



**What you Need To Know to  
Accept Payments from Your Web Site!**

# Beginners' Guide to Ecommerce

By June Campbell



Hello! Thank you for using **Beginners' Guide to Ecommerce**. You'll find the essential information that you need so you can join the rest of us who are selling goods and services on the Internet.

Perhaps you are wondering if I am qualified to give you this information. The answer is "yes." As the owner of my own writing business, Nightcats Multimedia Productions, I have been selling information products on the Internet since April, 1998. I process credit card transactions from Visa, Mastercard, Discovery and American Express. Through experience, I have learned several lessons about operating an online store. However, not all of the knowledge in this ebook is my own -- I have incorporated recommendations and suggestions from other merchants who have found a way to sell their goods over the Net.

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## Table of Contents

Table of Contents .....	3
Introduction.....	4
Accepting Credit Card Transactions .....	5
Merchant Accounts .....	5
About Chargebacks .....	6
High Risk Processors .....	6
Internet Merchant Account .....	7
Credit Card Processing Services .....	7
Setting Up: The Technology .....	9
Shopping Carts.....	10
Ecommerce: The Dark Side .....	11
Credit Card Fraud: .....	11
Internet Shoplifting .....	11
Piracy .....	12
Tips for Protecting Yourself Against Online Credit Card Fraud .....	12
Alternative Ecommerce Methods.....	13
Telephone Billing Services .....	13
Electronic Payment Systems .....	14
Person to Person Technologies (P2P) .....	14
One Stop Shops.....	15
International Merchants .....	15
Definitions.....	17
Beyond Ecommerce .....	18

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## Introduction

You have something you want to sell on the Internet. Maybe it's a book, or a CD or a piece of software you wrote. You are in luck. The time has never been better. Internet shopping has become a mainstream activity. Increasing numbers of people are willing to open the wallet to purchase items or services over the Net.



"But," you say, "How do I collect the money from the customer?"

Good question. There are several methods of collecting monies from online sales. Many online merchants offer 2-3 choices of payment methods so customers will have options.

1. First, you can ask online customers to **send you a check**. When the check arrives and clears the bank, you deliver the product. If this is your only method of transacting a sale, you will lose many, many customers. The Internet is based on impulse buying. Very few people will go to effort of writing and mailing a check, and then wait several weeks for delivery. Most merchants offer this option to accommodate people who do not have credit cards.

2. Persons who are already accepting credit card transactions for products or services they sell offline can ask web customers to **phone or fax you with their credit card information**. Then, you can process the transaction manually. Please avoid asking people to email you their credit card information. Almost everyone knows that email is insecure and this request will damage your credibility in the eyes of potential customers. If you opt for the phone method, be prepared to handle calls 24/7. The Internet is a global community and people expect to shop at their convenience.

You will attract more sales if you provide an **800 number**. However, be aware that 800 numbers are not globally accessible. You risk losing international sales if this is your only method of transacting payments.

Asking customers to phone in their credit information will generate more sales than asking for checks. However, your sales will be increase considerably if you provide a means for customers to make their payments online.

3. You can **accept credit card transactions online over secure lines**. Internet merchants indicate that this method is the single most effective means of conducting transactions. Without the ability to process credit cards, your online sales will be a fraction of what they could be. More about this later.

4. You can use alternative methods **of accepting online payment**. There are several alternative technologies available. Each comes with its own strengths and weaknesses. Your choice will depend upon your individual situation. More later.



## Accepting Credit Card Transactions



It's worth mentioning again. Your sales will increase dramatically when you offer your customers the ability to pay by credit card transaction. Those of you who already accept credit cards in your offline businesses can skip this section.



Credit card transaction is a big topic. For simplicity's sake, let's break it down into three categories: Merchant Accounts, Internet Merchant Accounts and Credit Card Processing Services.

### Merchant Accounts

A Merchant Account is a relationship between a **business (i.e. a merchant)** and a **merchant bank** that allows the merchant to accept credit card payments from customers.

Acquiring a Merchant Account can be difficult. Many banks or financial institutions have **stiff requirements and regulations** regarding the issuing of a merchant account. The situation will differ depending on your bank, your country's banking regulations and your individual situation. Many a merchant has approached their bank to discuss a merchant account only to discover that the friendly banker becomes less friendly. These accounts are often beyond the means of people who are operating small or new businesses.

When you apply for a merchant account at your bank, you will be required to



demonstrate that your business has had an extended period of financial stability. Expect to present your business plan, your financial statements and various other documents. Factors considered include cash reserves, the length of time you have been in business, your tax returns, your credit history, debt load, refund policies, volume of business, cost of item being sold and other sources of income. Those who pass the stringent

requirements might be asked to put up a substantial sum of money (several thousand dollars) as a safeguard against chargebacks or credit card fraud. They could also be asked to pay for the software or terminals that they will be using.

[More about chargebacks later.](#)

Those who are eligible for a Merchant Account will need the necessary hardware or software. In some cases, depending on the bank and depending on the type of business that you are operating, you will need to purchase or rent a **processing terminal** -- the equipment that merchants run your credit card across when you charge a transaction. You might also need to acquire special software.

Before getting your merchant account, be sure to find out the full charges that you will incur for using the service. In addition to the aforementioned chargeback deposit, investigate hidden equipment costs, setup fees, line charges, bank



transaction fees and credit card discount rates. These costs eat away from your profits, and you will need to price accordingly

Also, be aware that most banks allow you to process one credit card only.

### **About Chargebacks**



All major credit card companies offer their cardholders the right to contest charges on their statements that may be the result of theft, fraud or error.

A customer contacts his/her credit card company and complains that the merchandise was unsatisfactory, did not arrive as promised, or that the sale resulted as a result of a lost or stolen card. These contested charges are called chargebacks. When a chargeback occurs, the merchant will end up reimbursing the issuing bank the amount of the purchase price, in addition to a **chargeback fee** that can be as high as \$50 or more. For example, if you sell a book for \$20 through a credit card transaction and the cardholder later contests the sale, you will end up paying your bank the \$20 PLUS a chargeback fee of \$10 to \$50 dollars. When you add to this the amount that the book cost you and the cost of mailing, if applicable, you can see that your losses can be add up quickly.

Banks ask for a sizable deposit to protect themselves in the event that the merchant is unable to cover the chargeback costs at the time they occur. Merchants who incur too many chargebacks are at risk of losing their merchant account. Somewhere between 1-3% of total transactions is usually acceptable.

Chargeback issues are of foremost concern to a merchant hoping to acquire a merchant account. They can result in serious financial loss.

Note that chargebacks are not the same as the fee you pay for a **merchant-issued refund**. The latter might cost you only a few dollars to process.

### **High Risk Processors**

Since so many small businesses are unable to arrange Merchant Accounts, an industry has arisen to meet the need. **High-risk processors** are financial institutions or companies that that issue merchant status accounts to high-risk businesses. In this case, a high-risk business is one that cannot arrange a Merchant Account through the bank. These companies offset their risks by charging higher transaction fees and higher rates than the banking institutions. However, the initial outlay of cash that you will be asked to put up is usually much less than the large deposits that the banks require. Some high risk processors might offer other added features such as shopping cart software, web site templates, forms or secure lines for ordering.

Many companies offer this service. Most are available only to US residents, and terms of service vary. Read the fine print on the contract and be sure you know all of the hidden charges that might apply.



Card Service International (<http://www.cardservice.com/>) and Electronic Transfer Inc (<http://www.chargecentral.com/>) are arguably two of the best-known companies of this type in the US. However, merchants who live outside the US may encounter difficulties. Refer to the section on [International Merchants](#).



### **Internet Merchant Account**



An Internet Merchant Account is a special account that permits the acceptance of credit cards over the Internet. Transactions are processed online, in real time. While the customer waits, the system checks the credit card to be sure that it has not been reported stolen, has not expired, and is listed to the same address that the customer has provided. If the card is approved, both customer and merchant are notified that the sale has transpired. This type of account is a stricter banking relationship than one involving face-to-face transactions. Web transactions do not gather signatures from purchasers and therefore there is a higher risk of fraud.

This method of accepting payment is the #1 most important ecommerce method you can offer your customers. Without it, your sales will be much less than need be. Many banking institutions are providing Internet Merchant Accounts to eligible merchants. However, it is even more difficult to arrange this than it is to get a regular Merchant Account.

If you are accepted for an Internet Merchant Account through your bank, you must ensure that the online transactions occur over **secure** lines (often called Secure Sockets Layer or SSL). In some cases, the bank will provide the secure lines as a component of their package. In other cases, you will be responsible for making your own arrangements.

Your web site host might offer secure lines for an additional price, or you can enlist the services of one of the many companies that provide this service.

Note: If you are making a purchase online, you can tell whether you are on a secure line. In Internet Explorer, a little gold padlock will appear at the bottom toolbar indicating that it is secured. In Netscape Navigator, a similar symbol will appear.

### **Credit Card Processing Services**

Similar to high-risk processors, these credit card processing services provide high-risk merchants with the ability to accept credit card transactions online. Many have arrangements in place to process **all of the major credit cards**.

Processing services handle the transactions on your behalf, then issue you payment for sales according to a pre-arranged schedule. You do not need a secure line at your own web site, since the actual transaction occurs on the processor's site, not on yours.



Arranging for these services is easier than getting a merchant account through the bank. Although you will probably be asked to pay a lump sum at startup, it will be much less than a bank would require.

Card processing companies have sprung up like mushrooms. Visiting an Internet Search Engine like Google (<http://www.google.com>) and running a search for "Accept Credit Cards" will give you so many listings that making a choice can be difficult.



Remember *caveat emptor* (Buyer Beware!) Not all processing services are equal and not all are reliable. Horror stories abound about processing services that don't measure up. Before you sign on the dotted line, consider the following:

1. What happens if your processor goes broke or shuts down? In most cases, you will lose the money you invested in their service, as well as any sales fees that are owing to you. You will want a company with a stable record.
2. What is their track record for transferring sale funds to their merchants? Do they transfer every couple of weeks or might you wait for months to be paid?
3. Do they collect any local taxes that may apply to sales coming from your own country, state or province? If they don't, you are the one who will have to make things right with the Taxation Department.
4. Do they provide timely and accurate sales reports? Without proper reports, you won't have the income tax information that you require come tax day, nor will you have the full information you need to analyze your sales figures.
5. Are they using the sophisticated technology that can intercept credit card fraud before it happens?
6. Do they respond promptly to email or phone messages? How is their customer service?
7. What are the terms for canceling the contract? Are you locked in for an extended period? Is there a hefty penalty for cancellation?



So how do you find a **service with a good track record**?

First, avoid the "Accept Credit Card" spams that fill your email mailbox. It's a good idea to subscribe to one of the **mailing lists** that Internet Merchants use, then ask list members what services they are using and what their experience has been. Be cautious of effusive testimonials. At least some of the glowing testimonials that you encounter are written by marketing professionals and given to associate resellers to distribute as their own opinions.

- I-Sales, published by John Audette from Adventive is an excellent mailing list to read. Members are generous with their advice and willing to share their experiences. Subscribe for free at <http://www.adventive.com>
- Canadians will benefit from subscribing to the Canada Talks Business mailing list. Subscribe at <http://www.canadaone.com>





- For other business- related discussion lists, check out the offerings at Yahoo Groups. <http://groups.yahoo.com/>

Credit card processing companies charge an array of fees for their service. Since the processor is essentially taking a risk on your behalf, expect higher transaction fees than a bank will charge for a Merchant Account. Shop around and compare rates, but realize that cheaper is not always better. A low-priced service may not be building the necessary financial reserves and therefore may not have long-term stability. Remember, if they go broke, you lose your startup fee and any other monies tied up in their service.



Here are the fees that you might reasonably expect to be charged:

1. A set up fee.
2. A monthly service fee
3. Transaction fees per sale
4. Credit card discount fees (a percentage of the total sale)
5. Holdbacks. As a safeguard against chargeback losses, many resellers will hold back a percentage of each month's transactions for a period of several months. Since they do not require the sizable deposit that banks require, they protect themselves through holdbacks.
6. Chargeback fees. (Can range as high as \$50 or more per chargeback)
7. Fees to transact merchant-issued refunds.

One final thought on card processing services. Almost all of the services you encounter on the Net are available only to residents of the US. Residents of other countries check the section for [International Merchants](#).

**ClickBank Company's card processing service** has been highly recommended for persons selling digital products (files, software, ebooks, digital music, etc.). The setup fees are modest and the service is said to be available to merchants anywhere.

[Use this link for more information about ClickBank.](#)

## Setting Up: The Technology

Wondering about what you need to do to get the whole thing set up? Since every card processing company will have a somewhat different system, it's not possible to give a specific answer. The following steps are "generally" what will transpire.

1. You apply for the service. The company asks you to sign and return contracts and provide various information.
2. If monies are going to be transferred into your bank account, the company will make necessary arrangements with your bank. You will supply the card processing company with banking information.



3. Once approved with your bank, you can begin setting up your web pages. The card processing company will supply you with coding that must be incorporated into a form.
4. You design a form in HTML for each product you are selling, incorporating the company's coding that you were given. The form will also contain information such as the name of the product, the quantity being purchased and the selling price. Some card processing companies supply software that generates forms for you. If not, you will have to make your own. If you know some HTML, simple forms are not difficult to create.
5. You upload the web page containing the form to your web site. When a customer fills in the form and submits it for a purchase, the request is sent to your card processor's secure web site. There, the customer will provide confidential credit card information. When he or she clicks the final "send" button, the technology processes the sale in real time while the customer waits. The transaction will be either approved or disapproved. Both customer and merchant will receive a message indicating the details of the sale.
6. If the sale is approved, you will then fulfill the order.
7. The card processor will likely provide you with a secure web page where you can go to edit your product list, check on sales figures, generate fund reports or process refunds.
8. According to the schedule stipulated in your sales contract, the card processor will transfer funds from sales into your bank account or otherwise pay you the money owing, minus fees and expenses.

Want to know how to create a form? Try the [tutorial at this site](#).

## Shopping Carts



Do you need shopping cart software? Strictly speaking, no. You can process your ecommerce transactions with nothing more than the HTML form described above. And if you have only a few products to sell and if the budget is tight, you might want to go that route and bypass the shopping cart until later.

However, if you have many products and complex shipping requirements, then shopping cart software is invaluable. Good shopping cart software will collect complex information regarding shipping methods, taxation, quantities and other concerns. Moreover, most online shoppers are accustomed to using this software.

So where do you get shopping cart software?

- If you are using a "**one stop shop**" service, the shopping cart software is likely to be included. More about one stop shops later.
- Your **web host** might offer shopping cart software as part of your ecom package, or for an additional fee.
- You can find **free or low priced shopping cart scripts** on the Web. Many of these free or budget scripts are difficult to install. Unless you are technically astute, or know someone who is, they might not be your best choice.



- You can **purchase shopping cart software** from one of the many developers that sell carts online. Prices vary considerably. You can pay anything from \$100 one time fee to several hundred dollars a month rental. Shop around. You don't want to pay for features that you don't need.

Note: The shopping cart software you use must be compatible with the server that stores your web site and with the card processor's technology. To find this information you will quite possibly have to consult with the software developer, your web site administrator and the credit card processor's tech support people.



## Ecommerce: The Dark Side

### ***Credit Card Fraud:***

When a valid credit card falls into the hands of fraud artists, the thieves typically purchase as much as they can before the owner reports the theft. The most likely items to be purchased are those that can quickly be converted to cash -- **electronics, computers or jewelry**. Merchants selling those items online will be particularly vulnerable to fraudulent attempts.

Credit card fraud artists also **"test"** cards in an effort to learn whether the card is valid. If your web site becomes known as a good "test site," you will be in danger of having your merchant status revoked. This is one of the reasons why you want to ensure that your card processor is using top notch security technology.

### ***Internet Shoplifting***



Many Internet merchants are dismayed to learn that their biggest challenge comes from dishonest customers and not credit card fraud.

It goes like this: In many countries (including Canada and the US), Internet sales are governed by the same laws as Mail Order Sales. With both Internet and Mail order sales, the customer is not present at the point of purchase (POP). Therefore, there is no signature given to indicate that delivery occurred. Customers can contest a sale within 30 days of purchase, stating that the item was not delivered as promised, that the item did not meet expectations or that the transaction was the result of a lost or stolen credit card. In all cases, the merchant is offered an opportunity to contest the chargeback. However, without a signature to indicate delivery, there is often little that the merchant can do.

While these policies are intended to protect consumers from dishonest and unethical merchants, unfortunately they do not protect honest merchants from unethical consumers.



All too many consumers are aware of this and use it to their advantage. The strategy is simply to order an item on the Internet then contest the charge or ask the merchant to issue a refund. The merchant has little option but to comply.

Merchant issued refunds are preferable, since the fee for this transaction is usually only a few dollars instead of the many dollars that a chargeback will cost. However, if the item sold was hard goods (i.e. a physical item like a book or a computer), the merchant will lose the cost of the item plus the cost of shipping. If proof of delivery is available, a merchant might succeed in getting the consumer to return the item -- but will it be in good enough condition to resell? If the consumer lives in a different country than the merchant, it can be next to impossible to get an item returned.

If the item sold is soft goods (i.e. electronic files, software, and ebooks), the merchant cannot request the return of the item, since digital goods can be replicated. At least with soft goods shoplifting, you are not out the cost of mailing or the price of the product.

### ***Piracy***



If you are selling soft goods, piracy is a problem. Since digital files can be replicated readily, there is little to stop a consumer from purchasing your product with a credit card, asking for a refund or chargeback, then distributing the file to other people. Some sell it to others claiming the product to be their own.

Technologies are coming available that will prevent or at least make piracy more difficult. However, at this time, many of these technologies are beyond the budget of the small or home business.

Interested persons can check out Adobe's PDF Merchant®  
(<http://www.adobe.com/store/products/pdfmerchant.html>)

Or Pace Anti-Piracy  
<http://www.paceap.com/default.html>

Or [Internet Marketing Center's eBook Pro](#)

### ***Tips for Protecting Yourself Against Online Credit Card Fraud***

Please don't be deterred by the hazards mentioned above. Take proper precautions and you will find that the majority of your transactions are successful.

1. If you are doing real-time processing, ensure that your technology is up to date and equipped to recognize fraudulent attempts. If you are using a card



processing company, ask about their record of fraud deterrence and the security technology they are using.

2. Insist on the buyer's mailing address, zip code and phone number. Check this out before processing orders of hard goods or orders of significant cost. If you cannot locate a customer with the information given, delay processing the order until you can.



3. Say "no" to requests to process transactions for another entrepreneur who does not have a merchant account. You will be responsible for chargebacks stemming from sales generated by the other person. Similarly, avoid customers with letters giving "permission" to use someone else's credit card.

4. Decide whether you want to ship orders overseas or to countries other than your own. Many merchants find that it is difficult to pursue claims for items sent to other countries. Eastern Europe is regarded as being a particularly high risk area.

5. Be wary of orders from free email domains like Hotmail and others. Look for proof before shipping to consumers with these addresses.

6. Never ship to a Mail Box Address. Insist on a street address.

7. Be cautious of consumers who want pricey products delivered using high-cost and fast delivery methods. If the credit card is stolen, the thief won't care about the price but wants the merchandise as fast as possible.

## Alternative Ecommerce Methods

Various technologies have been developed that provide alternative methods of ecommerce. At this time, credit card transaction is by far the method preferred by online shoppers. However, offering one or more of these alternative methods gives consumers a choice. Not everyone has a valid credit card, and some people are still leery of online transactions.

### Telephone Billing Services



Telephone billing services allow the customer to purchase an item or service and have the amount billed to his or her telephone bill. To date, this is being used for the sale of soft items such as downloads, time measured services (i.e. time spent at a Web site) or for making charitable donations online.

[eCharge Corporation](#) is a pioneer in the use of this technology.

#### Pros

- Eliminates worries about credit cards (for both consumer and merchant)
- Available to customers without credit cards

#### Cons



- Customer is required to download and install a plugin. Many customers will balk at this, lacking the skill or interest to install additional software on their computer.
- Primarily available only for soft goods that can be downloaded.
- Use may be limited to consumers with certain operating systems and browsers. AOL subscribers may encounter problems.



• Available only to customers accessing the Internet through telephone lines (i.e. dial-up). Will not work for transactions over cable modems, ADSL, T1 and ISDN lines.

- Available only to consumers living in certain countries where agreements are in place with local telephone companies.
- Consumers who have blocked 900 number calling on their phones will not be able to use the service.

### ***Electronic Payment Systems***

These systems allow merchants and consumers to set up accounts and engage in cashless trading on the Internet. The consumer must set up a free account, then transfer funds into the account. When shopping at a web site offering this service, the consumer will initiate a transaction that will transfer funds from his/her account to the merchant.

Pros:

- Available to merchants and consumers anywhere in the world.
- Merchant does not need a merchant account.
- Goods can be sold for as little as one cent US.

Cons:

- Consumer must download a plug in, which many do not like to do.
- Consumer must transfer money into the account.
- Consumer can use this service only with participating merchants.

Cybank is an example of this type of service. (<http://www.us.cybank.net/>)

### ***Person to Person Technologies (P2P)***



P2P technologies allow bill payment through email. The merchant opens an account with one of the P2P companies providing this service. The accounts, often free to open, require your contact information, credit or debit card information and your bank account information. When a customer initiates a transaction from your web site, he or she will be required to open an account. According to the customer's instructions, the money for the purchase will then be charged to their credit card and the merchant will receive an email saying that the money is ready to be picked up. Depending on the service's options, he could opt to



have the money transferred into his bank account, credited to his charge card or he could request that the service cut a paper check.

1. Paypal. ([www.paypal.com](http://www.paypal.com)).  
Rated highly by Forbes and others. Offers both personal and business accounts. Some availability to persons living outside the US.



2. MoneyZap([www.moneyzap.com](http://www.moneyzap.com))  
From Western Union. Transfers directly from bank accounts.

3. Payplace ( [www.payplace.com](http://www.payplace.com))  
Better suited for business use than for consumer use.

4. Billpoint ([www.billpoint.com](http://www.billpoint.com))  
eBay's own technology. Takes a cut of auction transactions.

### ***One Stop Shops***

Recently, with the huge interest shown in ecommerce, a multitude of services and products have become available. It's now relatively simple to find a service that will broker your Internet Merchant Account, as well as providing web site storage, a template for designing your site, shopping cart software, a form generator, a secure line for safe online ordering, and more.

Visit Google ([www.google.com](http://www.google.com)) and run a search for "ecommerce solutions."

#### Site Build It

This ultimate all-in-one ecommerce tool is highly recommended for beginners and experienced web builders alike.

### **International Merchants**

Unfortunately, for merchants living in countries other than the US, many of the services available on the Internet are available only to US merchants.

**AND -- a word of warning!** Many of the businesses offering ecommerce services on the web are run by resellers who do not fully understand who is eligible and who is not. You can waste many hours and many dollars with some of these services before discovering that the service isn't available in your country.

For example, some service reps will tell you that the service is available to you if you have a US Postal Box and a US bank account. It is not difficult to acquire a US Postal Box if you are able to visit that country, and your own bank will probably be able to set up a US bank account for you. However, this is not the solution. You will discover later that you really need an actual business address in the US and a business bank account that is set up in the US. This will require a US taxation number. To get a taxation number, you will have to incorporate your business in





one of the US States. This will require filing a US tax return as well as a tax return from your own country. So --- be cautious of anyone assuring you that a bank account and postal box are all that is necessary.



Enough of the bad news. Satisfied customers from various countries around the world have recommended the services that follow. Each listing is based on at least one endorsement. No doubt, many good services are not included.

Going to Google ([www.google.com](http://www.google.com)) and running a search for "international merchants" will turn up more.

**ClickBank Company's card processing service** has been highly recommended for persons selling digital products (files, software, ebooks, digital music, etc.). The setup fees are modest and the service is said to be available to merchants anywhere. [Use this link for more information about ClickBank](#)

Kagi (<http://www.kagi.com>)

Several satisfied merchants from outside the US gave this outfit kudos for their services. Kagi was developed to accommodate payment for "soft merchandise" such as software, files, music, graphics, etc., but also accepts payment for "hard goods" as well. Kagi accepts credit cards and checks on your behalf. They keep a small percentage of the total sale, plus whatever discount rates they were charged by the credit card company involved. There is no start up fee. This appears to be a small company but their satisfied customers suggest that they provide good service.

Valis International (<http://www.valis.org/>)

A merchant from Ireland reported that this company was the only one that could get things sorted out for him. Valis provides assistance with incorporating in the US, getting a US bank account, US Merchant Account, and offshore issues.

Vantage Services Inc. (<http://www.vanserv.com/>)

This credit card processor specializes in providing services to non-US merchants. They were the first ecom service to receive the Internet Better Business Bureau seal of approval.

Internet Secure ([www.internetsecure.com](http://www.internetsecure.com))

This Canadian company was the first in Canada to provide credit card processing services to Canadian merchants. It is now available to merchants in selected countries around the globe.

Internet Billing Company (aka iBill) ([www.ibill.com](http://www.ibill.com))

Some satisfied clients suggested the Internet Billing Company (aka iBill). iBill offers an array of ecom services, some of which are available to international merchants.

PayPal ([www.paypal.com](http://www.paypal.com))





A P2P service mentioned previously. PayPal offers limited services to people living in 25 countries other than the US. As a non-US resident in one of the participating countries, you can use PayPal to credit and debit your credit card, but you cannot transfer money to or from your bank account. As of February 2001, PayPal made bank account transfers available to Canadians.



## Definitions

### Commerce Service Providers (CSP)

CSPs are business or web sites that provide ecommerce solutions.

### Digital or Electronic Cash or E-cash or Ecash or Digital Money

These terms are also used interchangeably, and they refer to any of the various methods that allow a person to purchase goods or services by transmitting a number from one computer to another. The numbers are issued by a bank and represent



sums of real money. Digital cash is anonymous and reusable.

Unlike credit card transactions, the merchant does not know the identity of the shopper.

### Electronic Checks

Customers pay for merchandise by writing an electronic check that is transmitted electronically by email, fax or phone. The

"check" is a message that contains all of the information that is found on an ordinary check, but it is signed digitally, or indorsed. The digital signature is encoded by encrypting with the customer's secret key. Upon receipt, the merchant or "payee" may further indorse by encoding with a private key. When the check is processed, the resulting message is encoded with the bank's secret key, thus providing proof of payment.

Various companies are selling Electronic Check software and services.

### Electronic Wallet

Electronic Wallets store your credit card numbers on your hard drive in an encrypted form. You then make purchases at Web sites that support that particular type of electronic wallet. By clicking on a Pay Button, customers initiate a credit card payment via a secure transaction enabled by the electronic wallet company's server.

### Electronic Commerce or Ecom or Emmerce or EC

These terms are used interchangeably, and they all mean the same thing - the paperless exchange of routine business information using Electronic Data Interchange (EDI), email, electronic bulletin boards, fax transmissions and Electronic Funds Transfer. It refers to Internet shopping, online stock and bond transactions, the downloading and selling of "soft merchandise" (software, documents, graphics, music, etc.), and business to business transactions.

### Extranet



An extranet is an extension of a corporate intranet. It connects the internal network of one company with the intranets of its customers and suppliers. This makes it possible to create e-commerce applications that link all aspects of a business relationship, from ordering to payment.

### **Disintermediation**

Disintermediation is the process of bypassing retail channels or mail order houses and selling directly to the customer.



### **Hard Goods vs. Soft Goods**

Hard Goods are items that exist in the real world, as opposed to soft goods, which exist virtually or electronically. For instance, an Internet merchant selling a book that is shipped to the customer in a print version is selling hard goods; a merchant offering a book for download in electronic format is selling soft goods.

### **High Risk Processors**

High risk processors are financial institutions or companies that that issue merchant status accounts to high risk businesses. They offset their risks by charging higher transaction fees and higher rates than to the traditional banks.

### **Immerce**

Immerce is the new term being used for commerce that is transacted totally over the Internet.

### **Merchant Account**

A Merchant Account is a relationship between a business (i.e. a merchant) and a merchant bank, which allows the retailer or merchant to accept credit card payments from customers.

### **Microtransactions or Micropayments**

Microtransactions are transactions of tiny amounts - a few cents or a few dollars, typically made in order to download or access graphics, games, and information.

### **Telephone Billing Systems**

A very new approach, telephone transactions allow the customer to purchase an item or service, and the amount will be billed to his or her telephone bill.

## **Beyond Ecommerce**

Collecting money is one aspect of ecommerce. Okay, it's a very important aspect. If you don't have that part figured out, why bother?

But once you know how you are going to collect you money, you'll need to think about marketing your product and other related issues. Follow this links for invaluable products and services -- some of them free.



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You'll save money on legal fees when you do the preliminary work of developing your own agreement. This customizable Joint Venture contract is ready for you to use --customize, add new terms, delete terms you don't want, and modify as required -- then take it to your lawyer for a final review before the negotiations begin

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