

Merchant  Link *Relax. We got it.*

The Value of a Payment Gateway

Whitepaper
August 2011

The Ever-Evolving Payment Landscape

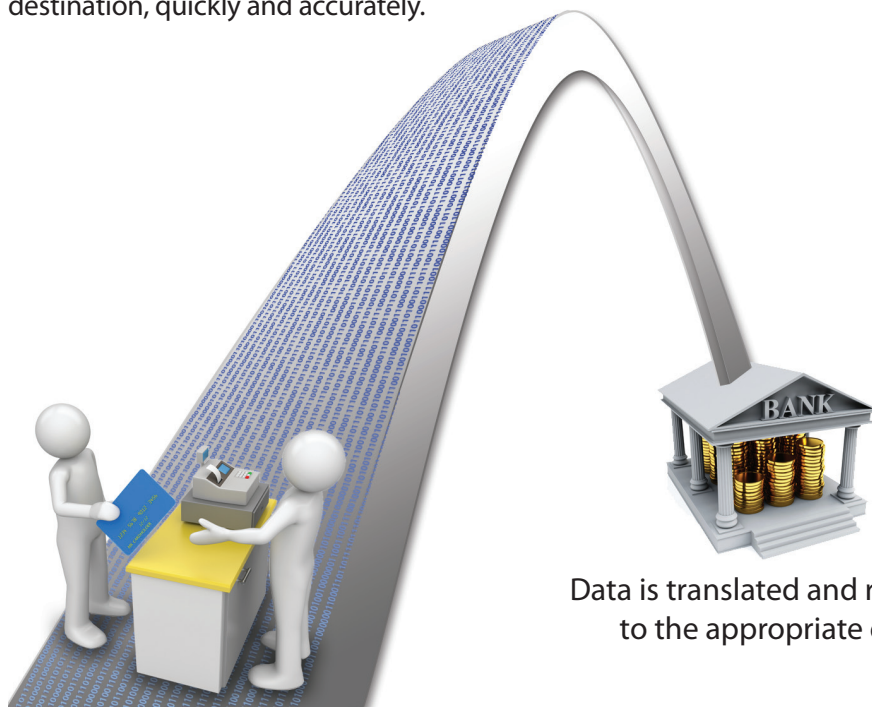
There's no way around it. No matter what size your business is or what industry you work in, if you accept credit cards, keeping up with the latest requirements is difficult at best. Credit card security has become an even greater challenge for merchants with the advent of the Payment Card Industry Data Security Standard put forth by The PCI Security Standards Council. There are numerous "buzz words" in the payment industry today such as tokenization, point-to-point encryption, and many others. Data security has become critical to any business. All of these new technologies can be confusing for any merchant, who at the end of the day only wants to ensure that all payment transactions are processed and arrive at the bank in a secure and timely fashion. Every time a card is swiped, a check is written or a gift card is redeemed, multiple institutions are involved in the process, including the merchant establishment, the gateway, the banks, the processors and the card associations. In the midst of this rapid change and emerging payment types, a payment gateway is at the core of the payment transaction process. The right payment gateway can better manage communication with the banks and processors.

What is a Payment Gateway?

What is a payment gateway and why is it the best option for a merchant? A payment gateway facilitates the transfer of information between a point of payment (such as a point of sale terminal, property management system or cash register) and the front-end processor or bank. Formally, a network gateway provider is:

A protocol translation or mapping gateway that interconnects networks by performing a required message conversion.

A payment gateway then, acts as a kind of translator, traffic cop and bodyguard – interpreting and directing data streams through a secure route to the appropriate destination, quickly and accurately.



Data is translated and routed securely to the appropriate destination.

The Transaction Life Cycle: Where does the Payment Gateway Sit?

Each time a customer purchases a product or service from a merchant, the gateway executes numerous, critically important steps to route the transaction in a transparent process behind the scenes. There are several “hand-offs” during a financial transaction. It is important to understand these connections and the role a payment gateway plays in managing this process. While there may be some small differences depending on the system in use, in general, the flow is as follows:



1.	A customer is ready to make a purchase. The credit card information may be entered via a hardware device (credit card swipe), over the phone (during a reservation process, for example) or virtually (an online transaction).
2.	The credit card transaction is transmitted to the payment server hosted by the payment gateway via a secure connection.
3.	The payment gateway translates the message and forwards the transaction information to the payment processor.
4.	The payment processor forwards the transaction information to the card association (i.e., Visa/MasterCard).
5.	The card association routes the transaction to the cardholder's card issuing bank.
6.	The credit card issuing bank receives the authorization request and sends a response back to the processor (via the same process as the request for authorization) with a response code. In addition to determining the fate of the payment, (i.e. approved or declined) the response code is used to define the reason why the transaction failed (such as insufficient funds, or bank link not available).
7.	The processor forwards the response to the payment gateway.
8.	The payment gateway receives the response, and forwards it on to the system or website (or whatever interface was used to process the payment) where it is interpreted as a relevant response then relayed back to the cardholder and the merchant.

The round trip typically takes about 3-5 seconds. The power of a payment gateway is in managing the entire trip.

Key Considerations and Benefits of a Gateway

Gateways can provide significant advantages over premised-based or direct connect systems. Here are some of the key benefits as well as what to look for when evaluating solutions.

Security

With the advent of PCI compliance requirements as well as ever-evolving security threats, securing cardholder information is critical to any gateway solution. The payment gateway should be listed as certified on the PCI Council website of approved providers (<http://usa.visa.com/download/merchants/cisp-list-of-pcidss-compliant-service-providers.pdf>). All communication should be via a secure connection. A centrally hosted or cloud-based solution removes the need for additional third party hardware or software products and has the ability to remove sensitive cardholder data completely from the merchant's IT infrastructure. This type of implementation minimizes the merchant's cardholder data environment (CDE), enhancing security while reducing PCI burden and cost.

Reliability

High network availability is crucial. If a merchant cannot take payments due to a network outage, that means lost revenue. In addition to network uptime, gateway providers should have backup data centers and a failover option in case of interrupted Internet service. Other useful services include proactive 24x7 network monitoring and email alerts if a problem is detected.

Flexibility and Control

Through the ability to connect with multiple processors and payment providers, a gateway offers the flexibility to switch amongst them quickly and efficiently, keeping the merchant in control of their offerings and rates. Merchants with franchisees can offer a choice of processors and maintain a secure and consistent payment acceptance process across their brand. Merchants often have more than one type of outlet that takes payments. For example, a single resort may include recreational, retail, restaurant and lodging outlets. A gateway must interface to multiple point-of-sale systems while providing the same level of reliability and reporting across the entire enterprise. Certain card types (for example American Express) are not associations; these companies issue cards directly to the consumer and maintain their own clearance network and acceptance rules. Gateway providers that offer direct routing to these networks can provide significant per transaction cost savings and greater return on investment.

Service and Support

High-touch support for payments is more important than ever before, with off-site data storage and solutions such as tokenization and point-to-point encryption that further distance the merchant from sensitive credit card numbers. Gateway providers should be able to track down and immediately resolve problems no matter where an issue occurs within the life cycle of a transaction. Support should be offered 24x7x365 and include funds recovery and reconciliation services.

Real-Time, Comprehensive Reporting

Real-time access to the right reporting information is critical to effectively measure and manage your business. A good reporting solution should offer a complete and secure view of all transaction information. Exception reporting, drill down capabilities and user level access settings are essential elements of a reporting package.

Easy Implementation and Maintenance

Whether a single restaurant or a multi-branded franchisee with many outlets, costs for implementing and maintaining a fully PCI-compliant credit card solution can represent a significant investment. Consideration should be given to ongoing costs of remaining compliant or changing processors. A cloud-based gateway solution does not require additional hardware to maintain or software to keep upgraded or patched.

Conclusion

The principal value of a payment gateway is managing the entire process, quickly and securely. A gateway allows for processor choice and provides assurance that the solution is supported end to end. The more complex the merchant environment, the more a gateway is needed. Security experts agree the most effective strategy to mitigate risk against a breach is a layered approach. A gateway provides one of these critical layers of defense.

When evaluating different payment gateway solutions, there is much to consider. A strong case can be made for implementing a cloud-based solution. In addition, merchants should ask:

- What is the provider's network uptime?
- What POS/PMS systems and processors does the provider interface with and connect to?
- How easily can I switch processors?
- What kind of support can I expect when my batches fail or when I need to resolve a payments-related problem? Will the provider take responsibility for helping with the resolution?
- How can I get real-time visibility into my transactions?
- How complex is the set-up and installation across all sites?

Rapid change in the payment industry is inevitable but it does not have to consume all of a merchant's time, especially when they have a business to run. Finding a gateway solution provider with a strong track record in reliability, security and cost effective solutions provides the peace of mind a merchant desires and the ease of use a customer demands.

A Powerful Solution: The Merchant Link Payment Gateway™

Since 1993, Merchant Link has provided reliable, unrivaled service to restaurant, lodging and retail merchants. The Merchant Link Payment Gateway™ is a trusted cloud-based gateway that provides merchants with a single interface to all major payment providers. Our secure, proven network, backed by innovative products and our commitment to quality support, empowers our customers to take control of their electronic transactions. The Merchant Link Payment Gateway provides a state-of-the-art connection between your business and your processor, offering streamlined support, a fast and secure network, and value-added services that save you time and money.

By using the Merchant Link Payment Gateway, merchants experience:

- Increased control over payment processing/flexibility.
- Our relentless commitment to quality and customer service.
- A secure, proven network proactively monitored 24x7x365.
- Access to innovative products and solutions designed to meet your needs.
- Less complexity—Merchant Link's industry experience and strong relationships with its partners allows us to bring all the right players together and effectively manage the process to solve complex customer problems.

Give us a call today at 1.866.853.3845, email sales@merchantlink.com or visit www.merchantlink.com.

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Glossary

Acquiring Bank

An acquiring financial institution (or “acquirer”) contracts with the bank and merchants to enable credit card transactions. The acquirer deposits the daily credit card totals and debits the end-of-month processing fees from the merchants’ accounts.

Issuing Bank

The bank or other financial institution that extends credit to a cardholder through bankcard accounts. The financial institution issues a credit card and bills the cardholder for purchases against the bankcard account. Also referred to as the cardholder’s financial institution.

Card Association

Any entity formed to administer and promote credit and cards. The best known examples of Associations are MasterCard and Visa.

Merchant Account (Merchant Identification Number)

This number is generated by a processor/acquirer and is specific to each individual merchant location. This number is used to identify the merchant during processing of daily transactions, rejects, adjustments, chargebacks, end-of-month processing fees, etc.

Processor

A Processor is the company that actually routes an Authorization Request from the Point of Purchase device or interface to Visa or MasterCard, and then arranges for Fund Settlement to the merchant.

Batch

The accumulation of captured credit card transactions in the merchant’s terminal or POS awaiting settlement.

Settlement

The process of sending a merchant’s batch to the network for processing and payment. For non-bankcards, the issuer pays the merchant directly (less applicable fees) and then bills the cardholder. For bankcards, the acquirer pays the merchant (less applicable fees) with funds from Visa/MasterCard. The bankcard issuer then bills the cardholder for the amount of the sale.