

5 Essential Things Auto Shop Owners Need to Know About...

Chargebacks

In the world of automotive repair, chargebacks can be a hidden nightmare waiting to disrupt your revenue stream. For auto shop owners, understanding and effectively managing chargebacks is crucial. We will guide you through key insights into chargebacks, offering practical advice to prevent them from impacting your business negatively.

Chargeback Prevention Strategies

01 Preventing chargebacks starts with strong customer verification procedures. Always verify the customer's identity and ensure it matches the payment card used. Obtaining a signed Repair Order (RO) and a letter of authorization for billing adds an extra layer of protection. Be cautious of unusually large orders or rushed transactions—these are often red flags for fraudulent activity.

Implement stricter policies for first-time customers, such as limiting card not present options, and consider setting transaction limits for different payment methods. Training staff to recognize and act on these warning signs can significantly reduce chargeback risks.

Always verify the customer's identity and ensure it matches the payment card before the transaction takes place.



Obtain signed repair order (RO) and letter of authorization for billing.



Be cautious of unusually large orders or rushed transactions, Especially if they are trying to make payment over the phone.



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Keys to ----- Mitigating a Chargeback



Implement stricter policies for first-time customers.



Set transaction limits for card not present options.



Train staff to recognize and act on red flags.

Understanding the Chargeback Process and Response

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When a chargeback is initiated, you'll typically receive notification via email and snail mail. You usually have around 10 business days to respond with evidence. Required documentation includes a detailed rebuttal letter, an invoice copy, and signed authorizations. The rebuttal letter should directly address specific customer complaints.

One critical piece of advice is to avoid issuing a refund after a chargeback has been initiated, as this can complicate the dispute process further.

What to do if you receive a chargeback



You'll receive notification of a chargeback via email and snail mail



You have 10 business days typically given to respond with evidence



Required documentation is a detailed rebuttal letter and an invoice copy. Any signed authorization would provide additional support for fighting the chargeback.



The rebuttal letter should address specific customer disputes/complaints on why they filed the chargeback



You should upload/provide the documentation to the chargeback department



DO NOT refund the customer after a chargeback has been initiated

Identifying High-Risk Scenarios

03 Card-not-present transactions generally carry higher risks than card-present transactions. Be particularly wary of scenarios where after-hours pickups occur without proper verification. Unusually large orders, such as a \$15,000 tire purchase, require extra scrutiny to prevent chargebacks.

High risk scenarios for chargebacks

A new customer calling in for an order instead of in-person would be higher risk



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After-hours pickups without proper verification increase risk



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Unusually high amount orders should be scrutinized (ex. \$3k tire order without install)



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Card-not-present transactions are generally riskier

Financial Impact on Businesses

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Chargebacks can lead to significant financial losses, not only in product value but also in labor costs and revenue. It's not uncommon to face multiple disputes on the same transaction, potentially up to three times. The pre-arbitration process can involve fees ranging from \$500 to \$750 for both parties, adding another layer of financial risk.

-  Chargebacks can result in loss of product, labor costs, and revenue
-  Multiple disputes on the same transaction possible (up to 3 times observed)
-  Pre-arbitration process involves potential fees (\$500-\$750) for both parties

Evaluating Payment Method Risks

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Certain payment methods carry different levels of risk. PayPal and Venmo are considered lower risk due to their account linkage and verification processes. In contrast, text-to-pay and card-not-present transactions are higher risk. While card-present transactions offer more protection, they aren't foolproof, and it's essential to ensure that every transaction is backed by solid documentation.

Chargebacks are an unavoidable part of running an auto shop, but with the right strategies and vigilance, you can minimize their impact. Protect your business by implementing strong verification processes, training your staff effectively, and choosing the right payment methods.

Ready to secure your business against chargebacks? Discover more about protecting your revenue and join our community of savvy auto shop owners who are taking charge!

