

Debunking Network Coverage Myths



KEY TAKEAWAY: Coverage = the sum of alert accuracy PLUS network size. Lower accuracy drastically increases costs and lowers true chargeback protection.

When looking for a chargeback prevention solution, merchants need to be aware of what "coverage" actually means. Many solutions offer percentages to quantify how much of the debit or credit market they cover; however, this measurement can be deceiving and vendors should be challenged to demonstrate the accuracy of their solution. In true terms, coverage is a function of accuracy AND network size. Lower accuracy can drastically increase costs and lower true coverage, risk prevention and subsequently, profits.

In accurately defining coverage, the following formula has been found to be the best measure:

$$\text{TRUE COVERAGE} = \text{NETWORK SIZE} \times \text{ACCURACY}$$



Let's look at a comparative example:

Providers	Reported Network Size	Alert Accuracy	TRUE COVERAGE
Solution A	50%	50%	25%
Solution B	40%	100%	40%

In other words, a claim of 50 percent network coverage with 50 percent accuracy equals an effective coverage of only 25 percent. Alternatively, if a solution has 40 percent network coverage but 100 percent accuracy, the true coverage is 40 percent.

What good is "more coverage" if that coverage is based on aged, inaccurate data delivered in a less-than-timely manner? Open-loop solutions that promote their network size in terms of number of participating banks, often issue alerts that result in two problematic accuracy challenges: **1. False positives** – when a merchant receives and pays for an alert of a pending chargeback threat where none exists. This can result in paying for protection that was not needed, create expensive manual reviews and hurt the bottom line by over-refunding on false alerts. **2. Defects** – disputes that still turn into chargebacks even after a merchant has taken the proper corrective action to resolve the dispute (issued a refund or credit). Merchants face additional losses, including fines, fees and penalties associated with the chargebacks, losses associated with the inability to stop product fulfillment and sometimes double-refunding, when the merchant AND the Issuer give the cardholder a refund.



True Coverage that Works

Verifi's Cardholder Dispute Resolution Network (CDRN) delivers true chargeback protection through a patented, closed-loop process that is directly integrated with issuers so that merchants receive actionable, timely and accurate data directly from the source. Merchants can be confident that notifications are real, customer-initiated disputes and not false positives (disputes that will not become chargebacks) or result in defective protection.



Growing Network with the Highest Accuracy

CDRN notifications are backed by our 100 percent ZERO defect guarantee. If a CDRN case is ever successfully resolved (a corrective action is taken by the merchant, who issues a refund or credits a cardholders account), but later filed as a chargeback, the merchant does not pay. Additionally, CDRN covers both fraud and non-fraud chargebacks, eliminating gaps in coverage. Our commitment to quality and innovation means we continue to expand CDRN to make a great solution even better – we are actively opening up 11 international markets.



False Positives and Defects Increase Cost of Coverage

Some solutions can have false positive rates of 50 percent or more, meaning merchants are paying for alerts that are not really chargebacks and are heavily sourced from aged data. Also, solutions that rely on a combination of data sources like association reported TC40 data are not chargeback-targeted and often arrive at the merchant when it is too late to use, creating defects that afford the merchant no protection and added fees and expenses.

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 representation 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.

