



Impact of VCR on E-commerce & CNP Merchants

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Agenda

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About VCR

VCR Definition & Launch Date

- VCR – Visa Claims Resolution
- Launch Date – April 13, 2018



Purpose of VCR

1. To streamline dispute process
2. Reduce/prevent invalid dispute claims
3. Timely resolution of disputes



Parties Impacted by VCR



Merchant



Issuer



Acquirer





Changes Made to Dispute Process

1. Disputes categorized into two buckets
 1. Allocation – Fraud & Authorization claims
 2. Collaboration – Processing error & cardholder dispute claims
2. No provisional credits are provided for Allocation cases
3. Change in dispute response time
 1. Allocation cases – 24 days
 2. Collaboration cases – 18 days
4. Merchants must acknowledge chargebacks by either Accepting or Disputing chargebacks to avoid penalty fees
5. Dispute response accepted only for transactions with AVS/CVV match

Top 5 Industries Impacted by VCR



**Negative Option
Billing Merchants**



**Adult
entertainment**



Gaming



MOTO



Travel



Dispute Acknowledgement Purpose

1. Faster resolution to pending cases
2. Keep merchants aware of their disputes
3. Closely watch merchants with high disputes and their responses to disputes



Dispute Non-Acknowledgement Fee

Merchants are currently charged between

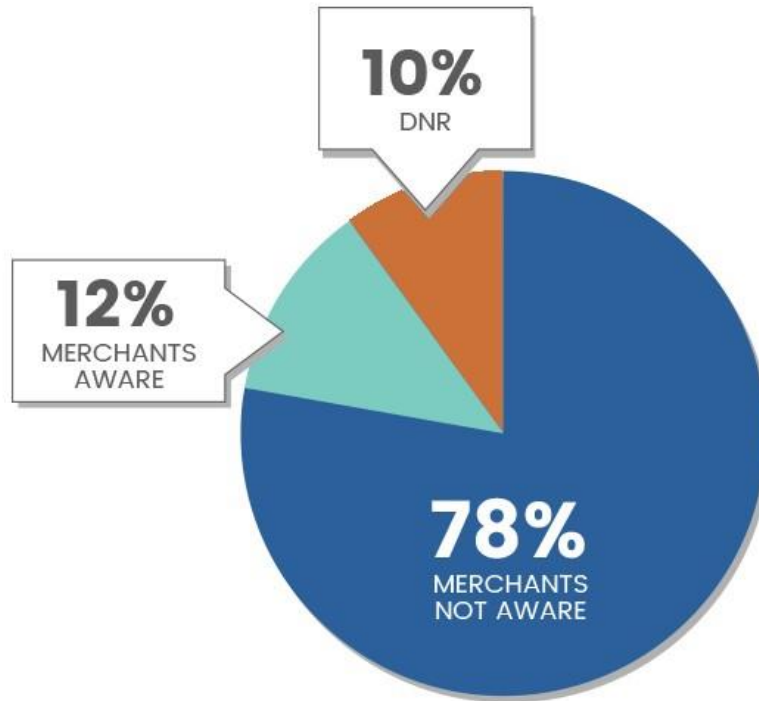
\$0.75 - \$2.50/Chargeback

for dispute non-acknowledgement



Merchant Awareness

Are merchants aware of dispute acknowledgement requirement?



Merchant Awareness

Are merchants aware of Non-Acknowledgement Fees?

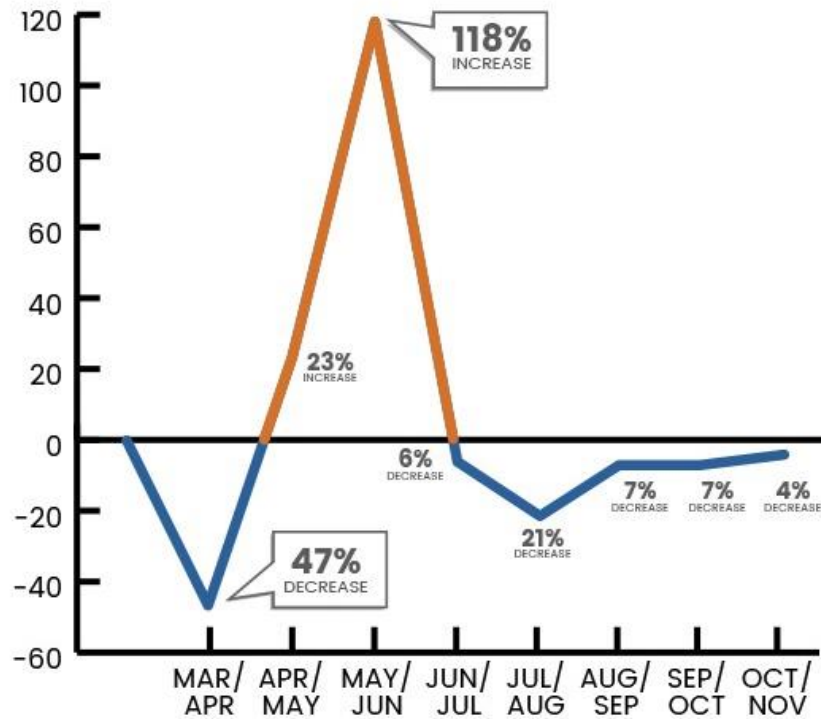


VCR Challenges at Initial Stages

1. Issuers took time to update their system for Visa Mandate
2. Reduced chargebacks during the months of April and May
3. Chargeback spike in June



VCR Challenges at Initial Stage Continued...



Positive Impacts of VCR

1. 15 – 18% Reduction in Chargeback Volume
2. 13% Reduction in Bogus Fraud Claim Disputes
3. Reduced Chargeback Resolution Cycle
(30 days or less. Previous cases took up to 60 days)
4. Consolidated Reason Codes Leading to Better Dispute Response
5. Losing party pays for Arbitration fee (\$500)

* Based on Chargeback Gurus Internal Data Analysis





Negative Impacts of VCR

1. Increased time to investigate & fight disputes
(From 20 Minutes to up to 40 Minutes)
2. Requirement to acknowledge chargebacks
3. Inability to dispute cases with no AVS/CVV match
4. Issuers not following Visa protocols when making case decisions
5. Dispute lost reasons not provided by majority of issuing banks

* Based on Chargeback Gurus Internal Data Analysis

Reason Codes Impacted by VCR

Allocation

- 10.4: Fraud – Card Not Present Up to **13% reduction**
- 11.3: No Authorization Up to **18% reduction**

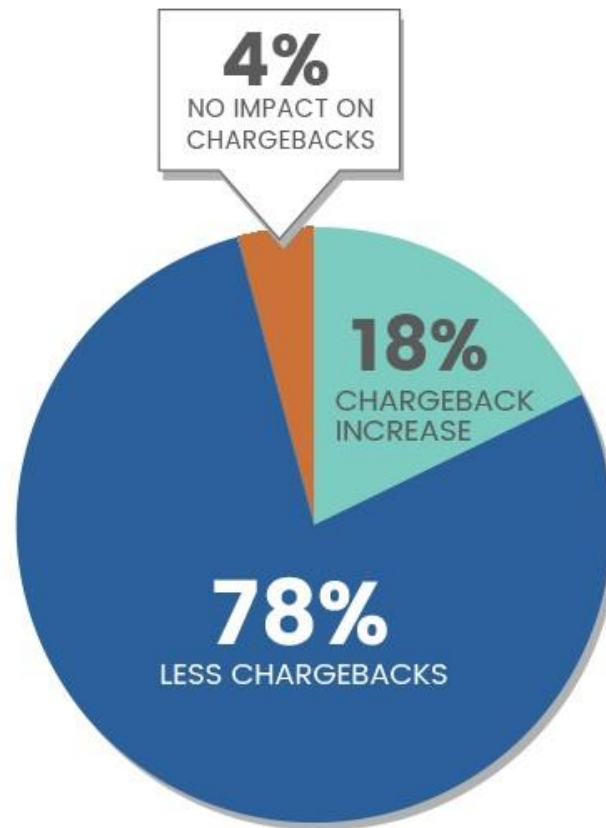
Collaboration

- 12.5: Incorrect Amount Up to **9% increase**
- 12.8: Duplicate Processing Up to **5% reduction**
- 13.2: Cancelled Recurring Billing Up to **13% increase**
- 13.6: Credit Not Processed Up to **6% increase**

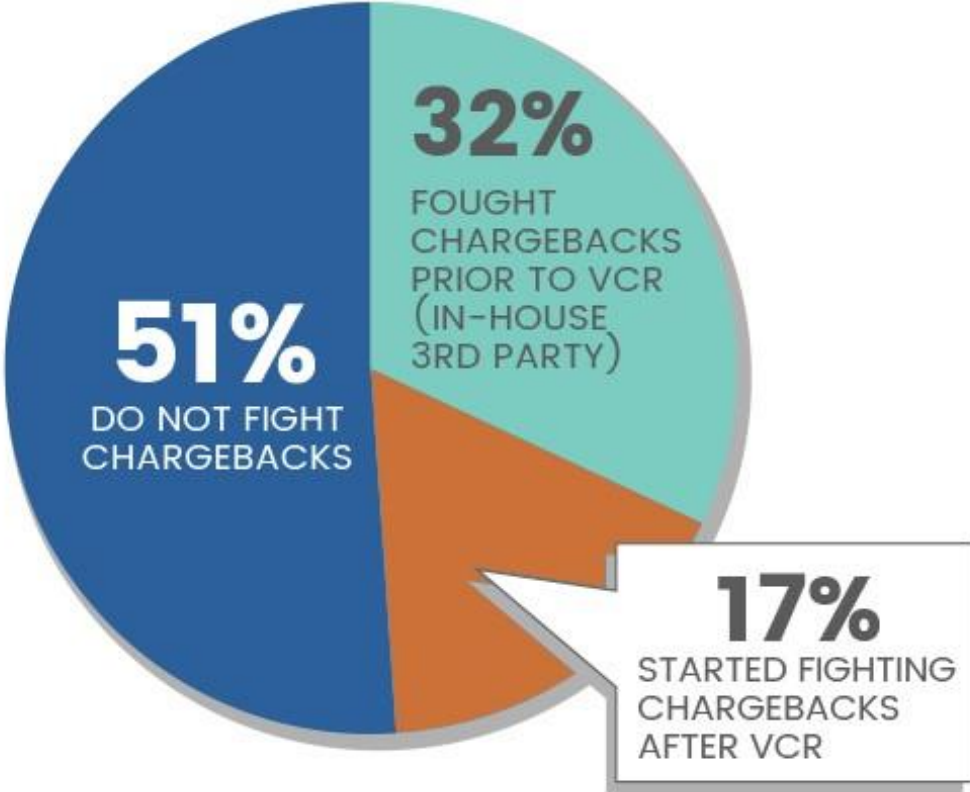
* Based on Chargeback Gurus Internal Data Analysis



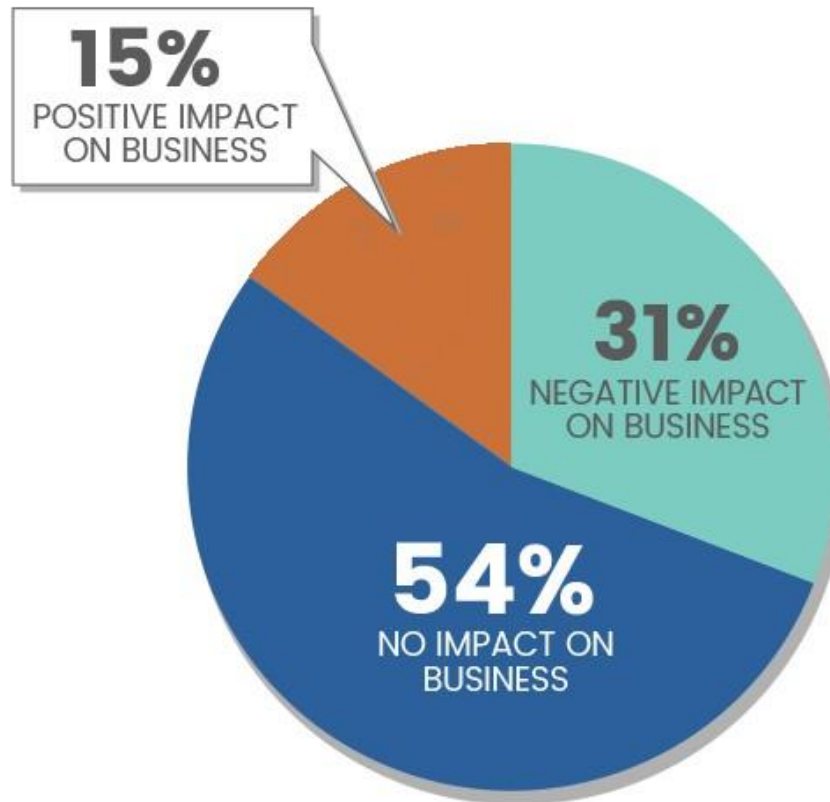
VCR Impact on Chargebacks: Merchant Survey



Chargeback Dispute Impact: Merchant Survey



VCR Satisfaction Rate: Merchant Survey





Top Challenges Faced: Merchant Survey

1. Time to dispute chargebacks increased due to change in dispute workflow
2. Win rate was low after VCR
3. Unable to dispute chargebacks for transactions with AVS/CVV mismatch
4. Requirement to acknowledge chargebacks increased overall costs and time spent
5. Not clear on the guidelines issuers follow for making case decisions

Looking Ahead to 2019

- **VCR Mandates**
 - Negative option billing
 - Visa Merchant Purchase Inquiry (VMPI)
- **New Mastercard Mandates**
 - Stored payment credentials
 - Negative option billing
 - Chargeback mandate/dispute resolution initiative
 - Refund authorization



Why Managing & Analyzing Chargebacks is Key

1. Identify root causes to minimize chargebacks
2. Prevent non-acknowledgement fees
3. Recover lost revenue
4. Stay in compliance
5. Improved customer satisfaction



Tips to Help Your Merchants Succeed

1. Share payments industry mandates and policy changes with merchants
2. Request that merchants take a closer look at chargebacks, and use analytics to improve their business and processes
3. At minimum, acknowledge all chargebacks
4. Co-host webinars with value added partners
5. Partner with Subject Matter Experts to help merchants analyze and overcome their payment challenges



Thank You!

Stop by Our Booth to Discuss Partnership Opportunity

Download Mastercard 2018-19 Mandate eBook at:

<https://www.chargebackgurus.com/mastercard-mandates>

