



E-Commerce Solutions
Understanding your payment processing options, and do's and don'ts

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E-Commerce Solutions

Introduction

Why should you implement E-Commerce into your website? Simply put, because the ability to market goods and services and accept online payments is a great example of a passive income model. Your online store is running, customers have found their way to your site and their purchase is completely automated – from payment processing and approval to product delivery. With prior and proper preparation, your involvement in the transaction process is limited, leaving you more time to focus on other areas of your business.

1. Accepting Credit Cards Boosts Profits

As an online merchant you should already have a good understanding of the importance of making your product easily accessible to potential customers. With so much competition on the Internet, a frustrated potential customer can exit your site without looking back if you do not offer a clear and easy method to order and deliver your products and services.

Let's look at an example:

Assume two competitive merchants, A and B, both have websites which are geared to marketing jar candles. Merchant A offers detailed product information, appropriate product photos, great customer service and the ability to quickly and easily order his product through an online shopping cart and payment processing system with a price slightly higher than that of Merchant B. Merchant B also offers detailed product information, appropriate product photos and excellent customer service but a lower price. You've decided to order from Merchant B because his price is lower. Upon trying to checkout, you then discover that Merchant B does not have a shopping cart and requires you to either email or call to place your order.

Which merchant do you believe would earn the final sale in this example?

If you said Merchant A, 99.9% of the time you'd be correct. Accepting credit cards can boost your profits immensely because it adds value and convenience to your customer's online shopping experience. The merchant benefits because he is not consumed with taking orders via phone or email; he is *diversifying* his income streams by delivering goods and services online thereby freeing up time to focus on other aspects of his business. Processing payments online also reduces the total transaction time since the traditional method of waiting for checks to clear prior to shipping/delivering products and services is eliminated.

2. Online Payment Systems

Now that you've decided to accept credit cards ☺ you'll need to select a merchant processor to handle the transactions and to deliver your money to you. Names in the processing arena come to mind such as: PayPal, 2checkout.com, ProPay, or various other Merchant processors such as Wells Fargo or Verisign who can provide you with an Internet Merchant Account.

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What is the difference between PayPal and an Internet Merchant Account?

PayPal

PayPal is referred to as a 3rd party payment processor. Simply, this means that PayPal holds the Internet Merchant Account, and will process your credit card transactions using their account for a nominal fee of 2.9% + \$.30 per transaction. One of the advantages to PayPal is that there are no signup fees, no setup fees, no credit checks, no monthly minimums, no monthly service fees, no contract, no gateway fees, no statement fees and their shopping cart is free. For a small business venture who is just starting out, this is an attractive cost-effective method of conducting online business. Currently there are other processors such as ProPay and 2checkout.com which are based along this same concept; however some competitors charge setup or monthly fees in addition to per transaction fees that can run as much as 5%.

There are some things to be aware of if you are going to use PayPal. In exchange for the freedoms from contract periods and monthly fees, you are consenting to process your business' transactions through a Merchant Account that does not belong to you. Why is this important to me you ask? This becomes important when you are dealing with issues of charge backs or fraudulent transactions. Despite our best intentions as merchants to conduct business fairly and securely, at some point a fraudulent purchase may be made from your website. PayPal's Terms of Service agreement gives them unrestricted rights to freeze and remove all funds from your PayPal and checking accounts in the event of a dispute or fraudulent transaction. Your best bet is to read the entire agreement cover to cover and be prepared to ask questions if you are uncomfortable with anything listed.

Internet Merchant Account

An Internet Merchant Account is a relationship between a retailing company and a Merchant Bank, which allows the retailer to accept credit card payments from customers via the Internet.

As a merchant, you have a direct relationship with the processing bank, the account is in your name (belongs to you), you have control over how transactions are conducted, and what steps you can take to reduce risk to your cardholders and to your business. Most processors offer fraud detection suites and companies like [PreCharge](#) can screen and identify online credit card-based transactions for your business in an effort to prevent charge backs and fraud. PreCharge will also reimburse you 100% of your charge back fees should a transaction later turn out to be fraudulent. This reduces risk for the merchant processor and gives peace of mind to you in your business dealings.

The obvious downside to an Internet Merchant Account can be the initial start-up costs and increased monthly costs as compared to 3rd party processors such as PayPal. This is in addition to a credit check and the wait for the account to be setup. That being said, more and more merchant processors are offering specials which include no setup fees, no application fees, reduced monthly fees and per transaction processing rates which are lower than PayPal, making them easier to obtain and an attractive alternate.

3. Merchant Account Reviews

An excellent source of information on merchant processors is available online at the [Merchant Account Forum](#). Here you can access information and feedback on some of the most well known merchant processors.

4. Do's and Don'ts of accepting Payments Online

A quick list to keep in mind...

DO:

1. Assess your processing needs first:
 - a. Do you want to accept Visa, MasterCard, Discover and American Express or perhaps just Visa and Mastercard?
 - b. What is your monthly budget for card processing fees?
 - c. Are you comfortable paying signup or annual fees?
 - d. Would you prefer to apply online, via mail or fax?
2. Consider a handful of merchants who meet your initial criteria:
 - a. Create an excel file to track merchant fees and assess your overall costs at zero transactions and 100 transactions.
3. Assess the merchant:
 - a. Are they available to answer your questions promptly?
 - b. What is their track record?
 - c. What do customers say about their service and support?
 - d. Are there any "hidden" fees? These may be listed in the merchant contract but not provided up-front and online for your consideration.
 - e. Do they require a contracted commitment...1, 2, or 3 years?
 - f. How do they handle charge backs and fraud?
4. Investigate Fraud Detection Services:
 - a. Request information from the merchant processor on methods which reduce fraud and charge backs. These may be in-house solutions such as Address Verification Service (AVS) or Credit Verification Value (CVV) or 3rd party solutions such as [Cybersource](#) or [Precharge](#).
5. Call the toll-free number and speak to a customer service representative about any contract/fee concerns or questions you have. It's better to inquire about all fees now than to find out on your next monthly bank statement!

DO NOT:

1. Forget to read the ENTIRE Merchant contract – This means cover to cover! The full details are sometimes buried in the *very* fine print. These contracts can be intimidating; go slow and highlight areas which may be of concern.
2. Select the first merchant you talk to - This is a highly competitive business so investigate your options before making a decision.
3. Signup with multiple merchants at once – Merchant Accounts generally require a credit check. Be picky about which companies you allow to access your personal and business information.

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5. Customers who Prefer Offline Payments

Not all customers will be open to paying online. There are many who feel that it is not safe to place personal credit card information on the Internet, and no amount of security or encryption notices will convince them otherwise. Does that mean you simply cannot do business with them? Absolutely not! One of the alternatives to paying online is to allow customers to place orders and mail in a check or money order for payment.

Who then is uniquely setup to accept "offline" payments? Merchants who ship products to their customers can help their customers take advantage of this additional payment option. In these instances, search for a shopping cart which has a check or money order payment option to allow your clients to check out of your website without providing credit card information. ALWAYS wait to ship the product until the order has been confirmed, and the payment has *cleared*. Confirming the order and waiting to ship until the payment has cleared will help reduce risks to your business.

The decision to allow "offline" payments is an important choice. For example, companies who deliver digital goods such as paid newsletter subscriptions and e-books, have designed their product to facilitate instant payment and delivery. The idea with e-books being is that they are instantly downloadable and readable. Not all companies are cutout to allow offline payments however. For example, if you allowed your customers to download your product with a promise of mailing their payment you would be setting yourself up for the risk that the payment may never come. What recourse do you have of recovering your money? Unfortunately, not much.

Closing

The main idea behind selecting a good merchant processor is to think ahead. Always assess your needs prior to selecting a merchant and read the fine, fine print to be sure you completely understand your commitments as a merchant. This ensures that you are equally matched with a merchant processor and hopefully starts your business relationship off on the right foot.

About the Author

Krista Garren is a website design consultant and webmaster who specializes in assisting clients with taking their business to the Internet without being overcharged, blown up, or obliterated. Visit her website at <http://www.ridethewebandwin.com> for more details or assistance with any e-commerce needs.

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