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How the Internet Is Changing the Way Disputes Are Resolved

Posted by Colin Rule on June 26, 2014 at 10:26am [View Blog](#)

The Internet generates disputes every day. Whether it's between buyers or sellers, hosts and guests, drivers and passengers, or contractors and service providers, some disagreements are inevitable – even when all users are participating in good faith. Between one and three percent of transactions generate a dispute, so when you get into hundreds of millions or even billions of transactions, that's a lot of issues generated online.

The way we've worked these problems out in the face-to-face world has traditionally been the courts. But the courts don't work well for online issues. They're too tied to geography, jurisdiction, and in-person enforcement to handle millions and millions of cross-border, low value online disputes. In fact, the courts are having a hard time keeping up with offline case volumes, much less the rising tide of online issues.

It's essential that online consumers have ways to work out their problems. Effective online resolutions are essential to the continued growth of ecommerce. If customers aren't reassured that they will be able to resolve any issues that come up, they'll take their business elsewhere. The leading companies in online commerce and the sharing economy understand this, and they've invested tens of millions of dollars in resolution systems that can deliver efficient and effective solutions to their customers. The companies that have the best resolution processes are now the market leaders.

Newer companies often overlook the importance of resolution systems, or just presume that setting up a customer service line where users can file tickets will be adequate. Working each case manually may work when volumes are low, but as filings increase the manual approach quickly falls apart, generating user frustration and delays.

Data drawn from the largest ecommerce marketplaces demonstrates that customer loyalty is driven by the problem resolution experience. When a customer buys an item or purchases a service online and everything goes smoothly there's little impact on buyer loyalty, because buyers expect to have no problems. A month later the customer might not even remember what site he or she used to make the purchase. But if a problem arises, that's when the transaction attracts their active attention. Users that have a positive resolutions experience are up to 15 percent more loyal to the site where the resolution occurs. The next time they sit down at their computer and decide which URL to type into their browser, that positive resolution experience will be top of mind.

Because of this, effective resolutions must be a priority for anyone delivering services online. Every company needs a head of resolutions, dedicated to thinking about what problems users are encountering, and how they get those problems resolved. Every company needs an effective online resolution process, easily discoverable and simple to navigate. Hiding resolution processes may decrease filings in the near term, but the frustration it generates will prove toxic over time.

eBay and PayPal provide a Resolution Center to every user, accessible from the top of every page on the site. Data drawn from the Resolution Center shows that users were happier losing their dispute quickly than winning their dispute and having it take a long time, because the frustration of having to worry about the issue for weeks outweighed the \$50-\$75 that was at stake. Also, giving a refund isn't always adequate to make the buyer feel satisfied. If I pay \$50 to a website, have a problem, wait for two weeks, and then get my \$50 back, I don't feel taken care of – I feel my time was wasted. And if I report a bad seller or rude driver and just get an automatic return of my money, I may wonder: was the issue really resolved, or was I just paid off? And what's to ensure that I (or other buyers like me) won't experience this issue again? The eBay experience demonstrates that there's no shortcut to providing effective solutions to your users.

Many business models work great for the 97 percent of transactions that have no problems, but fall apart for the 3 percent of transactions that don't go smoothly. Many companies have failed because of that 3 percent. The leaders who understand the importance of investing in effective and efficient resolutions will experience a sustainable competitive advantage in the short term, and will win their category over the long term.

Colin Rule is co-founder and COO of Modria.com, an online dispute resolution service provider.

Colin will be hosting [ODR 2014](#), a forum addressing this topic in the Bay Area, June 25-27.

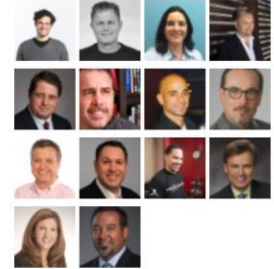
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