Card Not Present Chargeback Management

Webinar by Ben Grossman, CEO
Pinpoint Intelligence
MAC is an organization of Bankcard professionals involved in the risk management side of Card Processing. We have members from Banks, ISOs, Card Associations and others related to the risk management side of the industry. MAC’s mission is to strengthen the payment ecosystem through ongoing education, communication and cooperation among acquirers, card brands and enforcement agencies.

To learn more about MAC or to become a member of MAC please visit the website below.

https://www.macmember.org/
Pinpoint was established to fill a much needed niche within the e-commerce market. Pinpoint’s goal is to minimize merchant’s chargeback risk, maximize revenue and optimize our client’s billing performance.

Pinpoint’s suite of products/services include:

• Pre-Chargeback Alerts
• 3D Secure
• Transaction Scoring
• Traffic Risk Analysis
CNP Transactions: The Perfect Storm

• Increase in Online Sales
• EMV Migration
• Mobile Advertising
• Stolen Card
• Data Breaches
WHAT CAN WE DO AS PAYMENT PROFESSIONALS?
Let’s Be Proactive!!!

- Understand the e-Commerce environment
- Update Underwriting Techniques and Underwrite for 2017 not 1987
- Use the latest technology to stop fraud proactively
- Educate merchants on how to use these technologies
- Push the Card Brands to recognize that CNP is here to stay
Online Transaction Trends

• B2C Sales are skyrocketing
• In 2013, 41% of Internet users purchased online
• In 2015, China had the highest number of Internet users and sales
• Germany, India, Brazil and the United Kingdom have seen a huge boom in online transactions
• Globally, there were $839.8 Billion in online transactions in 2013
• By 2018, Global Online Transactions are expected to exceed $1.5 Trillion
World's Largest B2C E-Commerce Markets

B2C e-commerce turnover in 2015 and 2016 (in billion U.S. dollars)

- **China**: 2015 - 766.5 billion, 2016* - 975.0 billion
- **United States**: 2015 - 595.1 billion, 2016* - 648.6 billion
- **United Kingdom**: 2015 - 174.2 billion, 2016* - 192.5 billion
- **Japan**: 2015 - 114.4 billion, 2016* - 124.4 billion
- **France**: 2015 - 71.9 billion, 2016* - 79.1 billion
- **Germany**: 2015 - 66.2 billion, 2016* - 74.1 billion
- **South Korea**: 2015 - 64.8 billion, 2016* - 71.3 billion
- **Canada**: 2015 - 35.7 billion, 2016* - 43.5 billion
- **India**: 2015 - 25.5 billion, 2016* - 44.7 billion
- **Russia**: 2015 - 22.8 billion, 2016* - 24.0 billion

* Forecasts for 2016 made in September

Source: Ecommerce Europe

@StatistaCharts
Number of Digital Shoppers in the United States from 2014 to 2019 (in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Digital Shoppers (in millions)</th>
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<tbody>
<tr>
<td>2014</td>
<td>198.2</td>
</tr>
<tr>
<td>2015</td>
<td>205</td>
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<tr>
<td>2016*</td>
<td>211.1</td>
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<tr>
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<td>2018*</td>
<td>221.7</td>
</tr>
<tr>
<td>2019*</td>
<td>224</td>
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</tbody>
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Source: EMARKETER
Fraud is increasing faster than online transactions

- 2016 Fraud outpaced CNP Transactions by 15%
- Fraud detection companies are reporting a 35% increase in fraudulent transactions
- Pinpoint Intelligence saw close to a 40% increase in Chargebacks and Pre-Chargeback alerts in 2016
- Malware, Account Takeovers, ransomware, and spying have become regular features for both consumers and companies alike
- EMV has moved the thieves from the storefront to the desktop
Where Underwriters and Risk Teams Keep Missing the Boat

• Looking at business models with a heavy weighted system on Legal and Compliance
• Missing the importance of individual transaction risk
• Believing Merchants know their traffic
• Complete lack of understanding of online marketing (NOT JUST GOOGLE)
• Putting faith in antiquated 20th Century systems to fight 21st Century Fraud
• Last year was 15 years ago in Internet time!!!
Actions Processors and Agents need to take

• Knowledgeable tech savvy staff to help implement the latest solutions

• **Require merchants to implement proven technologies and strategies to identify and prevent fraud**

• Train Merchants to understand the regulatory risk acquirers face

• Teach Merchants compliance not reject for non-compliance
Ben’s Top 5 Best Practices for Merchants

1. Collect Actionable Data Pre-Transaction
2. Action the Data
3. Communicate with the Customer
4. Manage Chargebacks
5. Track the Results
Collect Actionable Data Pre-Transaction

- Name
- Phone Number
- Billing Address
- Device Fingerprint
- Velocity
- AVS/CVV
- Email
- Card Behavior
- 3D Secure
Action the Data with a usable Scoring System

• Reject the High Score Data (3% of Transactions)
• Manually Review Scores in the Middle (6% of Transactions)
• Allow scores, lower scores to pass without review (91% of transactions)
Communicate With Customers

• Phone Number and Contact information on the website
• Unique Phone number in the billing descriptor
• Send Receipt/Invoice at the time of transactions with CS phone Number
• Auto Response to CS emails
• Properly configured phone IVR
• Hold Times KPI under 1 min
Track Your Results

• Traffic Sources
• Effectiveness of Pre-Transaction Data
• Chargeback Ratio’s
• Chargeback Win Ratio
• QA your Customer Service Team
• Survey your Customers
Any Questions
MAC Mission Statement

Strengthen the payment ecosystem through ongoing education, communication and cooperation among acquirers, card brands and enforcement agencies.

Who we serve:
- Acquiring Bank
- Acquiring Savings & Loan
- Acquiring Credit Union
- Gateway Provider
- Internet Service Provider
- ISO/MSP
- Merchant Acquirer
- Processor
- Risk Management Professional

Your membership in MAC is an investment that should not be overlooked.

If you are not a member of MAC... **JOIN TODAY!**

[https://www.macmember.org/](https://www.macmember.org/)