

# What Do Merchants Need to Be Successful Online?

Understanding all of the working parts involved in your merchant customers' success online



Domain Registrar



Web/App Developer



Web Hosting



Shopping Cart



Accepting Payments

# The Common Merchant Struggle:

Piecing together all of the working parts to get their ecommerce store up and running

This is Joe the Merchant  
He wants to sell blue widgets online



To do this, he knows he will need to:



Register a domain for his ecommerce website



Find a good web developer



Decide on a hosting company



Select a shopping cart provider

and even after all of that, there is still one missing piece Joe needs....

Accepting payments



SO WHAT EXACTLY DO I NEED TO ACCEPT PAYMENTS?



Great Question Joe.

## What Do Merchants Need to Accept Payments?

nmi



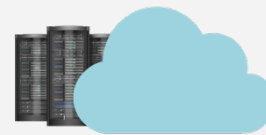
### Merchant Account

- A merchant account, also known as a MID (short for Merchant ID), is a type of bank account that enables merchants to accept and process payments through debit & credit card transactions and connects the merchant with the processor.
- Merchants can obtain a merchant account through a Merchant Service Provider.
- Merchant accounts are a necessity for many businesses, and are essential for merchants with ecommerce businesses.



### Payment Processor

A merchant account and payment gateway account both connect to the processor & both accounts are essential in order for merchants to accept payments.



### Payment Gateway Account

- If a merchant wants to get paid, they need a payment gateway account.
- A payment gateway account connects to the processor & securely transfers information between the merchant's website and their merchant account.
- A payment gateway is what authorizes credit card payments and is the equivalent of a physical point-of-sale terminal located in most retail outlets.

# Let's Walk Through the Steps With Joe



Now that Joe knows what he needs, he is only a few steps away from accepting payments on his ecommerce store



## Joe's Merchant Account

- Joe applies for a merchant account through one of the many Merchant Service Providers.
- The Merchant Service Provider has a list of requirements given to them by its acquiring bank (see slide 5 for definition).
- Joe's application satisfies all the requirements and he is granted a MID!

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## Joe's Payment Gateway Account

- Joe needs a payment gateway account so he can connect his MID to his website.
- Joe opens a gateway account with an **NMI Affiliate (this could be you!)** which allows him to input his MID.

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Now Accepting Payments!



# How Does Credit Card Processing Work?

Understanding all of the working parts involved in processing a credit card transaction



Cardholder



Merchant



Payment Gateway



Payment Processor



Issuing Bank



Credit Card Network



Acquiring Bank

# Key Players in Processing a Credit Card Transaction



This is Suzi

## Cardholder

A cardholder is someone who has obtained a credit or debit card from a card issuing bank. They are the one who begins the credit or debit card transaction by using their card to make a payment to a merchant for their goods or services.



Look it's Joe!

## Merchant

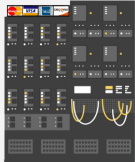
A merchant is someone who wants to accept credit and debit card payments from their customers (cardholders) for the goods or services they sell. They must obtain a merchant account and set up a payment gateway account before they can start accepting payments and get paid.



Suzi's Bank

## Issuing Bank (Cardholder Bank)

The issuing bank issues credit cards to consumers. They are responsible for paying the acquiring bank for the purchases their cardholders make.



## Credit Card Network

The credit card network helps to connect the issuing and acquiring banks by routing the appropriate transaction information between the two banks.



Joe's Payment Gateway Account

## Payment Gateway

A payment gateway authorizes credit card payments and is what securely transfers payment information between the merchant's website and their merchant account.



Joe's Processor

## Payment Processor

The payment processor works to actually process the credit card transaction from start to finish. It does this by connecting the merchant account with the NMI Gateway so it can receive the transaction details and it also connects the NMI Gateway to the Credit Card Network for authorization from the issuing bank.



Joe's Bank

## Acquiring Bank (Merchant Bank)

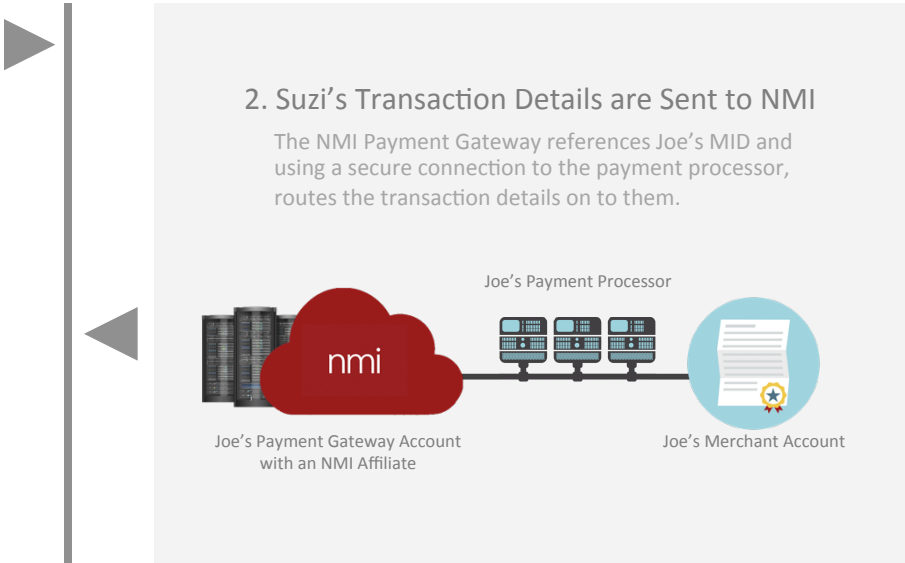
The acquiring bank is also referred to as the merchant bank because they create and maintain merchant accounts that allow a merchant's business to accept credit and debit cards.

# Credit Card Transaction Flow



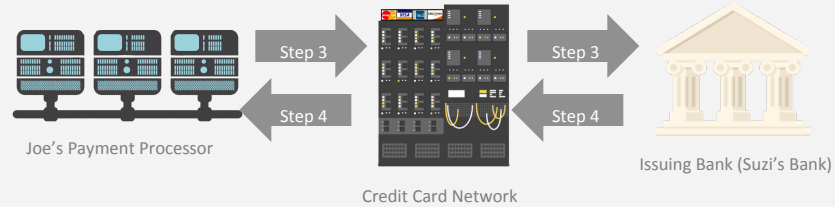
## 1. Suzi the Cardholder Purchases a Blue Widget

Suzi has been searching for the perfect blue widget and after finding Joe's Blue Widget's ecommerce site she decides to buy one. So she enters in her payment info and submits the transaction.



### 3. Joe's Payment Processor Receives the Transaction Details

After Joe's payment processor receives them, they send the request on to the Credit Card Network who identifies the issuing bank for the payment card and sends the request on to them.



### 4. Suzi's Issuing Bank Approves or Declines Transaction

After the issuing bank checks Suzi's account, they either approve or decline the transaction and then the results back to the Credit Card Network who sends it back to Joe's payment processor.



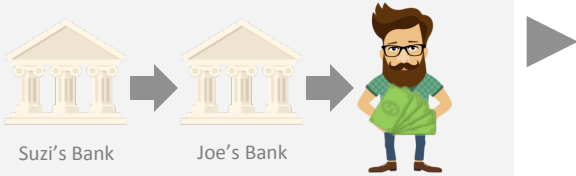
### 5. Joe's Payment Processor Relays the Results back to NMI

After Joe's Payment Processor receives the results, they relay them back to the NMI Gateway where NMI stores the results and then sends them back to the website where Suzi & Joe see the approval or decline.



### 7. Joe Gets Paid

The issuing bank (Suzi's bank) releases the funds to the acquiring bank (Joe's bank). After the settlement period Joe's bank releases to funds to his account where he can access the money.



### 6. Suzi's Transaction was Approved!

Now that Suzi's transaction has been approved, Joe can now send out the blue widget to Suzi.

