



# PREVENTING CHARGEBACKS

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## White Paper Series

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## Preventing Chargebacks

A successful business is only as good as its customers satisfaction with their product or service. Chargeback ratios are a wonderful indicator of the level customer satisfaction with your business or chargeback ratios could become the dooms day alarm bell that something is dramatically wrong with your business execution. Merchants who contemplate chargebacks as a standard cost of business and in most cases, do little to fight or even prevent them.

If chargeback ratios go unchecked, they can reduce your earnings, ruin customer relations, and **eventually put you out of business**.

Here are some tips on preventing chargebacks and to ensure longevity.

### What you stand to lose:

- Waisted Manhours Defending Chargebacks
- Enormous Chargeback Fines And Losses
- Potential Of Closure Of Merchant Account
- Large Merchant Holds & Reserve Accounts
- Inability To Get Future Merchant Services

### Primary Reasons For Chargebacks:

1. Mistakes made by merchant policies, handling, or execution.
2. Friendly fraud- Invalid transactions argued on baseless grounds.
3. Criminal fraud-The cardholder did not authorize the transactions.

What follows is an 8-means approach to preventing chargebacks without altering the normal functioning of your business.

#### **1. Cut Down Transaction Mistakes.**

40% of chargebacks happen due to faults you make either due to ignorance or delay. Have the intellect to identify the spurs for the chargebacks before they occur. Today, you can quickly tell the cause of a chargeback through the use of an intelligent Source Detection<sup>s</sup> that combines machinery and human disputation. Stand by card networks' given policies and practices and evaluate with precision those that are likely to create conflict.

#### **2. Get Your Autopay/Recurring Payments in Check.**

With recurring payments, you have customer authorization to collect total payment from their credit card/bank account on every set date. Thus fast product sales which yield more cash, low processing costs, and reduced transaction faults. What's not to love about autopay? Even so, ensure your recurring payments are worth every benefit.

Make clear the terms of service to your customers and let them in on any costs before acquiring their signature. Bring to mind any upcoming collections

### **3. Use Fraud Detection and Prevention Tactics.**

Being a dog eat dog world, people will not think twice about tricking you of your money. Fraudsters are smart. Here are more intelligent means and techniques to detect and block fraud;

- Fraud detection software.  
Address Verification Service- Check for billing addresses using the AVS software. Confirm the addresses listed in transactions match the ones with the card issuers. 3D Secure- This works for online shoppers. The 3D secure requires consumers to insert a fixed security code which is rejected in the case of a fraudulent transaction.
- Watch out for fraud warnings. Specific occurrences could indicate potential sham. A fraudster tends to purchase high-cost items due to a hefty profit on re-selling. Or same products of different bulk and color. Also, several orders placed on the same card and shipped to different addresses or vice versa could indicate a fraudulent affair. Look out for repeat customers.
- In the case that the fraudster is successful in their first business, they'll want to come back for more. Set a limit to unauthorized purchases to prevent the offender from making another.
- Make a blacklist and a whitelist. While a blacklist puts notorious fraudsters on your radar, a whitelist allows you only to do business with trustworthy buyers.

### **4. Conduct a Transparent Marketing Business.**

Unlike in a card-present transaction where the consumer assesses products/services themselves, online purchases require you market your merchandise to them. Describe what you are selling in detail and truth. Use videos and images in the right amount. Ensure they highlight your products'/services' features.

### **5. Step up Your Customer Handling Services.**

A consumer shouldn't have to file a complaint with the bank if you solved their problem in the first place. Efficient customer care goes a long way in preventing chargebacks. Make it easier for customers to find you by providing contacts in all the right areas. Have a fast response rate to their queries whether they are contacting you through a phone call, social media, or

email. Display your business' code and procedures. Go easy on the return policy too. After all, isn't it easier to deal with returns than chargebacks.

## **6. Look Out for Chargeback Fraud.**

A chargeback/friendly fraud transpires in case of an online transaction with a credit card. On receiving the bought goods/services, the consumer then files for a chargeback which sees them get a refund of the money from your account. Not so friendly, huh! Have consumers sign delivery for items received and ensure your business' name clearly appears on their statement for billing options. Limit online transactions for items bought in bulk to loyal and registered customers.

## **7. Put in Place Data Security Measures.**

As far as personal goes, information on credit cards should be kept safe and known only to the cardholder. Adhere to the Card Industry Data Security ethics to help safeguard stored or processed CC information. Consider data security techniques such as end-to-end encryption and tokenization.

Card security codes are another way. These are encrypted on the credit card and re-entered during every transaction. Each leading network has its security code. See that customers enter their security codes during a counter procedure to confirm their involvement in transactions. Thus preventing chargebacks.

## **8. Make Known to Customers the Shipping Process**

When a customer makes an order, keep them informed of the shipping process from when the merchandise will ship, to when they can expect delivery. Notify them in case of any delays. Keep the canceling option open to them should they wish to take back their order. A well-updated consumer will have no grounds to file for chargebacks.

Chargeback prevention methods can be watered down to performance guarantee, strategic approaches, human involvement, know-how, and forward thinking. Also, have an efficient and transparent working policy. Preventing chargebacks can take quite a toll on your time and money. But isn't it worth every investment? Best you dedicate all means offered in this article to keep chargebacks off your door and reap the best fruits of success.