

Little research has been conducted on chargebacks, one of the cost components for merchants to accept card payments. This study is one of the first attempts to document detailed statistics on chargebacks, which are useful not only for merchants to refine their card processing practices but also for policymakers to better understand the fraud loss distribution across different parties. We collected data from merchant processors, which is more efficient to gather information of a broad range of merchant categories than directly collecting data from merchants. To encourage participation and detailed responses, processors were assured anonymity. Although our data are from processors, which, together, process more than 20 percent of all signature-based transactions in the United States, we cannot assess the representativeness of our data, since few statistics are available regarding how card transactions are distributed across transaction channels (e.g., card-present, e-Commerce, etc.) and across merchant categories. While our fraud results are generally consistent with other available fraud statistics, some detailed statistics appear inconsistent. Because some processors were unable to provide detailed sales data, some of the detailed statistics are generated by a subset of the data. Lessons learned from this study include the importance of better communications between the study authors and personnel at an organization who generate their responses. For our study, better communications were essential to obtain high quality data, because chargeback and sales reporting practices vary by processor and chargeback and sales data are often kept separately by different departments in an organization.