

Payment and Fraud Management Best Practices

1. **Offer a variety of payment options to your customers.** “Options” doesn’t mean different card brands, but true methods: credit card, PayPal, Bill Me Later, bank transfer, etc. Studies show that online businesses offering three or more different options convert 14% more from the shopping cart.
2. **Start thinking about an international payments strategy.** Many merchants are also adding European and Asian markets with country-specific payment types to increase sales conversion.
3. **Process credit card authorizations in real-time.** With all the services out there and the obvious costs associated with a declined transaction after the fact, do not batch your payment processing.
4. **Remember, managing payment and the associated risk of fraud and chargebacks are business issues involving balance of risk and return.** The objective is not to have zero charge backs or never accept a fraudulent sale. The goal is to maximize profitability while accepting reasonable risks. Clearly state your company name on cardholder statements. Almost 1.6% of orders result in chargebacks caused by direct fraud. Make it easy for people to contact you. The cardholder may try to contact the merchant first. This is a great opportunity to deal with the issue.
5. **Each company has a different tolerance for fraud.** The higher your gross margins, the higher your tolerance for a fraudulent order may be. Currently, 81% of merchants still use manual review to catch fraud. Other tools that should be used together are; online authorization, address verification (AVS), use of (CVV, CVV2, CID) verification codes, verified by Visa, MasterCard secure and negative files.
6. **Perfect balance between fraud and sales is impossible.** Decide on which side you want to err. The impact on profitability of rejecting one valid order is higher than that of accepting one fraudulent one. Be as generous in your refund policy as you can, particularly with digital goods or subscription services. A refund policy will help conversion as it is a reassurance to customers. Ensure that it's adhered to and publicly posted. Some laws and credit card issuer rules state that consumers are able to chargeback for items or services not delivered or defective, regardless of any "all sales are final" policies.
7. **Consider challenging chargebacks more often.** Chargeback challenge is an area that appears to be underutilized. Many merchants seem to think the time investment to challenge charges is not worth the recovery. However, overall successful challenges appear to be close to 50%, so do your own math.
8. **Remove payment data from your internal systems and avoid the risk of losing the data.** Get payment data out of your operating environment completely by either having the payment data stored by your processor or by having payment fields within your checkout process hosted by your processor.
9. **Centralize payment processing for all channels.** If you’re a multi-channel operation, centralizing your payment architecture to reduce costs and make security practices easier to manage and pass an audit.
10. **Understand the entire rate structures of merchant account options before you decide.** In making a purchase decision on your merchant account, take the time to understand the entire rate structure and look at your mid-term sales goals to see how they work now, and in a year or two. Don’t simply focus on the discount rate.