

# THE STATE OF CHARGEBACKS:

2018 REPORT





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## Executive Summary

The State of Chargebacks: 2018 Report, brought to you by Kount and Chargebacks911, is intended to provide an overview of the health and status of chargeback management in the Card Not Present (CNP) payments space. It includes key facts and figures about chargebacks, dispute and win rates. In addition, participating organizations shared insights about the tools, services, and solutions they employ for fraud detection and chargeback management, as well as the greatest challenges they face.

Participants in the survey included a diverse audience of more than 1,000 respondents primarily representing online, multi-channel and mobile commerce merchants. More than 82 percent of participating organizations reported they are disputing chargebacks today. Yet even with this high percentage, additional survey results indicate organizations may lack expertise or struggle finding success with the representment process. About 40 percent of organizations that dispute chargebacks are representing more than 60 percent of chargebacks incurred. One-fifth of merchants win less than 15 percent of their dispute cases; more than one-third win less than 30 percent of their disputes; and nearly one-quarter aren't aware of or don't keep track of their win rates.

In addition to challenges with dispute management of chargebacks, survey results shed light on other challenges related to chargebacks. Ten percent of respondents indicate they are currently in an excessive chargeback program, while 23 percent report a current chargeback rate above 1 percent. While 70 percent of merchants target an optimum chargeback rate of 0.5 percent or less, just 47 percent reported actually achieving this chargeback rate target. Over 40 percent of organizations strive for an optimum chargeback rate of less than 0.1 percent, but fewer than 18 percent are able to attain this rate.

Getting to the root cause of chargebacks is critical, and this report found that for most merchants, CNP fraud and friendly fraud are the two primary sources of chargebacks. Nearly half of merchants say that CNP fraud is the primary source of chargebacks, yet only 45 percent of organizations are using a third-party fraud solution. The only two fraud prevention techniques or tools that more than half of merchants use are basic Address Verification Services (AVS) and CVV checks.

These insights, along with many other findings and the following Key Performance Indicators (KPIs) are measured in the State of Chargebacks Survey.

- Average Order Value (AOV)
- Chargeback Rate
- Chargeback Dispute Rate
- Chargeback Representment Win Rate
- Risk and Manual Review Team Size
- Tools, Services and Solutions Employed for Fraud Management

## Chargeback Management

The State of Chargebacks survey focused on measuring rates, goals, and challenges related to chargebacks and dispute management. Unfortunately, the actual chargeback rate is above the desired level for the vast majority of organizations. Survey results also indicate that a majority of organizations are performing chargeback representment, either in-house, via third-party service providers, or both. Further, there is a wide variance in win rates when disputing chargeback rates.

## Chargeback Rates

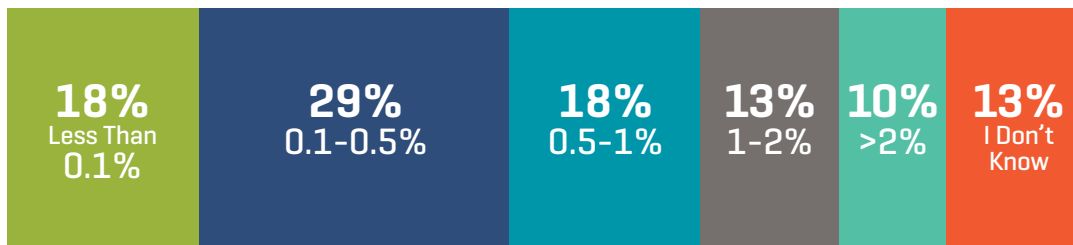
Organizations were asked about their current chargeback levels. Nearly one-in-four of those surveyed report chargeback rates of 1 percent or higher. Almost 30 percent of organizations state their current chargeback rate is between 0.1 and 0.5 percent. Eighteen percent of respondents have chargeback rates between 0.5 and 1 percent. Around 18 percent report chargeback rates below 0.1 percent, while 13 percent of survey respondents do not know what their current chargeback rate is.

Chargeback rates vary substantially, depending on type of industry and merchant revenue. Organizations generating less than \$10 million in online revenue are the most likely (30 percent) to report chargeback rates over 1 percent. Comparatively, just 19 percent of organizations that earn more than \$100 million in online revenue report current chargeback rates of 1 percent or higher.

In four industries, at least half of organizations surveyed report chargeback rates of 0.5 percent or less. These are the Apparel/Accessories/Jewelry, Home/Kitchen/Pets/Toys, and Travel/Entertainment/Leisure industries. Organizations in the Education/Training industry are the most likely (43 percent) to have chargeback rates exceeding 1 percent while more than one-in-four Digital Streaming/Download merchants have chargeback rates at least this high. Nearly 30 percent of organizations selling any type of digital goods or services report chargeback rates of 1 percent or higher, compared to 21 percent of merchants selling only tangible or shippable goods.



## Current Chargeback Rates

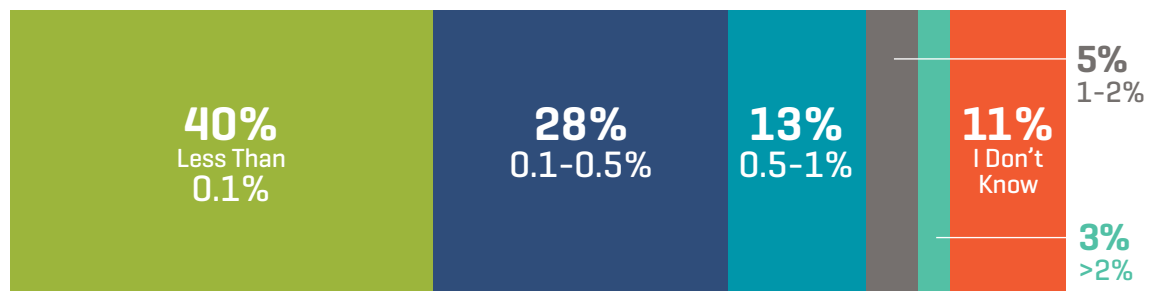


| Current Chargeback Rate by Industry                    | < 0.1% | 0.1% - 0.5% | 0.5% - 1% | 1% - 2% | > 2% | I don't know |
|--|--------|-------------|-----------|---------|------|--------------|
| Apparel, Accessories, and Jewelry                      | 25%    | 25%         | 15%       | 16%     | 8%   | 11%          |
| Automotive and Powersports                             | 18%    | 28%         | 25%       | 8%      | 8%   | 15%          |
| B2B  | 16%    | 19%         | 14%       | 17%     | 14%  | 21%          |
| Banks, Credit Unions, Lenders, and Insurance           | 16%    | 19%         | 17%       | 18%     | 16%  | 16%          |
| Dating and Social                                      | 5%     | 18%         | 37%       | 16%     | 16%  | 8%           |
| Digital Streaming and Downloads                        | 14%    | 20%         | 27%       | 14%     | 12%  | 14%          |
| Education and Training                                 | 29%    | 14%         | 14%       | 43%     | 0%   | 0%           |
| Food and Beverage                                      | 18%    | 30%         | 28%       | 8%      | 2%   | 14%          |
| Games and Gambling                                     | 16%    | 25%         | 25%       | 16%     | 4%   | 13%          |
| Hardware, Electronics, and Logistics                   | 19%    | 20%         | 32%       | 8%      | 2%   | 19%          |
| Health and Beauty                                      | 21%    | 24%         | 20%       | 17%     | 8%   | 9%           |
| Home, Kitchen, Pets, and Toys                          | 23%    | 34%         | 20%       | 12%     | 2%   | 8%           |
| Not-for-Profit   | 19%    | 13%         | 19%       | 6%      | 6%   | 38%          |
| Payment Provider, Gateway, eCommerce Platform, and ISO | 19%    | 26%         | 19%       | 12%     | 5%   | 12%          |
| Travel, Entertainment, and Leisure                     | 16%    | 37%         | 14%       | 14%     | 6%   | 13%          |

Forty percent of organizations state that their optimum chargeback rate is less than 0.1%, but only 18 percent are actually achieving this rate. Nearly 70 percent of organizations say their optimum chargeback rate is below 0.5 percent but only about 46 percent of organizations are achieving this today. Just 7 percent of organizations target an optimum chargeback rate of 1 percent or higher, but there are some business models to support this, for example, the Education/ Training and Event Ticketing industries, where respondents were more likely to report a target chargeback rate at or above 1 percent.

In fact, merchants selling digital goods and services appear to be more comfortable managing a higher optimum chargeback rate. Less than two-thirds of digital goods and services merchants target an optimum chargeback rate below 1 percent and only 35 percent have a 0.1 percent chargeback rate as their goal. By comparison, nearly 80 percent of merchants selling only physical goods have optimum chargeback rates at or below 0.5 percent, and more than half of these merchants set their optimum chargeback rate at or below 0.1 percent.

### Optimum Chargeback Rates

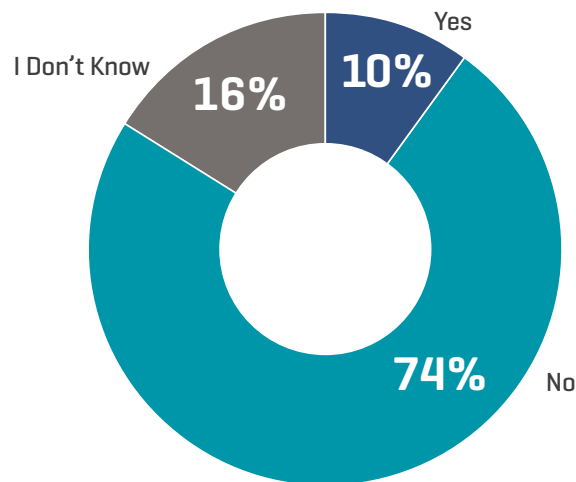


|                | Digital goods only | Shippable goods only | Both |
|----------------|--------------------|----------------------|------|
| Less than 0.1% | 36%                | 52%                  | 33%  |
| 0.1% - 0.5%    | 29%                | 27%                  | 28%  |
| 0.5% - 1%      | 15%                | 8%                   | 17%  |
| 1% - 2%        | 5%                 | 4%                   | 6%   |
| More than 2%   | 3%                 | 1%                   | 4%   |
| I Don't Know   | 11%                | 8%                   | 13%  |

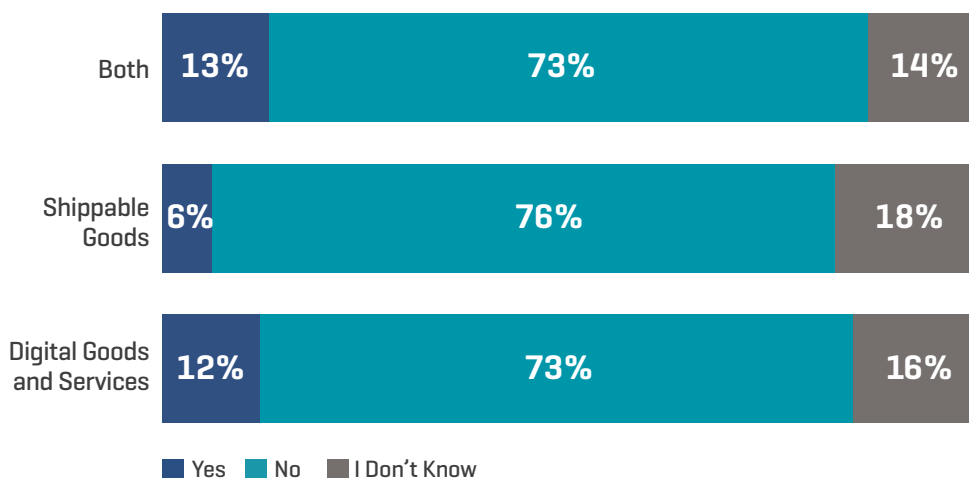


More than 10 percent of respondents report that they are currently in high risk or excessive chargeback programs. Nearly three-quarters could definitively state they are not in any excessive chargeback programs, but 16 percent don't know or aren't sure. Merchants offering digital goods and services are twice as likely (12 percent) to be in excessive chargeback programs compared to merchants selling only physical goods (6 percent).

#### Respondents in Excessive Chargeback Program



#### Respondents in Excessive Chargeback Program by Types of Goods/Services Sold

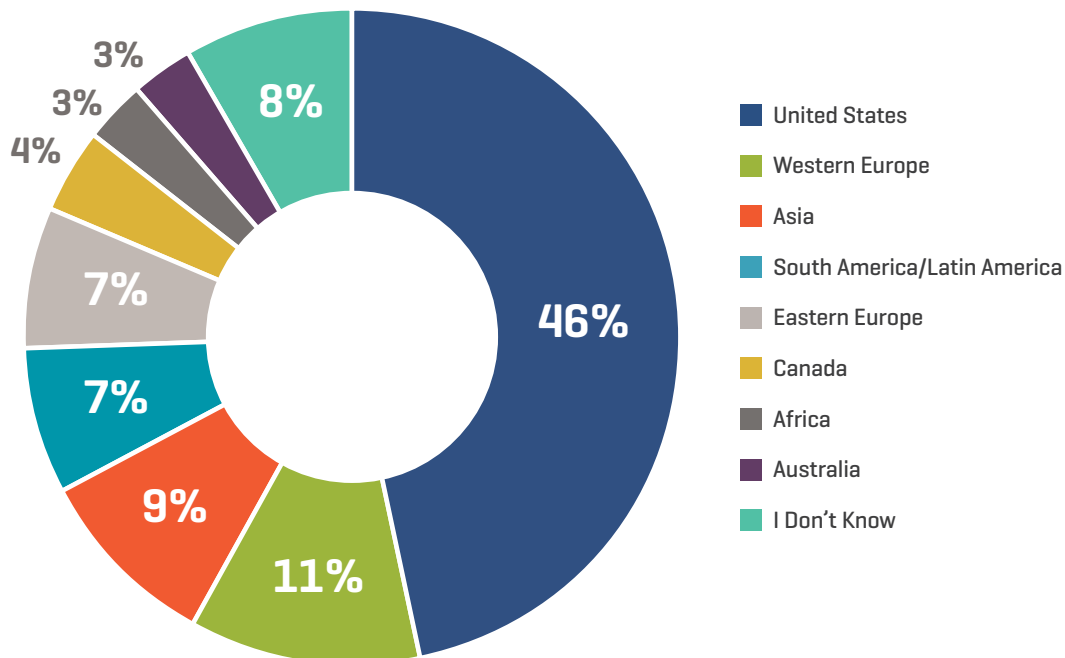


## Chargeback Prevention and Challenges

Respondents were asked about the geographic origins of chargebacks and the challenges their organizations face with chargeback management. Considering that 70 percent of all organizations surveyed operate in the United States, it is to be expected that the United States is the region where organizations are most likely (46 percent) to say the majority of their chargebacks originate. However, 45 percent of the organizations surveyed operate in Western Europe, more than one-third do business in Asia, and more than one-fourth operate in Latin America. As would be expected, there are regional differences in the origin of chargebacks based on where these organizations operate.

Merchants doing business in Western Europe are less likely (39 percent) to indicate most of their chargebacks originate in the United States, compared to 46 percent of overall respondents. More than 20 percent of merchants doing business in Western Europe say the majority of their chargebacks originate in that same region, compared to 11 percent of organizations overall. Similarly, 39 percent of organizations operating in Asia indicate that the bulk of their chargebacks originate in the United States, while 16 percent say that most of their chargebacks come from Asia. Just 7 percent of all merchants surveyed indicate that Latin America is a primary source of chargebacks, compared to 15 percent of merchants operating in this region.

### Where the Most Chargebacks Originate



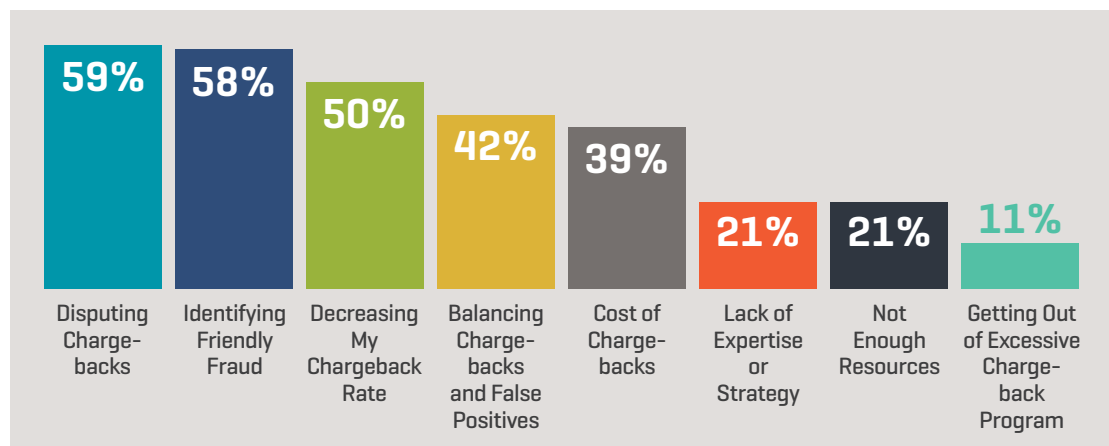
The State of Chargebacks survey asked respondents to identify their three biggest challenges with respect to chargeback management.

The two most cited challenges are disputing chargebacks (a process known as representment) and identifying friendly fraud, both being a top three challenge for nearly 60 percent of respondents. Difficulties with representment include low win rates and the operational burden of disputing chargebacks. Difficulties with friendly fraud include the struggle to handle dishonest customers and a payment chargeback system that can often favor cardholders over merchants.

The third most cited challenge is reducing chargeback rates, with half of the merchants saying that reducing their chargeback rate is a top-three challenge. About 40 percent of organizations list balancing chargebacks against false positives and the cost of chargebacks as a top three challenge. More than one in five respondents state a lack of chargeback management expertise or strategy and lack of enough resources are top-three challenges. Getting out of excessive chargeback programs is a concern for less than 11 percent of organizations overall (although a top priority for merchants currently in these programs).

Once again, there are differences between merchants based on their annual online revenue. Nearly half of organizations with less than \$10 million annually in online sales list the cost of chargebacks as a top three challenge, compared to just one-third of organizations with annual revenues exceeding \$100 million. Higher online revenue merchants are more likely to be concerned with the finer nuances of chargeback management than their smaller counterparts. More than 50 percent of organizations with annual revenue exceeding \$100 million list balancing chargeback prevention against false positive reduction as a top challenge compared to 32 percent of merchants with annual online revenues below \$10 million.

### Biggest Challenges with Chargebacks



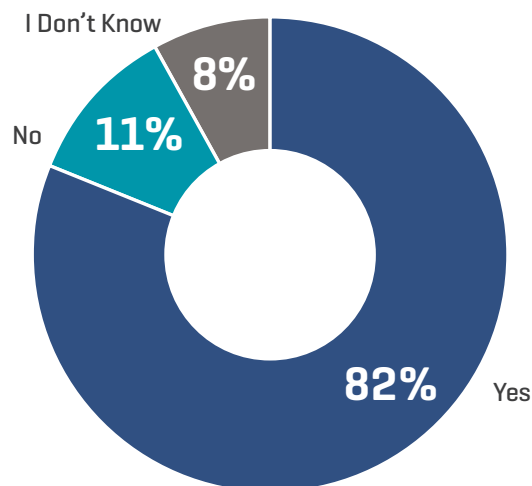
## Chargeback Representment

This portion of the survey sought to identify how many organizations are performing chargeback representment, how many are using in-house systems versus third-party services, and what level of win rates these organizations are seeing when disputing chargebacks.

An overwhelming majority (82 percent) of merchants are disputing chargebacks today. About 8 percent of survey respondents don't know if their organizations are performing chargeback representment and about 11 percent definitively state they do not dispute chargebacks.

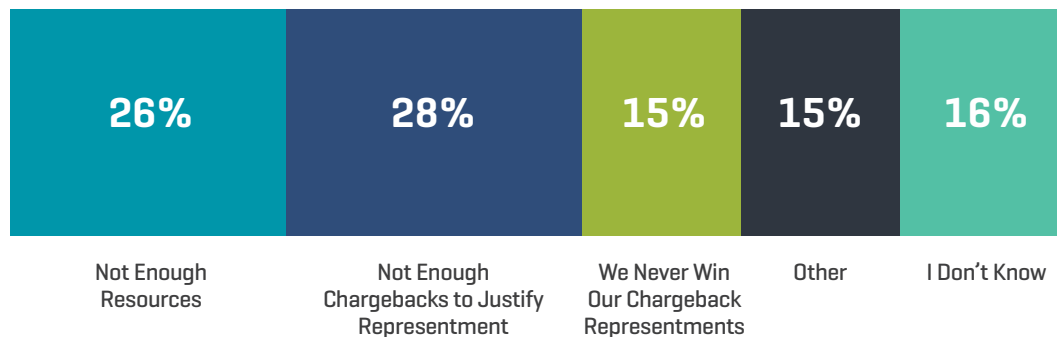
Higher-revenue and physical goods merchants are more likely to dispute at least some of the chargebacks they receive. More than 86 percent of organizations with \$250 million or higher annual online revenue dispute chargebacks compared to 78 percent of merchants with online revenue less than \$10 million. More than 83 percent of merchants selling shippable or tangible goods dispute chargebacks compared to 79 percent of organizations only selling digital goods or services. Around 90 percent of merchants in the Automotive/Powersports, Home/Kitchen/Pets/Toys and Travel/Entertainment/Leisure industries dispute chargebacks, probably because chargebacks in these industries can represent large losses. Conversely, Digital Download/Streaming merchants (16 percent) and those in the Education/Training industry (14 percent) are most likely to not dispute chargebacks, as losses are not as steep when no physical good is lost.

### Organizations that Dispute Chargebacks



The 11 percent of total survey respondents that do not dispute or represent chargebacks were asked why they did not. The most common response (28 percent) is that they don't believe they have a large enough volume of chargebacks to warrant representment. The next most commonly cited reason (27 percent) is a lack of resources within the organization. Nearly 15 percent of respondents indicate they are discouraged from disputing chargebacks, stating they couldn't win any of their representments when they tried. Over 16 percent who do not dispute chargebacks today could not come up with a reason why.

#### Reasons Organizations Do Not Dispute Chargebacks Today



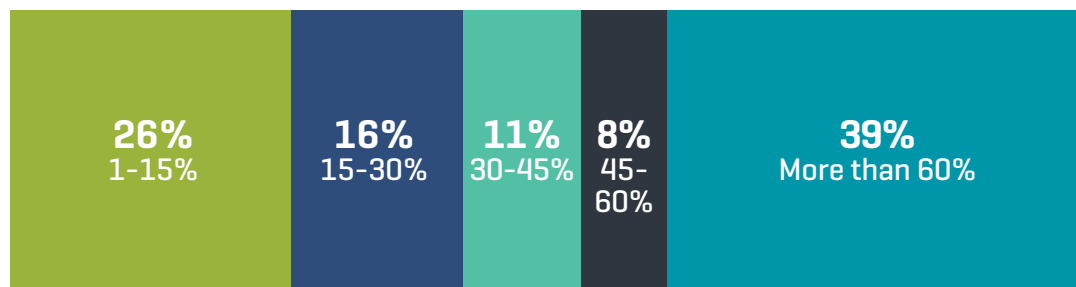
The more than 80 percent of survey respondents that dispute chargebacks were asked what share of chargebacks they represent. There are many factors influencing the decision to represent, including order value, chargeback reason code, and what relevant dispute information a merchant has. Nearly 40 percent of organizations disputing chargebacks are representing 60 percent or more of all chargebacks. This high rate could indicate a “shotgun” approach, where organizations represent almost every chargeback they receive, or it can be a response to the types of chargebacks they receive. A merchant that is primarily targeted with friendly fraud and billing disputes will have a much higher dispute rate than a merchant primarily receiving chargebacks related to CNP fraud, where the merchant has more limited options for recourse.

Organizations representing chargebacks were next most likely to take a selective approach. Twenty six percent indicate they dispute less than 15 percent of chargebacks they receive. Nearly 16 percent of merchants dispute between 15 and 30 percent of their chargebacks while 19 percent dispute between 30 and 60 percent.

Merchant revenue impacts decisions to dispute chargebacks, too. Less than one-third of merchants with online revenue in excess of \$250 million per year dispute more than 60 percent of their chargebacks, compared to 49 percent of merchants with online revenue less than \$10 million per year. This difference may be primarily related to differences in volume, as a \$10 million online revenue-per-year merchant disputing 60 percent of their chargebacks may still not have as many representment cases as a merchant generating more than \$250 million online per year who disputes 10 percent of their chargebacks.

There are also patterns related to industry type and their levels of chargeback disputes. Industries that tend to have higher order values are more likely to dispute 60 percent or more of chargebacks. These include Event Ticketing (67 percent), Financial Services (60 percent) and Automotive/Powersports (46 percent). Industries with lower average order values or industries with a lower total cost per fraud loss are likely to dispute a smaller percentage (between 1 and 15 percent) of the chargebacks they receive. This includes the Not for Profit, Telecommunications, Dating/Social, Education/Training, and Digital Download/Streaming industries.

#### Share of Chargebacks Disputed



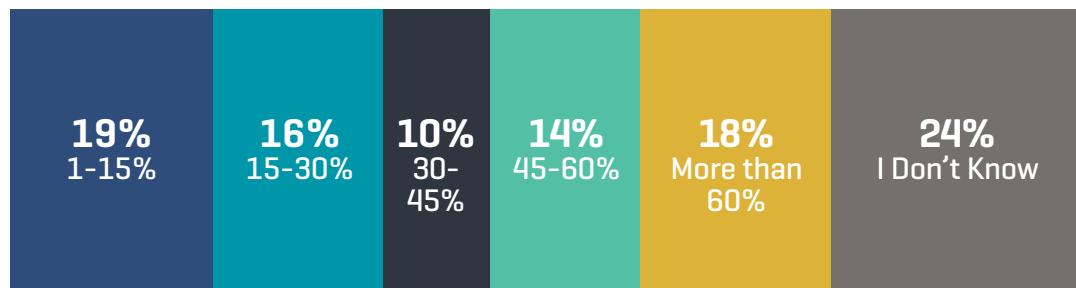
#### Percent of Chargebacks an Organization Disputes

| Annual Online Revenue | 1%–15% | 15%–30% | 30%–45% | 45%–60% | >60% |
|-----------------------|--------|---------|---------|---------|------|
| Less than \$10M       | 25%    | 12%     | 5%      | 10%     | 48%  |
| \$10 - \$25M          | 42%    | 6%      | 8%      | 6%      | 37%  |
| \$25M - \$100M        | 19%    | 20%     | 22%     | 4%      | 36%  |
| \$100M - \$250M       | 25%    | 13%     | 10%     | 13%     | 40%  |
| More than \$250M      | 23%    | 18%     | 16%     | 12%     | 32%  |
| I Don't Know          | 30%    | 23%     | 5%      | 5%      | 36%  |

There is also substantial variation in win rates for chargeback disputes depending on the type of merchant organization. Twenty-four percent of respondents don't know their actual win rate. Merchants were next most likely to be on one end of the spectrum or the other, with 19 percent citing a win rate of less than 15 percent and 18 percent of merchants reporting a win rate of more than 60 percent.

Merchants generating more than \$250 million in online revenue per year tend to realize better results when it comes to winning chargeback disputes. Less than 9 percent of these merchants report win rates of 15 percent or less, compared to 25 percent of merchants with annual online revenue less than \$10 million. Industries where organizations are most likely to enjoy win rates of more than 60 percent include the Health/Beauty and Home/Kitchen/Pets/Toys industries. More than one-fifth of Apparel/Accessories/Jewelry and Food/Beverage industry merchants cite win rates below 15 percent.

#### Chargeback Revenue Recovery Win Rate





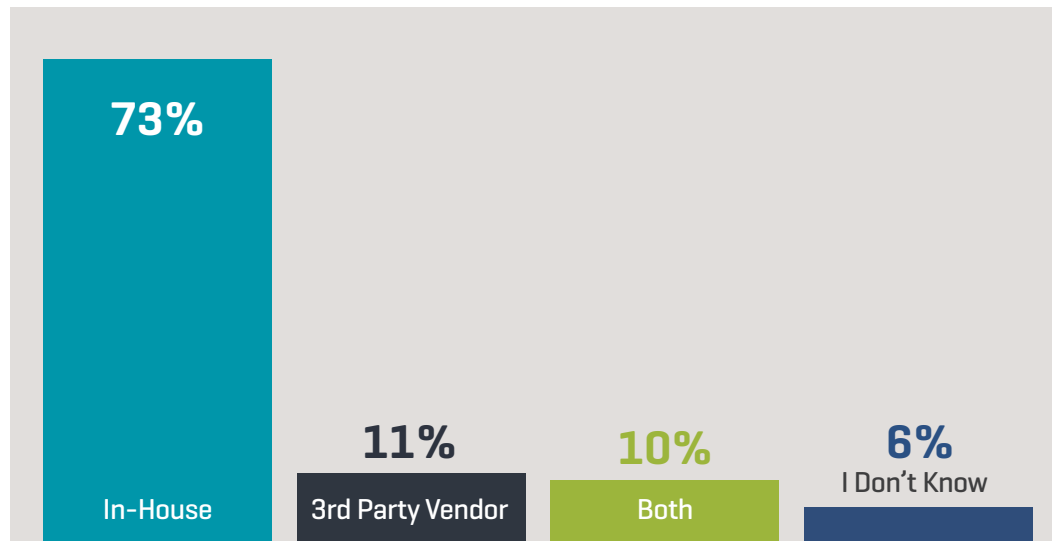
**Chargeback Revenue Recovery Win Rate**

| Industry   | 1%–15% | 15%–30% | 30%–45% | 45%–60% | > 60% | I don't know |
|--|--------|---------|---------|---------|-------|--------------|
| Apparel, Accessories and Jewelry                       | 22%    | 19%     | 9%      | 8%      | 18%   | 25%          |
| Automotive and Powersports                             | 23%    | 14%     | 3%      | 14%     | 14%   | 31%          |
| B2B  | 23%    | 23%     | 5%      | 10%     | 26%   | 13%          |
| Banks, Credit Unions, Lenders, and Insurance           | 15%    | 24%     | 10%     | 13%     | 18%   | 21%          |
| Dating And Social                                      | 17%    | 13%     | 13%     | 17%     | 13%   | 27%          |
| Digital Streaming and Downloads                        | 19%    | 12%     | 16%     | 12%     | 12%   | 30%          |
| Education and Training                                 | 14%    | 14%     | 0%      | 29%     | 14%   | 29%          |
| Food and Beverage                                      | 25%    | 8%      | 14%     | 14%     | 17%   | 22%          |
| Games and Gambling                                     | 7%     | 20%     | 10%     | 24%     | 15%   | 24%          |
| Hardware, Electronics and Logistics                    | 11%    | 21%     | 11%     | 17%     | 19%   | 21%          |
| Health and Beauty                                      | 7%     | 10%     | 12%     | 19%     | 26%   | 26%          |
| Home, Kitchen, Pets, and Toys                          | 16%    | 18%     | 4%      | 7%      | 24%   | 30%          |
| Not-for-Profit   | 0%     | 20%     | 20%     | 0%      | 10%   | 50%          |
| Payment Provider, Gateway, eCommerce Platform, and ISO | 15%    | 15%     | 9%      | 14%     | 24%   | 24%          |
| Telecommunications                                     | 15%    | 11%     | 11%     | 11%     | 19%   | 33%          |
| Travel, Entertainment, and Leisure                     | 15%    | 17%     | 5%      | 21%     | 21%   | 20%          |

Organizations were asked if they use third-party vendors, in-house processes, or a combination of the two for performing chargeback representment. Less than three-quarters of merchants, 73 percent, exclusively handle chargeback disputes in-house. More than 11 percent of respondents exclusively use third-party services to assist with chargeback representment, while 10 percent use both an outside vendor and in-house resources.

While 21 percent of survey respondents overall say they use third-party vendors to assist with chargeback representment, more than 40 percent of organizations in the Dating/Social and Health/Beauty industries, and 60 percent of Not-for-Profit organizations, rely on third-party vendors for assistance, either exclusively or in tandem with in-house efforts.

#### Use of 3rd Party Vendor to Assist with Representment



## Fraud Management

Organizations participating in the State of Chargebacks survey provided information about the teams, tools, and practices used in online fraud prevention. This includes information about size of risk and manual review teams, the use of third-party services, and the primary source of chargebacks – which for most is CNP fraud.

Organizations operating across different channels and various industries each have to approach fraud and chargeback management differently, and thus it was important to distinguish and differentiate survey respondents across these markets and channels.

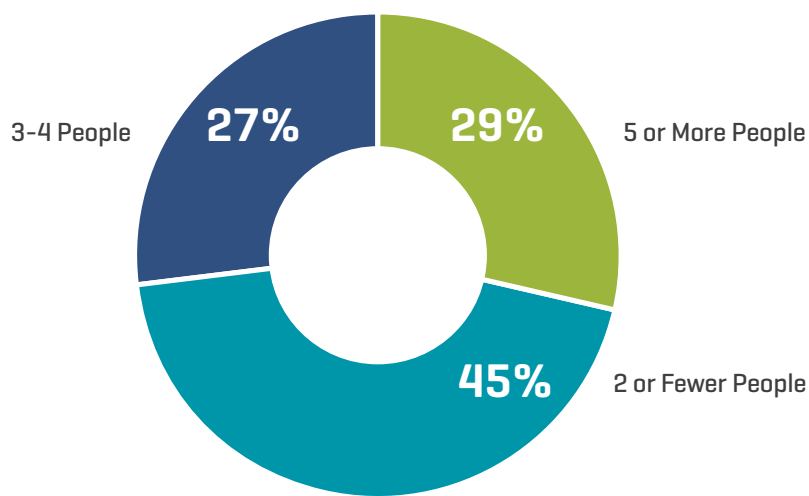
Nearly half of those surveyed, 46 percent, sell digital goods and services exclusively while about one-third sell only tangible goods and 23 percent offer both. More than half sell shippable goods online, whether exclusively or with digital goods as well. Merchants selling only digital goods and services were more likely to be lower online revenue merchants while those selling both digital and physical goods were most likely to be higher-revenue merchants. More than half (53 percent) of merchants with annual online revenue less than \$10 million sell digital goods or services exclusively. Just 13 percent of these smaller organizations sell both digital and shippable goods. Conversely, more than one-third of larger merchants with annual online revenue exceeding \$250 million sell both digital and shippable goods. Additional information about participating organizations' revenue, operating regions, markets and channels can be found in the Survey Respondents Overview starting on page 23.

### Types of Goods and Services Sold

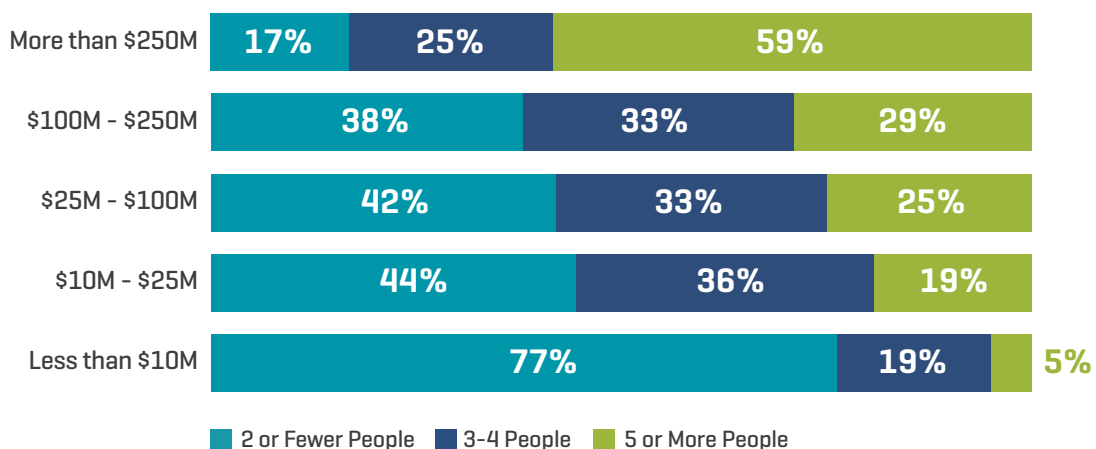


Merchants were asked how many members they had on their fraud prevention teams and how many were dedicated to performing manual reviews. As would be expected, merchants with higher annual online revenue were more likely to have larger teams. While 45 percent of organizations overall have two or fewer fraud prevention team members, for organizations with more than \$250 million in online revenue that percentage is much lower (17 percent). Instead, 59 percent of these higher-online-revenue organizations have fraud prevention teams of more than 5 people, compared to just 5 percent of organizations with annual online revenue less than \$10 million and 29 percent of merchants surveyed overall.

#### Number of People on Fraud Review and Prevention Team



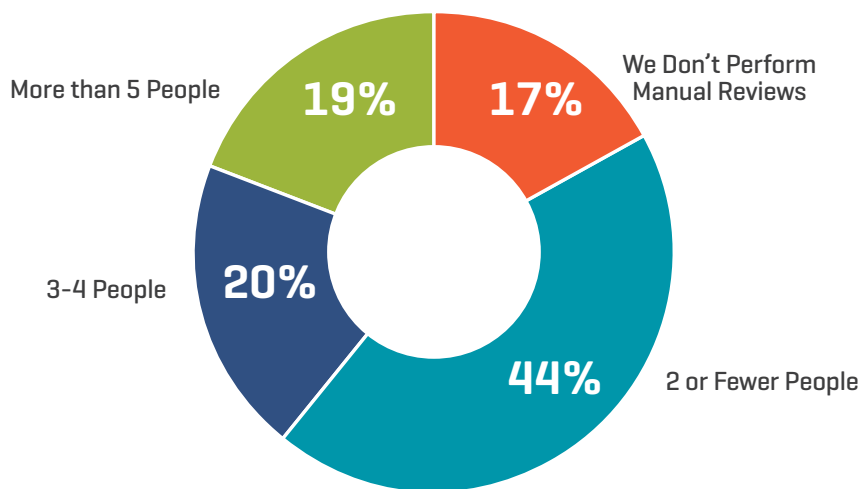
#### Number of People on Fraud Review and Prevention Team by Online Revenue



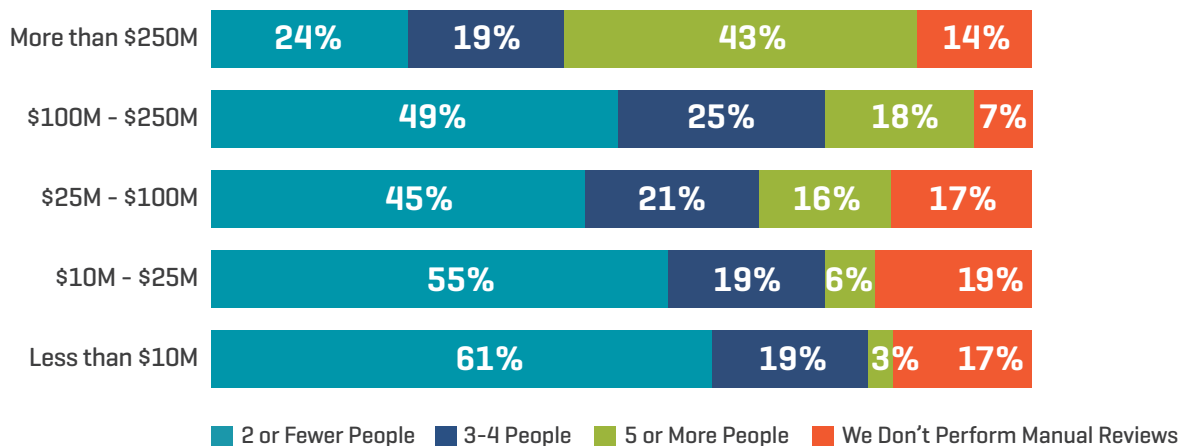
Nearly 44 percent of all organizations surveyed have two or fewer people performing manual reviews as their primary job function and 17 percent do not perform manual reviews at all. Less than one in four merchants with annual online revenue exceeding \$250 million have two or fewer full-time employees dedicated to manual review, compared to 61 percent of merchants with annual online revenue less than \$10 million that have two or fewer full-time manual review agents.

Meanwhile, 43 percent of organizations with greater than \$250 million in online revenue have more than 5 people primarily focused on manual reviews, compared to just 3 percent of organizations with annual online revenue less than \$10 million, 6 percent of merchants with annual online revenue between \$10 and \$25 million, and 19 percent of organizations overall.

#### Number of People Performing Manual Review as their Primary Job Function



#### Number of People Performing Manual Review as their Primary Job Function by Online Revenue

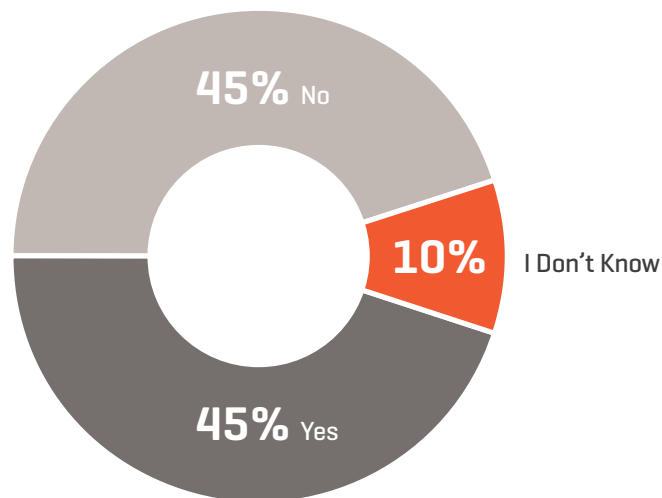


## Fraud Technologies

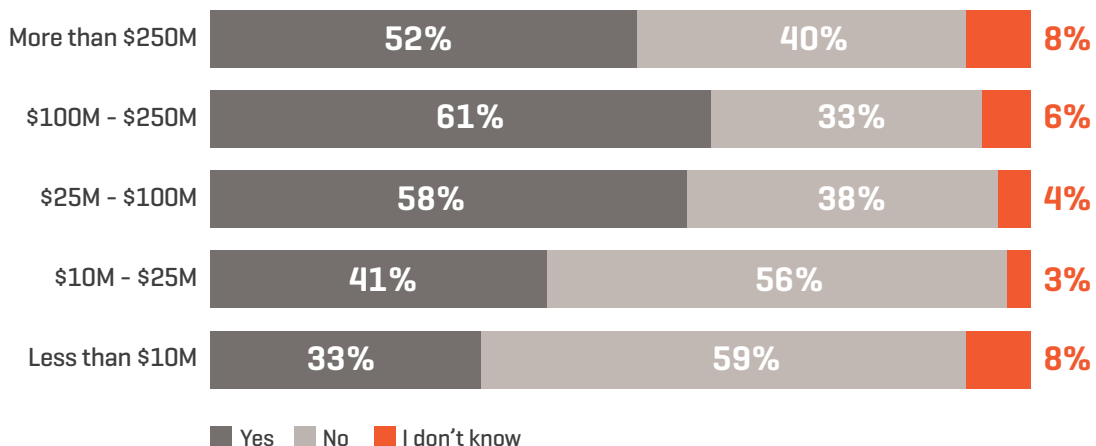
Less than half of organizations overall (45 percent) indicate they are using a third-party fraud solution provider today. Once again, there was a disparity between higher- and lower-online-revenue merchants. Just 35 percent of merchants earning less than \$10 million in online revenue annually use a third-party fraud solution compared to 56 percent of merchants with more than \$10 million in annual online revenue.

Merchants in the Events/Ticketing industry are the most likely to use a third-party fraud solution (88 percent) while nearly 60 percent of merchants in the Health/Beauty, Digital Downloads/Streaming, and Dating/Social industries are using third-party fraud solutions today.

### Use of 3rd Party Fraud Solutions



### Use of 3rd Party Fraud Solutions by Online Revenue

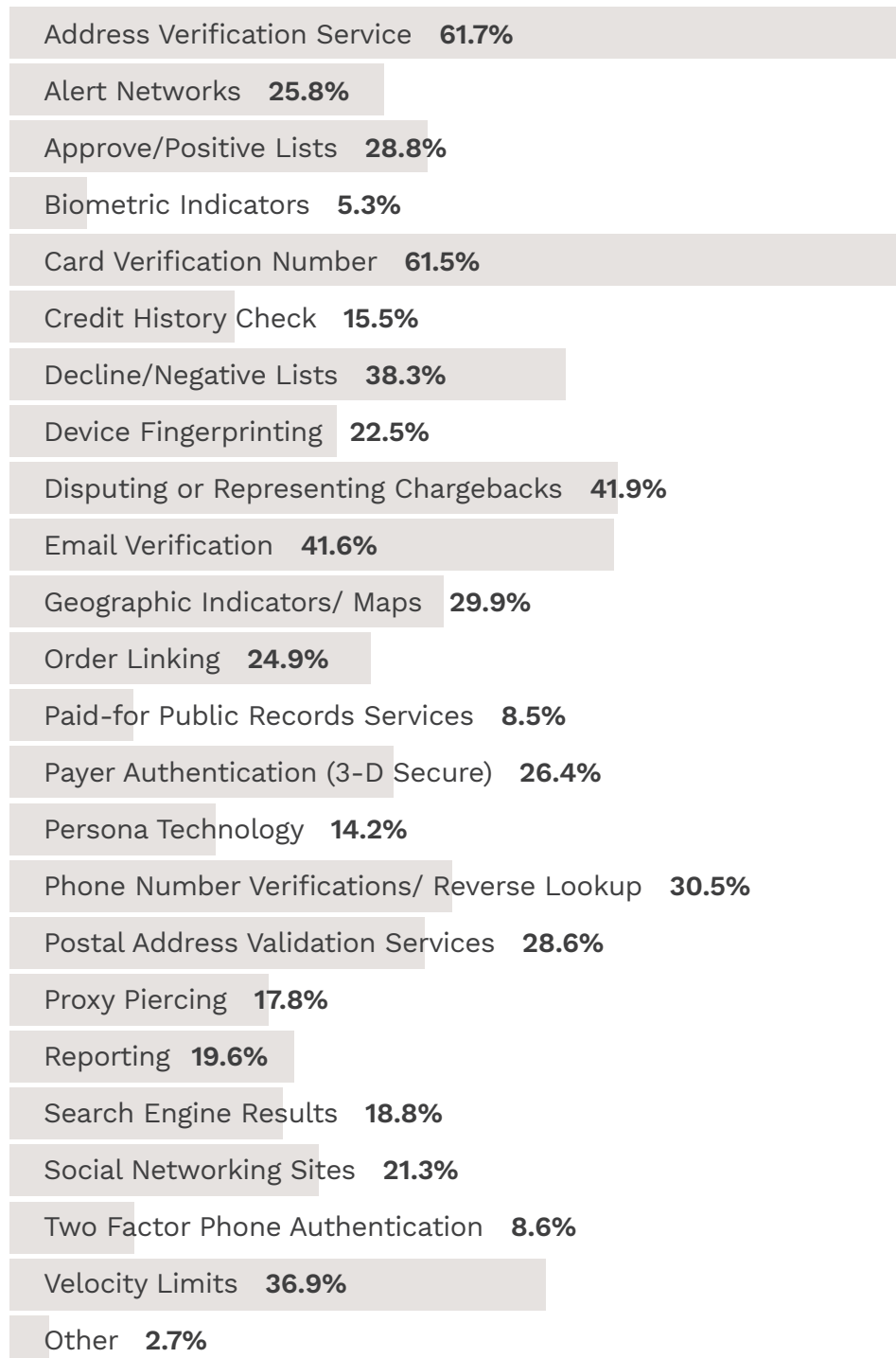


Whether they're using third-party fraud prevention vendors or in-house teams and systems, there are many techniques, tools, and services organizations employ for fighting fraud and chargebacks. Respondents were asked which features and technologies their organizations use to prevent fraud and chargebacks in the online and mobile channels.

The two most used techniques were Address Verification Services (AVS) and checking the Card Verification Value (CVV), each being utilized by 62 percent of organizations. The next most common fraud and chargeback prevention techniques include performing email verification and chargeback representment, each being used by 42 percent of organizations surveyed. Negative or decline lists are used by 38 percent of organizations while 37 percent use velocity checks or limits. There are 13 tools, techniques, or services that are being used by at least 25 percent of organizations, including order link analysis, payer authentication or 3-D Secure, and phone number reverse lookups. The majority of organizations employ multiple features and technologies for fraud and chargeback prevention, with 88 percent listing multiple tools or services. More than three-quarters of those surveyed are using three or more fraud fighting features or technologies, and nearly two-thirds are using four or more.

While 23 percent of organizations are using ten or more fraud and chargeback prevention tools and technologies, these are primarily merchants with higher online revenues. Those earning more than \$250 million per year online are significantly more likely to use multiple fraud prevention technologies compared to those earning less than \$10 million per year online. These multiple services and features include Device Fingerprinting, used by 32 percent of high revenue merchants compared to less than 10 percent of merchants with online revenue less than \$10 million. The highest revenue merchants are also much more likely to dispute chargebacks (56 percent) and use order velocity limits (55 percent) compared to merchants earning less than \$10 million online each year (30 and 21 percent, respectively).

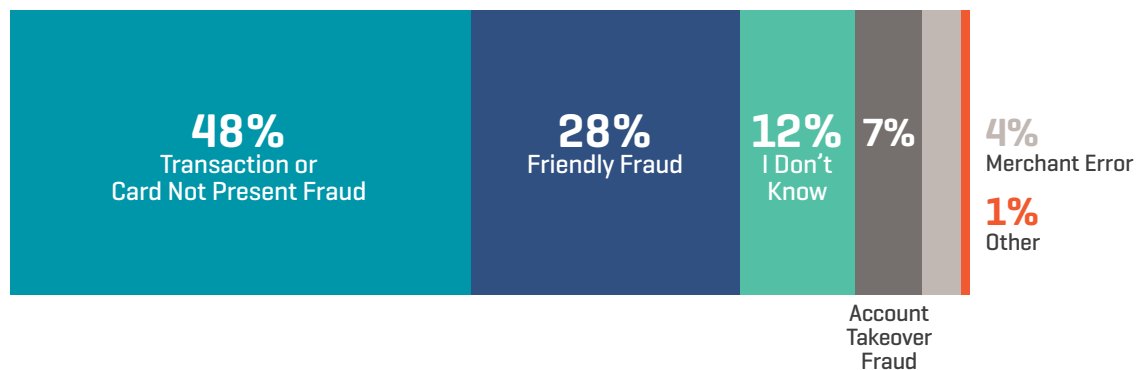


**Features & Technologies Used to Prevent Fraud & Chargebacks**

Nearly half of those participating in this survey (48 percent) identify CNP fraud as the biggest source of chargebacks. Twenty-eight percent of organizations say friendly fraud is their biggest source of chargebacks. About seven percent say the primary cause of chargebacks is account takeover fraud, and four percent say merchant error is the main reason for chargebacks. Twelve percent of survey respondents don't know what causes the majority of their chargebacks, which doesn't inspire much confidence in their ability to prevent or reduce chargebacks in the future.

The source of chargebacks and related issues vary widely, depending on the industry in which a merchant operates. Around 60 percent of merchants in the Travel/Entertainment/Leisure and Education/Training industries report that CNP fraud is the primary source of their chargebacks, whereas more than half of Dating/Social and Digital Download/Streaming organizations cite friendly fraud as the that the main cause of chargebacks.

#### Main Source of Chargebacks

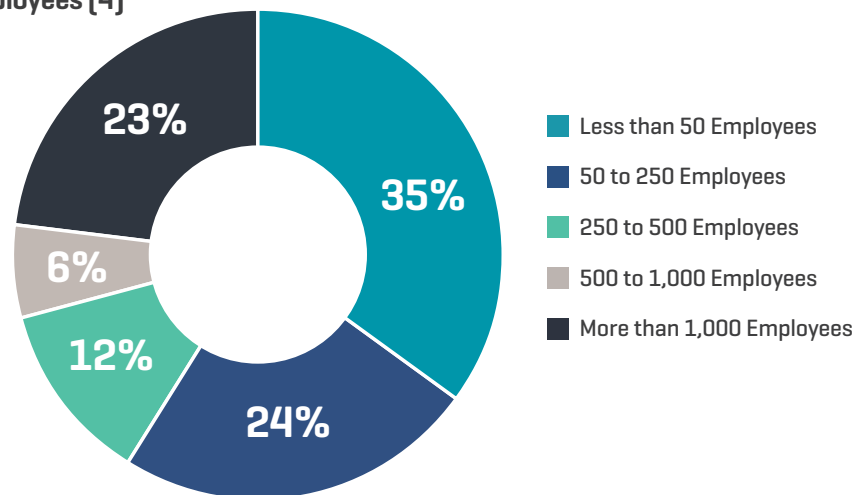


## Survey Respondents Overview

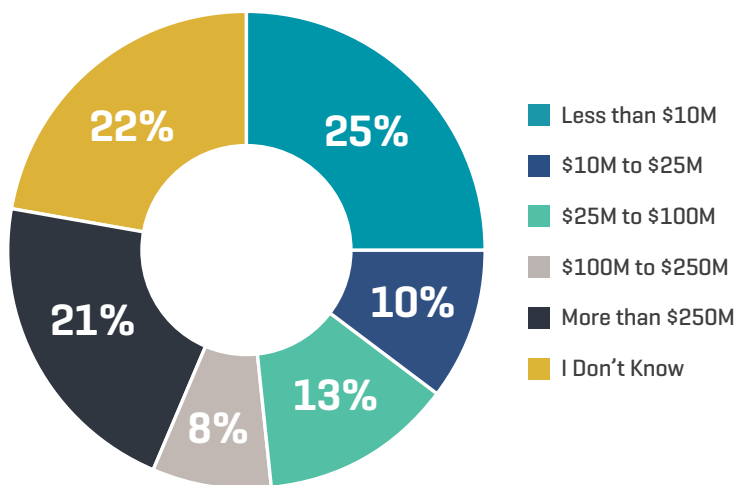
### Employees and Revenue

More than 1,000 respondents participated in the State of Chargebacks survey, representing organizations of all sizes within the card-not-present (CNP) payments space. Nearly 35 percent of organizations have 50 or fewer employees and 25 percent earn less than \$10 million in online revenue each year. Many large organizations participated, with 22 percent of respondents earning more than \$250 million annually in online revenue and 29 percent earning at least \$100 million annually in online revenue. Twenty-three percent of organizations surveyed have more than 1,000 employees and 29 percent have at least 500 employees.

#### Number of Employees [4]

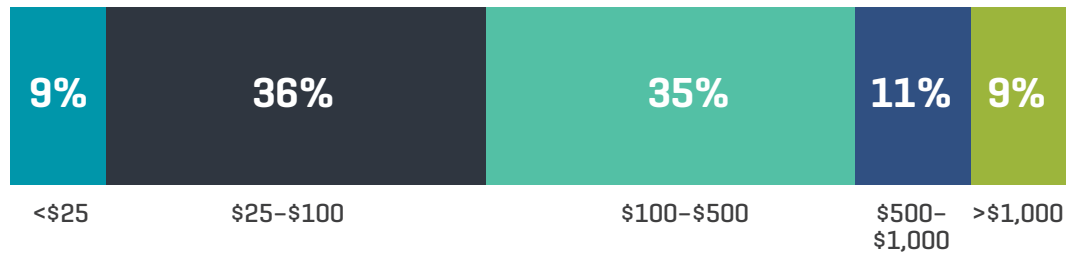


#### Annual Online Revenue



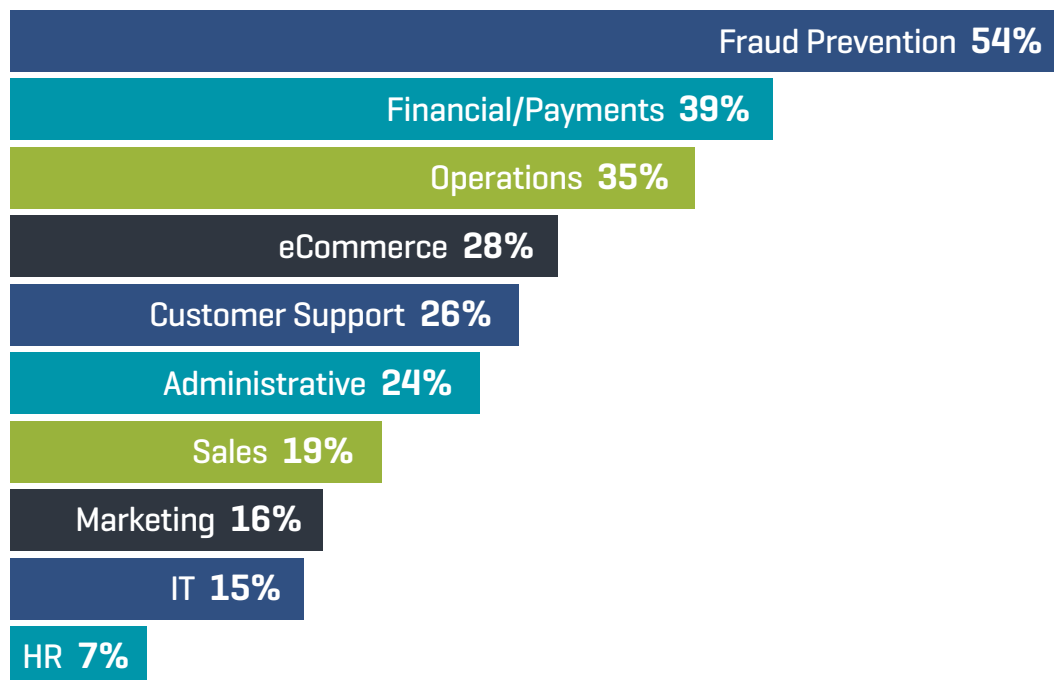
Organizations participating in the State of Chargebacks survey were most likely to report average order values between \$25 to \$100 (36 percent) or \$100 to \$500 (35 percent) overall. Five industries have at least 25 percent of organizations reporting an average order value of more than \$500, including Financial Services, Travel/Leisure/Entertainment, and Education/Training.

#### Average Order Value



More than 54 percent of the respondents have fraud prevention responsibilities at their companies, while 40 percent work with payments. Thirty-five percent of survey respondents have operational responsibilities such as performing manual reviews, post-transaction, and chargeback management.

#### Responsibilities within Company

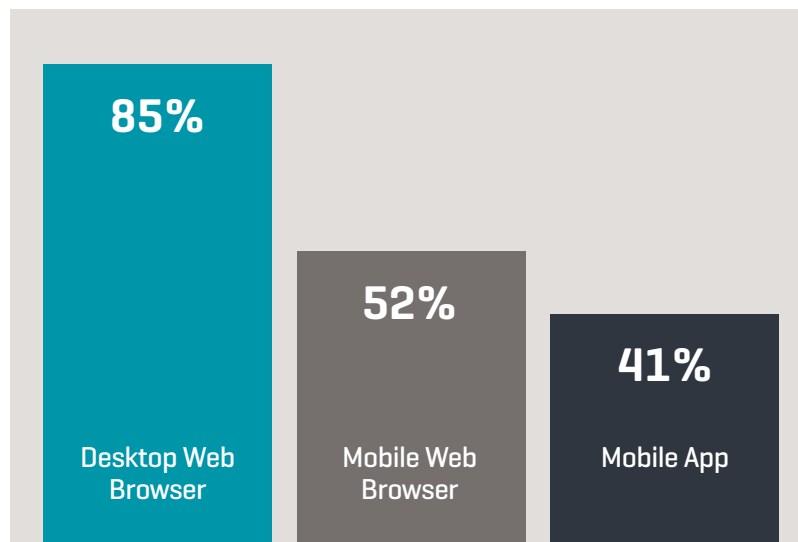


## Markets and Channels

Nearly 85 percent of those surveyed process transactions in the traditional eCommerce channel or online with desktop web browsers, while more than half (52 percent) support mobile web browser transactions. Fewer organizations, 41 percent overall, support mobile app transactions.

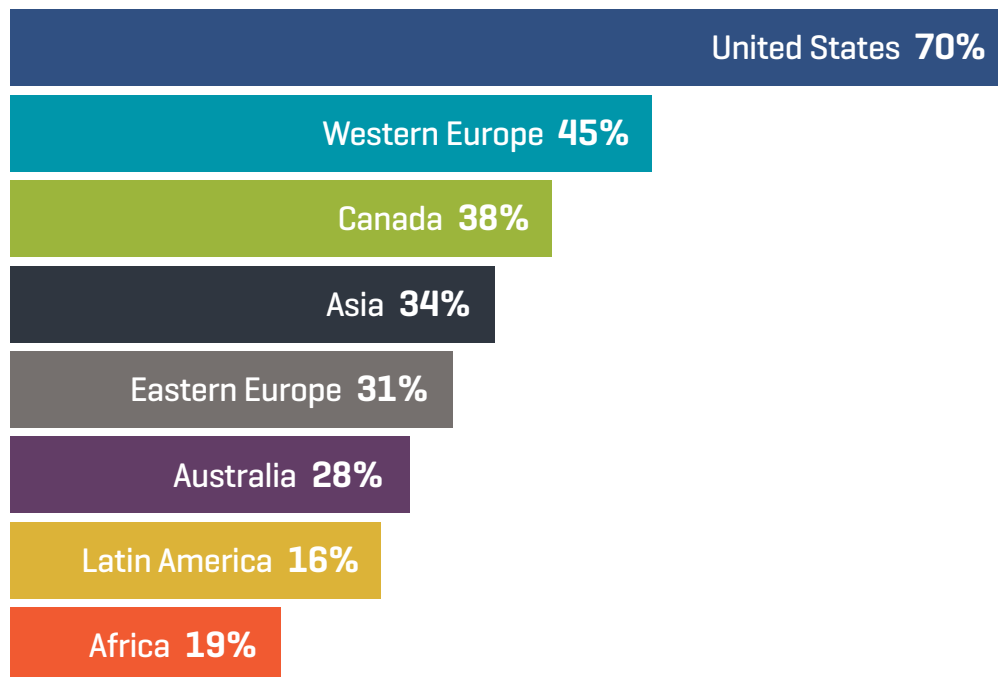
Support for the mobile channel differs significantly between higher- and lower-online-revenue merchants. Only half of smaller merchants with online revenues less than \$10 million annually support mobile web browser payments compared to two-thirds of larger merchants earning more than \$250 million online per year. Larger organizations with over \$250 million in online revenue were also much more likely to process transactions via mobile apps. About 60 percent of these higher-online-revenue merchants support payments via mobile apps compared to just 30 percent of merchants with less than \$10 million in annual online revenue.

### Types of Transactions Being Processed



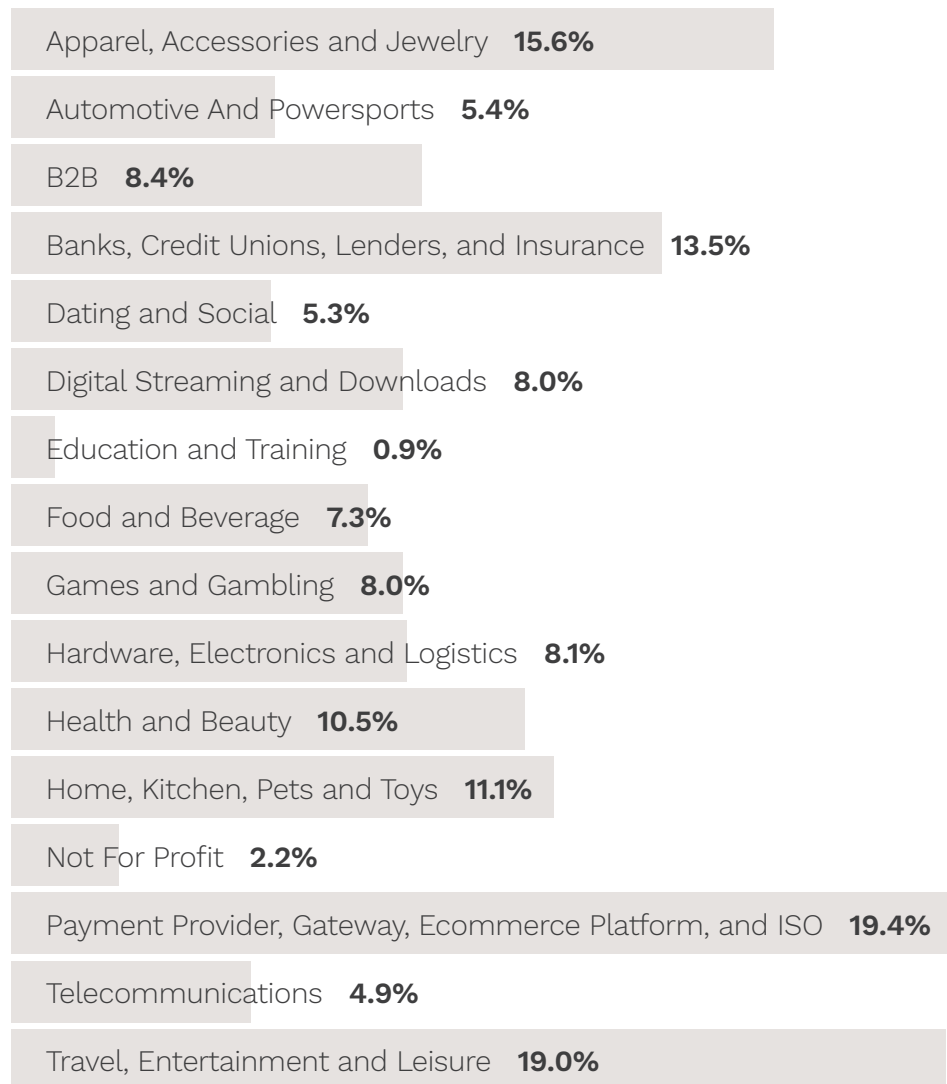
Respondents conduct business in a number of regions: over 70 percent of organizations do business in the United States and 45 percent in Western Europe. More than one-third of organizations do business in Asia and more than one in four operate in Latin America. About 50 percent of companies surveyed do business in more than one region, while 37 percent operate in three or more countries or regions and more than 25 percent operate in at least five countries or regions.

#### Countries or Regions Where Organizations Operate



Organizations participating in the State of Chargebacks survey operate in a number of different industries and vertical markets. About 19 percent of those surveyed represent payment providers, gateways, eCommerce platforms, or ISOs, while another 19 percent are merchants in the Travel, Entertainment and Leisure markets. Nearly 16 percent of those surveyed are merchants in the Apparel, Accessories and Jewelry markets. Health and Beauty, Home, Kitchen, Pet, and Toy merchants each represent 11 percent of survey respondents.

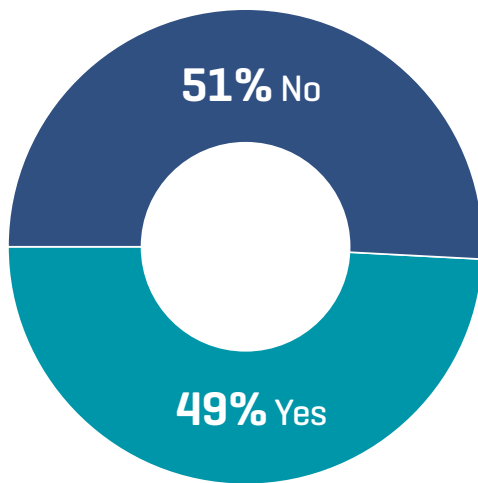
### Industry



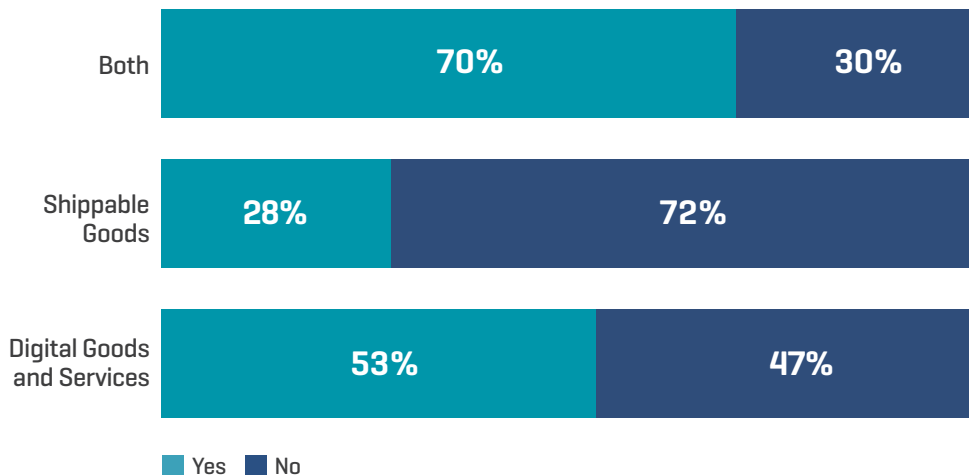


Roughly half of the organizations surveyed support recurring billing or subscription services. These billing models are more likely to skew towards merchants selling digital goods and services. More than half of merchants selling only digital goods or services (53 percent) and 70 percent of organizations selling both digital and physical goods offer subscriptions or recurring billing, compared to just 28 percent of merchants selling only shippable goods.

#### Organizations that Support Recurring Billing



#### Organizations that Support Recurring Billing – Digital vs. Shippable Goods



## Conclusion

The State of Chargebacks survey, brought to you by Kount and Chargebacks911, assesses the state of fraud and chargeback management in the CNP payments space. Focusing on several critical metrics and KPIs, the more than one thousand respondents representing organizations of all sizes and across many industries shared their experience, insights, and performance related to managing fraud and chargebacks for online and mobile commerce. Key findings include:

- While 45 percent of organizations are using a third-party provider to prevent fraud, just 21 percent are using a third-party provider to assist with chargeback representment.
- While 40 percent of merchants say their optimum chargeback rate is less than 0.1 percent, only 18 percent of respondents report achieving this chargeback rate. More than 70 percent aim for an optimum chargeback rate at or below 0.5 percent, but only 47 percent of merchants are succeeding at hitting this target.
- Nearly half (48 percent) of organizations state the primary source of their chargebacks is CNP fraud, while 28 percent say friendly fraud is the main source. Dating/Social and Digital Download/Streaming organizations are the most likely to report friendly fraud as the main source of chargebacks.
- Although 82 percent of organizations surveyed are disputing chargebacks, other survey results indicate plenty of room for improvement. More than one-third of merchants report a win rate of 30 percent or less, and nearly one in five have win rates less than 15 percent. Nearly one-fourth of organizations do not know their win rate.
- There are significant disparities between larger merchants (greater than \$250 million in online revenue) and smaller merchants (less than \$10 million in online revenue) in terms the number of people dedicated to fraud prevention and manual reviews, the use of third-party fraud solutions, the number of fraud prevention tools and techniques they use, and the percentage of chargebacks they dispute.

## About Kount

Kount helps online businesses boost sales by reducing fraud and allowing them to accept more orders. Kount's all-in-one, SaaS platform is designed for merchants operating in card-not-present environments and the payment service providers that support them, simplifying fraud detection and dramatically improving bottom line profitability. Companies using Kount can accept more orders from more people in more places than ever before.

Kount is a turnkey fraud solution that is easy-to-implement and easy-to-use. Kount's proprietary technology has reviewed billions of transactions and provides maximum protection for some of the world's best-known brands. For more information about Kount, please visit [www.kount.com](http://www.kount.com).

## About Chargebacks911

Chargebacks911 provides cutting-edge, highly-scalable enterprise solutions and specialized consulting for chargeback compliance, risk mitigation, and dispute management to acquirers, card issuers, and large-scale merchants. The company's dynamic technologies and tactical data analysis help decrease the negative impacts of chargebacks and disputes, thereby increasing customer retention and revenues.





[www.kount.com](http://www.kount.com)

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