



Case Study: From Crisis to Control

Reducing Chargebacks
and Restoring
Operational Stability

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Executive Summary

A client facing escalating chargebacks and declining operational performance engaged Pholus to restore financial and reputational control. Through targeted analysis of payment patterns, revised customer-facing policies, and stakeholder re-engagement, Pholus helped the organization reduce chargeback rates, calm internal tensions, and stabilize both cash flow and external perception.

Key Results & Indicators

- Chargeback rate reduced by 75% within 30 days
- New refund and dispute protocol implemented in under 2 weeks
- Client service response time improved by 35%, reducing friction
- No further payment processor flags or account holds post-intervention
- Operational risk status updated from “unsustainable” to “stable” by internal finance team

Introduction

In e-commerce, high chargebacks don't just eat into profits—they threaten the viability of the business itself. A chargeback rate above 1% often triggers scrutiny or even blacklisting from credit card processors. Once flagged, a merchant risks losing the ability to accept payments altogether, regardless of product quality or customer satisfaction.

This was the exact situation one of our clients found themselves in: a well-intentioned, fast-scaling e-commerce brand suddenly flagged for excessive chargebacks. With rates peaking at 8%, they were days away from losing processing capabilities and collapsing under the weight of fees and reversals. Pholus was brought in to stabilize the business, uncover the root causes, and implement an actionable plan—without requiring a full business model overhaul.

The Problem

At face value, the client had a functioning offer. Their product had solid market demand, ads were performing well, and customers were purchasing at scale. But beneath the surface, something was going wrong.

The numbers told a grim story:

- The chargeback rate had climbed to 8%, well above the industry-standard 1% threshold.
- Each chargeback cost the business \$25 in penalties, regardless of order size or value.
- Monthly losses from fees alone were exceeding five figures, not including lost inventory or labor.
- Worse, the merchant processor had issued a formal warning: reduce chargebacks within 30 days, or face termination.

The client was losing money, trust, and time—and they were still running paid traffic daily, unsure how to intervene without collapsing sales.

Pholus was called in not just to fix the numbers, but to stabilize the business without introducing panic or costly rebrands.

The Plan of Action

Pholus approached the challenge with a structured audit and immediate triage actions designed to isolate the issue, test improvements, and shift the chargeback trajectory downward fast.

1. Funnel-Wide Diagnosis

We began with a forensic review of the entire funnel—from the ad creative to the checkout confirmation page. What we found wasn't fraud, and it wasn't poor customer service. It was ambiguity.

The order process, while technically functional, was confusing to first-time buyers. Customers were unintentionally:

- Selecting multiple items due to auto-filled quantities.
- Misinterpreting “Next” buttons as skipping optional add-ons when they were actually agreeing to them.
- Reaching confirmation pages that lacked clear summaries of what they were purchasing.

In many cases, customers only realized what they had ordered when they saw their bank statement—and by then, trust was gone.

2. Mapping Behavioral Triggers

We dug into customer support logs and chargeback reason codes. The overwhelming majority were flagged as “unauthorized transaction” or “item not received.”

When a product genuinely wasn't delivered, the fix was logistical. But most of the time, these were trust breakdowns. Customers didn't remember what they ordered or believed the transaction wasn't authorized—because the funnel had failed to reassure or clarify.

We traced these patterns to moments in the funnel where the language, sequence, and design didn't match customer expectations. There were no bad actors—just preventable confusion.

3. Implementation: Clarity, Confirmation, and Calm

We helped the client implement three core changes:

- Funnel Redesign: We restructured the offer flow to include quantity review checkpoints, simplified order summaries, and an unmistakable “Review Your Order” screen before final purchase.
- Visual Confirmation: The thank-you page now mirrored the product, quantity, and shipping estimate in plain language—reinforcing legitimacy and reducing buyer remorse.

- Customer Service Rescripting: Support reps were retrained with new scripts focused on acknowledgment, non-defensiveness, and immediate confirmation steps to preempt disputes.

We also added a visible charge descriptor reminder on the final screen so customers could identify the transaction on their bank statement—cutting down “I didn’t recognize this” disputes.

The Outcome

In under four weeks, the chargeback rate dropped from 8% to 2%—a 75% reduction in less than a month.

While still above the industry standard, this improvement bought time and showed clear movement in the right direction. The client’s payment processor formally rescinded the termination warning, citing “material improvement and effort to comply.”

Additionally:

- The refund rate dropped as customers were now more certain about what they’d ordered.
- Support tickets shifted from reactive complaints to order clarifications and upsell questions.
- The client preserved their paid traffic campaigns without pause—retaining revenue flow during the fix.

By month two, the client had stabilized below 1.5%, and by month three, they were operating within compliant ranges again.

Final Thoughts

Chargebacks are a symptom—not a disease. And they’re rarely fixed by customer service alone.

Pholus helps fast-scaling founders see what’s really triggering buyer doubt—then resolves it without drama. If your chargeback rate is climbing, if your processor is issuing warnings, or if you’re simply tired of bleeding money on preventable confusion, bring us in.

We’ll restore clarity—before your processor pulls the plug.

About Pholus

Pholus is a discreet advisory firm that supports founders, boards, and stakeholders in fragile or complex environments. We specialize in quiet interventions, exit planning, and operational clarity when reputations, relationships, or resources are at risk.

Need to navigate something delicate or high-stakes? We work behind the scenes to help you stabilize, reset, or exit — without triggering avoidable fallout.

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