

**Business  
Integration**

## **Electronic Payment Reconciliation**

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Keep more revenue and reduce the cost of sales by fully integrating and automating electronic payment reconciliation.

**CyberSource®**  
the power of payment

## Summary

**Problem:** In most companies, order systems and payment systems are not well integrated. Thus, the process of reconciling electronic payments is usually a manually intensive process (e.g. the act of reconciling orders transacted to payment network and customer actions, and handling resulting discrepancies and chargebacks).

**Impact:** resulting from manual, non-integrated reconciliation:

1. Money left on table. Failure to identify missing payments or opportunities to re-capture revenues (due to insufficient or fragmented information).
2. Increased cost of sales. The resources required to actively manage reconciliation grow with sales volume and payment options offered/processors used. There are no economies of scale in a manual reconciliation model.
3. Delayed visibility of financial problems. Inability to quickly detect and correct system and process gaps before they become financial problems (e.g. delayed detection of order problems and inability to tune fraud screens).

**Solution:** Integrate order system data with payment system data via a reconciliation system and automate identification of discrepancies and chargeback management (90% of the manual processes can be automated).

**Payoff:** Payoffs are three-fold:

1. Increased revenue capture. Ability to identify opportunities and take actions to recapture revenue faster, and do so with higher probability of success.
2. Less manual processing and more efficient use of resources (resulting in reduced cost of sales now, and as sales grow or new payment types/processors are added).
3. Timely, systematic detection of order problems and ability to tune fraud management systems.

## Reconciling Electronic Payments

Electronic payment reconciliation includes two major tasks, financially reconciling activity between order systems and the payment network; and, managing chargebacks and rejected payment requests (see also table below).

### Financial Reconciliation (discrepancy types)

- **Deposit—No Order.** Reporting from the payment network indicates payment authorization or settlement/deposit occurred, but there is no record of an associated order.
- **Order Exists—No/Different Deposit Amount.** An order exists on the books, but payment network reports do not indicate any payment authorization or deposit (or the amounts reported differ).

### Chargeback & EFT Reject Management

The customer's bank may reject requests for credit card, check, or other payment for a variety of reasons, usually resulting from customer mistake, credit problems, or fraud:

- Authorization revoked due to satisfaction concerns
- Identity theft ("I didn't do it" chargeback)
- Insufficient funds (NSF)
- No account, unable to locate account, closed
- Payment stopped
- Data entry error at time of purchase


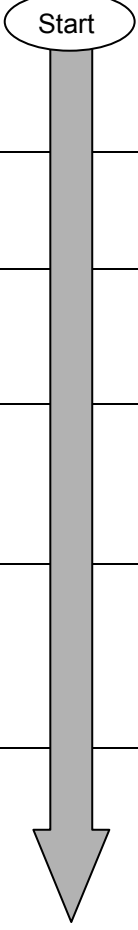


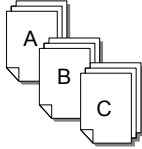


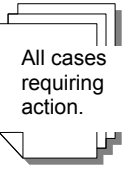

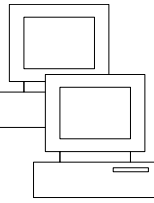

Merchants typically engage in a process which includes review of payment network reports, gathering associated order data to determine cause of problem and likelihood of revenue capture, and taking necessary actions to contact the customer or contest the rejection. Payment-savvy merchants also use this data to calibrate and refine automated order acceptance systems to further reduce credit and fraud risks.

## Electronic Payment Reconciliation (reconcile order management data and payment network status)

|                                                                   | Order System Status | Payment Network Status                                                                                                                                                                           | Notes                                                                                                                                                                                                                                                                                                          |
|-------------------------------------------------------------------|---------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Financial Reconciliation discrepancies in payment activity</b> | No order            | Record of authorization or settlement/deposit exists                                                                                                                                             | <i>Actively manage to maximize revenues and detect back-office problems before they become financial problems:</i> <ul style="list-style-type: none"> <li>• Order management/processing glitches</li> <li>• Payment network interface/processing bugs</li> <li>• Staff errors/process understanding</li> </ul> |
|                                                                   | Order exists        | No record of authorization or settlement/deposit, or amount differs from data in order system.                                                                                                   |                                                                                                                                                                                                                                                                                                                |
| <b>Chargeback and EFT Reject Management</b>                       | Order exists        | Payment rejected by bank <ul style="list-style-type: none"> <li>• Credit issues</li> <li>• Fraud issues</li> <li>• Customer satisfaction issues</li> <li>• Customer data entry errors</li> </ul> | <i>Actively manage to maximize current revenues and tune systems to prevent future chargebacks.</i> <ul style="list-style-type: none"> <li>• Fraud-related credit-card chargebacks run ~2-3% of orders (card not present-USA)</li> <li>• EFT rejects run ~6% of transactions (avg)</li> </ul>                  |

## Electronic Payment Reconciliation Best Practices

The chart below compares a typical manual reconciliation process (with emphasis on chargeback management) to a best-practices scenario. In the best practices case, a reconciliation system ties order data and payment network data together to automate reconciliation and engage staff only for exception handling.

| Typical Manual Process |                                                                                                                                                                                                                                                                      |                                                                                                               | Best Practices                                                                                                                                                                                            |                                                                                      |
|------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| Step                   | Task                                                                                                                                                                                                                                                                 | Resources                                                                                                     | Resources                                                                                                                                                                                                 | Task                                                                                 |
| 1                      |  <b>Log-on To Site</b><br>Log-on to each processor's site to download reports (deposit and chargeback reports).                                                                     | 1 person icon                                                                                                 | None.<br>System automatically logs on and gets reports                                                                                                                                                    |  |
| 2                      |  <b>Download Report(s)</b><br>Download reports (or receive via Fax).                                                                                                                | 1 person icon                                                                                                 | None.<br>System automatically imports and sorts data                                                                                                                                                      |                                                                                      |
| 3                      |  <b>Update Tracking Tools</b><br>Enter data from reports into spreadsheet or other tracking tool/system (manually or using import routine).                                         | 1 person icon                                                                                                 | None.<br>System automatically gathers order data and matches to information from payment network                                                                                                          |                                                                                      |
| 4                      |  <b>Sort &amp; Assign</b><br>Sort or categorize results by product line, business line or other research/action criteria. Assign to staff.                                         | 1 person icon                                                                                                 | Automated.<br>System automatically evaluates and takes action based on business criteria (re-presents as possible, flag for write-off, etc.).                                                             |                                                                                      |
| 5                      |  <b>Gather Order Data</b><br>Conduct search for <u>each order</u> based on card/acct #, last/first name, phone #, etc.). Consolidate order information and details for review.    | 1 person icon<br>2 person icons<br>3 person icons<br>4 person icons<br>Grows with volume and processors/types | Highly Automated.<br>Staff acts only on what system could not process. All relevant order data consolidated w/exception report. No need to research.                                                      |                                                                                      |
| 6                      |  <b>Review For Action</b><br>Based on available information, decide to challenge (re-present), write-off, or other action for <u>each order</u> .                                 | 1 person icon<br>2 person icons<br>3 person icons<br>4 person icons<br>Grows with volume and processors/types | Highly Automated.<br>System updates cases it handles. Cases requiring staff intervention are auto-stated when action is taken.                                                                            |                                                                                      |
| 7                      |  <b>Take Action</b><br>Take action to recover revenue on <u>each applicable order</u> . Re-submit for payment, write-off, etc.                                                    | 1 person icon<br>2 person icons<br>3 person icons<br>4 person icons<br>Grows with volume and processors/types | <b>Review Exception Report &amp; Reconcile Exceptions In-Line</b><br>                                                |                                                                                      |
| 8                      |  <b>Update Order System and Reconciliation Tools</b><br>Document action in spreadsheet <u>and</u> update order system (mark chargebacks and rejects as complete or re-presented). | 1 person icon<br>2 person icons<br>3 person icons<br>4 person icons<br>Grows with volume and processors/types | <b>Update Exception Cases Using Single System</b><br><i>mark chargebacks/rejects as complete or re-presented</i><br> |                                                                                      |

## CyberSource Solution

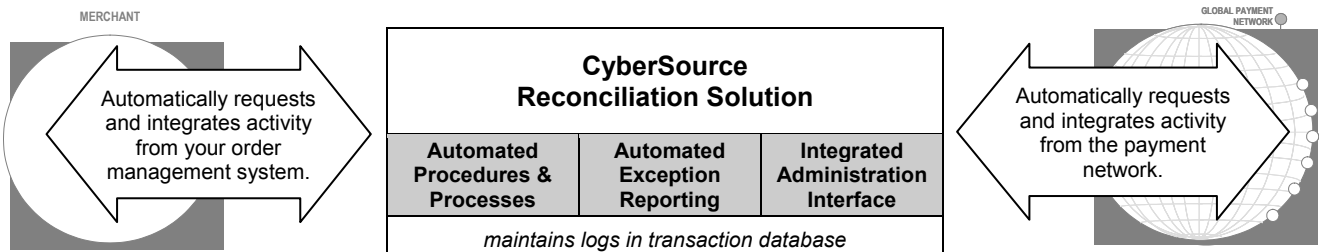
CyberSource provides best practices electronic payment reconciliation solutions and consulting services. The CyberSource Reconciliation Solution helps automate your entire electronic payment reconciliation process.

### Benefits

- Eliminate up to 90% of manual processes associated with payment reconciliation and chargeback management
- Handle remaining manual processes more quickly and efficiently
- Quickly identify missing revenue and take automated or manual action to recover
- Quickly dispute charges which are not yours
- Quickly identify orders which are in jeopardy of payment default
- Quickly identify payment discrepancies before they become customer satisfaction issues
- Easily assign chargeback cases for review and monitor status throughout the repudiation process

### About The CyberSource Reconciliation Solution

CyberSource Reconciliation Solution ties your order data to payment activity data from the payment network, taking automated action to resolve discrepancies and chargebacks per your defined business rules, and generating exception reports to enable targeted, efficient, staff action (as noted in best practices section of this paper). A fully integrated administration interface is provided for consolidated access to reports, case status and administration, and all associated order information.



| Automated Procedures & Processes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Automated Exception Reporting                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Integrated Administration Interface                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Automatic capture of payment activity reports from payment network</li> <li>• Automatic logging of key information from your order management systems</li> <li>• Automatic re-presentation of payment requests per business rules</li> <li>• Automatic assignment of chargeback cases to multiple staff</li> <li>• Automatic report generation, logging of actions and status changes</li> <li>• Automatic notification of process completion and detailed exception information (mirroring reporting available on-screen)</li> </ul> | <p><i>The following reports are automatically generated:</i></p> <p><b>Financial Discrepancy Reporting</b></p> <ul style="list-style-type: none"> <li>• Missing orders (payment action, no order)</li> <li>• Missing authorizations (order, no record of auth.)</li> <li>• Missing settlements (order, no record of stlmt)</li> <li>• Missing deposits (order, no record of deposit)</li> <li>• Amount discrepancies (order sys-pmt network)</li> </ul> <p><b>Chargeback/EFT Reject Reporting</b></p> <ul style="list-style-type: none"> <li>• All active</li> <li>• All unassigned</li> <li>• Completed</li> <li>• List by staff person assigned</li> </ul> <p><i>All reports can be displayed electronically within business interface and link directly to order information for rapid assessment and handling.</i></p> | <p><b>Payment Reconciliation Administration</b><br/>Integrates all reporting, data required to evaluate administrative action, and administration tools within a single view.</p> <ul style="list-style-type: none"> <li>• View exception reports</li> <li>• Query for orders and act on cases</li> <li>• Review chargebacks</li> <li>• Assign chargebacks for review</li> <li>• Manage chargeback status (mark for re-presentation, completed, etc.)</li> </ul> <p><b>System Administration</b></p> <ul style="list-style-type: none"> <li>• Database administration</li> <li>• User access administration</li> </ul> |

The CyberSource Reconciliation Solution is a customized solution built upon a common framework and requires professional services installation (support is available via custom contract). The features above are representative of the capabilities available via this framework. Paymentech and American Express interfaces are standard. Integration with other processors is dependent upon processor's electronic reporting capabilities. BEA Weblogic is required (included with installation). The reconciliation tool runs on Microsoft Windows 2000 and on Sun Solaris. **For more information contact CyberSource: 1-888-330-2300, info@cybersource.com, www.cybersource.com**

## Appendix: Sample Exception Reports--Financial Reconciliation

**Enter date range of orders to include in report.**

Today  
 Yesterday  
 This Week  
 Last Week  
 This Month  
 Last Month  
 Custom Date Range

Start Date:          
 End Date:        

**Missing Order Transactions**

| Processor Reference Id  | Date | Processor | Type | Amount |
|-------------------------|------|-----------|------|--------|
| <i>No records found</i> |      |           |      |        |

**Missing Authorization Transactions**

| Order Id             | Date                  | Amount |
|----------------------|-----------------------|--------|
| <a href="#">2786</a> | 2003-05-05 04:50:33.0 | \$8.00 |
| <a href="#">2789</a> |                       |        |
| <a href="#">2910</a> |                       |        |
| <a href="#">2914</a> |                       |        |
| <a href="#">3034</a> |                       |        |
| <a href="#">3039</a> |                       |        |
| <a href="#">2785</a> |                       |        |
| <a href="#">2787</a> |                       |        |
| <a href="#">2919</a> |                       |        |
| <a href="#">3036</a> |                       |        |
| <a href="#">3151</a> |                       |        |
| <a href="#">2785</a> |                       |        |
| <a href="#">2787</a> |                       |        |

**Missing Settlement Transactions**

| Order Id             | Date                  | Amount |
|----------------------|-----------------------|--------|
| <a href="#">2786</a> | 2003-05-05 04:50:33.0 | \$8.00 |
| <a href="#">2789</a> | 2003-05-05 04:50:33.0 | \$1.00 |
| <a href="#">2910</a> |                       |        |
| <a href="#">2914</a> |                       |        |

**Missing Deposit Transactions**

| Order Id             | Date                  | Amount |
|----------------------|-----------------------|--------|
| <a href="#">2786</a> | 2003-05-05 04:50:33.0 | \$8.00 |
| <a href="#">2789</a> | 2003-05-05 04:50:33.0 | \$1.00 |
| <a href="#">2910</a> |                       |        |
| <a href="#">2914</a> |                       |        |
| <a href="#">3034</a> |                       |        |

**Order <-> Processor Different Amount Transactions**

| Order Id                | Date | Processor | Type | Order Amount | Processor Amount |
|-------------------------|------|-----------|------|--------------|------------------|
| <i>No records found</i> |      |           |      |              |                  |

**Chargeback Transactions**

| Order Id                | Date | Processor | Amount |
|-------------------------|------|-----------|--------|
| <i>No records found</i> |      |           |        |

## Appendix: Sample Exception Reports—Chargebacks/Rejects

### Chargeback Reports

Choose a report to run:

- [All Active Chargebacks](#)
- [All unassigned Chargebacks](#)
- [Chargebacks by Assigned](#)
- [Completed Chargebacks](#)

### Active Chargebacks

| Order ID                       | Date Represented | Date Closed | Date Last Reviewed | Chargeback Type | Assigned     |
|--------------------------------|------------------|-------------|--------------------|-----------------|--------------|
| <a href="#">Edit...</a> 123456 |                  |             | 1/12/2003          | Fraud           |              |
| <a href="#">Edit...</a> 123458 | 1/3/2003         |             | 1/12/2003          | Fraud           | Mike Blanton |

### Unassigned Chargebacks

| Order ID                       | Date Represented | Date Closed | Date Last Reviewed | Chargeback Type | Assigned |
|--------------------------------|------------------|-------------|--------------------|-----------------|----------|
| <a href="#">Edit...</a> 123456 |                  |             | 1/12/2003          | Fraud           |          |
| <a href="#">Edit...</a> 123458 | 1/3/2003         | 1/12/2003   | 1/12/2003          | Fraud           |          |

### Completed Chargebacks

Filter by Date:

Start Date Jan 1 2002

End Date Jan 1 2002

| Order ID                       | Date Represented | Date Closed | Date Last Reviewed | Chargeback Type  | Assigned         |
|--------------------------------|------------------|-------------|--------------------|------------------|------------------|
| <a href="#">Edit...</a> 123456 |                  | 1/12/2003   | 1/12/2003          | Fraud            | Mike Blanton     |
| <a href="#">Edit...</a> 123458 | 1/3/2003         | 1/12/2003   | 1/12/2003          | Fraud            | Dave Glaser      |
| <a href="#">Edit...</a> 123459 |                  | 1/05/2003   | 1/11/2003          | Customer Service | Scott Stevelinck |

## Appendix: Administration Screens—Selected Examples

**Order Number #2786**

**Order Detail** ([Edit](#))

Date Created 2003-05-05 04:50:33.0

Last Modified Date 2003-07-15 10:19:57.953

Merchant Reference Number

Chargeback No [Mark as Chargeback](#)

Currency USD

Total Order Amount \$8.00

Total Order Tax Amount \$1.50

Total Duty Amount 0.0

Ship From Zip

Shipping Method

Shipping Amount 0.0

**Customer Information** ([Edit](#))

First Name Bobo

Last Name LeClown

Email Address boboleclown@hotmail.com

Phone Number 650-965-6000

IP Address 10.3.54.201

Hostname foo.bar.com

**Billing Address** ([Edit](#))

Street Address 1 1295 Charleston Rd

City Mountain View

State CA

Zip Code 94043

Country US

**Payment Information** ([Edit](#))

Credit Card Type

Credit Card Number 4111111111111111

Expiration Month/Year 10/2004

**Shipping Address** ([Edit](#))

Street Address 1

City

State

Zip Code

Country

**Line Item Summary**

| Item # | Product Code | Product Name | Merchant Sku | Quantity | Tax Amount | Amount |                                               |
|--------|--------------|--------------|--------------|----------|------------|--------|-----------------------------------------------|
| 0      | code3        | product 3    | sku3         | 2        | \$1.50     | \$4.00 | <a href="#">Edit</a>   <a href="#">Detail</a> |

### Order Detail Screen

All information required to evaluate appropriate action is available via single screen

### One Example of a Chargeback Administration Screen

**Update Chargeback for Order #1032396900258** ([View detail...](#))

Assigned To Mike Blanton

Comment

You may enter up to 255 characters for the comment.

[Update Chargeback](#) [Back to Order Detail](#)

Chargeback was represented on Jan 1 2002

Comment

[Mark Chargeback Represented](#)

Chargeback was closed on Jan 1 2002

Comment

[Mark Chargeback Closed](#)

**Chargeback History**

1/13/2003 dglaser Assigned to mblanton

1/14/2003 mblanton Contacted processor regarding chargeback