

KEY TAKEAWAY: False indications of a chargeback issue that does not really exist (false positives) are painful and are driven by reliance on aged or inaccurate data.

Chargebacks are a costly problem. Unfortunately, that costly problem can become even more expensive when merchants turn to solutions that lack accuracy and trigger false positives – when a merchant pays for and receives an alert of a pending chargeback threat where none exists.

Some solutions can have false positive rates of 50 percent or more, meaning merchants are paying for alerts that are not really chargebacks, increasing the true cost per chargeback, reducing profits due to unnecessary refunding and draining internal resources on unwarranted reviews that spike operational costs.

Factors that contribute to false positives:

Inaccurate or incomplete data is a root cause of false positives. When fraud alert solutions use aged or inaccurate data, the false positive rate increases. Some alert services rely on a large percentage (up to 50 percent or more) of association-reported data from sources like TC40. TC40s are only a reflection of claims by cardholders of fraud, not friendly fraud or disputes that arise as a result of customer dissatisfaction or not receiving goods or services. This data is aged and not intended to be used as a chargeback prevention mechanism, and subsequently, does not protect against first-time fraud offenders. The timing of this data also leads to defects – a merchant refunds the customer before the chargeback has processed and then gets hit again once the chargeback goes through. Alerts based largely on this data can lead to increased false positives by signaling a dispute where none exists (the fraud issue is old and has been resolved and there is no pending dispute).

Data accuracy eliminates false positives and increases operational efficiency

Verifi's award-winning Cardholder Dispute Resolution Network (CDRN) stops chargebacks with unmatched accuracy. CDRN's patented, closed-loop process directly integrates with the issuer, providing the merchant with a true and timely indication of real, customer-initiated disputes. Near real-time notifications are sent from the issuer when the customer initiates the dispute – removing the potential for error – so that the merchant can resolve the cardholder dispute quickly and easily with the issuer.

CDRN provides a timely mechanism to resolve BOTH fraud and non-fraud disputes while minimizing false positives and the unnecessary consumption of internal resources on manual reviews. Fewer manual reviews means more time to spend on revenue-driving activities and a more efficient use of resources. When a merchant receives a dispute notification from CDRN, he or she can be comfortable a real chargeback risk exists and can determine how to resolve the issue in the best way for their business.



Understanding CDRN's Patented Closed-Loop Difference



KEY TAKEAWAY: Verifi's Cardholder Dispute Resolution Network's™ (CDRN) patented and proprietary closed-loop process stops chargebacks with unmatched quality, avoiding costly false positives, defects and lost revenue.

Verifi's Cardholder Dispute Resolution Network (CDRN) becomes active the moment a customer files a dispute with the issuer. CDRN's patented closed-loop process connects merchants with issuers, routing the dispute data directly from the source for resolution. The chargeback process is stopped, providing the merchant with up to 72 hours to review the dispute and take action. This differs from competitive solutions' open-loop processes where the chargeback dispute process continues in tandem with the alert being filed and typically requires a response within 24 hours. The resulting "race to the refund" can cause defects (chargeback was not stopped) and additional losses from erroneous fulfillment of goods.

Solutions that use open-loop processes can also be hampered with timing delays in receipt of needed data to help merchants effectively resolve disputes before they turn into chargebacks. With CDRN, the merchant is notified of the cardholder dispute in near real time so they can resolve the issue directly with the issuer (process a refund or credit) to stop the dispute from escalating to a chargeback and avoid expensive fines, fees and penalties. Merchants are always in control and have the time and insight needed to determine the legitimacy of the sale and decide to let the dispute advance and fight the chargeback through representment later.

The CDRN Closed-Loop Difference – Unparalleled Protection. Here's Why:

Comprehensive coverage and unmatched accuracy

- CDRN's, patented closed-loop process is directly integrated with top issuers so merchants can be confident that notifications are real customer-initiated disputes and not false positives (disputes that will not become chargebacks). CDRN provides comprehensive coverage that covers BOTH fraud or non-fraud disputes for any card type.
- Other solutions can have false positive rates of 50 percent or more, meaning merchants are paying for alerts that are not really chargebacks and use aged data that leads to defects. Merchants should take false positive and defect rates into account when evaluating true "coverage" rates of these other solutions. The combination of bad data, communication silos and rushed response leads to defects that end up hurting profits and increasing the total cost of the service.

CDRN STOPS the chargeback process

- CDRN stops the chargeback process and gives merchants up to 72 hours to respond to the dispute in the best way for their business, removing the possibility of defects from the equation and ensuring the merchant has time to make the best, informed decision and also stop fulfillment to prevent additional losses.
- Other solutions do not stop the chargeback process and often require the merchant to respond to an alert within 24 hours. Since alerts are often generated from aged data, this leaves merchants in a "race to the refund," which can lead to costly defects or issuing too much credit.



Robust and timely data direct for the source

- CDRN notifications come directly from the source of the dispute – the issuing bank – so merchants can be certain it is a real, customer-initiated dispute.
- Other solutions combine data from several sources through an open-loop workflow, pushing information to merchants in a fragmented way while demanding a response in a shorter time frame. The combination of flawed and aged data, communication silos and rushed response leads to defects and false positives (alerts that won't become chargebacks) that end up increasing the total cost of the service.

Prompt notifications help stop additional losses

- Merchants receive insight into the chargeback in near real time that helps to stop fulfillment of goods or services for fraud reasons, preventing additional losses.
- Open-loop solutions are also hindered by communication delays, leaving only a 24-hour window in which merchants can respond. By that time, it's usually too late to stop shipment of goods or provisioning of services.

