

KEY TAKEAWAY: Your chargeback prevention solution should perform as promised. Chargeback defects (alert errors) happen when an alert, even when acted upon correctly, still turns into a chargeback. This results in chargeback penalties, added and unnecessary costs and negative impacts to your chargeback ratio.

For chargeback prevention solutions, a defect or alert error is a dispute that still turns into a chargeback even after a merchant has taken the proper corrective action to resolve the dispute (issued a refund or credit). When you pay for chargeback protection, the service should provide the protection promised when used appropriately. Chargeback defects result from failures in the process outcome and are commonly caused by the following:

- Open-loop workflows do not stop the dispute progression into a chargeback and leave merchants open to double refunding.
- Reliance on or utilization of outdated or indirect data sources like TC40 reports, which are not the best mechanism for chargeback prevention and do not include friendly fraud data.

Defects can be painful for a variety of reasons:

- ✔ Defects mean the chargeback has gone through regardless of the merchant's action, so the merchant is liable for associated fines, fees and penalties.
- ✔ Due to the rushed circumstances under which defects occur, merchants often don't have time to stop the fulfillment of goods and services, piling on additional losses related to the chargeback.
- ✔ Since the merchant has already issued a refund, but the timing of the refund failed to stop the chargeback, double refunding may also result. The merchant will pay the refund offered as corrective action to the dispute and the issuer will require a refund to be paid once the chargeback (erroneously) comes full circle.

The effects of chargeback alert defects in the service delivery can be very painful as illustrated in this example:

Assumptions: \$40 Cost Per Chargeback Alert 12,000 Annual Chargeback Alerts
\$25 Chargeback Fee from Acquirer 6,000 = 50% Annual Chargeback Alert Errors

Let's add it up . . .

6,000 Chargeback Alert Errors x \$40 Cost Per Alert = **\$240,000 Overpayment for No Protection**
6,000 Chargeback Alert Errors x \$25 Chargeback Fee from Acquirer = **\$150,000 Added Fees from Chargeback Alert Errors**

Profits Lost to Chargeback Errors \$390,000

...and that doesn't even consider lost goods/services or internal resources wasted on manual reviews that divert energy intended for the core business.

Advertised Cost Per Chargeback Alert



\$40 vs.

\$105

Actual Cost Per Valid Chargeback Alert



\$480,000 Total Paid to Alert Service
\$150,000 Added Fees Paid for Chargeback Alert Errors

\$630,000 / 6,000 Valid Alerts = **\$105**

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.

