

Identifying & Mitigating Chargebacks and Fraud in 2019

Suresh Dakshina

President, Chargeback Gurus



Agenda

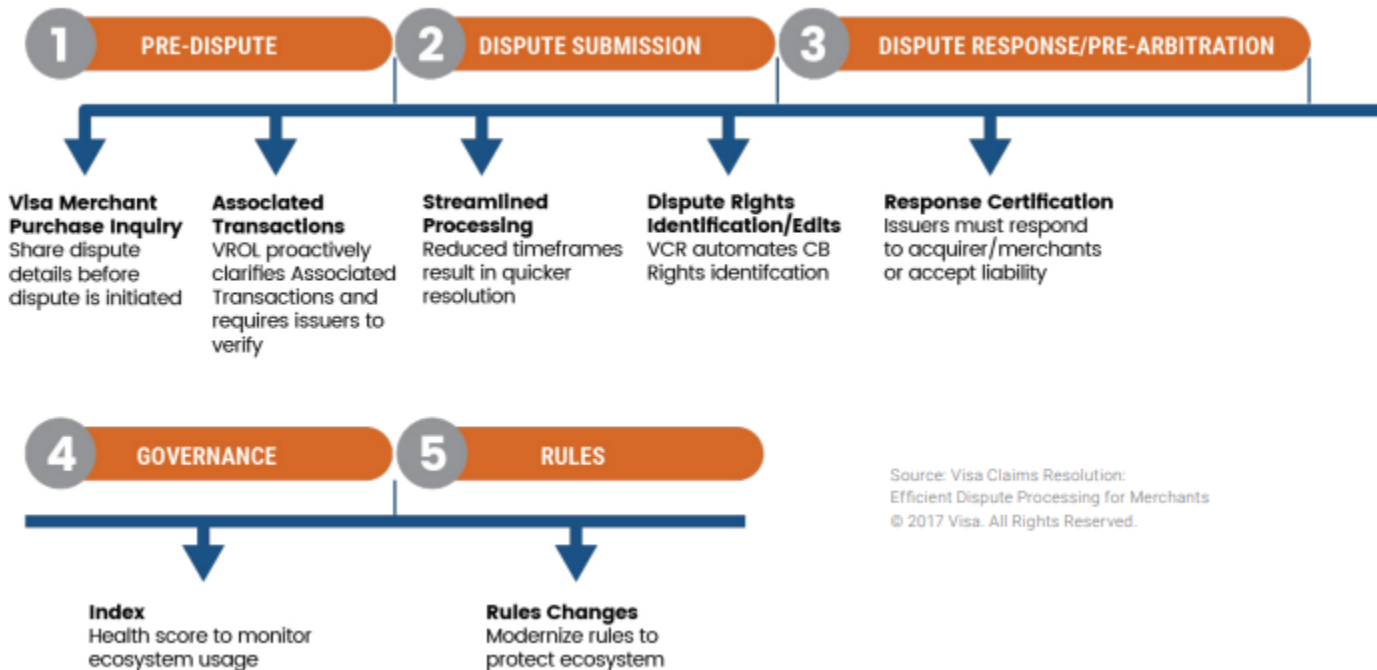
- **Understanding VCR**
 - Purpose of VCR
 - Parties Impacted by VCR
 - Changes Made to Dispute Process
 - Top 5 Industries Affected by VCR
 - Dispute Acknowledgement Purpose
 - Dispute Non-Acknowledgement Fee
- **Card Network Mandates & Changes 2018-2019**
- **Fraud Prevention Tools**
 - Fraud Type
 - Tools to Minimize True Fraud
 - Tools to Minimize Friendly Fraud
 - Key Metrics to Measure Effectiveness
- **The Game Changers for CNP Merchants**
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- **Key Takeaways**
 - Why Chargeback Representation is Key
 - Tips to Minimize Chargebacks & Fraud



About VCR

VCR Definition & Launch Date

- VCR – Visa Claims Resolution
- Launched On – April 13, 2018



Source: Visa Claims Resolution:
Efficient Dispute Processing for Merchants
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Purpose of VCR

1. To streamline dispute process
2. Reduce/prevent invalid dispute claims
3. Timely resolution of disputes



Changes Made to Dispute Process

1. Disputes categorized into two buckets
 1. Allocation – Fraud & Authorization claims
 2. Collaboration – Processing error & cardholder dispute claims
2. No provisional credits are provided for Allocation cases
3. Change in dispute response time
 1. Allocation cases – 24 days
 2. Collaboration cases – 18 days
4. Merchants must acknowledge chargebacks by either Accepting or Disputing chargebacks to avoid penalty fees
5. Dispute response accepted only for transactions with AVS/CVV match



Dispute Acknowledgement Purpose

1. Faster resolution to pending cases
2. Keep merchants aware of their disputes
3. Closely watch merchants with high disputes and their responses to disputes



Dispute Non-Acknowledgement Fee

Merchants are currently charged between

\$0.75 - \$2.50/Chargeback

for dispute non-acknowledgement



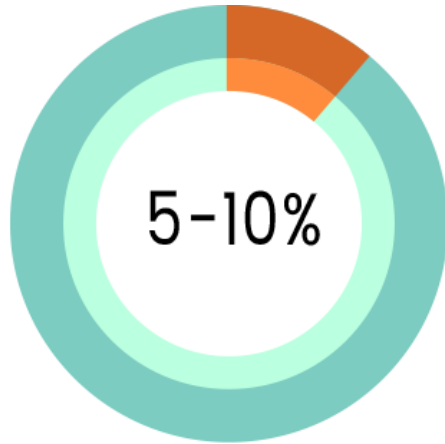
Card Network Mandates & Changes 2018-2019

1. Visa consolidated dispute reason codes into 4 categories
2. Visa Reduced dispute response time frame
3. Visa introduced VCR & VMPI in the US to simplify dispute process
4. 3D Secure 2.0 frictionless version was introduced for CNP transaction
5. Mastercard mandated customer approval requirement for all recurring transactions in the free trial & negative option billing space
6. Mastercard now requires digital subscription merchants to submit product usage information when disputing chargebacks
7. Visa and Mastercard made policy updated on stored payment credentials

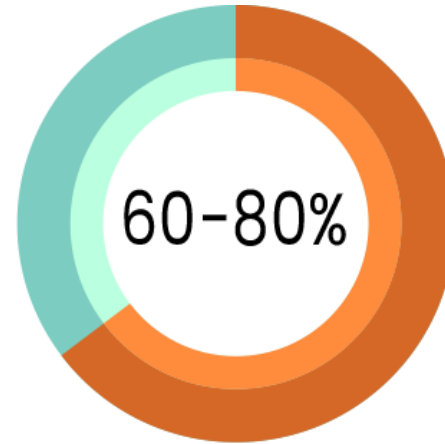


Fraud Prevention Tools: Fraud Type

1. True Fraud
2. Friendly Fraud



True Fraud



Friendly Fraud

Fraud Prevention Tools: For True Fraud

	CNP Merchants		
	E-Commerce	Phone	Mail
AVS	✓	✓	✓
CVV	✓	✓	
3D Secure	✓	✓	
Fraud Prevention Tool	✓	✓	✓
V M P I	✓	✓	✓
Voice Authorization		✓	✓



Fraud Prevention Tools: For Friendly Fraud

	CNP Merchants		
	E-Commerce	Phone	Mail
AVS	✓	✓	✓
CVV	✓	✓	
3D Secure	✓	✓	
Root Cause Analyzer	✓	✓	✓
V M P I	✓	✓	✓
Black List Database	✓	✓	✓



Fraud Prevention Tools: Measuring Effectiveness

Merchant Concerns:

1. An increase in false positives that causes your order rate to decline.
2. The time and resources required to learn how to use the tools and manage them properly.
3. Increasing fraud management costs that yield a negative return on investment



Fraud Prevention Tools: Measuring Effectiveness

1. Specify benchmarks before implementing fraud prevention tools:
 - a. True fraud chargeback rate
 - b. False positive rate

Test one tool at a time and compare the results against the benchmark for at least 60 to 90 days to determine the true ROI.

- a. If the ROI is positive, incorporate the next tool and repeat the steps above.
 - b. If the ROI is negative, talk to your payment processor or the service provider and adjust the settings to see if you can get a positive ROI.

2. If you can't get positive results with a tool after making adjustments, discontinue using it and move on to testing out the effectiveness of the next tool.



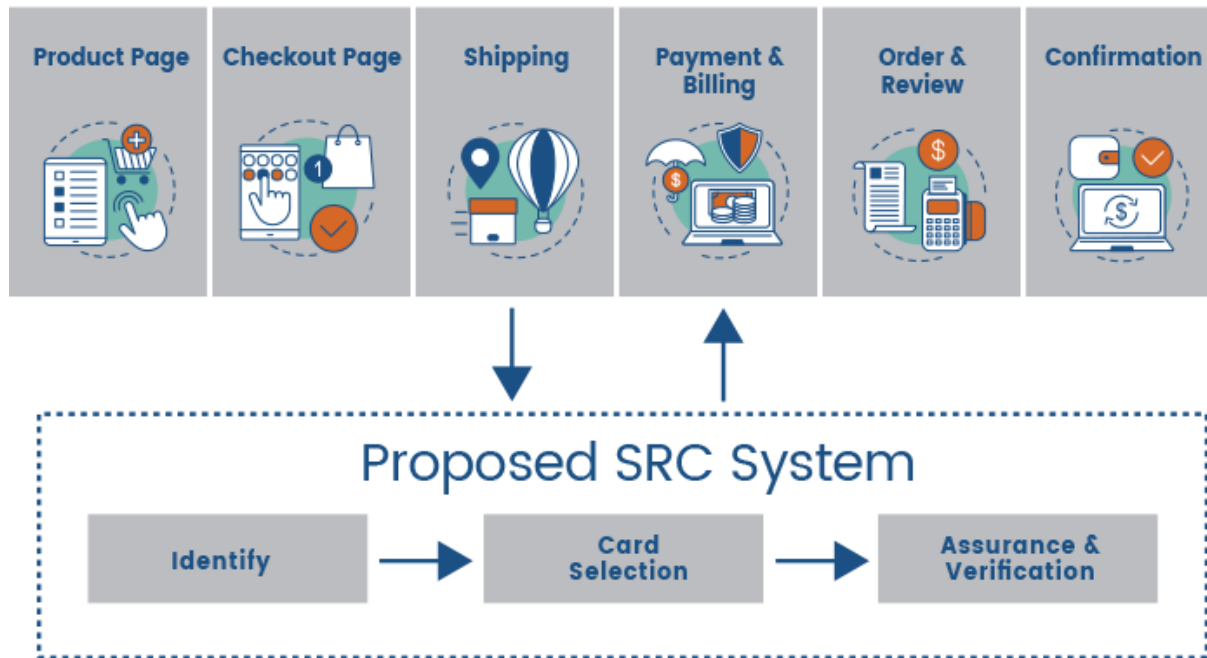
The Game Changers for CNP Merchants: VMPI

HOW IT WORKS



The Game Changers for CNP Merchants: SRC

SRC in Context of Merchant Environment



Source: EMVCo

Why Chargeback Representation is Key

1. Identify root causes to minimize chargebacks
2. Prevent non-acknowledgement fees
3. Recover lost revenue
4. Stay in compliance
5. Improved customer satisfaction



Tips to Minimize Chargebacks & Fraud

1. Every chargeback tells a story. Identify your customers using chargeback analytics
2. Engage with payments industry subject matter experts to identify your pain points and recommend solutions to overcome them
3. Do A/B testing when implementing new processes or fraud tools and identify the key metrics to determine its effectiveness
4. Utilize your in-house team or chargeback management companies to recover your lost revenue
5. At minimum, acknowledge all chargebacks



Thank You!

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