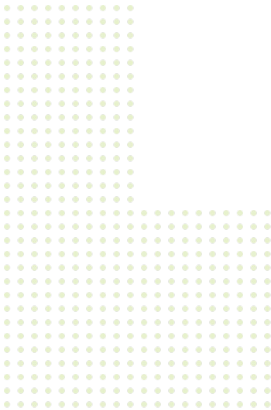




The State of Chargebacks **2022**



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.



Upcoming Prevention Masterclass



LIVE WEBINAR EVENT

Chargeback Prevention Masterclass

Clarifying the Complexities of Chargeback Prevention

Thursday, August 4th at 11am PDT / 2pm EDT

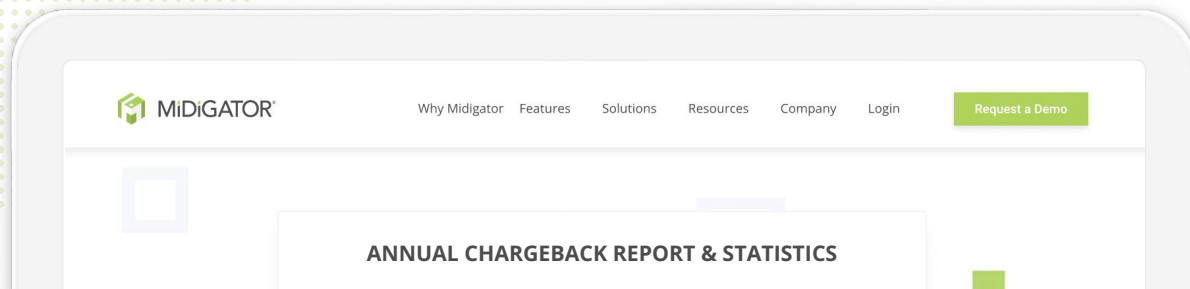


MARK STANDFIELD
Midigator President

Sign up now at

midigator.com/webinar

What is **The Year in Chargebacks** report?



Where Did the Data Come From?

A SUBSET OF CLIENTS WHO USED MIDIGATOR BETWEEN
JANUARY 1, 2021 AND DECEMBER 31, 2021

- 81 million transactions
- 1.3 million chargebacks
- 658,000 prevention alerts
- 206,000 order validation cases
- 21 industries
- Countries in US/Canada, LATAM, CEEMEA, AP, EU

Read the full report at
midigator.com/chargeback-report-statistics/



Why Data Analysis?



Without Analysis

- ✗ Based on hunches and guesses
- ✗ Capable of producing only short-term results
- ✗ Promotes a reactive approach
- ✗ Highly susceptible to false positives and unnecessary revenue loss

With Analysis

- ✓ Based on intelligent, data-driven decisions
- ✓ Capable of generating sustainable success
- ✓ Enables a preemptive approach
- ✓ Optimized for maximum ROI

Why Data Analysis?



Chargebacks by Reason Code

Visa



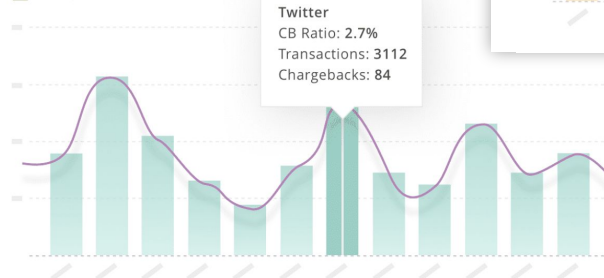
Reason Code
10.4 - Other Fraud - Card-Absent Environment

Chargeback Count
57

% of total
46.14%

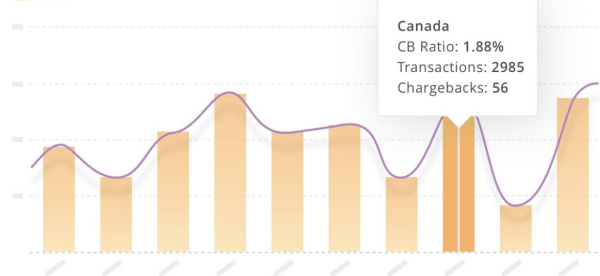
Chargebacks by Marketing Source

▲ 4.23%



Chargebacks by Country

▲ 3.02%

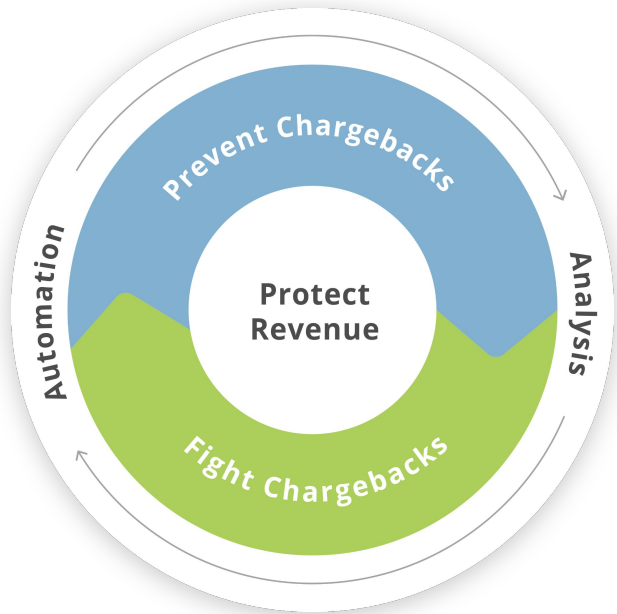


Top Highlights



MERCHANTS HAVE TWO OPPORTUNITIES

- 1** | **Prevent chargebacks** either with or without a refund
- 2** | **Respond to chargebacks** to recover revenue



Preventing Chargebacks



How does it work?

Is it a priority?

What solutions are most popular?

What challenges are associated with chargeback prevention?

How did merchants overcome those challenges?

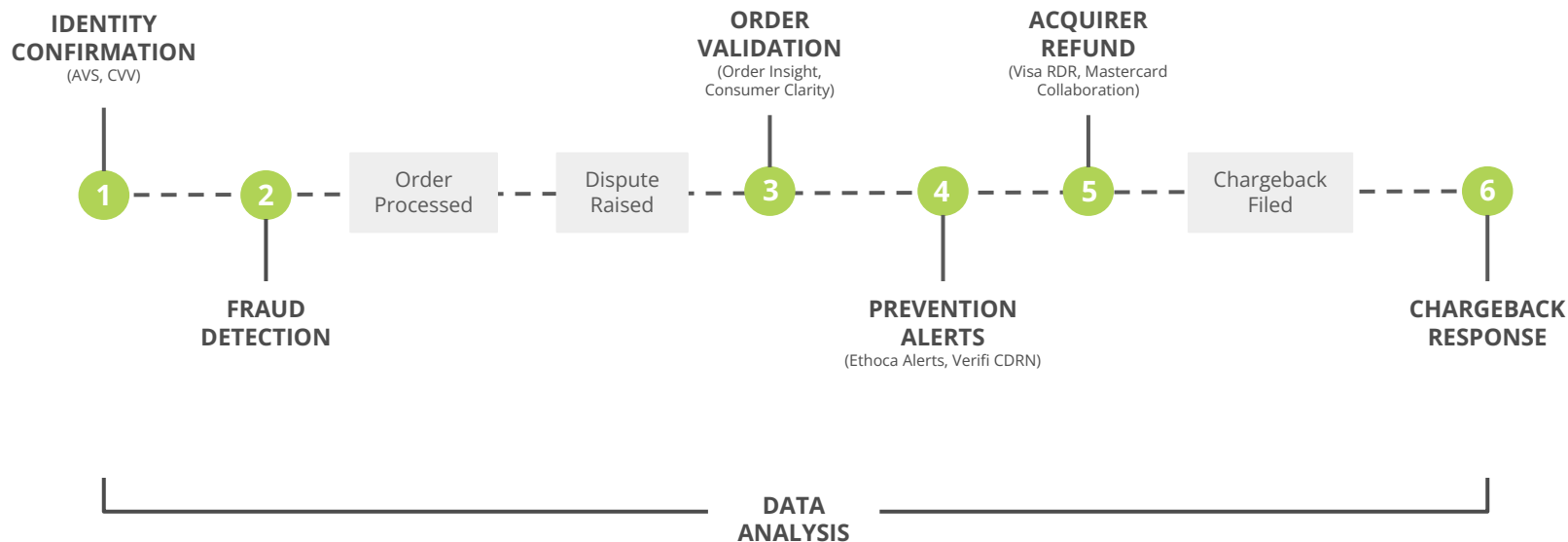
Does it work?



Preventing Chargebacks



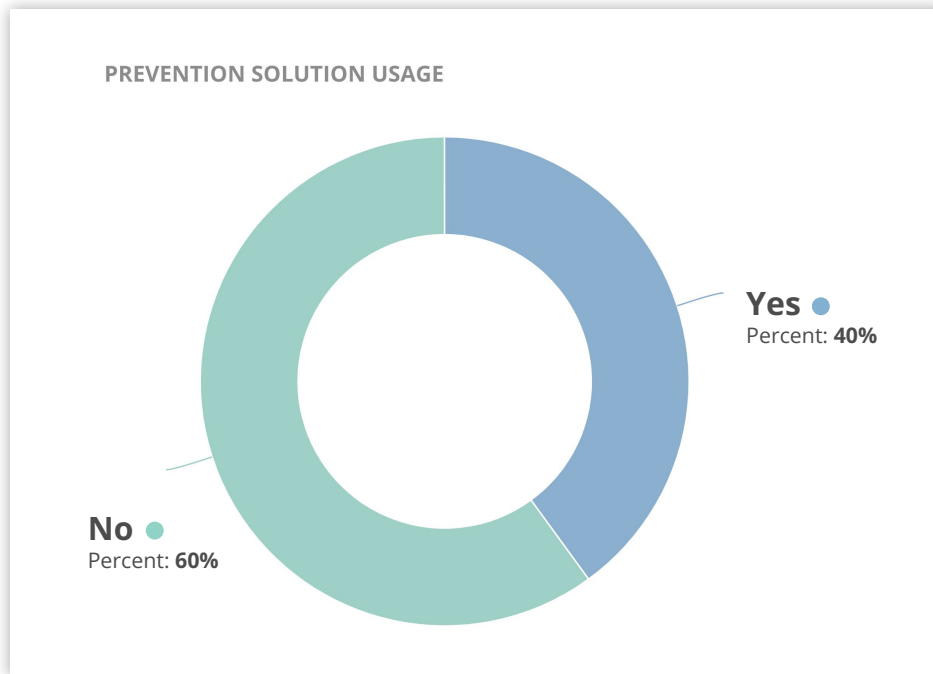
HOW DOES IT WORK?



Preventing Chargebacks



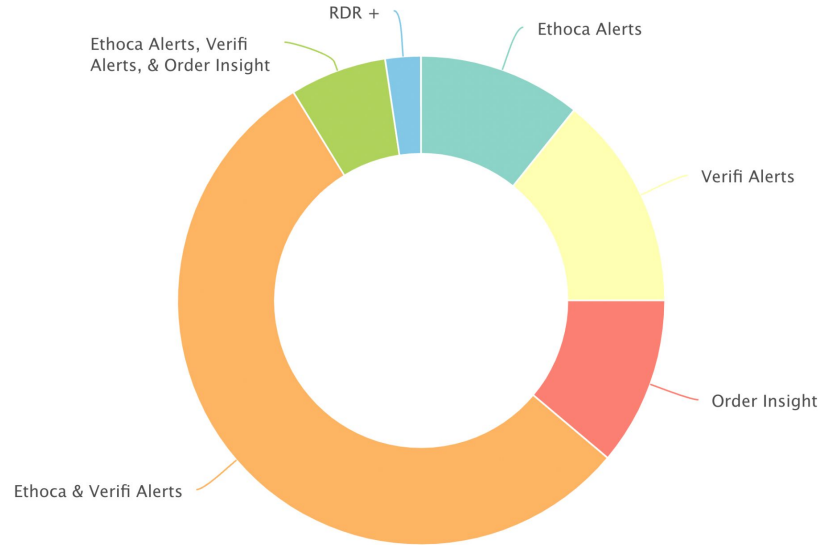
IS IT A PRIORITY?



Preventing Chargebacks

WHAT SOLUTIONS ARE MOST POPULAR?

TYPE OF PREVENTION SOLUTION USED



Preventing Chargebacks



WHAT CHALLENGES ARE ASSOCIATED WITH CHARGEBACK PREVENTION?

- Matching
- Timing
- Labor involved and/or need for technology
- Understanding reconciliation and net effectiveness



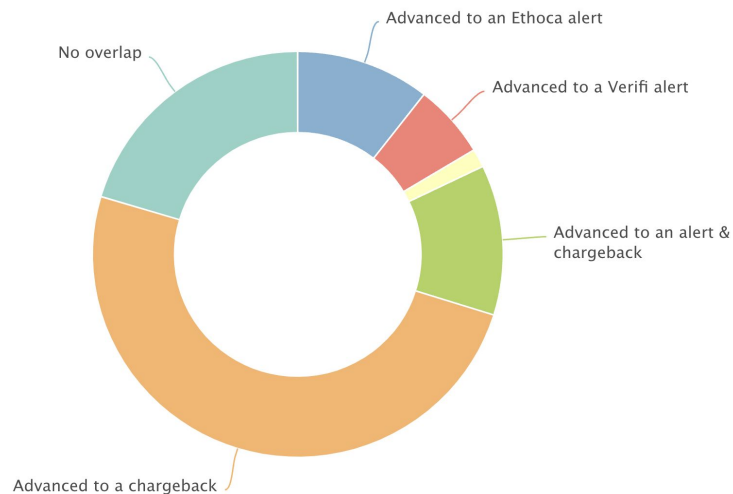


Preventing Chargebacks Without a Refund

WHAT CHALLENGES ARE ASSOCIATED WITH ORDER INSIGHT?

- No common identifier for matching
- 1-2 second response
- Response options are more effective with technology
- Effectiveness

ORDER INSIGHT OVERLAP & LEAKAGE



Preventing Chargebacks With a Refund



WHAT CHALLENGES ARE ASSOCIATED WITH VERIFI CDRN & ETHOCA ALERTS?

- Timing (24/7, 365)
- The response process
- Reconciliation and effectiveness
 - Overlap
 - Leakage

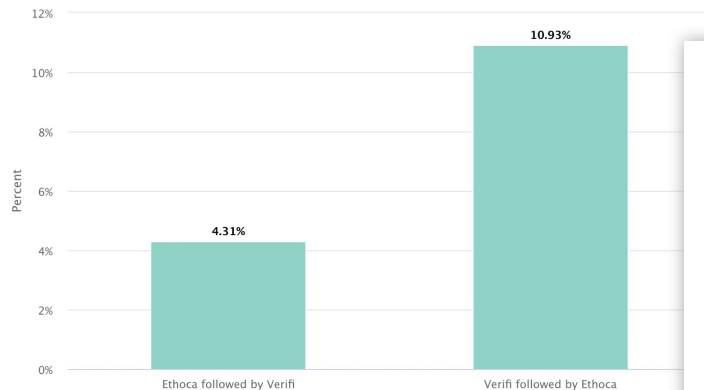


Preventing Chargebacks With a Refund

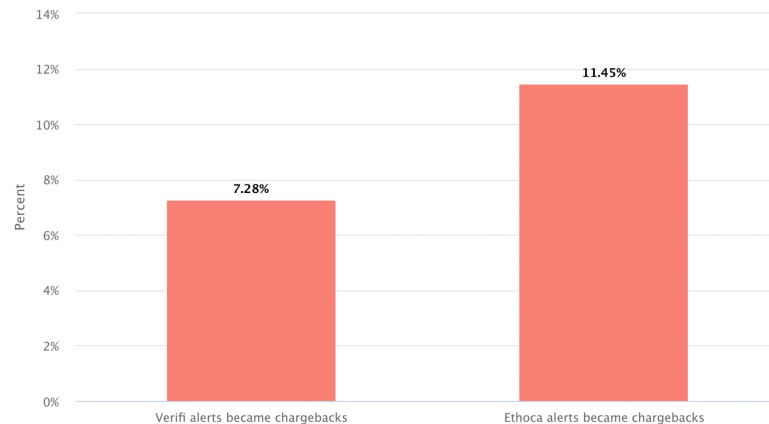


OVERLAP & LEAKAGE

PREVENTION ALERT OVERLAP BETWEEN VENDORS



PREVENTION ALERT LEAKAGE



Preventing Chargebacks With Acquirer Refunds



NEW OPPORTUNITIES WITH RDR (VISA) AND COLLABORATION (MASTERCARD)

Benefits

- ✓ Resolved between issuer and acquirer
- ✓ Guaranteed to stop the chargeback
- ✓ Forced refund

Challenges

- ✗ Currently no API or real time reporting (generated daily by Verifi)
- ✗ Reconciliation in CRM or order management system

Preventing Chargebacks



HOW DID MERCHANTS OVERCOME THOSE CHALLENGES?

- Matching
- Timing
- Merchant processing method
- Reconciliation and effectiveness

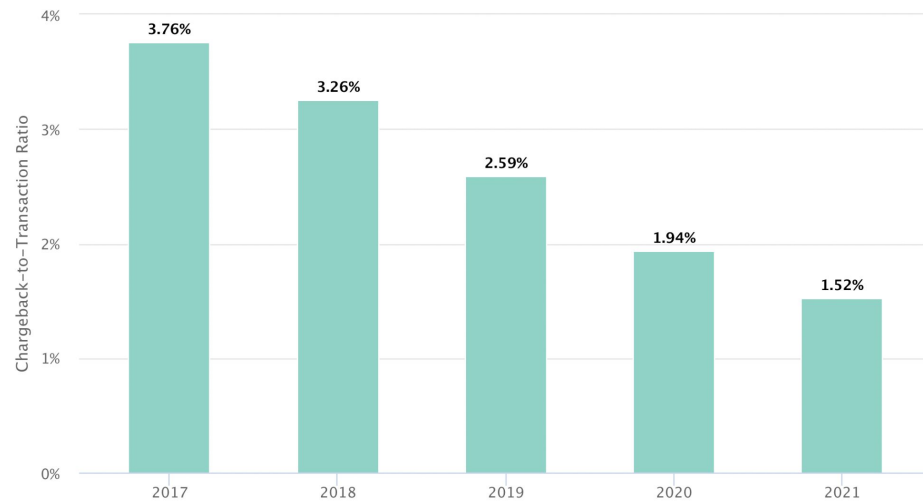


Preventing Chargebacks



DOES IT WORK?

CHARGEBACK-TO-TRANSACTION RATIO



Case Study

DIGITAL SERVICES MERCHANT

VISA



Chargeback ratio WITH prevention solutions	0.54%	0.28%
Chargeback ratio WITHOUT prevention solutions	2.31%	2.05%
Ratio if the merchant didn't use Ethoca Alerts	0.98%	1.15%
Ratio if the merchant didn't use Verifi CDN	1.01%	0.82%
Ratio if the merchant didn't use RDR	0.94%	2.05%*
Ratio if the merchant didn't use Order Insight	0.72%	2.05%*

Revenue Recovery



Should merchants respond to chargebacks?

What are the biggest challenges?

How did merchants overcome those challenges?

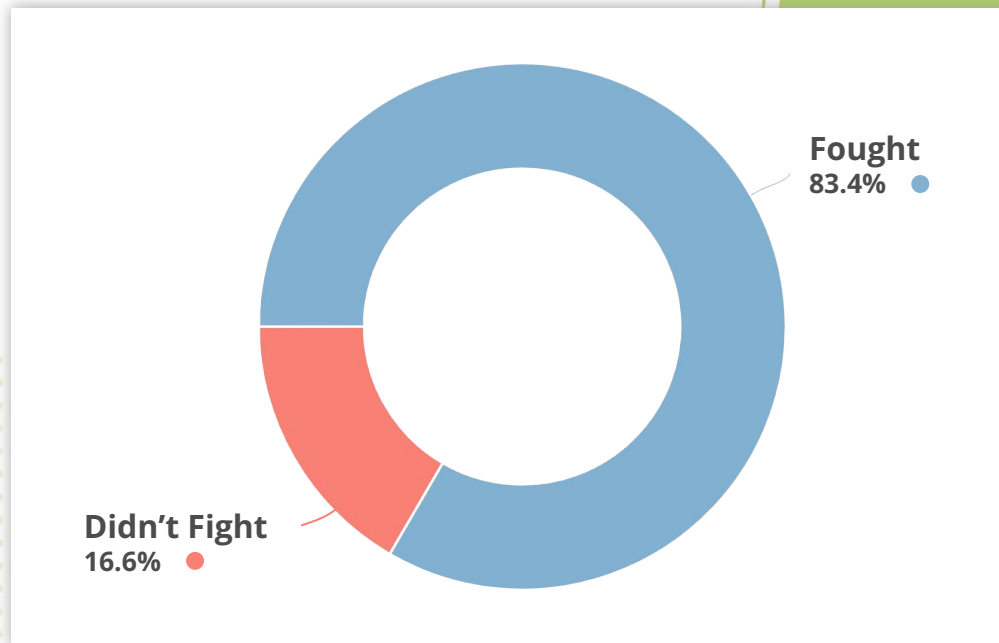
Does it work?





Responding to Chargebacks for Revenue Recovery

DO MERCHANTS RESPOND TO CHARGEBACKS?



Responding to Chargebacks for Revenue Recovery



WHAT ARE THE BIGGEST CHALLENGES?



Lack of Knowledge and Training

"We were receiving chargebacks and losing them."



Wasn't **Scalable**

"It got to a point where I could not personally handle chargebacks on my own."



Confusing

"We were looking for a simpler way to handle our chargebacks."



Time Consuming

"We needed to be able to respond to chargebacks faster."



Labor Intensive

"We wanted to lower the cost of chargebacks."

Responding to Chargebacks for Revenue Recovery



Visa Compelling Evidence 3.0

Dispute Remedy for Dispute Condition 10.4: Other Fraud—Card-Absent Environment
Effective for pre-arbitration attempts processed on or after 15 April 2023, an acquirer can remedy the issuer's dispute by providing evidence of all of the following::

- Merchandise or services were provided.
- The same payment credential was used in two previous transactions that the issuer had not reported as fraud activity to Visa and that were processed more than 120 calendar days 1 before the dispute processing date.
- The device ID, device fingerprint or the IP address and an additional one or more of the following in both of the undisputed transactions are the same as the disputed transaction as applicable:
 - Customer account
 - login ID
 - Delivery address
 - Device ID / device fingerprint
 - IP address

Responding to Chargebacks for Revenue Recovery



HOW DID MERCHANTS OVERCOME THOSE CHALLENGES?

	% of Merchants	% of Chargebacks
CRM Integration	37.54%	41.12%
API Automation	47.42%	49.40%
Basic Automation	15.04%	9.48%



Fighting Chargebacks with Full Automation

CHARGEBACK IS RECEIVED

Midigator receives the chargeback notice and adds details to real-time reporting.

Automated

1

CHARGEBACK IS MATCHED TO ORDER

The technology instantly matches the chargeback to the corresponding order.

Automated

2

FILTERS ARE APPLIED

Midigator consults your fight rules and makes sure there will be positive ROI.

Automated

3

RESPONSE IS CREATED

Midigator customizes your case based on dozens of different variables, giving you the best possible chance of winning.

Automated

4

CHARGEBACK IS WON

Midigator displays win/loss results as soon as they become available. Know if you've won and how you can improve.

Automated

5



Fighting Chargebacks with Basic Automation

CHARGEBACK IS RECEIVED

Midigator receives the chargeback notice and adds details to real-time reporting.

Automated

1

CHARGEBACK IS MATCHED TO ORDER

The technology makes it easy to match the chargeback to the corresponding order.

Guided

FILTERS ARE APPLIED

Consult your fight rules and make sure there will be positive ROI.

Guided

3

RESPONSE IS CREATED

Midigator helps you customize your case based on dozens of different variables, giving you the best possible chance of winning.

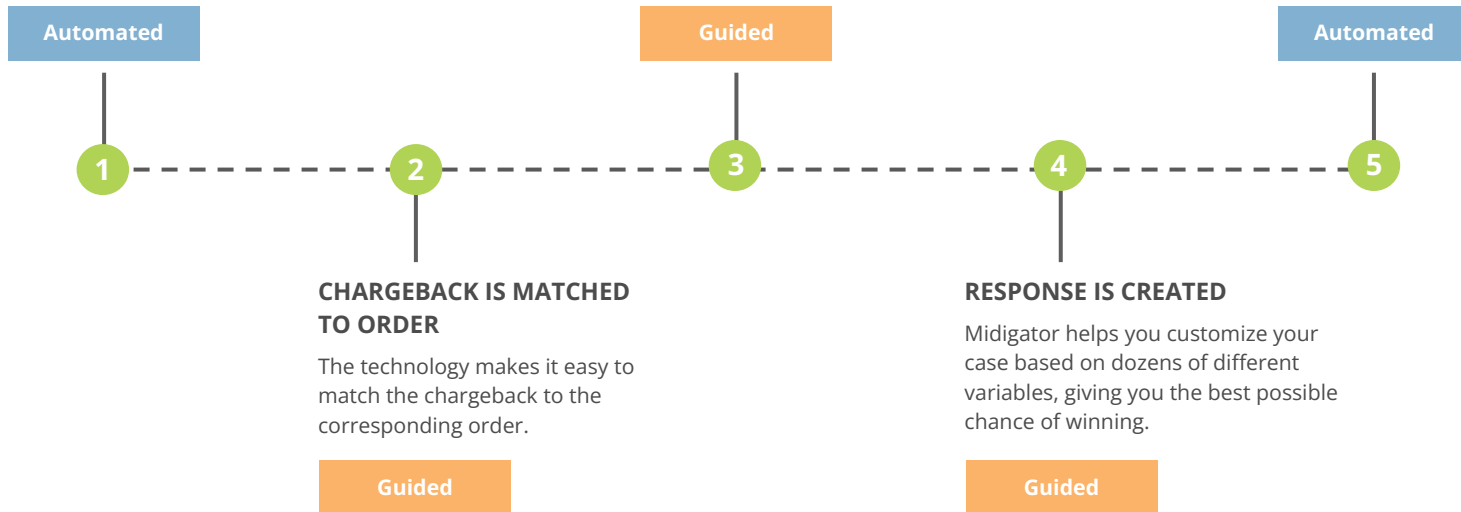
Guided

CHARGEBACK IS WON

Midigator displays win/loss results as soon as they become available. Know if you've won and how you can improve.

Automated

5

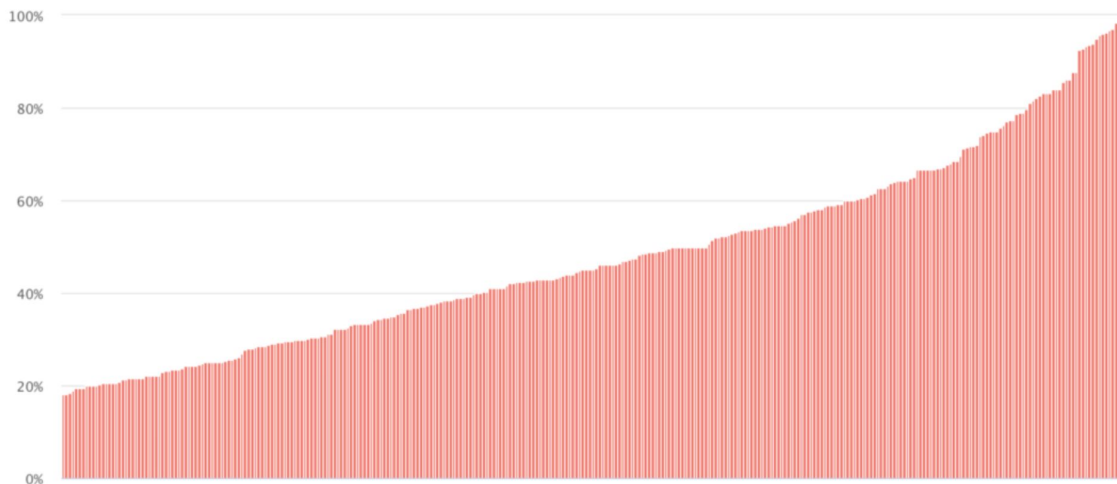


Responding to Chargebacks for Revenue Recovery

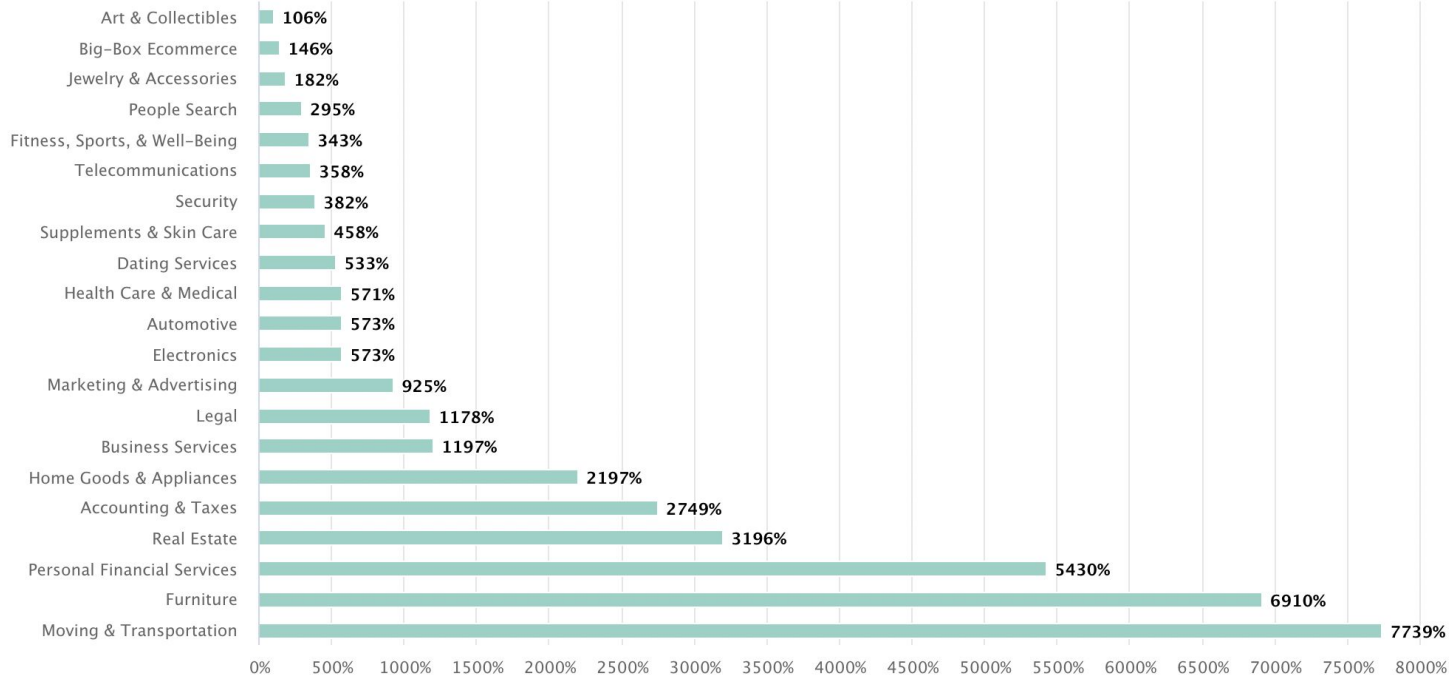


DOES IT WORK?

INDIVIDUAL MERCHANT WIN RATES



Responding to Chargebacks for Revenue Recovery





MiDiGATOR®

- Questions?
- Suggestions for next year?
- Want your own personal analysis?

mark@midigator.com

Connect on LinkedIn: Mark Standfield

