

Modernizing Dispute Management Systems

More transactions, more disputes, more chargebacks, more costs

According to the American Bankers Association, credit cards are used for approximately \$2.5 trillion in transactions a year in more than 24 million locations around the world. With more than 10,000 card transactions every second, there has been a significant increase in credit card disputes and chargebacks.

This increase in disputes is creating a growth in the costs associated with processing them. These costs are not simply monetary. In addition to costing cardholders, merchants, acquiring banks, payment networks, and card issuers more than \$750 million annually, it is estimated that companies without a proper dispute management system may lose more than 20 percent of their repeat business annually.

The complexity of the processes and multiple parties involved makes providing customers with a timely but accurate assessment of their disputes no simple matter. There are numerous causes that trigger a dispute; e.g., fraud, non-receipt of merchandise or service, errors in processing or authorization, credit issued but not posted, and others.

The rights, rules and laws concerning disputes vary from country to country and each of the networks has its own rules regarding chargebacks. Gathering the correct information upfront to meet the regulatory requirements and mandates of all the different payments networks and channels is difficult.

Industry statistics calculate the “bundled cost” of processing a single dispute to be approximately ten dollars. The chargeback component averages twenty dollars and re-presentment costs average between seven and twelve dollars pre-arbitration. These costs do not include financial losses and write-offs.

Errors are introduced into the process where claims and disputes are handled manually or in a semi-automated fashion.

Because dispute management is often a manually driven process, the involvement of individuals with domain expertise necessary to navigate the relevant payment association guidelines and government regulations is required. Attracting and retaining these experts while maintaining their expertise through training and upgrading related systems to manage workflow is an ongoing and rising expense.

Why modernize and what are the options?

These many challenges are causing an increasing number of organizations to evaluate their options for improving their dispute and chargeback processes to reduce costs and improve customer service based on one or more of these criteria:

- The existing dispute management system and associated processes are not cost effective and lack an acceptable level of efficiency.
- The existing dispute management system and associated processes rely on legacy systems that limit productivity and flexibility due to technical limitations and a lack of existing skills in the marketplace.
- The existing dispute management system and associated processes require extensive manual intervention that increases dependency on highly skilled, higher paid individuals and lowers quality assurance.

Companies considering changes to improve their dispute management system generally choose one of three options for a solution, based on their present and future requirements.

Buy

They may decide to buy a productized solution from a third party supplier. These solutions usually are customizable to a certain level to accommodate the needs of the organization licensing them

Outsource

Some may decide to outsource their dispute management needs to insulate their operations from the complexity inherent in these processes. These firms pay a fee to their outsourcer for providing this service usually based on volume, which is growing steadily

Build

A third option is to build an in-house dispute management solution in order to insure that the organization has exactly what it needs to meet its specific current needs and the demands it anticipates for the future

What are the demands of a modern dispute management system

More and more acquirers, issuers, processors and networks are modernizing their dispute management systems and processes. In general, these organizations expect the following functional advantages from their new system providers:

- Automated, intelligent end-to-end case management
- Real time decision making with predictive analysis
- Efficient handling and prioritization of different customer segments
- Flexibility to cater to new regulatory demands
- Faster time to market for new services and features
- Extensive configurability to provide white label capabilities
- Dynamic data segmentation and analytics

Acquirers	Issuers	Networks
<ul style="list-style-type: none"> ▪ Web-based exception handling ▪ Comprehensive view of merchant activity ▪ Multi-currency report ▪ Advanced monitoring & reporting capability ▪ Customized page views branded by acquirer ▪ Elimination of redundant data input 	<ul style="list-style-type: none"> ▪ Single screen view of cardholder activity ▪ Documentation management ▪ Ability to accept cases by telephone, email, in writing or via an internal source ▪ Multi-currency support ▪ Local language support 	<ul style="list-style-type: none"> ▪ Intuitive, convenient access to cardholder and merchant data ▪ Complete member integration with network's dispute management database ▪ 360-degree view of chargeback management ▪ Inclusion of association's rules and process in line with processing

Regardless of the options chosen by these various organizations for deploying a future proof dispute management system – i.e., build, buy or outsource – a partner with a vertically integrated approach and a comprehensive understanding of payments is mandatory. See "Best Practices For Bringing Dispute Management Into the 21st Century" being published in September 2014, for information on why.

About RS Software

RS Software has 20+ years of experience providing technology solutions to the electronic payments industry. From payment networks to processors, from acquirers and issuers to ISOs and retailers, we have helped our clients address the convergence of payment types, the proliferation of mobile devices, the move to cloud computing and the introduction of new strategies, such as behavioral targeting. No other custom software provider delivers more industry-specific knowledge and experience to organizations that compete for market share globally in the electronic payments industry.

RS Software wrote “Modernizing Dispute Management Systems”. Our company has successfully provided solutions to customers throughout the world proving our payments-focused project methodology in a variety of regulatory environments. Our global delivery model and knowledge transfer disciplines ensure that the cross-culture experience of RS brings maximum value to the customer from start to finish. Today, many of the world’s best-known brands in the payment space utilize RS Software’s vertically integrated approach to providing solutions to gain a competitive advantage.