

PROTECTING YOUR STORE FROM CREDIT CARD FRAUD

by Linda Carter

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We recently heard a horror story from a client involving transactions over the Internet. They had developed a web page and were selling some merchandise, although it represented a very small percentage of total business. As expected, some stolen credit cards were used to make some purchases overseas, but the fraudulent purchases were not discovered until after the goods had left the country. The client had received authorization for the purchases, but later were presented with a chargeback.

This story would be over if the store only suffered the loss of the merchandise, but their credit card processing company cancelled their account due to these specific transactions that resulted in chargebacks. They also were left with a bad mark on their rating that prevented them from simply switching to another provider. For almost two weeks they were unable to accept credit cards for purchases. Fortunately, they had a good relationship with their local bank and were eventually able to arrange credit card processing through them (at the highest discount rate). After speaking with our client about this, we decided to research the topic of credit card fraud and found some interesting information.

Credit card fraud is a significant problem for all e-tailers and there will never be 100% protection for the retailer.

What is the solution? I wish there was one. If you are going to conduct business over the Internet or in any other venue where you do not have physical possession of the credit card, you are at a risk to become a victim. If that happens, it that can cost you more than just the goods you sold. Credit cards and their processing mechanisms were designed to handle face-to-face transactions where the consumer, retailer and credit card were together in one room. Technology has changed the locations of these players, and in doing so has created a big gap for fraud.

There are some recommended steps to limit the damage. These steps come from the founder of AntiFraud.com.

1. Do not process orders without complete information including addresses and phone numbers.
2. Only accept orders from an ISP-based e-mail address or a domain-based address (such as GHSAConsult@aol.com or afisher@retailadvisor.com). Then verify that www.retailadvisor.com is a web site. Do not accept orders from free e-mail accounts such as name@hotmail.com. The reason for this is that the free e-mail cannot be traced without a court order.
3. We are suspicious of orders with different "bill to" and "ship to" addresses.
4. If in doubt, call the phone number. The article reported that several people were made aware that their credit card number had been stolen by this step.
5. Be particularly careful about international orders.

The problem for e-tailers is created by the lack of a fool-proof system for credit card processing over the Internet. Even though your site may use only reputable companies to handle your processing, someone using stolen information at some point will undoubtedly harm you. With the snail's pace that laws are changed to keep up with technology's pace, relief is not in sight.

A good site to check for more information is:

<http://www.scambusters.com/CreditCardFraud.html>

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