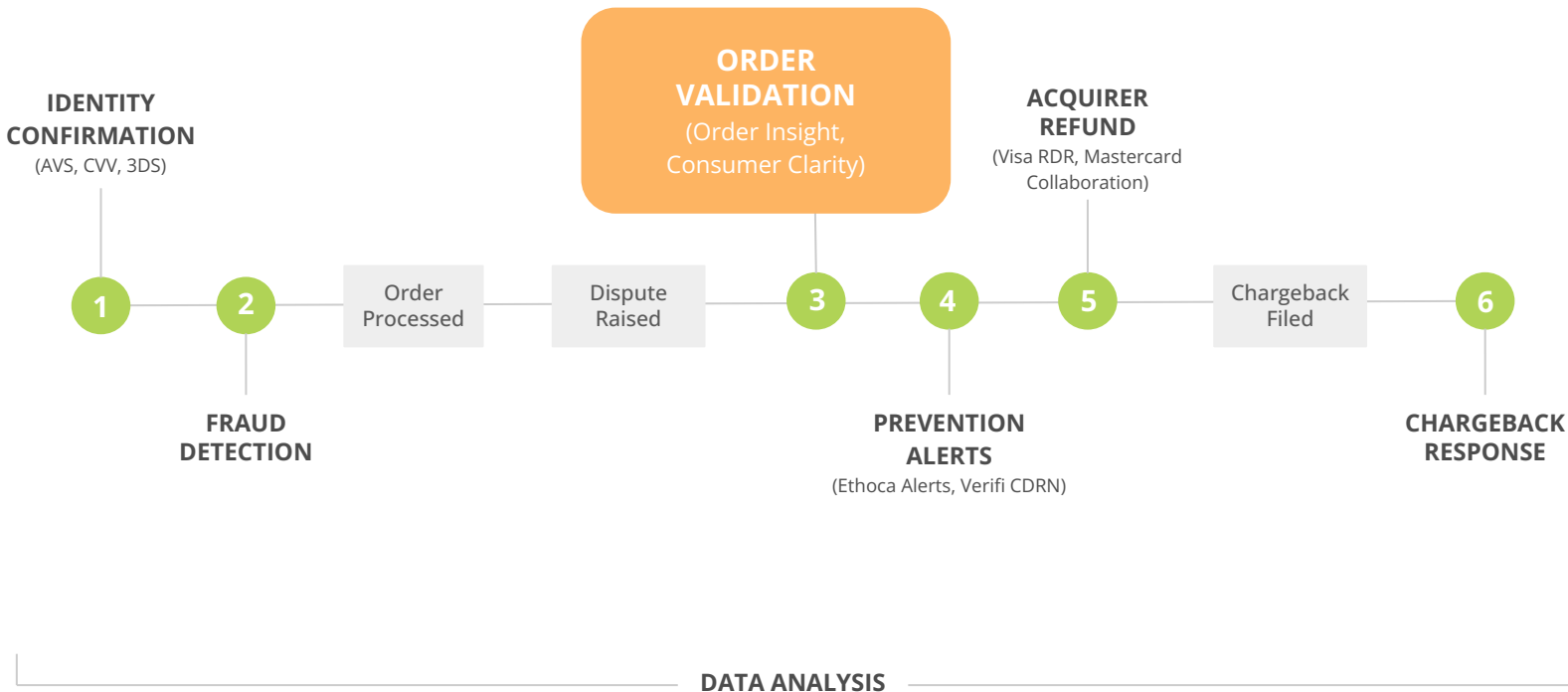
- ✓ Baseline and test authorization rates
- ✓ Monitor the impact on your individual business
- ✓ Watch out for 10.5 chargeback reason codes (means you've breached fraud-to-sales ratio and liability shift has ended)



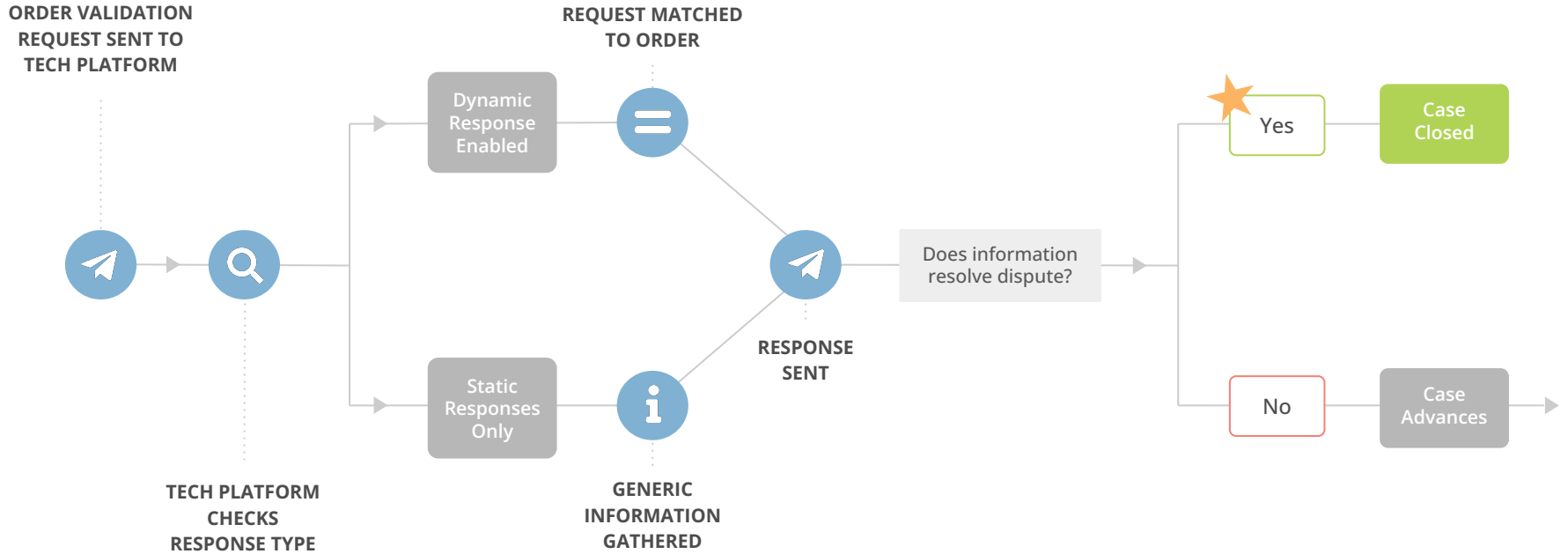
Order Validation

(Order Insight, Consumer Clarity)

Preventing Chargebacks



Order Validation





Order Validation

Why?

- ✓ Can help issuer talk-off friendly fraud
- ✓ Doesn't sacrifice revenue (no refund)
- ✓ Responses are automated with 1-second SLA (no effort required)
- ✓ Multiple integration options (static & dynamic responses)
- ✓ Results will likely improve with Visa CE 3.0 updates

Why Not?

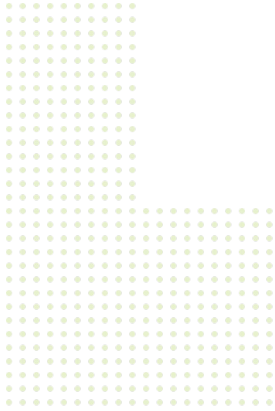
- ✗ High rate of leakage (cases advance to chargebacks)
- ✗ Technology is required

Order Validation



Management Tips

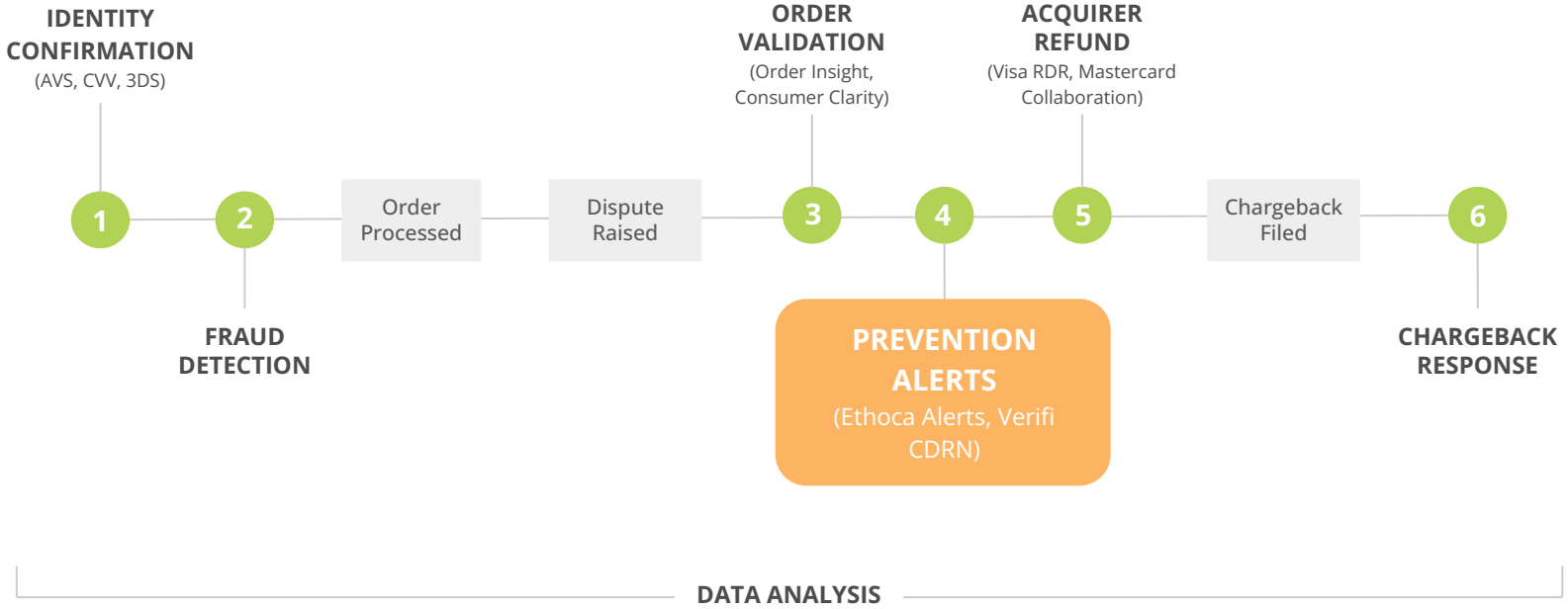
- ✓ Send order data so your responses are dynamic instead of static
- ✓ Send CE 3.0 evidence for Visa disputes
- ✓ Monitor data to detect overlap and leakage
- ✓ Use an all-in-one platform so you can monitor the entire dispute lifecycle (compensation for overlap/leakage)



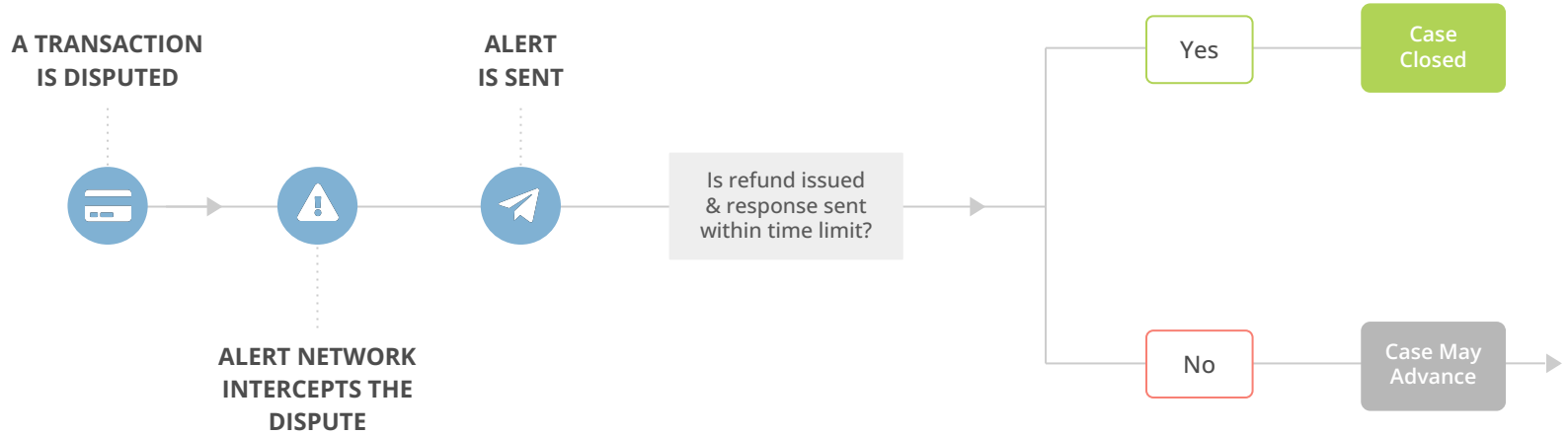
Prevention Alerts

(Verifi CDRN, Ethoca Alerts)

Preventing Chargebacks



Prevention Alerts





Prevention Alerts

Why?

- ✓ Faster enrollment
- ✓ Proven product (in use for more than a decade)
- ✓ Brings you into the conversation before the chargeback is filed (gives you options)
- ✓ Near real time notification of issues that need to be solved (chargebacks delayed 2-5 weeks)

Why Not?

- ✗ Revenue loss (refund required)
- ✗ Potential for overlap and leakage
- ✗ Manual, error-prone process if technology isn't used



Prevention Alerts

Management Tips

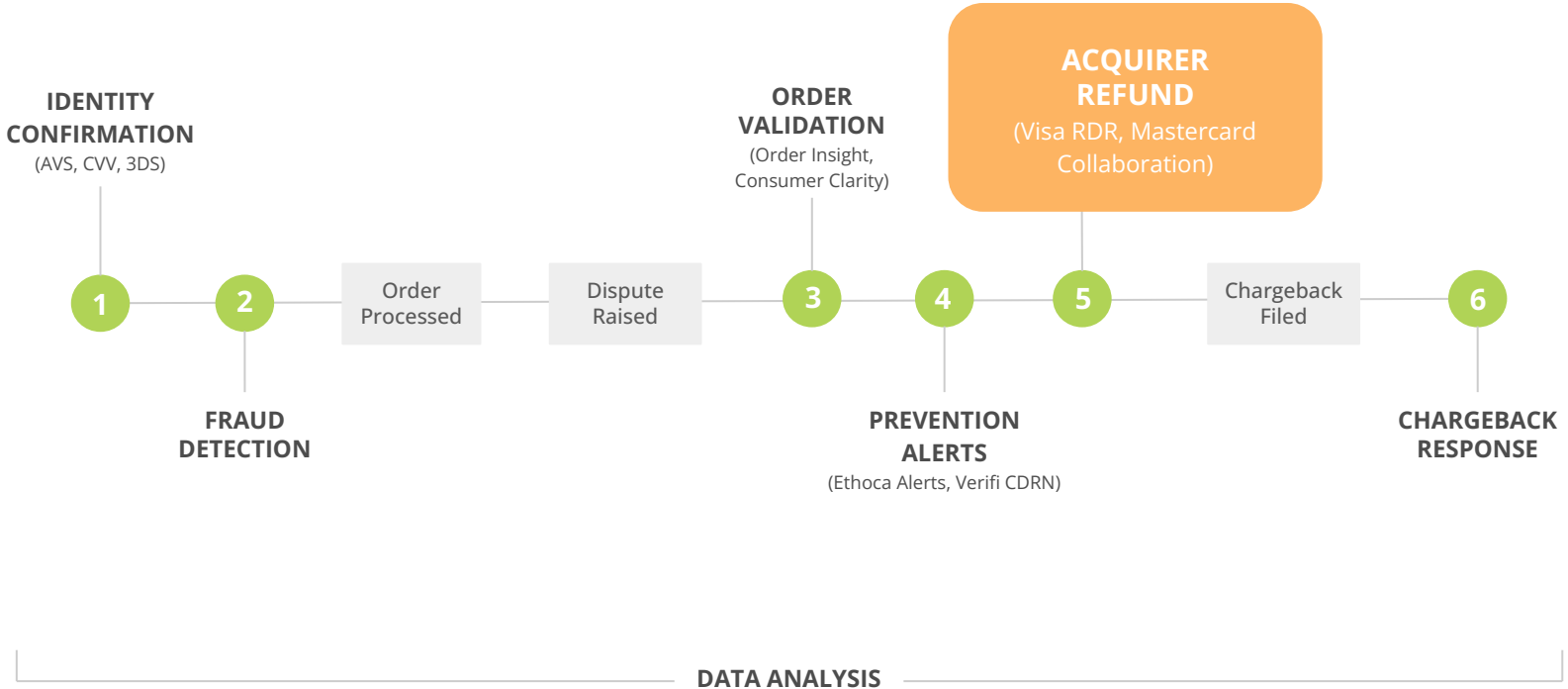
- ✓ Use automation
- ✓ Enroll in both alert networks (Ethoca and Verifi)
- ✓ Monitor data to detect overlap and leakage
- ✓ Use an all-in-one platform so you can monitor the entire dispute lifecycle (compensation for overlap/leakage)



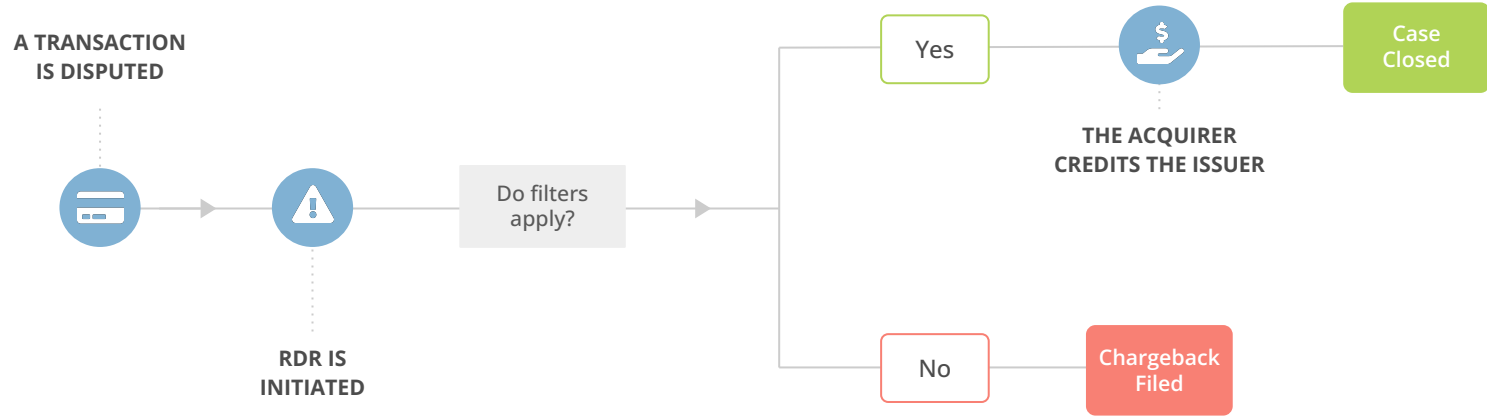
Acquirer Refunds

(Visa RDR, Mastercard Collaboration)

Preventing Chargebacks



Acquirer Refunds | Visa RDR



Acquirer Refunds | Visa RDR



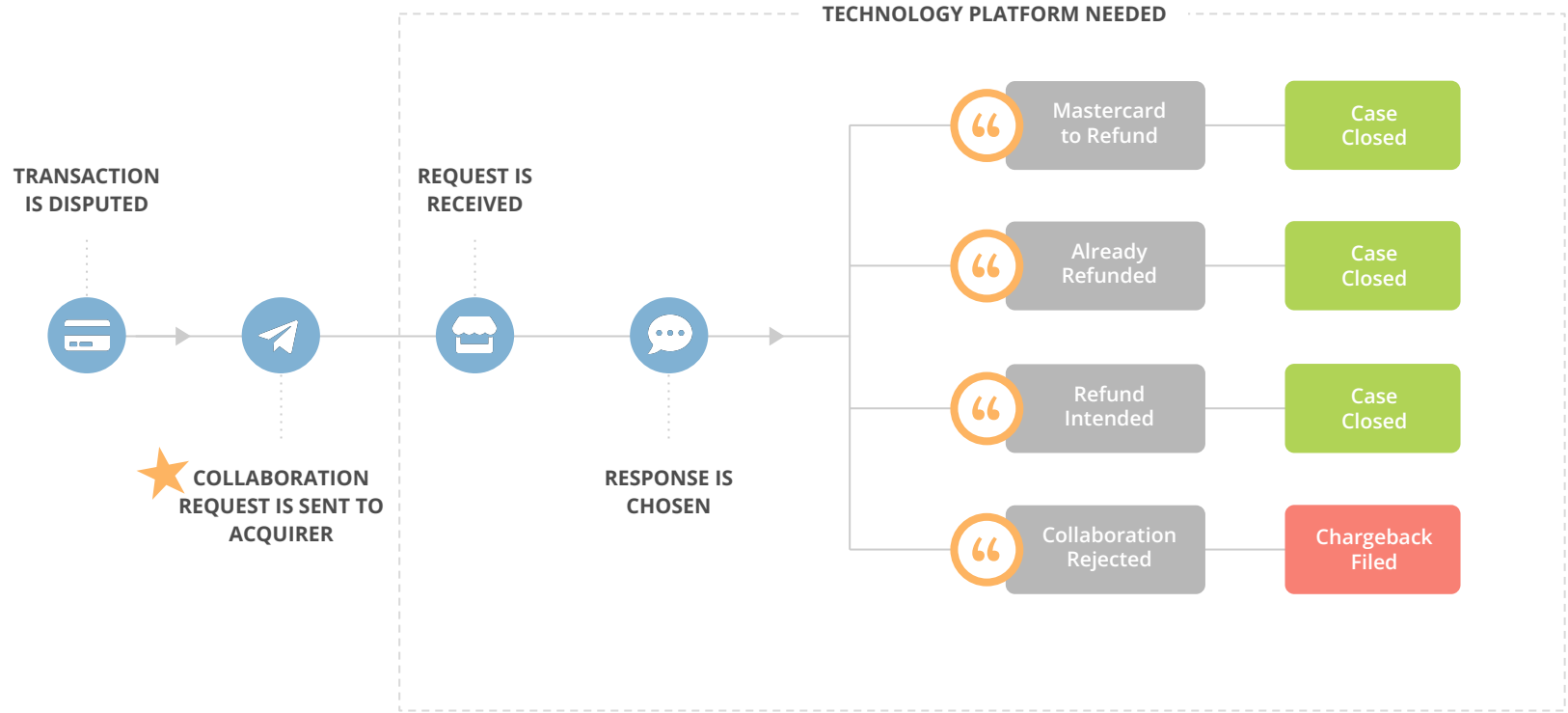
Why?

- ✓ Applicable to all Visa disputes globally
- ✓ Funds are automatically transferred from acquirer to issuer
- ✓ Customized filter rules are available
- ✓ Guarantee the RDR case won't become a dispute if filters don't apply
- ✓ Mandated participation for issuing and acquiring banks

Why Not?

- ✗ Revenue loss (refund required)
- ✗ Currently no API or real time reporting (generated daily by Verifi)
- ✗ Requires manual reconciliation in CRM or order management system
- ✗ Legacy acquirer/processor systems could initially show RDR in chargeback ratio
- ✗ Could be charged two fees (RDR & chargeback fee)
- ✗ Takes 2-4 weeks to onboard
- ✗ Fraud-to-sales ratio is impacted

Acquirer Refunds | Mastercard Collaboration



Acquirer Refunds | Mastercard Collaboration



Why?

- ✓ Applicable to all Mastercard disputes
- ✓ Only applicable if merchant isn't enrolled in Ethoca alerts
- ✓ Mandated participation for issuing and acquiring banks
- ✓ Testing opportunities begin in September

Why Not?

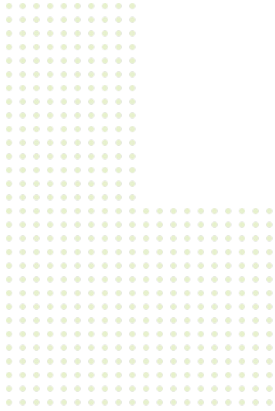
- ✗ Revenue loss (refund required)
- ✗ Manual process
- ✗ Reconciliation in CRM or order management system
- ✗ Limited acquirer/processor adoption
- ✗ New process with no data/experience

Acquirer Refunds | Visa RDR, Mastercard Collaboration



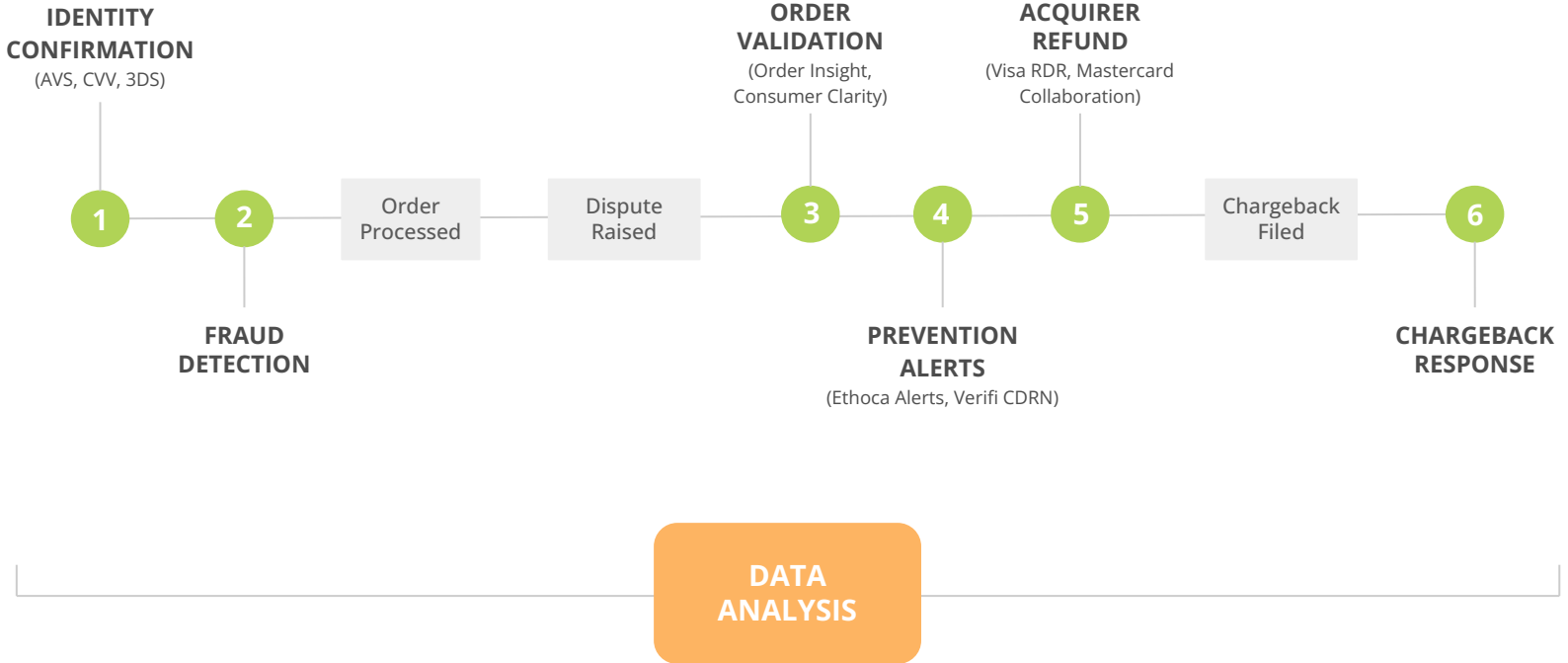
Management Tips

- ✓ Consider Ethoca prevention alerts as an alternative to **Collaboration**
- ✓ Carefully monitor your chargeback ratio to make sure **RDR** isn't included
- ✓ Customize RDR fight rules to ensure positive ROI (transaction amount vs cost)
- ✓ Monitor data to detect overlap and leakage (**RDR** should be 0%)
- ✓ Use an all-in-one platform so you can monitor the entire dispute lifecycle (compensation for overlap/leakage)

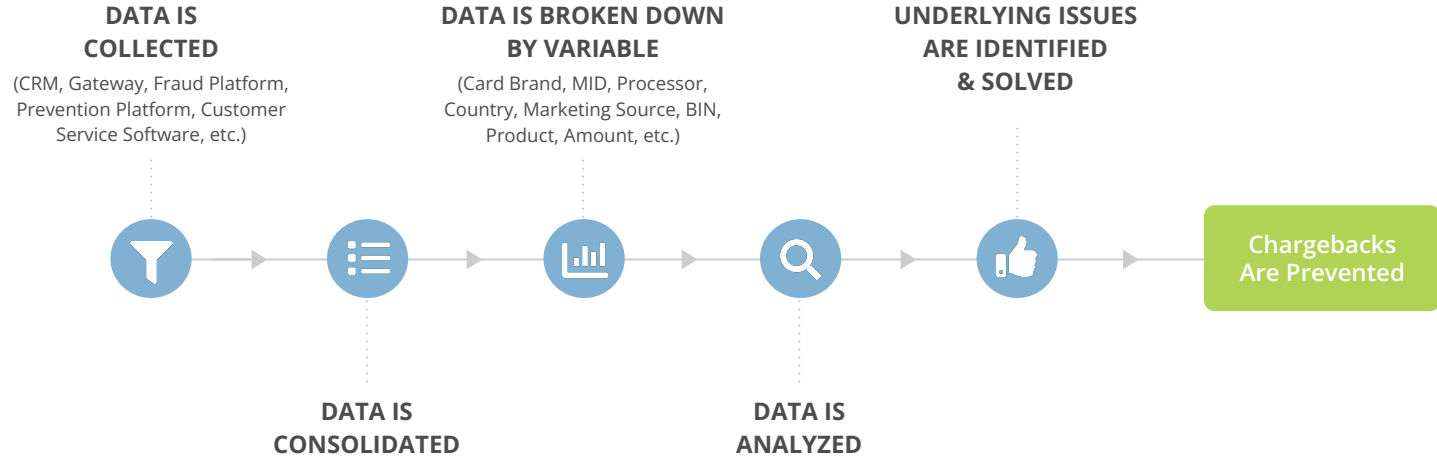


Data Analysis

Preventing Chargebacks



Data Analysis



Data Analysis



Why?

- ✓ Uncover hidden issues
- ✓ Solve problems at their source
- ✓ Data-driven vs guesses
- ✓ Proactive vs reactive
- ✓ Long-lasting success vs quick fix

Why Not?

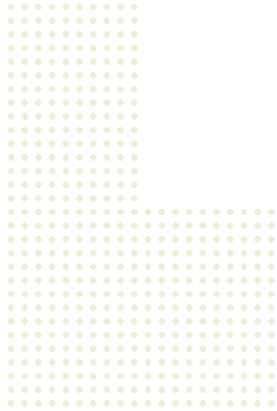
- ✗ Manual, error-prone process if technology isn't used

Data Analysis



Management Tips

- ✓ Determine which KPIs are most relevant (review and update as needed)
- ✓ Find all your data – processor portal, alert platform, CRM, gateway, customer support software, fraud platform, etc.
- ✓ Monitor at different levels – entire portfolio, by processor, by MID, by card brand, etc.
- ✓ Break down data by different variables – disputes by country, price point, reason, item purchased, sales method, marketing source, issuer BIN, etc.



Suggested **KPIs**



Suggested KPIs

- ✓ **Conversion rate** (percent of purchases completed vs abandoned)
- ✓ **Authorization rate** (percent of transactions the issuer approves vs declines)
- ✓ **ROI** (amount of revenue protected vs the cost of protection)
- ✓ **Chargeback ratio** (percent of transactions vs chargebacks)
- ✓ **Overlap** (single dispute cases that involve multiple resolution attempts)
- ✓ **Leakage** (prevention attempts that don't stop the chargeback)
- ✓ **Fraud-to-sales ratio** (dollar amount of fraud transactions vs dollar amount of total sales)

Case Study | Digital Goods



VISA



Chargeback ratio **WITHOUT** prevention solutions

1.94%

2.35%

**IDENTITY
CONFIRMATION**
(AVS, CVV, 3DS)

1

**FRAUD
DETECTION**

2

Order
Processed

Dispute
Raised

**ORDER
VALIDATION**
(Order Insight,
Consumer Clarity)

3

**PREVENTION
ALERTS**
(Ethoca Alerts, Verifi CDRN)

4

**ACQUIRER
REFUND**
(Visa RDR, Mastercard
Collaboration)

5

Chargeback
Filed

6

**CHARGEBACK
RESPONSE**

Case Study | Digital Goods



VISA



Chargeback ratio WITHOUT prevention solutions	1.94%	2.35%
Chargeback ratio WITH all prevention solutions	0.28%	0.27%

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Chargeback ratio WITHOUT prevention solutions	1.94%	2.35%
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Ratio if the merchant omitted Order Insight	0.33%	0.27%*

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Chargeback ratio WITHOUT prevention solutions	1.94%	2.35%
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Case Study | Physical Goods

VISA



Chargeback ratio **WITHOUT** prevention solutions

3.02%

8.78%

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Case Study | Physical Goods

VISA



Chargeback ratio **WITHOUT** prevention solutions

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Chargeback ratio **WITH all** prevention solutions

0.41%

0.27%

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Case Study | Physical Goods



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Chargeback ratio WITHOUT prevention solutions	3.02%	8.78%
Chargeback ratio WITH all prevention solutions	0.41%	0.27%
Ratio if the merchant omitted Order Insight	0.49%	0.27%*

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- Questions?
- Want your own personal analysis?

✉ mark@midigator.com

 [Mark Standfield](#)

