UNRAVELLING TELECOM CHARGEBACKS: A CLOSER LOOK INTO RECOVERY AND PREVENTION

Abstract

Every organisation must embrace strategies aimed at mitigating the influx of chargebacks, avoiding adverse effects on business operations, and enhancing overall financial performance.

This paper sheds light on the concept of chargebacks in the telecom industry. It provides the underlying causes and underscores the significance of effective dispute management. The paper delves deeper into novel concepts aimed at improving processes, enabling companies to manage chargebacks efficiently.

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Telecom industry chargebacks and their consequences

In the telecom industry, a chargeback refers to a transaction reversal initiated by a customer who disputes a charge on their account. This typically occurs when a customer contacts their bank or credit card issuer to dispute a charge for services provided by their telecom company.

There are several reasons why a customer may request a chargeback, including:

- **Fraudulent transactions:** Fraudulent activity is a major source of chargebacks in the telecom industry. Fraudsters may use stolen credit cards or fake identities to sign up for services, resulting in chargebacks when the true cardholder or account owner disputes the charges.

- **Billing errors:** If a customer is billed incorrectly, they may request a chargeback to correct the error.

- **Dissatisfaction with services:** If a customer is dissatisfied with the quality of service provided by their telecom company, they may request a chargeback to dispute the charges.

Rise in chargebacks due to subscription billing models: Telecom companies that use subscription-based billing models may be more prone to chargebacks compared to those that utilise traditional billing methods. This is attributed to the possibility of customers overlooking recurring charges or failing to identify

them on their statements, resulting in disputes. It could also occur if a fraudster signs up for a telecom service using stolen or synthetic identity information and then discontinues the use of the service after receiving the first bill.

Prevalence of digital payments: The transition towards digital payments has fueled a rise in chargebacks within the telecom industry. Customers may dispute charges made through mobile wallets or online payment systems, leading to chargebacks for the telecom company.

Importance of dispute management

When a customer requests a chargeback, the telecom company may be required to provide evidence to support the charge. This evidence may include the customer's account information, billing records, and proof that the services were provided.

Chargebacks can exert a substantial impact on a telecom company's financial well-being, potentially leading to revenue loss, chargeback fees, and reputational damage. In addition to the direct financial losses from chargebacks, telecom providers also incur indirect costs associated with managing these chargebacks, ranging from customer service expenses to lost productivity. This has resulted in numerous

telecom companies having systems in place to prevent chargebacks and expedite dispute resolution with customers. These measures involve monitoring chargeback rates, analysing the underlying causes of disputes, and implementing strategies to prevent their recurrence in the future.

Recommendations for process improvement

Prominent players in the telecom industry have seen significant benefits by partnering with service providers who analyse customer chargebacks. These partnerships have not only yielded valuable insights, but also led to concrete recommendations that have resulted in a notable improvement in defending against chargeback cases, ultimately reducing financial losses, and improving customer satisfaction.

Additionally, the recovery of chargebacks falsely claimed by end customers has been pursued, while simultaneously launching investigations, and actively seeking the retrieval of multiple chargebacks.

Let us look at the top reasons quoted by customers in chargeback cases:

* Counterfeit transaction
* Chip liability shift
* Services not provided or merchandise not received
* Fraudulent card-present transaction
* No cardholder authorisation
* Requested/required authorisation not obtained
* No authorisation
* Declined authorisation

An analysis of the above-listed reasons revealed a high reliance on third-party stores for documentation. Only in a handful of chargeback cases, the documents were available on the system. For the majority of cases, scanned copies were requested from the stores. However, due to the lack of accountability on the stores' part, document retention was minimal, hindering dispute resolution efforts.

The following table outlines recommended solutions for chargeback cases based on customer-cited reasons. In the case of third-party stores, it is recommended the outsourcing service provider define the process and collaborate with the client on its implementation.

Reason	Root Cause	Recommended Actions
Counterfeit Transaction	The EMV (Europay, MasterCard, and Visa) machine is not available at the store.	The EMV machine should be made available.
Chip Liability Shift		
Services Not Provided or Merchandise Not Received	Customers dispute that services have not been rendered.	Incorporate customer identification into the process.
Fraudulent Transaction-Card Present Environment	Misuse of a credit card - used by someone else.	
No Cardholder Authorisation	Manual imprints were taken by the store. Stores are unable to provide manual imprints for disputes.	The store should retain manual imprints, scan them, and send them to the accounting team.
Requested/Required Authorisation Not Obtained		
No Authorisation		
Declined Authorisation		

Managing chargebacks and the way-forward

Chargebacks can be costly and time-consuming for businesses to manage. Implementing effective chargeback management strategies can assist businesses in minimising the number of chargebacks they receive, mitigating the impact of chargebacks on their operations, and enhancing their financial performance. Here are some strategies that businesses can employ to manage chargebacks:

- **Improve customer service:** One of the primary reasons customers dispute transactions is poor customer service. By enhancing customer service and ensuring customer satisfaction, businesses can decrease the likelihood of chargebacks.

- **Implement clear policies and procedures:** Clear and concise policies and procedures can assist businesses in preventing chargebacks. Businesses should establish transparent refund and cancellation policies, along with a clear dispute resolution process, to ensure customers understand how to address any issues before resorting to a chargeback.

- **Monitor chargeback rates:** Monitoring chargeback rates can help businesses identify patterns and trends, enabling the development of strategies to prevent chargebacks. High chargeback rates may indicate a need to enhance customer service or implement additional fraud prevention measures.

- **Use fraud prevention tools:** Fraud prevention tools, such as address verification systems and card verification codes, can assist businesses in reducing the number of chargebacks they receive due to fraud. These tools can also help identify potential fraudulent transactions before they occur.

- **Respond promptly to disputes:** Businesses should respond promptly to chargeback disputes to enhance the chances of winning the dispute. Responding quickly can also help prevent chargebacks from escalating and being sent to collections.

- **Partner with a chargeback management provider:** Partnering with a chargeback management provider can help businesses manage chargebacks more effectively. These providers use data analytics and machine learning to identify and prevent chargebacks before they occur, saving businesses time and money.

In conclusion, successful chargeback management necessitates a proactive approach and a dedication to customer service and fraud prevention. Through the implementation of these strategies, businesses can mitigate the impact of chargebacks on their business and enhance their overall financial performance.
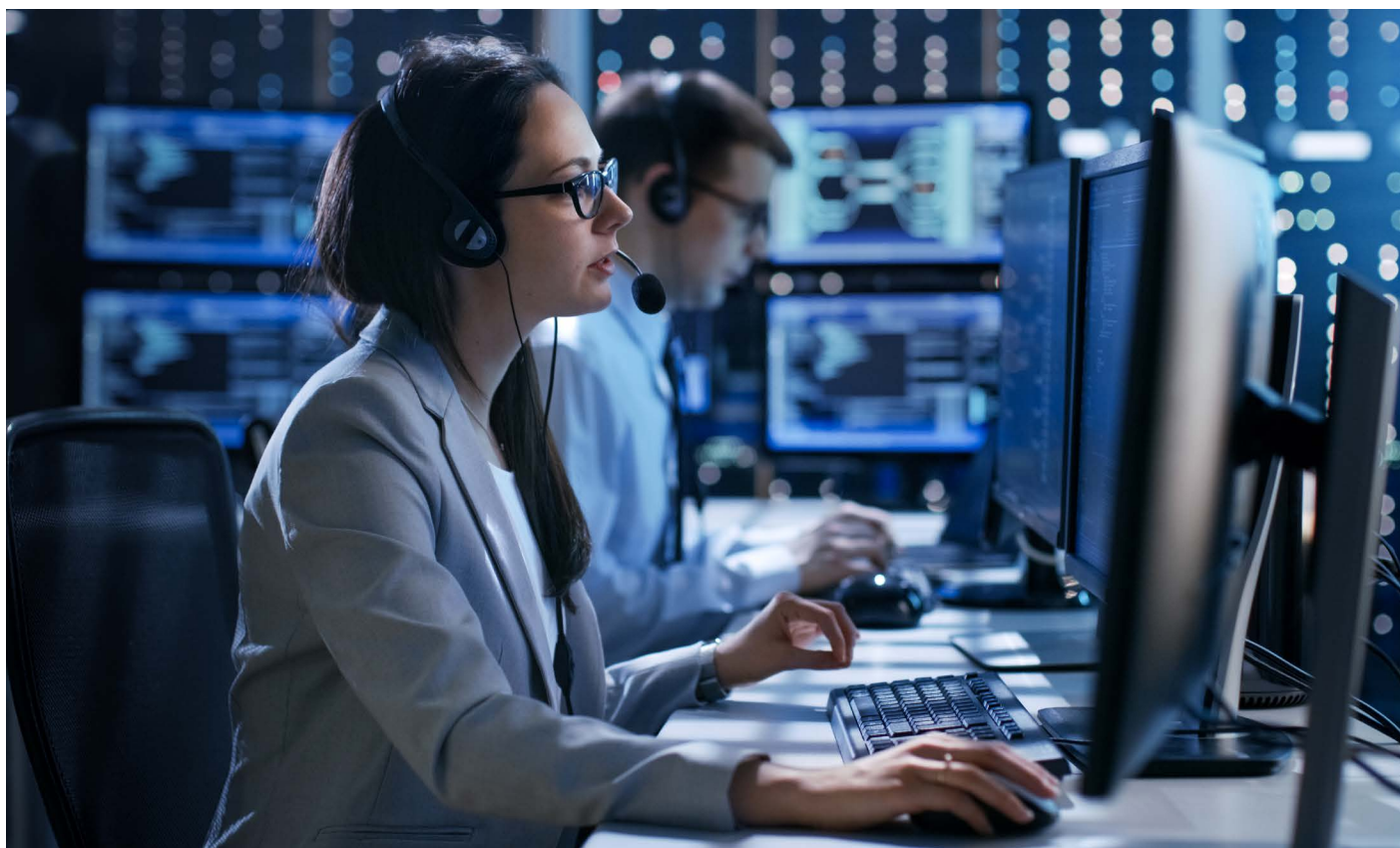
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Punit is a seasoned operations leader at Infosys BPM, boasting over 25 years of experience in the BPM industry. With a master's degree in commerce and a PGDBM from IMT Ghaziabad, Punit is well-versed in managing financial operations. Additionally, Punit holds certification in IFRS and has pursued courses in machine learning and blockchain, showing a commitment to staying at the forefront of technological advancements. Throughout his career, Punit has collaborated with clients from various industries, particularly excelling in the finance and accounting domain.

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