

Dispute Management: Recent Breaches Create Moment Of Truth

Segments

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, it's no surprise that there has been a significant increase in credit card disputes and chargebacks. Dispute and chargeback processing involves multiple stakeholders – cardholders, merchants, acquiring banks, payment networks, and card issuers – and costs these entities more than \$750 million annually.

This expense, combined with regulatory reform and customer demand, increases the pressure to resolve each case efficiently. Unfortunately, many entities involved have the current dispute and chargeback systems that are inefficient, expensive and contribute little to enhance customer experience. Often the process is manual or semi-automated across different and disparate systems requiring expert resources and a deep understanding of the payment network rules and regulations.

The public awareness of the theft of personal information and card credentials at Target, Neiman Marcus and Michael's Stores will increase the number of card disputed transactions significantly as cardholders become more diligent in the review of their accounts and statements. How these customers making claims are treated during the dispute process will largely determine the level of loyalty they will have to the various stakeholders handling the process. Issuers, acquirers and merchants are facing a "moment of truth" in the relationship they have with the cardholder. Those with manual or semi-automated dispute systems will struggle to satisfy the consumers they depend on to grow their business.

Complexities and Costs Climbing

It is estimated that companies without a proper dispute management system may lose more than 20 percent of their repeat business annually. But for issuers and acquirers handling disputes and claims, providing customers with a timely but accurate assessment of their dispute is no simple matter. Each of the networks has its own rules regarding chargebacks. Gathering the correct information upfront across all the different payments networks and channels is difficult. Errors are introduced into the process where claims and disputes are handled manually or in a semi-automated fashion.

In addition to the impact of lost customer loyalty, organizations involved in dispute processing must absorb significant operational costs. The “bundled cost” of handling each dispute is approximately \$10 with the chargeback component averaging \$20. Representation costs average seven dollars and pre-arbitration \$12. These costs do not include financial losses and write offs. A leading credit card issuer in the United States estimates its losses and write offs associated with one million disputed transactions to be \$11 million annually.

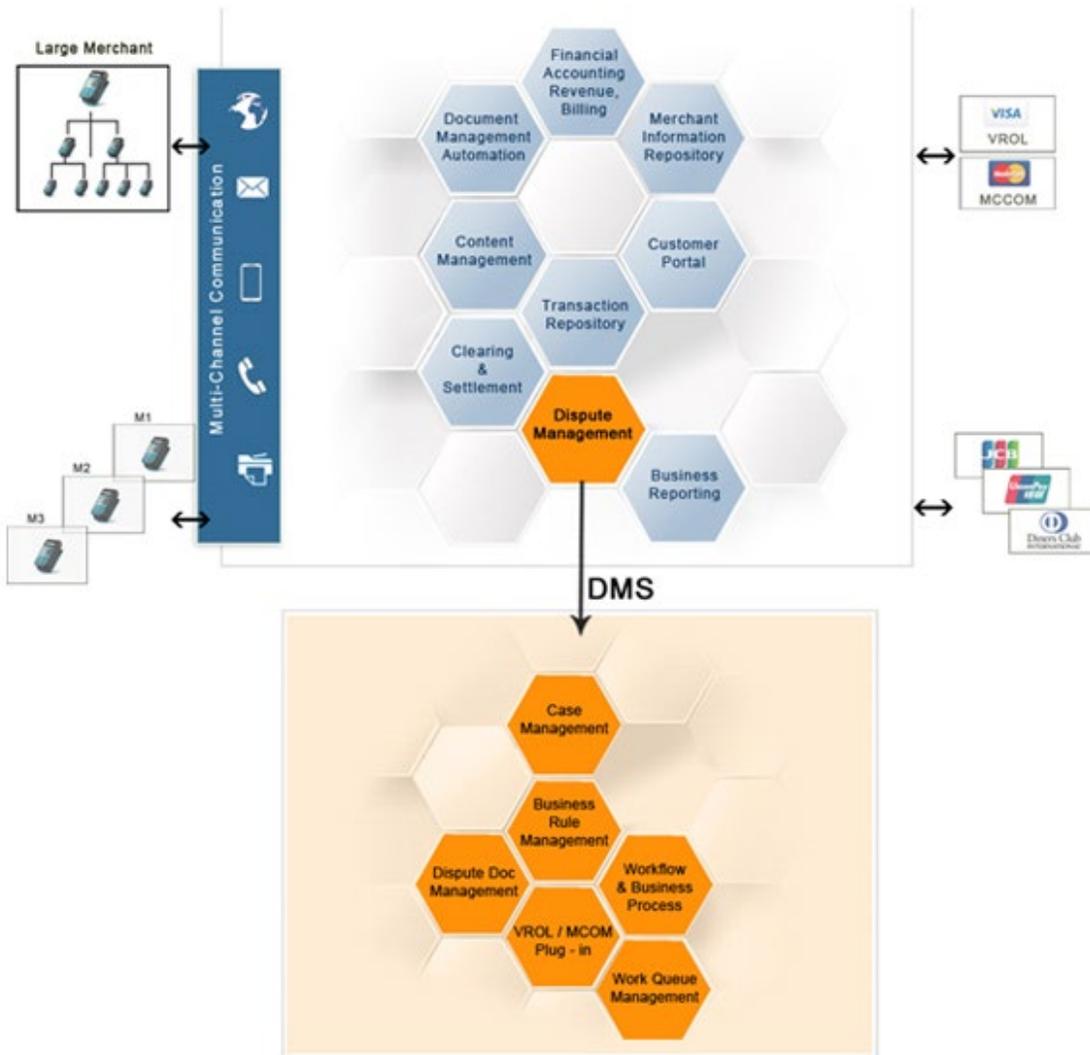


The need to increase cardholder confidence while stemming the tide of rising costs has caused an increasing number of acquirers and issuers to evaluate their options for improving their dispute and chargeback processes. Many of these organizations are struggling with monolithic systems that slow dispute resolution and increase financial losses and write off. Revamping or rebuilding these systems and processes to be more modular increases their flexibility, efficiency and accuracy. It is a strategy that has been proven in day to day operations at one organization where rebuilding the dispute system using this approach has allowed them to process four times more disputes with no increase in staff.

Our Dispute Management Pedigree

RS Software has a solid foundation of experience that includes a comprehensive understanding of the dispute lifecycle from the perspective of the network, issuer and acquirer. Our established reference architecture speeds deployment of dispute solutions. We use a proprietary set of tools to accelerate the development and integration of the dispute management system including:

- A reference architecture created for a dispute/chargeback processing
- A requirements and feature checklist for a dispute/ chargeback solution
- Business test cases for doing comprehensive testing of a dispute/ chargeback system
- Proven best practices for managing disputes/chargebacks



Our expertise in improving dispute management by streamlining and automating processes spans more than a decade. We have repeatedly delivered end-to-end solutions that include ongoing testing, enhancements and support to keep our clients current with the dynamic landscape in the payments industry.

We have experience in the implementation of various rules engines, development of test automation using different tool sets, and delivery of technology upgrades specifically for dispute management applications. We have done end-to-end implementations of dispute management solutions and worked with major networks and acquirers implementing these types of solutions and providing the system support in a 24x7 environment.

What differentiates RS Software is our comprehensive understanding of the entire payments system allowing us to utilize a vertically integrated approach to each solution we provide. Our RS School of Payments, RS Payments Innovation Lab and the RS Global Execution Methodology insure that our staff is constantly expanding their knowledge of areas vital to payments processing and applying that knowledge to our clients' needs in each project we do.

RS Software wrote "Dispute Management – Recent Breaches Create Moment Of Truth". For more than 20 years, RS Software has been a leading provider of electronic payment solutions for the issuers, acquirers and processors. 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.