

Ticket Chargebacks and Friendly Fraud

Chargeback fraud is a pronounced dilemma within the event ticketing industry. The sector relies on near-instant transactions for earned revenues, but such rapid exchanges of goods for money introduces a growing problem: the risk of consumer credit card abuse.

To compound the matter, the burgeoning secondary market and consumer ticket reselling makes it difficult – and costly – for vendors to identify and fight false chargeback claims. Friendly fraud is a direct threat to profitability in the ticketing industry.

How Vulnerable Is the Ticketing Industry to Chargebacks?

It is easy to solely blame the digitization of ticketing for the increased chargeback risk. But several primary aspects of the event ticketing business model make it uniquely susceptible to high volumes of customer disputes.

- Digital secondary markets:** Primary venues sell tickets to shows, and most use a digital platform to facilitate sales. Ticketing platforms allow for simple transactions, but also convenient disputes. More importantly, digital sales give rise to a secondary resellers market that contributes to transfer errors, unknown card charges, oversold ticket packs, and incorrect ticket details—confusion that leads to eventual customer chargebacks. For customers who believe they bought an event pass in good faith from a reseller, a chargeback is a convenient solution (especially since card issuers almost always side in their favor).
- Industry price fluctuations:** For popular shows, tickets become rare items. But many primary venues and reseller markets will sit on bulk ticket purchases to increase demand, leading to prices that fluctuate wildly. As a result, the industry creates arbitrage opportunities and payoffs for price hedging, with chargebacks as the primary method for resellers and customers to recoup losses.
- Consumer payment delays:** While digital ticket sales result in immediate purchases, many customers still buy event passes months in advance. The delay can cause customer confusion and forgetfulness, leading to mistaken disputes for unrecognized card charges.
- Cancellation costs:** Most tickets are non-refundable as you cannot "return" a live event. The intrinsic lack of flexibility can cause customers to utilize chargebacks to recover any lost funds. In addition, if a live event cannot proceed as scheduled, primary venues must initiate refunds to resellers and customers. But with rampant secondary reselling, the entire returns process grows complex. Many consumers will use chargebacks as a faster and more convenient method of receiving their funds.
- Digital Security:** The shift to digital ticketing platforms opens new pathways for true fraud. Criminals can hack, tamper with, or alter tickets for illegal gain. While not a form of friendly fraud, it still leads to an overall increase in chargeback volume.

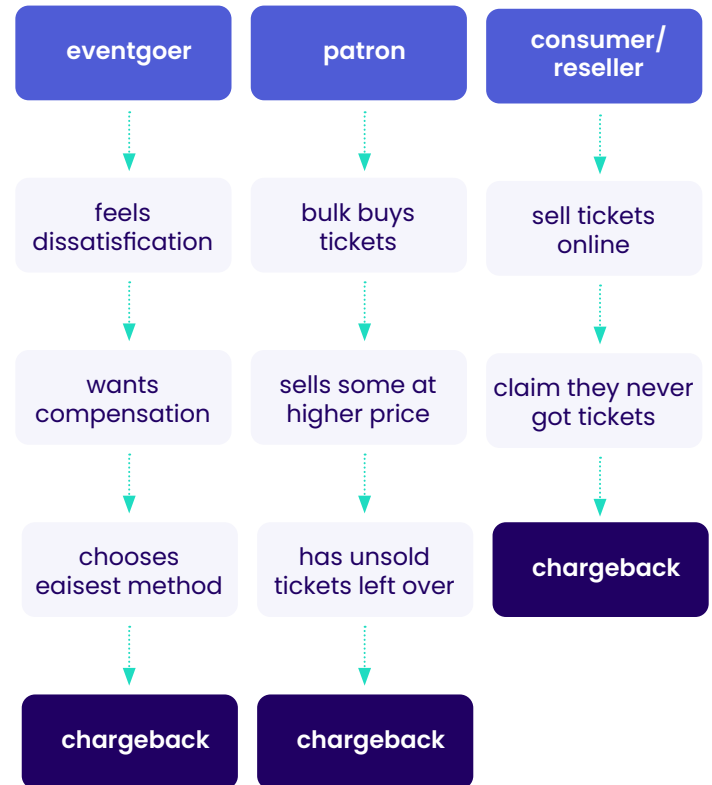
Examples of Friendly Fraud in the Ticketing Industry

The overall composition of the event ticketing industry can help explain consumer motivations for engaging in first-party misuse of a credit card.

For example, if an eventgoer feels dissatisfied with the event, they may believe they are entitled to recompense. Since all ticketing industry sales are final (though money-back guarantees do exist), chargebacks become the easiest method to recoup losses for a service that did not meet customer standards or emotions of buyer's remorse.

Other patrons are purposeful with their false claims and use disputes as a tool for price hedging. Certain resellers buy bulk tickets to flip for revenue, and chargebacks help minimize risk. Any unsold tickets can be redeemed through a dispute, covering potential losses. Even honest customers may engage in price hedging. If they overpay for an event due to price hikes related to the secondary markets, they may feel cheated by the primary venue and repudiate the original charge.

Lastly, consumers and resellers can also try to get something for nothing. They may claim they never received the tickets and demand a chargeback, pocketing any funds while selling the actual tickets online for further arbitrage opportunities. It is first-party misuse of the credit card system with the intent to harm honest ticketing merchants.



Tactics for Preventing Ticket Chargebacks

Friendly fraud is hard to identify, especially without introducing immense friction into the business-to-customer relationship. Luckily, there are several actions ticketing merchants can take to defend against chargeback fraud.

Pre-Transaction

- Invest in good customer service:** Since a large portion of friendly fraud is due to customer dissatisfaction, effective service reps can resolve customer complaints before they dispute a charge.
- Display purchase policies and product descriptions:** A well-defined refund and cancellation policy can help deter potential disputes. The more information the consumer has about the live event before the final sales confirmation, the lower likelihood of a repudiated charge.

Mid-Transaction

- Collect Verification Information:** Not only do Address Verification Service (AVS) and Card Security Codes (CSC) deter true fraud, but the data is usable evidence for chargeback representation.
- Flag Suspicious Transactions:** The risk of friendly fraud increases with bulk purchases, duplicate orders, address locations posted nowhere near the event, and same-day rush tickets. Software solutions can use risk profiles to limit transactions with a high risk of consumer repudiation.

Post-Transaction

- Get ticket delivery confirmation:** Proof of delivery is primary evidence that the questioned purchase transaction is authentic. Collect all final sales information and send purchase confirmation pages to patrons.
- Scan all tickets at the event:** Digital scanners can confirm that a customer attended an event, completing the transaction in good faith.
- Keep detailed records of potential disputes:** Merchants must show compelling evidence to win a dispute. Collect and compile any paperwork related to a customer charge repudiation. Moreover, use dispute histories to further empower chargeback fighting teams.

Justt: Chargeback Mitigation Solutions

The event ticketing industry is uniquely vulnerable to the threat of chargebacks. But efforts to mitigate chargebacks from resellers, lower cancellation costs, and compile evidence to fight false disputes can drain valuable business resources. To fully protect your business from the issue of friendly fraud, use Justt.

As a chargeback mitigation solution, Justt handles the entire chargeback life cycle for event ticketing merchants. We provide several key benefits that can help recover lost revenues:



Industry-specific chargeback mitigation tactics

Receive customized solutions that defend against friendly fraud scenarios common to the ticketing industry.



AI and deep tech solutions

Machine learning can better assess and flag possible false claims associated with digital ticket sales, helping increase chargeback win rates.



Hands-off chargeback representation

We take the entire burden of compiling the needed evidence to win disputes, helping ticketing vendors fight friendly fraud—without hampering business growth.



Success-based fees

Only pay for recovered revenue, removing the financial risk associated with fighting chargebacks.



Are you a ticketing merchant who could benefit from a comprehensive chargeback mitigation solution?

Talk to us!