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# Solving the Problem of Chargebacks in the Travel Industry

The travel industry faces a unique set of challenges regarding the issue of chargebacks. The complex and variable business models used within travel and hospitality make it susceptible to customer disputes, and it is one of the business verticals most affected by online fraud—reports indicate that airlines alone account for 46% of fraudulent transactions. By extension, travel-specific businesses are a high-risk target for chargebacks.

The impact of chargebacks also compounds due to the travel industry's tight profit margins. The cost of chargebacks for travel merchants is estimated at 1.6% of total revenue, an amount that cuts into hard-earned revenues and magnifies cash flow issues.

Let's detail the current problem chargebacks present to the travel industry and explore some possible solutions available for travel merchants.

Identifying Travel Industry Chargebacks

Top Merchants Affected By Fraud Transactions

- Airlines
- Computer / Electronics
- Money Transfer
- Clothing
- Other
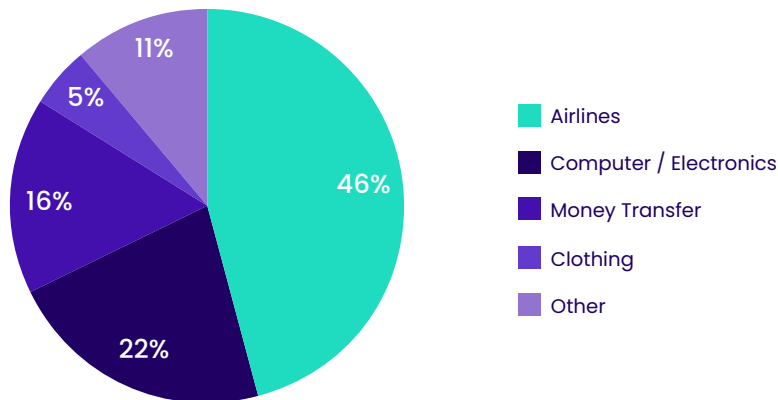
Chargebacks occur in travel and hospitality across a variety of situations, each contributing to the high volume of disputes that continues to affect business profitability.

Travel Fraud

Tickets are liquid goods that transfer between airlines, travel agencies, and multiple inter-connected travel services. Amidst the confusion as services switch between distinct business players and different systems, opportunities for blatant fraud or technical errors are possible. For example, a customer could purchase a flight through a travel agency who proceeds to book the wrong flight time. Instead of asking for a refund, the customer repudiates the transaction.

Triangulation fraud also occurs, where fraudsters re-sell flights or hotel bookings bought with stolen credit cards, often on third-party marketplaces. Once the cardholder of the stolen card discovers the ploy, they dispute the purchase, leaving honest merchants to cover the losses.

Other customers use last-minute deals to "skip lag", buying cheap flights to far destinations that have planned layovers without any intention of completing the entire trip. Once they arrive at the layover terminal, they initiate a false dispute to recoup partial ticket losses.

Loyalty Member Abuse

Frequent flier rewards are a common way for the travel industry to accelerate customer engagement and create sales. But rewards programs also create complex secondary payment systems that can lead to chargebacks. For example, customers will dispute claims when reward points expire or when reimbursements do not apply to legitimate travel services purchased with a loyalty credit card.

Customer Friendly Fraud

Consumers will also engage in different forms of friendly fraud when purchasing travel services. If a customer misses a booking, grows dissatisfied with service, or experiences ground delays, they might feel entitled to reimbursements and repudiate a transaction. Some clients might not even recognize or remember charges placed months prior and dispute legitimate charges.

Common Customer Disputes

Lastly, the travel industry sees a high volume of chargebacks due to the broad range of service offerings. For example, flight systems can crash and cause delays that lead to repudiated charges. Other disputes surrounding booking cancellation insurance can occur as clients that are unaware of coverage policies might not feel they received full value. Chargebacks also result from overbooking, a service strategy meant to limit losses related to last-minute cancellations. In the event of delays and no offers for suitable substitute arrangements, customers may assume they did not receive a paid-for reservation and initiate a chargeback.

The Need for Travel-Specific Chargeback Solutions

The vast array of services provided by the travel industry exposes businesses to a wide range of possible chargeback incidents. But to complicate the problem of chargebacks, the standard internal operations of the travel industry also make dispute prevention and resolution a difficult task.

Debt-Heavy Business Models

Airlines and hotels use a debt-forward business model to ensure smooth operations. Infrastructure costs are high as items such as planes and hotels each require significant investment before consumer service can even begin. In addition, customers engage in long delays between payment and their eventual use date, with some clients purchasing tickets or reservations months in advance. Upfront capital is necessary to ensure unbroken service as cash reserves fluctuate.

But debt-heavy business operations mean that the impact of a chargeback multiplies. Consider a customer who books and pays for a trip six months in advance. Typically, the early payment funds current flights and debt costs, with the expectation of service given to the customer in the future. But with such a time delay, customers might experience buyers remorse and engage in chargebacks. Once the original flight charge is repudiated, all funds reverse, and the airline's cash flow is hampered. The airline is placed under debt pressure and operational costs that resulted in no flight service and earned revenue. Chargebacks become a volatile aspect of perceived future earnings, leading to significant losses on held debt.

The solution to such a unique situation is a customized chargeback mitigation solution. That's why Justt leverages industry and technical expertise to best assess and address chargeback incidents within the business models common to the travel business vertical.

Tight Profit Margins

The travel industry is also highly competitive with ultra-tight margins, helping magnify the impact of disputes. With profit margins average between 5% and 10%—it can take between 10 to 20 additional vacation package sales to replace the loss associated with a single chargeback. The cost of one dispute has an immense impact on business profitability.

Moreover, the travel industry operates with high-ticket price brackets. The average airline ticket averages $260.31, with much higher fees available for service add-ons (first class, additional luggage, etc). Compared to small ticket items, a lost high-ticket dispute creates extensive business revenue losses. Fighting to recover revenues qualifies as a worthwhile investment, but with such slender margins, most travel service businesses cannot sacrifice the capital and divert it towards chargeback disputes teams.

Travel services need to utilize hands-off solutions that do not incur costs beyond the value of the chargeback itself. Moreover, the solution must mitigate chargebacks incidents without sacrificing profit generation. That's why Justt offers success-based pricing—only pay out a portion of won disputes to minimize the expense risk associated with revenue recovery.

System Complexity Between Travel Businesses

Lastly, the travel-related business is complex. Online bookings, travel agencies, tour operators, transportation carriers, and hotels all work together across different countries to create a seamless travel experience for consumers. Each business uses industry-specific software, and the variety of integrations creates a complicated IT infrastructure.

 A few of the common digital travel software applications include:

▌ **Online Travel Aggregators:** Skyscanner

▌ **Global Distribution Systems:** Amadeus CRS

▌ **Tourism IT Solutions:** Lemax

If errors occur, systems fail, or customer services fail to integrate, chargebacks increase. With such intensive technical requirements, travel services do not have the time or investment available to build or pay for a chargeback solution application that does not significantly improve win rates.

Any chargeback mitigation needs to integrate with the various software services used to manage the distinct aspects of travel sales, a necessity for flagging and disputing false claims. As a result, Justt works as a technical partner. We handle the entire chargeback lifecycle so you can remove complicated tech requirements — all with an industry-leading win rate.

Key Takeaway:

The structure of the travel industry involves unique business models that make it a challenge to address and resolve the problem of chargebacks. Travel fraud, systems complexity, and tight profit margins compound the effect a single dispute has on business profitability. The industry will benefit from mitigation services that recover lost revenues with travel-specific dispute services.

To learn more about Justt's customized chargeback mitigation solutions for the travel and hospitality industries, contact us here.

Benefits of Justt Chargeback Mitigation Solutions

Justt is an end-to-end chargeback solution designed to manage the entire life cycle of a customer dispute. Through AI-driven technology, Justt recovers lost revenue by helping global merchants fight fraudulent chargebacks. It is the hand-offs mitigation service that can combat the current inefficiencies of the chargeback system.

With Justt, large-sized enterprises and eCommerce brands receive the following benefits:

Increased Win Rate

Justt achieves an industry-leading 83% success rate for total dispute cases. Such exceptional revenue recovery is due to tailored chargeback strategies developed via innovative technology, data insights, and human-powered know-how.

Access to an Expert Chargeback Fighting Partner

Avoid the hassle. Justt functions as a technical partner, fighting fraud and other suspicious chargeback processes on behalf of any enterprise. Let Justt's AI-powered applications and direct expertise flag incorrect chargebacks at no cost to business resources. Through a seamless integration, any merchant can navigate past the pitfalls of the antiquated chargeback system—without lifting a finger.

Fewer Wasted Business Resources

Since Justt manages all aspects of the chargeback dispute process, primary business resources purpose-built for eCommerce can once again focus on activities devoted to profit generation. Reduce the hidden costs associated with a chargeback and spend less on the entire dispute process.

Solutions Tailored to Your Business

Off-the-shelf services provide limited value for enterprises that have nuanced and particular needs. Chargeback disputes occur for different reasons within different industry verticals, and that demands customized solutions. Justt creates such tailored strategies according to business requirements, check-out flow, and personal payment options. Each enterprise receives a unique mitigation configuration, allowing merchants to off-load any dispute management labor for efficient operations and better revenue recovery.

Automated Applications

Justt uses AI to automate the chargeback process. Various tools, templates, and data insights combine expert knowledge and enriched third-party data for better effectiveness, all within a hands-off system. Such automation allows Justt to scale according to the needs of enterprise companies. Plus, the easy-to-use platform includes no upfront integration costs, meaning there is no significant development lift. Not only do you streamline your anti-fraud stack, but you reduce the need for complex and time-consuming in-house mitigation services.

Success-Based Fees

With Justt, all fees are based on success. Pricing for the solution is dependent on cases won, not on transactions reviewed. As an enterprise partner, pay out of the portions of the funds recovered. Limit your risk all while increasing your chargeback win rate.

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