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Merchant Account Vocabulary

Imagine the next time you join a discussion about Merchant Account. When you start sharing the fascinating Merchant Account facts below, your friends will be absolutely amazed.

In this new age of ecommerce, more and more people, even without a formal business background, want to go into an online business. Almost all of online businesses, even the large ones, need a merchant account. Here are some of the jargons that online business owner wannabes must understand first before finally taking their baby steps in setting up their business.

Credit Card

A credit card is a small plastic card which allows a consumer to purchase a product or service through a line credit issued by a bank or a merchant account. It is activated by a Personal Identification Number (PIN) that is accessible only by the owner of the card. The card itself has an electronic system that goes into a system of payment scheme involving the merchant and the issuing bank. The size and shape of the credit card must comply with the regulations set by the ISO 7810.

Merchant Account

A merchant account is an agreement between the merchant and an acquiring bank in which the merchant could accept payments through credit cards through an extended line of credit given by the bank. The merchant account maybe provided by either a bank that is directly processes transactions with Visa and MasterCard or by an Independent Selling Organization/Member Service Provider (ISO/MSP). The costs of setting up a merchant account depend on the type of the product, expected sales and the process of how transactions are made.

3-Tier Pricing

Is everything making sense so far? If not, I'm sure that with just a little more reading, all the facts will fall into place.

This is the most popular pricing scheme for most merchant account providers. Depending on the situation on how was it done, the transaction will be classified into three groups: non-qualified, mid-qualified and qualified. The less qualified the transaction is, the more it will be charged. A transaction that is done according to what is set and defined by the merchant is considered to be "more" qualified.

Payment Gateway

A payment gateway, as what its name suggests, provides the channel in which encrypted information is exchanged between the consumer, the merchant account provider, the merchant, the acquiring bank and the issuing bank. This makes sure the information exchanged is accurate and that it will be exclusively used by the involved parties only.

Chargeback

A chargeback often results from a dispute between the customer and the merchant. This is when a transaction is returned by the costumer into the acquiring bank, and ultimately, to the merchant. A customer files a chargeback when he/she finds that the product does not meet his/her expectation, when the product was not delivered properly or was not delivered at all, or when the transaction itself is fraudulent. The merchant may avail a chargeback insurance to protect himself/herself in the event of a chargeback.

Electronic Commerce

Electronic Commerce or eCommerce basically refers to the commercial activities that are carried out through the internet. Aside from selling, it also includes activities like inventory management, supply chain management, exchange of business information and management of online funds. Due to the increased flux of businesses taking advantage of the accessibility of the internet, there was also an increase of ecommerce merchant account

providers.

Some ecommerce merchant account providers do more than managing the transactions between the consumers, the acquiring bank and the issuing bank. They also take care of the technical side of putting up the online store, like website hosting, maintenance and design.

Hopefully the sections above have contributed to your understanding of Merchant Account. Share your new understanding about Merchant Account with others. They'll thank you for it.

About the Author

By Anders Eriksson, feel free to visit his soon to be top ranked Perpetual20 training site: [Perpetual 20](#)

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