Justt 2023 Chargeback Pulse: Merchant Views on a Changing Industry

Executive Summary

This report explores evolving trends in the chargebacks industry, at a time when a number of elements are undergoing change.

Some of the results of the survey conducted highlight especially important issues in the industry today.

Key Takeaways

Chargebacks matter

40% of respondents report that at least 1% of their company's revenue is lost to chargebacks

35% report that their average monthly chargeback to transaction ratio is above 0.9%

42% of respondents don't feel they have the resources they need!

Key Takeaways

Chargeback professionals are dealing with a number of evolving challenges

55% of Disputes departments experience identifying friendly fraud as being "extremely challenging"

Only **33%** report that they fully understand the new Visa rules around compelling evidence - and an astonishing 17% of respondents reported that they had not even heard of them.

Buy Now Pay Later is becoming increasingly popular -

47% of respondents report that their companies offer BNPL at checkout, and a further 14% say that they're planning on offering it within the next 12 months. At the same time, 35% report that over 1.81% of BNPL transactions result in chargebacks.

Collaboration is key for many chargeback professionals - **77% of respondents report that they collaborate closely with other departments** in their organization. Interestingly, the greatest value of collaboration is seen as **reducing overall chargebacks - 74% report that this is the biggest value they see** in having good working relationships with other departments.

These results contribute to building up a strong picture of direction for future growth in this industry, as departments adapt to the evolution of the ecosystem in different ways.

Some key takeaways include:

- The importance of investing in internal education cross departmentally, to ensure alignment on the importance and impact of chargebacks.
- The room for improvement in building on such education to maximize the value of collaboration, and minimize friction.
- The need for more investment in chargeback professionals' own awareness and knowledge, especially as rules change. Tapping into vendor knowledge for resources and context could be valuable in this area.
- The value of departments gaining more clarity around friendly fraud and how it impacts their organization.
- Room for improvement in increasing the representment rate - especially given new tech and automation - and the win rate of cases.

Table of Contents

Introduction

Chargebacks are changing. Impacted by shifting consumer behaviors and payments preferences, new rules and norms in the wider payments ecosystem, and technological and methodological advances, this report shows that the chargebacks industry is undergoing a process of evolution that all chargeback professionals need to understand.

Chargebacks represent an important indication of a company's health, and the survey results on which this report is based show that this is significant across a variety of levels. Chargebacks are relevant not only to a company's financial performance, but also reflect the extent and quality of collaboration across departments within an organization, the knock-on effect of decisions around company policies and payment methods, levels of customer trust, and more.

This report also gives an indication of the directions that companies could look for meaningful future growth. Notably, departments responsible for handling chargebacks may want to invest in internal cross-departmental education around their work and why it matters, and explore ways to seek both greater clarity and greater collaboration around how first-party fraud, or friendly fraud, impacts the business.

At the same time, organizations would be well advised to consider prioritizing employees' awareness and knowledge within their field, providing opportunities and support for learning, particularly as rules change.

This report shows that the chargebacks industry, and the consumer behaviors that it is impacted by, are changing. Relying on past assumptions will not be enough. Companies must proactively track, measure and react to ensure their continued success in preventing, mitigating and handling chargebacks.

State of the Industry

Chargebacks Matter

An astonishing **40%** of respondents report that **at least 1% of their company's revenue is lost to chargebacks -** a result that is particularly concerning in a year during which many organizations have acted on concerns about economic instability.

Moreover, **35%** report that their **average monthly chargeback to transaction ratio is above 0.9%,** raising questions about how many companies are handling the challenge of avoiding entering the card networks' dispute monitoring programs.

It is important to bear in mind the broader context of consumer behavior; the Consumer Attitudes Towards Chargebacks in 2023 survey found that in 2023, **only 22% of US consumers reported filing no chargebacks.** That means 78% reported filing at least 1 chargeback.

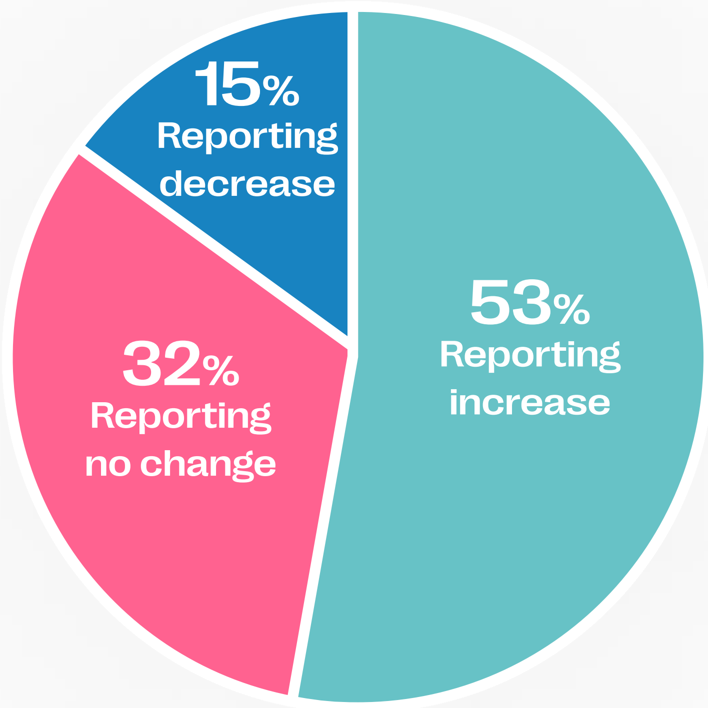
This is a significant increase compared to 2022, when 34% reported filing none - consumer awareness of their ability to file chargebacks seems to be increasing, something which is bound to impact businesses. Adding to that the 29% of US consumers who reported filing at least 3 chargebacks, and the trend starts to look concerning at scale.

It may be that consumers are reacting to wider economic uncertainties, that increased numbers of fraud attacks are resulting in more pressure, or that increased awareness of the option of chargebacks leads to higher rates of filing. Whatever the causes, **it appears that consumers filing more chargebacks has serious consequences for companies.**

It's important to note that it's not just a pure matter of revenue that companies are grappling with. **For companies with slim margins, this kind of impact can be catastrophic.**

That's particularly important given that chargebacks are increasing. More than half of merchant survey respondents - 53% - reported that chargebacks have gone up, compared to last year. Only 15% report a decrease. It's more important than ever for companies to find effective long-term ways of handling the challenges associated with chargebacks. **Taking a "cost of doing business" approach is simply too costly.**

Change in Chargebacks in 2023



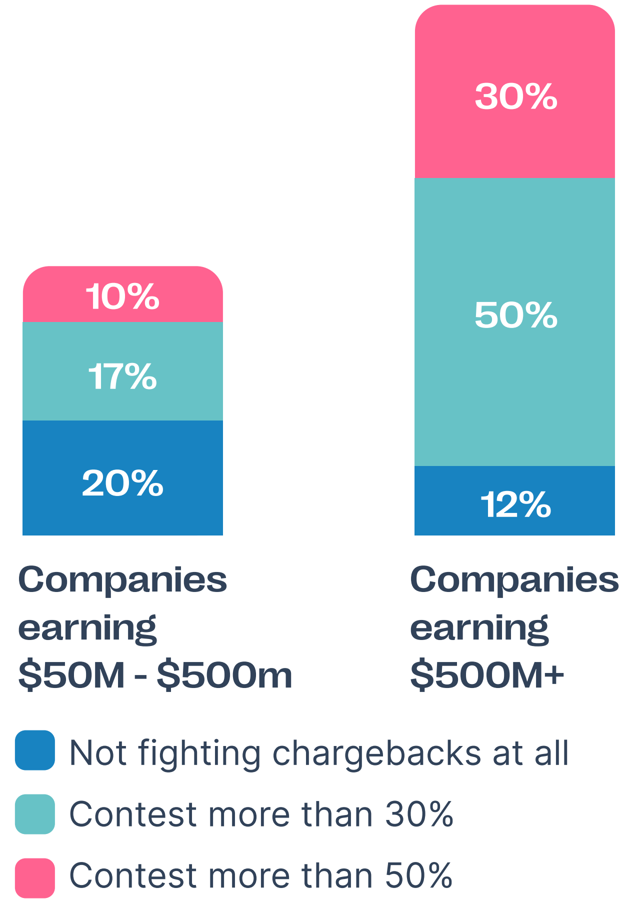
Deep Dive: Larger Companies and Chargebacks

Many companies think that because some chargebacks are inevitable, there's no reason to invest in optimizing the company's position. Looking at the gap between how larger and smaller companies treat the challenge shows how wrong this assumption is.

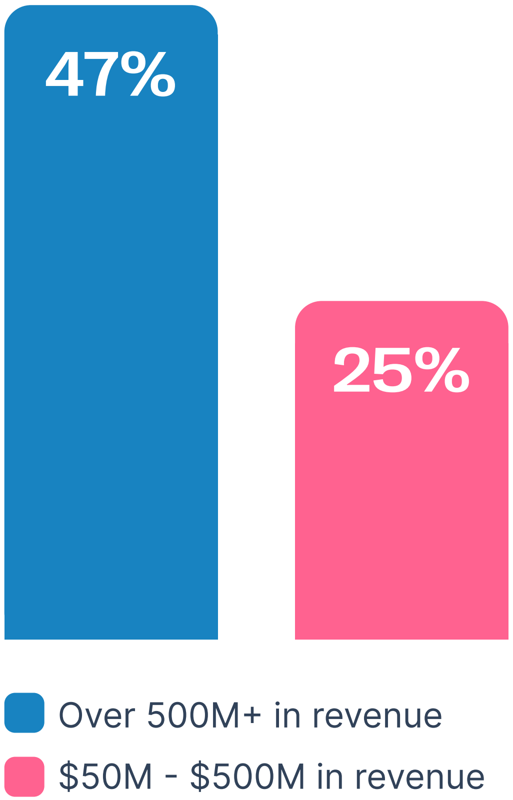
Larger companies - those with $500+ million revenue - contest far more chargebacks. They invest in the process. And they win far more.

Only 12% of larger companies do not fight chargebacks at all - compared to 20% of companies below $500 million in revenue. 50% of larger companies contest more than 30% of their chargebacks - and 30% contest more than 50%. That's compared to only 17% of smaller companies who contest more than 30%, and 10% who contest more than 50%.

Percentage of Chargebacks Contested



Company Average Chargeback Win Rate Above 51%



Crucially, **47% of larger companies report that their average chargeback win rate is above 51%,** 35% report above 61% and 24% report that it's above 71%. That's compared to smaller companies, **only 25% of whom report that their average chargeback win rate is above 51%,** 21% who report above 61% and 17% who report above 71%.

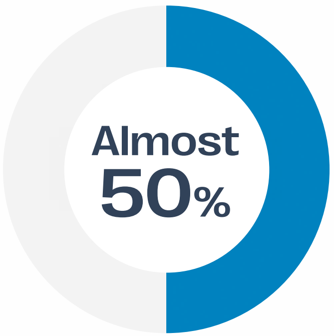
The implication is that companies who invest time, analysis and effort into optimizing their chargeback process reap the benefits. Far from being an area where impact and control are impossible, chargebacks is an area where investment pays off in measurable and meaningful ways.

It is not an inevitable cost of doing business.

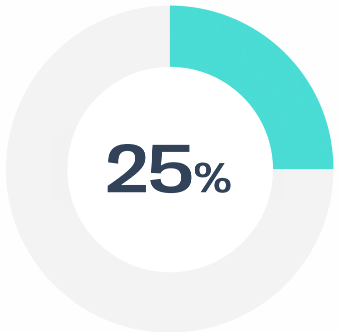
Deep Dive: Friendly Fraud

There is increasing awareness around the challenge of friendly fraud, or first-party misuse, and how much damage it does to businesses. **55%** of Disputes departments experience identifying friendly fraud as being "extremely challenging" - the second most challenging aspect identified, behind only winning cases, which 58% found extremely challenging. Fraud / Chargebacks departments were even more adamant about it, with **60%** reporting finding it extremely challenging.

However, there seems to be residual unwillingness to face the likely consequences of how challenging it can be to identify friendly fraud. Nearly half - 44% - of departments estimate that less than 20% of chargebacks filed against their company are due to friendly fraud. **Only 25% of respondents estimate more than 41% of chargebacks filed to be due to friendly fraud.** Yet as noted above, nearly half of larger companies report a win rate of above 51%. Surely a substantial number of these represent friendly fraud.



of companies with over $500M in revenue report a chargeback win rate above 51%.



of all companies estimate that more than 41% of chargebacks filed are due to friendly fraud

Putting these sets of responses together, it seems possible that professionals who know that identifying friendly fraud is challenging, often do not invest sufficient research into establishing the true extent of the problem and its cost to their business. Getting more accurate data around this does often represent a significant investment in research, so it is understandable that departments may not prioritize understanding how big a problem friendly fraud is to their business.

Given the potential for taking steps to prevent or minimize the impact of chargebacks on a business, though, the research is worthwhile. Shifts in consumer attitudes are important to take into account, because businesses should not have to pay for them unfairly.

An additional possible explanation is that different respondents include different types of transactions under the heading of "friendly fraud" - for instance, some departments may use a relatively narrow definition of friendly fraud which includes only illegitimate first party claims for fraud reason codes. Others may use a wider definition, including illegitimate service claims such as the use of Item Not Received for a product that was in fact received.

Takeaway

Friendly fraud may be costing your company more than you realize, so it's worth researching the reality. Taking steps to improve your situation will likely involve collaboration with other departments, including Customer Support, who are most likely to hear from customers about their experiences with your company and their reasons for initiating chargebacks.

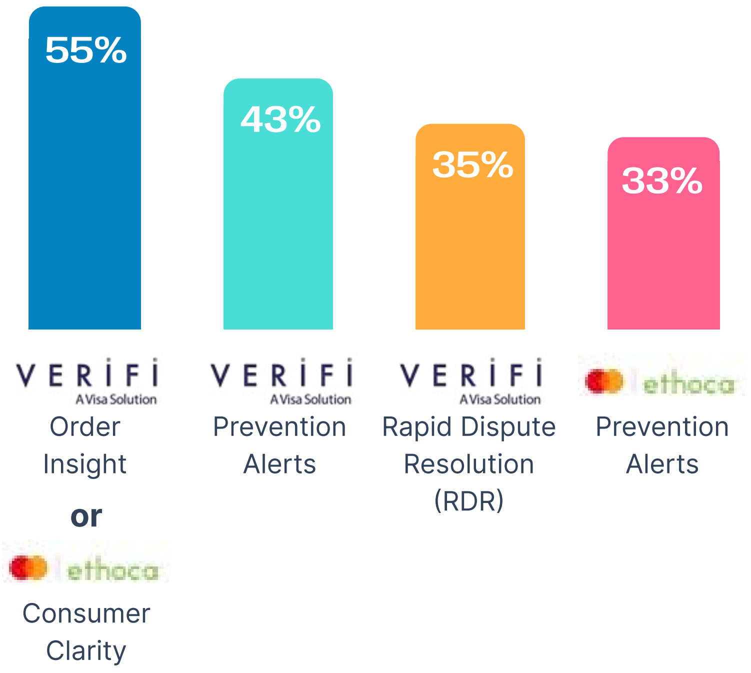
Working out that there's a problem, helping others in your organization to understand and appreciate it, and working with them to solve it, is great for your department's internal profile and impact.

Deep Dive: Post-Transaction Chargeback Prevention Systems

The chargebacks industry has been experiencing a shift in recent years towards the increased discussion of post-transaction chargeback prevention systems, and their effectiveness, and this survey very much shows the impact that these systems are having.

76% of respondents report that they now use a post-transaction chargeback prevention system.

55% use either Verifi Order Insight or Ethoca Consumer Clarity, 43% use Verifi Prevention Alerts, 35% use Verifi Rapid Dispute Resolution (RDR) and 33% use Ethoca Prevention Alerts. Interestingly, Order Insight and Consumer Clarity are even more popular with larger companies ($500+ revenue) than smaller ones - 67% use either, versus 43% for smaller companies. And RDR is far more popular with larger companies - 50% say that they use it, compared to 20% of smaller companies.



What is really striking is the correlation between the use of post-transaction chargeback prevention systems and the percentage of company revenue that respondents report is lost to chargebacks.

72% of companies who do use such systems report chargeback losses under 1%. By contrast, 81% of companies who do not use such systems report chargeback losses over 1%. More than a quarter of companies who do not use post-transaction chargeback prevention systems - 29% - report losses of more than 1.7% of their company revenue to chargebacks.

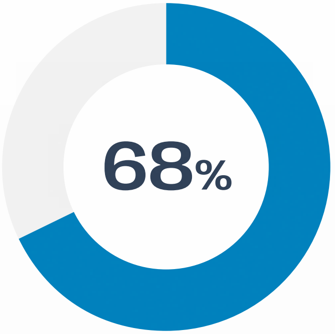
Far from being a necessary cost of doing business, chargebacks are an area where investment pays off; using systems designed to assist in handling chargebacks effectively has a dramatic impact on the extent to which chargebacks cause loss to a business.

The key purpose of post-transaction chargeback prevention systems is to reduce companies' average monthly chargeback to transaction ratios to ensure compliance with the thresholds set by the credit card schemes and avoid entering costly chargeback monitoring programs. Given that goal, it is significant that 40% of companies who do use post-transaction chargeback prevention systems report a chargeback ratio of 0%-0.5% - compared to only 25% of companies who do not use such systems.

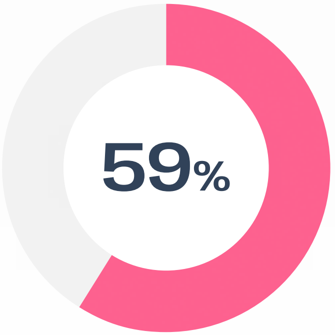
In addition, 68% of companies that use post - transaction chargeback prevention systems report a chargeback ratio of less than 0.9%, the threshold for the Visa Dispute Monitoring Program, as compared with 59% of companies who do not use such systems.

The increased use of post-transaction chargeback prevention systems reflects the increased sophistication of the industry as it matures. As technology improves and options increase, companies can tailor their approach more effectively and more closely to their needs and the challenges they uniquely face.

Companies with Chargeback Ratio Below 0.9%



of companies that use post-transaction chargeback prevention systems



of companies that do not use post-transaction chargeback prevention systems

What Chargeback Departments Need to Succeed

What Chargeback Departments Need to Succeed

The picture of how chargeback teams feel within their companies is fairly consistent across companies regardless of size and industry, indicating that these trends are strong across the board.

On the positive side, **74% of respondents report feeling highly valued by their leadership,** which is a good indication that the importance of chargebacks is understood within many companies.

In that context, however, it is surprising that **42% of respondents do not feel they have the resources they need**. This is a really serious gap within an organization, given the importance of chargebacks to the overall financial health of a company - particularly for companies with tight margins.

It may be that the high number of professionals who do not have the resources they need could be a reflection of the evolution of the industry. During a time of change, when new technologies and systems and automation options are becoming available, there is bound to be something of a lag between the time when experts who work within an industry become aware of these potential additions and improvements, and the time when their wider organization appreciates the potential benefits and takes steps to take advantage of them.

74% of respondents report feeling highly valued by their leadership, yet 42% of respondents do not feel they have the resources they need.

How challenging are each of the following in fighting chargebacks?

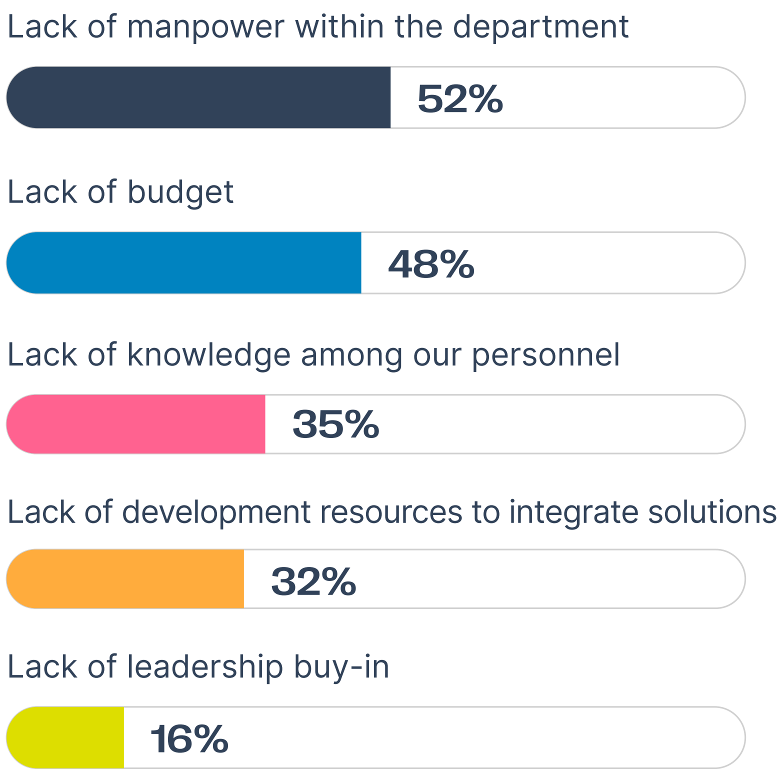
What department do you work in?	Disputes Operations / Disputes	Financial Operations / Finance	Payments Operations / Payments	Payment Acceptance	Fraud / Chargebacks
Winning cases	58%	35%	36%	28%	36%
Identifying friendly fraud	55%	41%	40%	45%	60%
Keeping up to date with the credit card scheme's chargeback rules	52%	26%	30%	31%	42%
Managing staffing requirements as chargeback volumes fluctuate	39%	34%	35%	29%	39%
Monitoring properly fraud and chargeback ratio	36%	27%	26%	30%	42%

This is borne out by the breakdown in terms of where respondents' department resource needs are falling short. **The most common resource shortfalls, by some margin, are lack of manpower within the department (52%) and lack of budget (48%).**

All this matches up with the fact that 39% of both Disputes and Fraud / Chargebacks departments flagged managing staffing requirements as chargeback volumes fluctuate as an extremely challenging. Moreover 52% and 42%, respectively, noted keeping up to date with the credit card schemes' chargeback rules as extremely challenging, and 36% and 42% respectively said that monitoring fraud and chargeback ratios properly is extremely challenging - aspects that are key to any successful chargeback management department.

Interestingly, while lack of manpower is an equal problem regardless of company size, lack of budget is more problematic within smaller companies, 56% of which cite it as a major issue, compared to only 41% of larger companies. This implies that in companies where there are more resources, there is willingness to invest.

Where are your department resource needs falling short?



By contrast, lack of leadership buy-in is more likely to be a problem in larger companies than smaller ones - 20% versus 14%. This makes sense when you take into account the larger organizational structures involved, and the more complex relationships between departments, silos between areas of the business, and so on.

Interestingly, all of those who noted lack of leadership buy-in as a key resource shortfall - regardless of company size - were also among those who reported not feeling valued by their leadership, indicating that **there is a key connection between how much the leadership values and understands the chargebacks challenge and work within their company, and the support that they are willing to provide the department** to ensure their needs are met.

Takeaway

The more a department can invest in educating leadership and other departments about the work they do, why it matters, and how it impacts other aspects of the company, **the better for ultimately supporting the department's likelihood of getting the resources it needs** to achieve the desired results.

46% of respondents often invest in educating leadership about the team's work and why it matters to the company - and 42% of respondents report that leadership is interested in the team's work and why it matters. Whereas 5% never invest in this way, and 4% report that leadership is never interested.

It might take some time and thought to invest in this kind of education - but it's worth it, and will become more so as the industry continues to evolve and become more sophisticated.

If you want your leadership to have the background to understand what's going on and give you the resources you need, you need to make it your job to educate them about it.

Focus on the Future

Taking a step back, and reviewing the data covered so far, it's possible to see some trends emerging. The chargebacks industry is going through a period of evolution, impacted by a number of factors.

Chargebacks are increasing for many companies, but equally the technology and automation available to companies is improving and expanding options as well. Investment in chargeback prevention systems is differentiating companies who use them, keeping their losses down compared to companies who do not similarly invest yet. These relationships also open up the opportunities to tap into the knowledge and perspective of solution providers - something that resonates within the context of the new Visa rules which are explored later in this report.

At the same time, there's obviously a lot of room for investment in relationships between departments, and in educating leadership about chargebacks, why they matter to the company, and how things are changing in the industry. Success in this area can lead to increased resource allocation and being valued more within the company.

Collaboration

Collaboration

Chargeback departments are invested in collaboration with other departments. **An impressive 77% of respondents report that they collaborate closely with other departments in their organization.** Of the remainder, 15% say that although they do not do so yet, they would like to.

This is an area with significant disparity between larger and smaller companies; 65% of departments within smaller companies collaborate closely, while an impressive 88% of departments within larger companies do so.

That said, 25% of teams from smaller companies do not collaborate closely with other departments yet - but would like to, indicating that the will towards meaningful collaboration is often there even in cases where it has not yet reached actuality.

On the other hand, teams in larger companies are much more likely to experience friction. 32% of teams often experience friction when working with other departments, and 46% sometimes do. This is compared to 6% of teams from smaller companies who often experience friction, and 30% who sometimes do.

of respondents collaborate with other departments, while

of people in large companies with over $500M in revenue experience at least some friction when collaborating with other departments.

This result makes sense when you consider that the **greatest obstacle to collaboration, reported as an issue by 66% of respondents, was the fact that they and the departments they work closely with report to different areas.** This result was consistent across company size, but it is reasonable to assume that the problem is simply more of an issue in larger companies which have far more complex organizational structures.

Takeaway

These results indicate the importance of not taking inter-departmental relationships or collaborative efforts for granted, even in organizations where such collaboration is common or well established. It is worthwhile thinking strategically about how best to leverage these relationships, and taking time to invest in them to smooth and streamline processes, build trust, and think of areas of mutual benefit.

Collaborative Focus

Fraud, chargebacks and disputes teams are most likely to collaborate with Payments (62% of respondents report this collaboration) **and Customer Success** (Disputes - 67%, Fraud / Chargebacks - 62%). These relationships are notably more common than any of the others included in the survey, which is interesting because **the combination of the two reflects the two sides of chargebacks - the customer-facing side, and the internal payments side.** It's a strong indication that not only chargebacks professionals themselves but also their wider organizations are often aware of how important the chargeback process can be in terms of impacting relationships with customers.

Interestingly, the greatest value of collaboration is seen as reducing overall chargebacks - 74% report that this is the biggest value of having good working relationships with other departments. This again supports the idea that the role of chargebacks in the overall customer journey is understood in many organizations.

Takeaway

It's important to ensure that everyone in the organization who needs to understand the impact of chargebacks on customer experience does so, so if you're in an organization where collaboration between departments is not yet common, or you suspect this important point is not fully appreciated, it's worth investing in education to change that.

Which department do you work collaboratively closely with?

What department do you work in?	Disputes Operations / Disputes	Financial Operations / Finance	Payments Operations / Payments	Payment Acceptance	Fraud / Chargebacks
Fraud prevention	57%	63%	65%	56%	---
Support / Customer Success	67%	52%	58%	48%	62%
Payments	62%	60%	---	---	62%
Finance	56%	---	64%	62%	55%
Ecommerce	56%	53%	43%	49%	41%

Buy Now Pay Later

Buy Now Pay Later

One factor contributing to the ongoing evolution of the chargebacks industry is the spread of Buy Now Pay Later (BNPL) as a payment method. **47% of respondents report that their companies offer BNPL at checkout - and a further 14% say that they're planning on offering it within the next 12 months.**

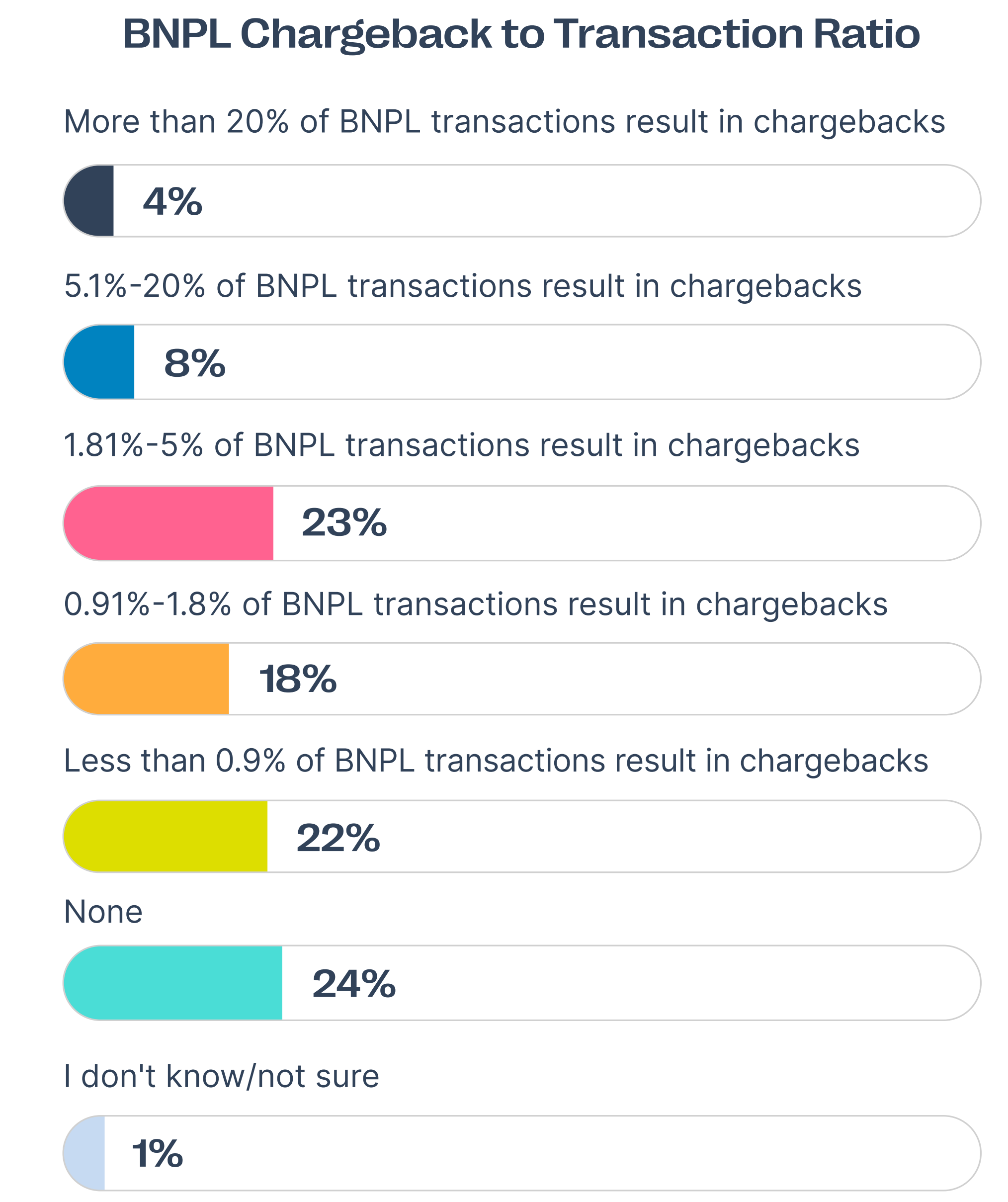
This represents significant acceptance, showing how far this payment method has come in terms of normalization. It reflects customer interest as well; the Consumer Attitudes Towards Chargebacks in 2023 survey found that more than half of Americans report using BNPL in 2023 (53%), consistent with the fact that it has been above 50% for a couple of years now. Companies and teams who are not yet offering BNPL, should have it on their radar as an evolving trend.

From the chargebacks perspective, this trend is worth paying attention to because merchant respondents report relatively high levels of chargebacks associated with BNPL transactions.

Only 47% report that less than 0.9% of BNPL transactions result in chargebacks, while 35% report that over 1.81% of BNPL transactions result in chargebacks.

The trend is even more pronounced in larger companies (+$500 million revenue) in which only 21% of respondents report that less than 0.9% of BNPL transactions result in chargebacks. Even worse, more than half - 52% - of large companies report that over 1.81% of BNPL transactions result in chargebacks.

As BNPL increases in popularity, companies must bear in mind the potential impact on their chargeback status as it relates to the card networks' dispute monitoring programs if they are listed as the merchant of record. Companies that use their BNPL provider as the merchant of record for short-term loan-based purchases must also be wary of being dropped by their BNPL provider if their chargeback rate rises too high.



All this matches up with consumer data, given that the Consumer Attitudes Towards Chargebacks in 2023 survey found that 40% of US users have either requested a refund and/or a chargeback on a BNPL purchase in the past 12 months.

Takeaway

Often, chargebacks or refunds within a BNPL process result from factors that are not in any way within the control of the department responsible for chargebacks. **However, chargebacks professionals can work with other departments to ensure that the seriousness of this issue is appreciated, and collaborate to find ways to resolve the core problems earlier in the customer experience before they risk turning into chargebacks.**

Visa Rules

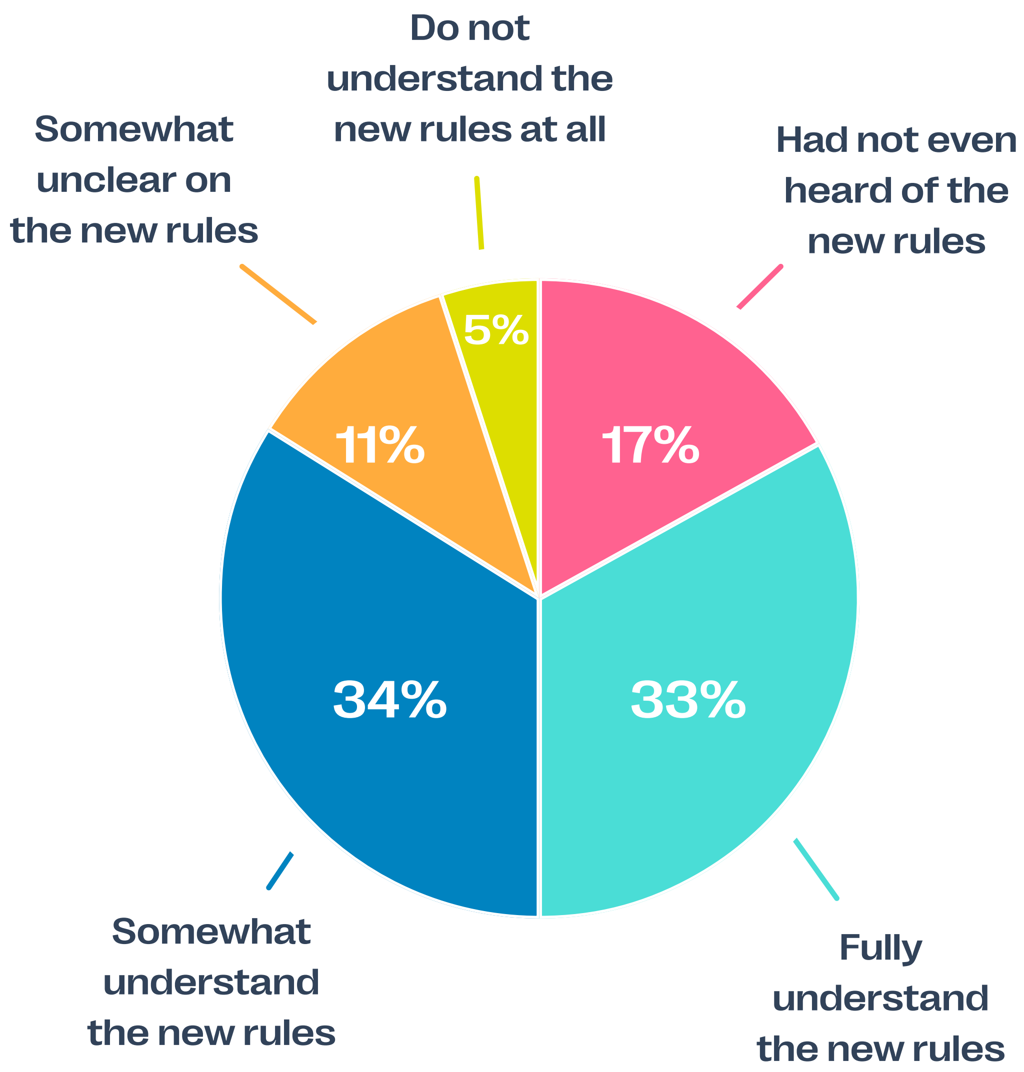
Visa Rules

The new rules introduced by Visa relating to compelling evidence in April 2023 were initially explained to the industry in the summer of 2022. The changes are significant in how they impact the structure and nature of compelling evidence that should accompany chargeback communications and counter-claims. **Despite this, an astonishing 17% of respondents reported that they had not even heard of the new rules - and only 33% reported that they fully understand them.**

This indicates a real lack in the depth, frequency and clarity of Visa's communications around this important change. Given that 80% of those who do feel that they understand the rules report that they understand how to apply the new Visa Compelling Evidence Rules to their business, it seems clear that the drive to apply understanding is clear. What's needed is to increase clarity around the rules themselves.

Within this context, it makes sense that **35% of respondents said that they find keeping up to date with the credit card schemes' chargeback rules to be extremely challenging**. Even in larger companies, where one might reasonably expect there to be more emphasis and space given to education of this nature, only 45% of respondents report that they fully understand the new Visa compelling evidence rules.

Knowledge of Visa CE 3.0 Rules



It is not right to have the entire burden of developing this understanding left on teams who are already working hard dealing with other changes within the ecosystem. As the payments industry continues to evolve, it is the responsibility of the giants of the ecosystem to ensure that the changes they implement are clearly explained and well understood.

Takeaway

This is an area where chargebacks professionals need to be proactive to advocate for themselves and their teams with major payments players such as Visa. Additionally, teams can reach out to the solution providers that they work with for assistance. Since providers have a broad perspective on the market, and often invest in internal education around changes such as these, they are often able and willing to provide resources and context to their clients for purely educational purposes, even if the new regulations or rules are not directly tied to their business relationships or collaborations.

About Justt

About Justt

Justt offers a fully automated solution designed to address the problem of chargebacks. AI-powered intelligence – combined with industry-leading expertise – provides custom chargeback solutions for organizations operating in the online retail, travel, gaming, and crypto sectors, and more. Use Justt to discover and fix business workflows that contribute to chargebacks, reduce costs related to evidence compilation, and earn a better dispute win rate that protects and retrieves lost revenues.

Methodology

Methodology and about the respondents

The purpose of this survey was to better understand how organizations handle chargebacks, and more broadly how the chargebacks industry is currently evolving. The study was executed between July 6, 2023 and July 24, 2023 and was conducted online using various independent list sources (none of which was provided by Justt).

In total, this study yielded 523 completed surveys and the average survey lasted 16 minutes. A number of $250 gift cards were used to encourage response.

All respondents in this study were from the US (85%) or Canada (15%), were from organizations with over $50 million in revenue, and were responsible for either one of or some combination of handling chargeback prevention, chargeback management, chargeback representment, fraud prevention, payments and/or finance. All respondents were guaranteed anonymity for their participation, and were not aware that Justt was the sponsor of the study. The study was conducted "blind."

This study has a 98% confidence level with a margin of error of +/- 2%.

523
Completed surveys

16 min
Average survey

85%
Respondents from the US

15%
Respondents from Canada