Navigating the Complex Payment Ecosystem

Forter Team — Read time: 4 minutes

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A Conversation with Jon Borman, Capital One's Head of Fraud Partnerships

With the world of digital commerce changing so fast, Forter recently hosted a conversation between some of the world's leading merchants and Jon Borman, Head of Fraud Partnerships at Capital One. Designed to foster greater understanding between merchants and issuers, this article highlights takeaways from the three main areas of discussion during the event: working together, sharing data, and disputing chargebacks.

Working Together

Merchants and issuers have the same incentives and business models, which means they all win when more legitimate transactions are approved and more fraud is stopped. While many businesses want to work directly with issuers, that approach is very difficult to scale — they would have to deal with multiple issuers with varying authorization policies for thousands of transactions.

Businesses can work with payment optimization partners like Forter (or, in some cases, reliable payment service providers) to reach out to large issuing banks when payment issues arise and to improve payment outcomes.

“Capital One largely works directly through companies like Forter or various acquirers,” explained Borman. “Merchants have agency and can choose a merchant acquirer that will provide them with better fraud protection.”

As a merchant, understanding issuer performance for the top five to ten banks in your portfolio can help you understand the issues that need to be solved. Forter can help you connect to those top issuers, understand true performance, and then build solutions to help boost approvals and reduce false declines.

Sharing Data

If you ask any merchant if they want to boost authorization rates, the answer is usually a resounding yes. More authorizations mean more completed purchases, which leads to increased revenue. Two of the best ways to boost authorization rates that were explored during the session included:

1) Sharing more data with issuers

It’s important to note that not all issuers are the same — they have different levels of sophistication regarding data sharing and data analysis for risk.

Capital One takes all the data a business sends with a transaction and combines it with what they already understand about that customer’s card usage. By combining this information and leveraging predictive models, they are able to better determine the likelihood of fraud and minimize financial risk.

The model looks at all transaction attributes, making decisions based on factors like spend history and fraud trends. The more information the model gets, the better the decision-making, which is why the collaboration between merchants, issuers and fraud service providers is so critical.

2) Moving from post-authorization to pre-authorization for clean traffic

Sending clean traffic to issuers is another way to increase authorization rates — and the best way to do that is by preventing fraud before authorization. Capital One's model knows if a merchant's traffic has a high propensity for fraud and adjusts the authorization rates accordingly. As a result, pre-authorization fraud decisioning results in higher authorization rates.

"We see higher authorization rates for merchants that move from post-authorization to pre-authorization," said Borman. "If you're pre-authorization and blocking it [fraud] upfront, it never gets to our ecosystem. So, from our perspective, the merchant is clean and safe."

Merchants should leverage service partners to drive clean traffic to issuers and share more data with them. Borman explained that Capital One is keen on partnering with merchants in the ecosystem to get mutually better outcomes.

"Our Forter partnership is quite effective," Borman commented. "***We see a 40+ percent reduction in our false positive declines*** simply because we're getting data that we could never see in any other way."

Disputing Chargebacks

No merchant likes chargebacks or going through the representment process, and neither do issuers. Capital One continuously invests in processes to help reduce chargebacks because of their cost and how they impact their models.

“False fraud and chargebacks are really frustrating for both merchants and banks,” said Borman. “False fraud taxes our models and is expensive to deal with on the back end. We are focused on getting things right at the time of the transaction to lower the instances of false fraud and the resulting chargebacks, but when we are wrong, we want to make sure that the fraud claim is a legitimate one, and not one borne out of confusion.”

Chargebacks will always be part of the cost of doing business. However, that doesn’t mean merchants can’t dramatically reduce their chargeback rate and the time spent on disputes. A service partner like Forter can help companies reduce chargebacks by addressing the risk of fraud *before* authorization and then ensuring the representment letters sent to the bank in the event of false fraud have sufficient data to help them make fast, informed decisions with regards to re-billing the consumer. Borman recommends leveraging a service partner to also manage disputes, making the representment process much easier for the merchant and the issuer.

Navigate the Payment Ecosystem with Reliable Partners

Merchants have many goals — from stopping fraud and reducing chargebacks to boosting authorizations. Many of their goals require reaching out and working with issuers, and the best way to do that is through a reliable service partner like Forter. We provide a highly effective payment optimization solution, and we’ve partnered with issuing banks to help companies navigate and manage the complex payment ecosystem. Our solution gives you all the components you need to achieve better payment experiences and outcomes for your customers and your business.

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