Identifying & Mitigating Chargebacks and Fraud in 2019

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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
  • VMPI
  • Secure Remote Commerce

• Key Takeaways
  • Why Chargeback Representment is Key
  • Tips to Minimize Chargebacks & Fraud
About VCR

VCR Definition & Launch Date

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

5-10% 60-80%

True Fraud Friendly Fraud
# Fraud Prevention Tools: For True Fraud

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<thead>
<tr>
<th>CNP Merchants</th>
<th>E-Commerce</th>
<th>Phone</th>
<th>Mail</th>
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<tbody>
<tr>
<td><strong>AVS</strong></td>
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# Fraud Prevention Tools: For Friendly Fraud

## CNP Merchants

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<td>CVV</td>
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<td>Black List Database</td>
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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
The Game Changers for CNP Merchants: SRC

SRC in Context of Merchant Environment

Product Page  |  Checkout Page  |  Shipping  |  Payment & Billing  |  Order & Review  |  Confirmation

Proposed SRC System

Identify  →  Card Selection  →  Assurance & Verification

Source: EMVCo
Why Chargeback Representment 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!

Stop by Our Booth to Discuss Your Pain Points

Please email win@chargebackgurus.com to get a copy of this presentation