Fit forCommerce™

eCommerce Diligence™ Checklist

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, Affirm, Apple Pay, Google Wallet, 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 payment strategy***. Many merchants are adding European and Asian markets with country-specific payment types to increase sales conversion. International payments can usually be handled with one gateway – but make sure you integrate the right payment gateway with the right processing fees for the international domain in question.

3. ***Process credit card authorizations in real-time.*** With all the services now available and the obvious costs associated with a declined transaction after the fact, do not batch your payment processing.

4. ***Remember, managing payments and the associated risk of fraud and chargebacks are business issues involving a balance of risk and return.*** The objective isn't zero charge backs or to 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 might 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, and MasterCard.

6. ***Perfect balance between fraud and sales is impossible.*** Decide on which side you want to err. The profit impact of rejecting one valid order is higher than 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 multichannel operation, centralizing your payment architecture can reduce costs and make security practices easier to manage and pass an audit.

10. ***Understand merchant account rates before you decide***. In making a purchase decision on your merchant account, take the time to understand the entire rate structure and consider your mid-term sales goals to see how they work now, and in a year or two. Don't sign a long-term rate plan without considering your growth plans (international markets, and volume).

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Payment and Fraud Key Questions to Ask Providers

Company

1. How long have you been in this business? Primary member or ISO? Duration of ISO partnership?
2. How many clients? What is the size of your portfolio, merchants and V/MC sales? How many have clients you lost, why?
3. What size or types of clients fall into your "sweet spot"?
4. Do you offer the entire suite of services around the payment arena or a subset of those services?

Products/Services

1. Is your solution offered as perpetual licensed software or on-demand solution?

If perpetual license:

   a. What are the hosting requirements?
   b. What should I expect regarding upgrades (both timing and pain)?
   c. Do you provide customization/implementation services? Can a third party be used?

If SAAS/ASP:

   a. Do all tiers include maintenance and support?
   b. How often are new features introduced?
   c. What if I need a feature you don't have?

2. Do you offer a free trial? What's missing in the trial version?
3. What technical support services are available? What is your SLA for support issues? Is your support team located in the US?
4. Do you have a support knowledgebase, community forum, or applications that are shared by customers?
5. What is the implementation process & level of complexity?

Features

1. What key features are included in your solution?
2. What features are currently missing, on your roadmap, what are your MVP features?
3. What is your competitive advantage over other payment processing packages?
2. Does your payment processor provide for other payment options, such as PayPal, Apple Pay, Bill Me Later?
3. Do you offer a gateway interface? Do you support any third-party gateway products?
4. What international options do you support?
   a. Am I allowed to accept payment in my currency from a foreign-issued card?
   b. Do I have options to accept payments in foreign currencies?
5. How much control do I have in setting automated rules for fraud?
   a. Can I determine which codes get accepted vs. kicked out for manual review?
   b. Can I employ third-party fraud tools?
6. Do you store/tokenize cardholder information in such a way so that my organization never has to see it? Are there additional fees for tokenization?
7. What do you do to help me meet PCI DSS compliance?
8. How do I research a chargeback without the card number?
9. How effectively does your platform integrate with my accounting package?
10. How does your platform integrate with other systems (CRM, analytics, order entry, customer support and management, and ecommerce)?
    a. Please list the applications for which you have standard integrations already built.
    b. Please list the applications where you have built custom integrations.
    c. If not, do you publish APIs?
11. What security do you provide against external intrusion and malicious manipulation?
12. Do you have a management console to manage payment processing? What can I manage?
13. Please describe your reporting capabilities

Pricing

1. Please prepare an estimated monthly charge for my business, using reasonable metrics and including all fees.
2. There are lots of hidden costs that are material (e.g., chargebacks, customer calls). What about "downgraded" charges?
3. How do you charge for support? Maintenance?
4. Are there any additional fees (e.g., implementation, image hosting, size of lists, monthly overages)?

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