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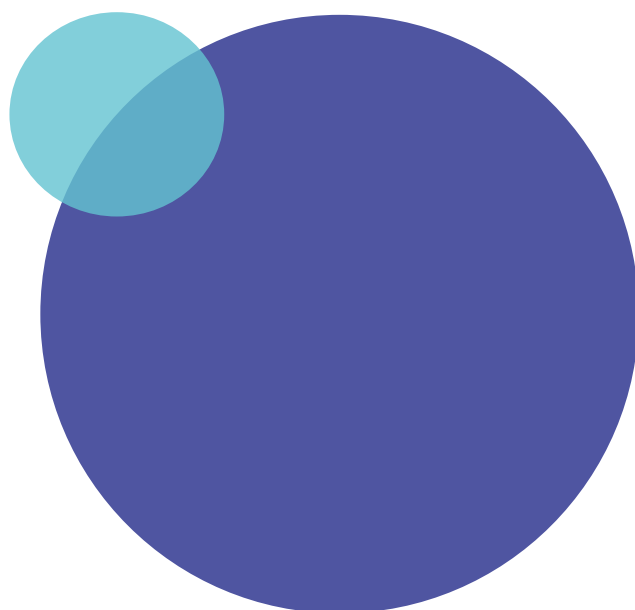
WHITE PAPER

# Digitalised dispute resolution

Why the customer journey is crucial

## Contents

Digitalised dispute resolution . . . . .	3
Dispute resolution done differently . . . . .	4
Steps on the customer service road . . . . .	5
Clarity from the start – and throughout . . . . .	6
About Nets . . . . .	7



# Digitalised dispute resolution

Resolving disputed transactions is one of the biggest headaches in payments. Verifi's landmark 2022 study<sup>1</sup>, "The Chargebacks Triangle" described dispute resolution as "the industry's \$31 billion-dollar problem", noting that three-quarters of disputed transactions end up being resolved by banks and cost more than \$9.8 billion annually in the US and UK alone.

After COVID-19, organisations of all kinds are reporting an increase in disputed transactions, making the need for process improvements more acute. According to FIS<sup>2</sup>, disputed transactions in some verticals rose by more than 300% during the pandemic. While the company expects some normalisation as the dust settles, it seems high-dispute channels such as e-commerce will continue to grow and fraud will become more complex in general.

Historically, disputes have also been a financial problem for banks, in that once a fraudulent transaction is identified, recovering funds accruing from fraud to reduce losses can, all too often, be an expensive, time-consuming and fruitless task. Reviewing these challenges, it's clear that there are massive opportunities to deliver better service in dispute resolution while dramatically reducing cost and improving efficiency.

Too much of the dispute process is too complex for the consumer at present. At NETS, we believe there must be more focus on user experience and customer satisfaction.

For most consumers initiating a dispute is something that happens very rarely, and the consumer does not really know what is expected from them. In practice, initiating disputes means trying to find information on websites, calling your bank, filling in forms or visiting the issuer branch office – all while being in a somewhat distressed mood. Add to this the high likelihood of several different communications with the issuer before they have all necessary information to process the claim, and it's easy to see how all this hassle might lead to the consumer rather using a different card next time they are paying.

While the current wave of digitalisation and automation has gone some way to improve matters for banks, merchants and consumers, all too often these improvements deal with automating internal bank processes for dispute handling, rather than focusing on the consumer experience. In most jurisdictions, consumers have between 30 and 60 days to register their chargeback, and doing so is no simple process. The EU advises<sup>3</sup> consumers to contact the merchant first, and only then to approach their bank, which at the present time usually happens either by telephone or in writing – meaning further laborious form-filling or time spent on the phone. In an earlier study<sup>4</sup>, we estimated that registering disputes can take a bank clerk up to 30 minutes for each dispute just to save the case into a case handling system. Thereafter, there will be additional work, including filling out online or paper forms, contacting call centres and more.

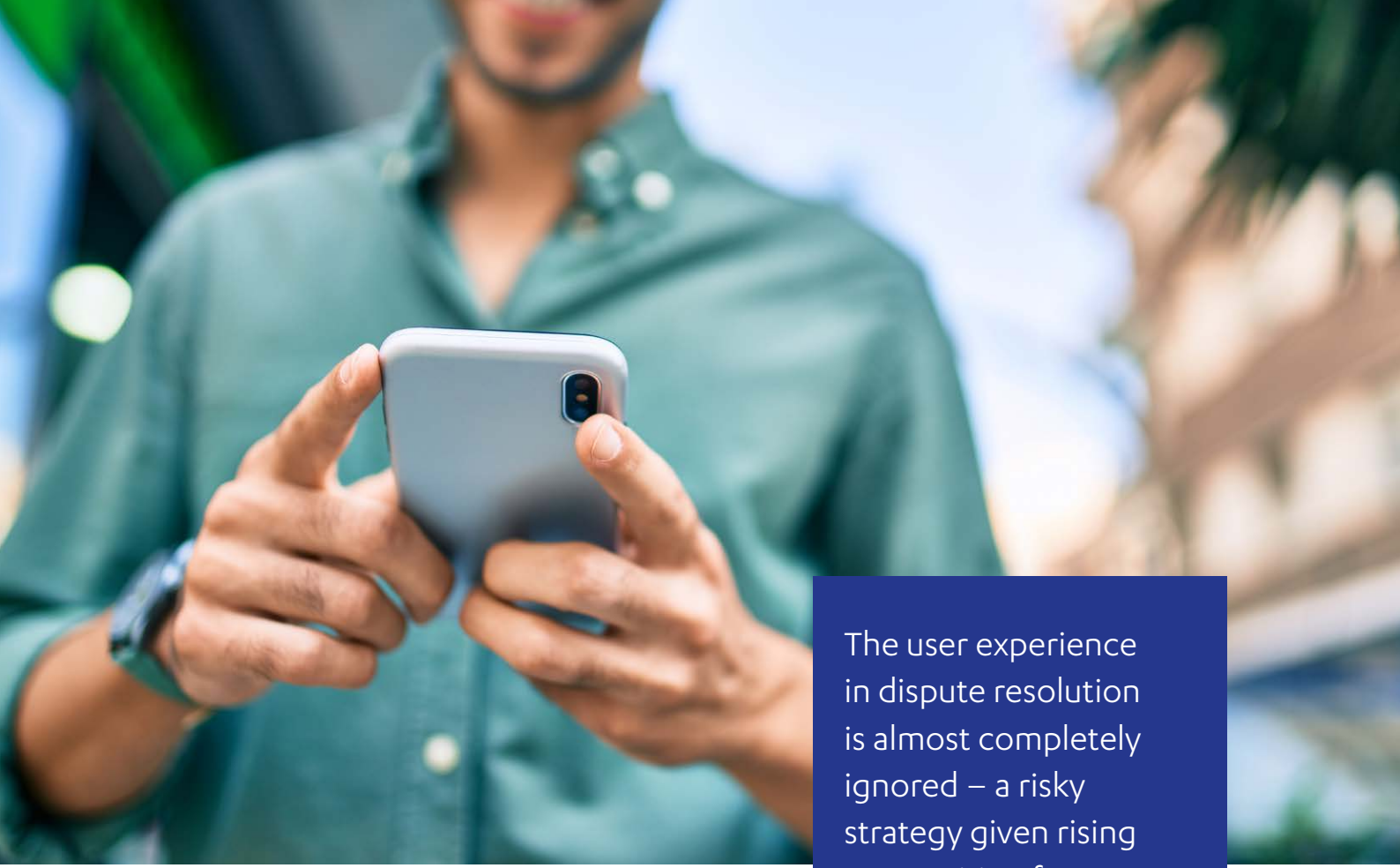
With Verifi's research showing that 63% of users are less likely to shop at a merchant if they experience disputed transactions, the dispute resolution process needs to improve if merchant and bank profitability are to be protected. In what follows, we argue that banks must focus more on user experience and customer satisfaction in dispute management and resolution.

1. Verifi, "The Chargebacks Triangle": <https://www.verifi.com/resources/chargeback-triangle-process-javelin-research-study/>

2. FIS, "Chargeback Q&A" <https://www.fisglobal.com/en/insights/merchant-solutions-worldpay/article/chargeback-q-and-a-issues-related-to-covid-19>

3. The European Commission, "Chargebacks in the EEA/EU": [https://ec.europa.eu/info/sites/default/files/chargeback\\_report\\_revised.pdf](https://ec.europa.eu/info/sites/default/files/chargeback_report_revised.pdf)

4. Fraud Report 2019" by NETS: <https://www.nets.eu/solutions/fraud-and-dispute-services/Documents/Nets-Fraud-Report-2019.pdf>



The user experience in dispute resolution is almost completely ignored – a risky strategy given rising competition from non-bank actors and alt-payment fintechs.

## Dispute resolution done differently

A customer's experience of being defrauded is stressful and difficult. These difficulties are not improved by complicated initiation requirements, poor transparency on the part of banks and slow resolution times. Furthermore, some banks can be slow to communicate with customers and offer alternatives to blocked cards. At present, the user experience in dispute resolution is almost completely ignored – something banks can ill afford given huge competition for share of wallet from Non-Bank Financial Institutions (NBFIs) and alternative payment methods not linked to card rails.

For these reasons, alongside the massive gains that are possible in cost reduction and time saved, we

believe banks must now digitalize and automate the initiation of disputed transactions for customers. By digitalizing and automating the initiation process, banks will improve customer satisfaction and loyalty, as well as saving time and money by reducing human involvement (form filling, phone calls, letters.)

At the same time, dispute handling speeds are improved and dispute resolution can be centralised away from specific departments or call centres. According to recent research by chargeflow<sup>5</sup>, the current wave of automation has reduced the cost of handling disputes by 45%, suggesting that there are similar gains to be made if the customer initiation experience is also automated.

5. Chargeflow, 15 July 2021: "Stop Leaving Money on the table in dispute resolution": <https://www.chargeflow.io/blog/automated-chargeback-management-stop-dispute-chargebacks>



## Steps on the customer service road

By digitalizing the initiation of consumer disputes and improving the user experience, banks will reduce the time and stress involved in the dispute process for customers while enhancing trust in their brand and their payment products. By extension, this great service will lead to consumers seeing that bank's payment products as their "top of wallet" payment choice.

A recent article for Forbes magazine<sup>6</sup> cites work by McKinsey and Company demonstrating that banks working to improve their customer experience generate more revenue than their peers. The same article argues that improving customer service can lead to profitability gains of up to 60% for merchants - on top of the efficiency and user experience gains outlined above.

By digitalising the initiation process, dispute resolution is made easier at every stage. Customer communication is conducted online, rather than by "snail mail"; less human intervention is required and the number of errors caused by manual inputs is

reduced – something that matters when a 2020 survey from Level Research reports<sup>7</sup> more than half of payers have experienced errors in handling their transactions at some point in the past year.

Another advantage of automated initiation is the provision of accurate data that can be used throughout the process with no need for customers to repeat or re-input their data at different stages. In addition to providing a "right first time" service to the customer, automated initiation also enables further automation of internal processes such as work flows, case identification and tagging, and others.

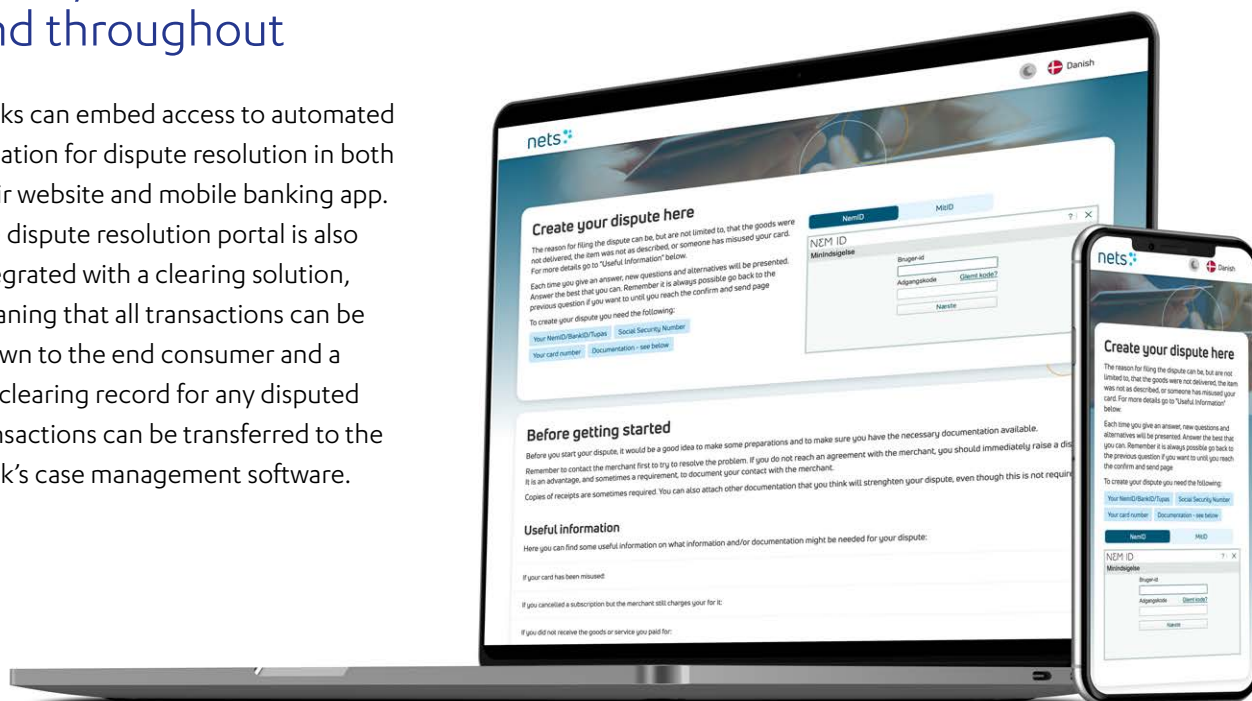
As well as providing a 'right first time' service to the customer, automated initiation enables further automation of internal processes for banks.

6. Forbes, 7 September 2020, "Proving the ROI of Customer Experience investment": <https://www.forbes.com/sites/blakemorgan/2020/09/07/how-to-prove-the-roi-of-customer-experience/?sh=73a4a26367f4>

7. Level.io: "2020 Payables Insight Report" <https://www.level.io/resource-library/2020-payables-insight-report>

## Clarity from the start – and throughout

Banks can embed access to automated initiation for dispute resolution in both their website and mobile banking app. The dispute resolution portal is also integrated with a clearing solution, meaning that all transactions can be shown to the end consumer and a full clearing record for any disputed transactions can be transferred to the bank's case management software.



Rather than requiring a customer to identify the correct form or describe the nature of their dispute verbally, automated initiation can identify the problem the customer faces based on transaction information entered and via the use of drop-down menu options. This approach speeds up the resolution process and reduces the amount of time and effort required by the user.

At NETS, we have deep experience of working with leading retail banks on the automation of customer

initiation in the dispute resolution process. For most banks, automated customer initiation for disputes is a major area in which massive gains in efficiency, cost and customer satisfaction can be made through automation. At a time when the number of disputes is rising fast and competition from non-bank actors and fintechs is growing, automated customer initiation is an important means of improving customer satisfaction and delivering better service while reducing human inputs and cutting the cost of dispute resolution for your bank.

For a discussion about how digitalised initiation can transform your dispute resolution process, contact:

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## About Nets

Nets is part of Nexi Group – the European PayTech with scale, capabilities, and geographic reach to drive the transition to a cashless Europe. We are committed to supporting people and businesses of all sizes, transforming the way people pay and businesses accept payments. By simplifying payments and providing the most innovative and reliable solutions we enable businesses and financial institutions to better serve their customers, build closer relationships, and to grow together.

For more information please visit: [www.nets.eu](http://www.nets.eu) or [www.nexigroup.com](http://www.nexigroup.com)