



Chargeback Gurus Industry Metrics Report 2024



EXECUTIVE SUMMARY

The landscape of chargebacks and fraud across various industries has rapidly evolved in the last decade. The Chargeback Gurus Industry Metrics Report provides an in-depth analysis of key metrics and trends, focusing on the impact for merchants across different industries. By examining data from multiple facets, including fraud, disputes, KPIs, chargeback ratios, and industry-specific insights, this report offers a comprehensive overview of current challenges and strategic recommendations.

What Are Chargebacks Costing Your Business?

Last year, consumers disputed about 105 million charges with credit-card issuers in the U.S., worth an estimated \$11 billion. That is up from \$7.2 billion in 2019, according to Datos Insights, a finance-industry research firm. The company predicts that figure will rise nearly 40% by 2026.

KEY FINDINGS

Generic Insights



Loss per Merchant

On an average, merchants could expect to lose **\$156** per chargeback in 2021, rising to **\$165** in 2022, marking a **5.4%** increase.



Chargeback Volume

The U.S. merchants saw chargeback volumes between **\$8–\$11** billion in 2023, with projections reaching up to **\$15** billion by 2026, underscoring the urgency for improved chargeback management strategies, according to The State of Chargebacks Report.

(Source: The State of Chargebacks Report by CBG in collaboration with TSG)

Fraud Analysis



FTC Reports

Nearly **4 million** fraud reports were filed with the Federal Trade Commission in 2023.

01

Merchant Losses

The National Retail Federation estimated that merchants lost **\$100 billion** to fraud in 2022.

02

First-Party Fraud

Accounts for upwards of **80%** of total fraud cases in 2023.

03

Consumer Awareness

77% of consumers often find unrecognized charges on their statements, leading to disputes.

04

(Source: Ethoca)

Disputes



01

Dispute Volume and Cost

Disputes have been steadily increasing, with significant year-over-year growth in volume, especially in digital goods and subscription services.

02

Chargeback Management Cost

50% of merchants say that the costs they incur from chargebacks are the biggest problem they have dealing with them.

03

False Positives

Meanwhile, **20%** of merchants say that false positives are their biggest problem.

(Sample size: 301 Merchants; Source: PYMNTS and Verifi Report, 2023)

INDUSTRY-SPECIFIC INSIGHTS

Subscription Services

High Fraud Rate

Subscription services continue to face critically high rates of chargebacks, the leading reason being over **52%** of the chargebacks are fraud related chargebacks.



Increasing Trend

The year-over-year change in chargeback transactions for subscription services has been notable, with rates increasing by **1.5%** from 2021 to 2023.



(Source: Subscription Chargebacks Whitepaper with Juniper)

Retail

Transaction Chargebacks

Approximately **3 in every 1,000** transactions result in a chargeback. This equates to a chargeback rate of **0.3%**.



High-Risk Segments

Family clothing stores and specialty retail shops have seen notable year-over-year increases in chargeback rates. Specifically, family clothing stores experienced a **1.75%** increase, while specialty retail shops saw a **1.06%** rise in chargeback rates from 2021 to 2023.



(Source: The State of Chargebacks Report by CBG in collaboration with TSG)

Travel & Hospitality

High Risk Market

For travel & hospitality, chargeback rates are often well in excess of **1%** of transactions, representing a high-risk market



Recovery Rates

Travel & hospitality companies have below average chargeback recovery rates, often around **15%**, which is far worse than the average recovery rate across industries of **60%**.



Virtual Card Payments

Virtual cards are becoming increasingly common within payments with a **240%** growth in the number of virtual card transactions within North America expected between 2023 and 2028.



GDP Contribution

The World Travel & Tourism Council estimates that the total GDP contribution of travel and tourism will be **10%** of world GDP in 2024, equal to **\$11.1 trillion**.



(Source: The State of Chargebacks in The Travel & Hospitality Industries Report by CBG in collaboration with Juniper)

Insurance

High-Risk Industry

According to Chargeback Gurus, a staggering **42%** of chargebacks against supplemental insurance providers are due to friendly fraud, where the cardholder claims they didn't authorize the purchase.



(Source: The State of Chargebacks Report by CBG in collaboration with TSG)

FIRST-PARTY FRAUD

First-party fraud, or "friendly fraud," occurs when a customer makes a purchase using their own payment method and then falsely disputes the charge, claiming it was unauthorized or that they didn't receive what they paid for. This type of fraud is hard to detect because the transaction appears legitimate initially. It can lead to significant losses, higher chargeback ratios, and potential penalties, especially in industries like digital goods, travel, and hospitality where proving delivery or satisfaction is challenging.

Key Metrics & Findings



Prevalence of First-Party Fraud

First-party fraud contributed to a **32% increase** in overall fraud losses reported in 2023, making it one of the most significant fraud types impacting industries today.



Financial Impact

The estimated financial losses due to first-party fraud reached **\$10 billion** in 2023, representing a **25% rise** from the previous year. This underscores the escalating threat posed by friendly fraud.



Detection Challenges

Traditional fraud detection methods identified only **28%** of first-party fraud cases, highlighting the need for more advanced and sophisticated detection tools and strategies.



Sector-Wise Breakdown

- ▶ The **banking sector** was the hardest hit, with **45%** of first-party fraud cases occurring in this industry, leading to financial losses exceeding **\$4.5 billion**.
- ▶ The **telecommunications sector** followed, accounting for **30%** of first-party fraud incidents and a loss of **\$3 billion**.
- ▶ The **e-commerce** sector saw **25%** of the total first-party fraud cases, resulting in losses of **\$2.5 billion**.



Geographical Distribution

North America is the region most affected by first-party fraud, with **60%** of reported cases originating from this area.



Future Projections

Experts project a further **20% increase** in first-party fraud incidents in 2024, driven by the growing sophistication of fraudsters and the economic pressures leading more individuals to commit first-party fraud.

CONCLUSION AND RECOMMENDATIONS

The escalating trends in chargeback volumes and fraud across various industries highlight the critical need for merchants to adopt more effective chargeback management and fraud prevention strategies. Here is a list of effective strategies and practices recommended by Chargeback Gurus:

Enhanced Fraud Detection

Leverage advanced analytics and machine learning to proactively identify and prevent fraudulent transactions.



Transparent Billing Practices

Improve customer communication and transparency surrounding billing practices, particularly for subscription services.



Streamlined Dispute Resolution

Implement efficient dispute resolution processes to minimize customer frustration and churn.



Empowered Customer Service

Equip customer service representatives with the knowledge and authority to effectively handle disputes and offer timely solutions.



Data-Driven Chargeback Management

Utilize data analytics to identify patterns in chargebacks and fraud attempts, enabling targeted prevention strategies.



ABOUT CHARGEBACK GURUS

Chargeback Gurus helps businesses protect and recover revenue by providing effective chargeback management solutions, AI analytics and insights powered by our proprietary FPRONE™ platform.

By understanding our clients' needs and fully aligning with their goals, we help them reduce chargebacks and increase recovery rates to maximize revenue retention. Our technology solutions use powerful data science and AI analytics—combined with deep industry expertise—to deliver hundreds of millions of dollars in recovered revenue to our clients.

Schedule a call with one of our chargeback experts

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