

The following case study examines how the Pegasystems business process management software improved customer service at Barclaycard Merchant Services.

– Editor
Customer Service Newsletter
www.CustomerServiceGroup.com

ACHIEVING SUPERIOR SERVICE THROUGH BUSINESS PROCESS AUTOMATION



Business Profile

Barclaycard Merchant Services, part of Barclaycard, is one of Europe's largest acquirers and processors of plastic card transactions. In 2001, 1.4 billion purchases were made with credit and debit cards in the 131,000 outlets belonging to Barclaycard Merchant Services' customers in the UK. Barclaycard Merchant Services operates the largest online, real time bank owned EFTPOS (Electronic Funds Transfer at the Point of Sale) system in the UK with a PDQ terminal base of over 135,000.

Industry

Financial Services —
Card Servicing

Deployment

- ▶ Barclaycard Merchant Services and Debit Card Services business areas
- ▶ Approximately 200 concurrent users across both areas
- ▶ Handles up to 5,000 cases per day across both areas

Pegasystems Application

Automates several key business processes across both acquirer and issuer business areas, including Acquirer Chargeback and Retrieval Processing, Cardholder Fraud, Merchant Services Customer Service, Merchant Risk Management, Voucher/Draft Retrieval and Debit Card Issuer Disputes and Chargeback Processing.

“Customer service is a critical business imperative at Barclaycard. With Pegasystems, we are able to work quickly and efficiently on behalf of our customers as the system drives our business processes — enabling our staff to concentrate on superior service and resulting in measurable return on investment for the organization.”

— Andrew Key, Head of Financial Exceptions, Barclaycard Merchant Services

Barclaycard Merchant Services, part of Barclaycard, is one of Europe's largest acquirers and processors of plastic card transactions. In 2001, 1.4 billion purchases were made with credit and debit cards in the 131,000 outlets belonging to Barclaycard Merchant Services' customers in the UK. Barclaycard Merchant Services operates the largest online, real time bank owned EFTPOS (Electronic Funds Transfer at the Point of Sale) system in the UK with a PDQ terminal base of over 135,000.

In the early 1990s, faced with increasingly complex card servicing and processing requirements, Barclaycard recognized that it needed to improve the level of automation across its operations. In order to meet the organization's business and strategic objectives, staff costs would need to be lowered; paper-based processes would have to be eliminated wherever possible; and

chargeback penalty fees and write-offs resulting from exceeded completion time limits would have to be reduced.

“In order to avoid reaching our operational capacity, Barclaycard quickly recognized that the increase in both the volume and complexity of our case management activities required automation of our business processes,” said Judith Power, Manager of Financial Exceptions – Chargebacks, and a team leader during the initial Pegasystems implementation. “Most importantly, if the forecasted workload exceeded our ability to handle chargebacks and retrievals through our manual processes, it was expected that our write-off levels would increase and our customer service levels would suffer as a result.”

Key Metrics

Barclaycard Merchant Services

- ▶ 75% step-by-step automation across all departments
- ▶ 60% initial reduction in staff cost due to fewer manual operations
- ▶ 100% elimination of paper for automated cases through Pegasystems' image-enabled workflows

Debit Card Services

- ▶ 30% increase in productivity on the first day of system use
- ▶ 66% increase in cases handled per day after one month (30 to 50 cases per FTE)
- ▶ Consolidation of three systems into one centralized Pegasystems solution

Business Benefits:

- ▶ Increasing volume absorbed by improved automation versus additional staff
- ▶ Automated case management has resulted in higher quality and accuracy of activities, translating into fewer human errors and a reduction in write-offs
- ▶ Rules-based worklists allow work to be prioritized according to bank policies, ensuring that key items are worked first
- ▶ Rapid deployment of changes to key business requirements (including changes to MasterCard and Visa regulations)
- ▶ Ability to tailor business rules to provide custom workflows and personalized customer service for key accounts

To address these challenges, Barclaycard's Merchant Services group implemented a Pegasystems solution that leverages rules-driven business process automation technology to automate several key areas of its operations:

- ▶ **Merchant Services Chargeback and Retrieval Processing** — As chargeback and retrieval requests are received, they are assessed to determine the next step (e.g., forward for voucher/draft retrieval, write to the merchant, debit the merchant, write off), and actioned automatically where possible. Approximately 75% of these actions are handled automatically by the Pegasystems solution, and the remainder are assessed and forwarded to the appropriate team for operator review.
- ▶ **Europay Cardholder Chargebacks** — By storing and enabling the automatic retrieval of original Europay data in the back office, reformatting that data, and forwarding corresponding files for transmission to Europay, the Pegasystems solution handles the clearing of outgoing issuer chargebacks, retrieval requests and fee collection processes to Europay Common Clearing Format.
- ▶ **Cardholder Fraud** — Issuer fraud cases are forwarded to the Pegasystems solution, where the system's rules-based case management and workflow capabilities are used to route, track and research cases for actioning.

- ▶ **Merchant Services Customer Service** — The Pegasystems solution incorporates information on the status of cases in progress to enable accurate and personalized customer service to each merchant.
- ▶ **Merchant Risk Management** — Chargeback and retrieval items are image-enabled, enabling Barclaycard to mitigate risk and support investigations for card-related legal proceedings.
- ▶ **Voucher/Draft Retrieval** — The Pegasystems solution uses case management to request, locate and attach the appropriate voucher/draft to respond to retrieval requests, and to track timeliness of responses in order to fulfill those requests within the timeframes determined by interchange regulations.

Since implementing its Pegasystems solution, Barclaycard Merchant Services has been able to achieve its business and strategic objectives and record measurable return on investment. Today, 75% of Barclaycard Merchant Services' case management processes are automated. Also, manual backlog and paper processing have been eliminated, write-offs have decreased due to its increased ability to action cases on time, and the number of FTEs required to handle its increasing volume has remained constant. And, as changing corporate business policies and MasterCard, Europay and Visa regulations require, Barclaycard Merchant Services' business users are able to adjust business processes at market speed to ensure that service level agreements are continuously met.

The Pegasystems solution also provides Barclaycard Merchant Services with the ability to tailor its business rules to provide custom workflows and personalized customer service for key accounts. Most importantly, the organization is confident that these dramatic improvements in the quality and accuracy of its case management activities are visible to its customers. "Customer service is a critical business imperative at Barclaycard," said Andrew Key, Head of Financial Exceptions, Barclaycard Merchant Services. "With Pegasystems, we are able to work quickly and efficiently on behalf of our customers as the system drives our business processes — enabling our staff to concentrate on superior service and resulting in measurable return on investment for the organization."

Coupled with a dramatic increase in the complexity of its cases due to Web, mail order and mobile phone transactions, Barclaycard has also seen its volume of debit card disputes nearly double in recent years. At the same time, a major corporate initiative began to move its debit card customer servicing operations away from its branch network and consolidate those services within its headquarters.

"Just as Barclaycard Merchant Services recognized that operational capacity was in danger of being compromised, Debit Card Services' operations became immediately aware of similar issues," said Simon Heath, Project Manager at Barclaycard Debit Card

"Through its integration expertise, Pegasystems has enabled us to bridge the acquirer and issuer sides of our business and bring all critical transaction and merchant data to a centralized desktop."

— Simon Heath, Project Manager, Barclaycard Debit Card Services

Services. "To enable us to centralize our workload, and at the same time ensure high-quality, accurate and rapid response to customer disputes, we needed a system that would integrate with our accounting systems and bring all of our information together at the desktop."

In April 2002, Barclaycard extended the value of its Pegasystems solution to its Debit Card Issuer Disputes and Chargeback Processing areas, and is already mirroring the success of its Merchant Services group. Productivity increased by 30% on the first day of system use alone, and that number has risen to an approximate 66% increase today (empowering staff to handle 50 cases per day, up from 30 cases prior to implementation). Integration with its core accounting system has enabled Barclaycard to eliminate 3-4 steps per customer call, as all relevant information about the customer is gathered automatically from source systems by the Pegasystems solution.

Prior to Pegasystems, dispute forms were typically mailed to customers the day after the customer call. Today, the percentage of disputes resolved at the first point of contact has risen by 60%, and for those disputes not

resolved immediately, all customer calls received before 4:00 p.m. result in the same-day mailing of relevant forms.

Automation has also resulted in greater accuracy of case management activities across the board, and enabled the operation to take on significant amounts of work from its branch network without any increase in staff levels.

"Through its integration expertise, Pegasystems has enabled us to bridge the acquirer and issuer sides of our business and bring all critical transaction and merchant data to a centralized desktop," Heath said. "Our business users are able to refine the system to instantly adjust our business processes to respond to our unique requirements. Most importantly, our ability to react quickly and efficiently in all of our case management activities means that our customers will be credited earlier. All of these benefits translate into a satisfied customer base that will remain loyal to Barclaycard in the future."

*For more information
about Pegasystems,
visit us on the Web at
www.pegasystems.com,
or e-mail us at
info@pegasystems.com.*

ABOUT BARCLAYCARD

Barclaycard Merchant Services, part of Barclaycard, is one of Europe's largest acquirers and processors of plastic card transactions. In 2001, 1.4 billion purchases were made with credit and debit cards in the 131,000 outlets belonging to Barclaycard Merchant Services' customers in the UK. Barclaycard Merchant Services operates the largest online, real time bank owned EFTPOS (Electronic Funds Transfer at the Point of Sale) system in the UK with a PDQ terminal base of over 135,000.

ABOUT PEGASYSTEMS

Since 1983, Pegasystems (NASDAQ: PEGA) has been a pioneer in rules technology and is now a leader in the industry. Business rules are the practices, processes and procedures that define how a company does business and are an important asset that differentiates enterprises in the marketplace. Pegasystems' patented rules technology allows companies to aggregate their diverse business practices and lets business managers rapidly implement change across the enterprise and over the Web. Leading companies in financial services, healthcare and communications turn to Pegasystems' rules-driven process automation technology and multi-channel service and support solutions to enhance their Customer Relationship Management (CRM) strategies. Headquartered in Cambridge, Mass., Pegasystems has regional offices in North America, Europe and the Pacific Rim. Visit Pegasystems on the Web at www.pegasystems.com.

Corporate
Headquarters:
Pegasystems Inc.
101 Main Street
Cambridge, MA
02142-1590 USA
☎ 617.374.9600
📠 617.374.9620

International
Offices:
Australia
Canada
France
Singapore
United Kingdom

For More
Information:
www.pegasystems.com