



How to Avoid Chargebacks

In response to COVID-19, Demosphere has seen the number of chargebacks issued against youth sports organizations across the country *double* compared to this time last year. During these tumultuous times, we think it's important to provide you with some resources to help your organization keep these numbers under control.

We'll first define what a chargeback is, then explain why it's important to avoid them and lastly, we'll provide you with some important tips you can implement today to help reduce your risk.

What is a chargeback?

A chargeback is the result of a cardholder disputing a charge on their credit card. The concept originated from the Fair Credit Billing act of 1974 and is meant to serve as a form of consumer protection from fraudulent activity committed by both merchants and individuals. You can read more about the concept of chargebacks [here](#).

Why is it important to avoid chargebacks?

When a cardholder files a dispute with the issuing bank about a charge to their credit card, the issuing bank immediately reverses the charge and the money is debited from the organization's bank account. The organization does have an opportunity to respond to the chargeback to present their case whether the charge is valid or not, however the cardholder then has the option to file a second chargeback and the lengthy [chargeback dispute process](#) continues. It's important that your organization does everything possible to avoid chargebacks for many reasons, including:

- Financial risk and lack of control over your funds
- Additional bank fees assessed on top of the lost revenue
- Administrative time required to dispute
- Perceived risk from Processor: Processors try to avoid partnering with organizations that have a history of frequent chargebacks, which puts your organization's ability to accept credit cards at risk

What you can do to help avoid chargebacks:

There are several things you can do to help your organization avoid chargebacks and the underlying key is *good, proactive communication*. Below are some immediate steps to put in place, if you haven't already.

Create a clear refund policy to ensure your members know what to expect.

A strong and clearly communicated refund policy can help protect you from chargebacks. The key elements of a good refund policy include:

- **Simple and easy to understand**
- **Clearly define the conditions** under which refunds will be considered
- **Communicate clear timeframes** for:
 - How long members have to request a refund (this should *not* be open-ended)
 - How long it will take to review and process once requested (*in today's world, pertaining to COVID-19, you should communicate a timeframe of up to 12 days for refunds to process*)
- **Make sure the process for requesting a refund is clearly communicated**
 - What information is needed in the request (name/email/phone of person requesting, name of player, reason for the request)
 - How does the request get communicated to your organization (email, online form, etc.)
 - To whom should the request be made (coach, registrar, financial contact, etc.)
- **Have a clear policy regarding the amount of the refund.** You may wish to consider holding back a small administrative fee to cover your initial costs of processing the original transaction or you may feel it's better to refund the fees in full. You can have different policies based on the reason for the refund. Regardless, the most important piece is that your policy is clear to your members.

Proactive communication is key!

With the uncertainties surrounding the impacts of COVID-19, communication with your members is critical for success.

- **Target your messages** to the affected group(s) using either the pre-filtered email tools on the season structure, or the more robust filters found in the communication center. For example:
 - Send a targeted email only to those who have actively registered for the current Spring season letting them know the status of Spring training and games
 - Send a separate message to those who you expect to be returning for the upcoming Fall season regarding your decision making process, timelines and next steps
- **Create clear expectations**
 - If you have not yet made the decision to cancel an upcoming event or season, email those members now to let them know your decision-making process, timeline, and when they can expect to hear an update.
 - If you do plan to cancel an event or an entire season, communicate what your members can expect relative to refunds.
 - If you plan to issue partial refunds, or no refunds at all, explain your policy and decision to your membership so they understand how their funds are being allocated.
 - If you will be processing refunds, communicate to members the timeframe - it may take up to 12 days for refunds to be processed.
 - Proactively ask your members to reach out to you with any questions or concerns about your refund policies and **make sure to include the email address of the person who will be handling those questions.** *Keep in mind, if they don't have an open line of communication with you, they are much more likely to initiate a chargeback.*

- **Respond to all member inquiries in a timely and professional manner.** Remember, we're all in this together and there are lots of parents out there dealing with all kinds of unique situations and hardships.
- **Be prepared to make exceptions.** If you have a member with extenuating circumstances, a phone call may be warranted. It's always easier to come to terms with someone over the phone than via email. If your members feel as though their concerns are being heard, and you're trying to work with them, they will be much less likely to initiate a chargeback.

Full Refund Alternatives to Consider

If offering full refunds to all members for a canceled event or season isn't financially possible given the organization's position and expenses, consider the following alternatives:

- **Have coaches conduct online training sessions for members** - this is the best alternative if it's an option for your organization! Keep your coaches working, keep members engaged, and most importantly, keep players active!
- **Partial refunds** - explain to members how reserved funds will be applied
- **Credit for a future event/season** - use the household discount feature to apply a discount for a specific player and/or season
- **Adjust future installment dates** - contact our support team for assistance with adjusting installment dates in bulk
- **Spread out future installment payments** to give members more time to pay

Steps for Handling Chargebacks

Despite having great, proactive communication and good policies and practices, it's inevitable during these times that you find yourself facing a chargeback situation. Here's what to expect if a chargeback occurs:

- An automated email will be sent from the Demosphere system with a link to the order for your review, where applicable, and the deadline by which to respond.
- Due to card brand rules, if you wish to dispute the chargeback, **you typically have 5 days from the date of the chargeback to provide a response to Demosphere.**
- Provide clear details in your response about why you believe the chargeback is invalid, including the details of your refund policy. For more details on providing a thorough response, [click here](#).
- The Demosphere Team will assist your organization with the chargeback response process and will file the response through the Processor on your behalf.
- You will be notified via email if the chargeback is reversed.
- Note: even if the chargeback is reversed, cardholders have the option to initiate a second chargeback, also known as pre-arbitration. The [chargeback process](#) can be long and drawn out, but the Demosphere Team will assist your organization along the way!

We hope these resources are helpful to you and your members to help us all get through these uncertain times. If we can be of assistance in the meantime, please don't hesitate to [contact us](#)!

