

MY NOTE TAKING NERD'S NOTES FROM EBEN PAGAN'S GURU MASTERMIND PROGRAM

Nuts & Bolts Training: Picking the Right Merchant Account Provider & Setting Up Your Account

(Hosted by David Hlavac; with Peter Knopf, from Merchant E-Solutions)

E-commerce Credit Card Process Overview:

Your "Merchant Account Provider" carries out the following three important steps, for each on-line sale/transaction:

STEP 1: It verifies for the merchant (that's you) that the card holder (that's the buyer) has proper credit with their card-issuing bank

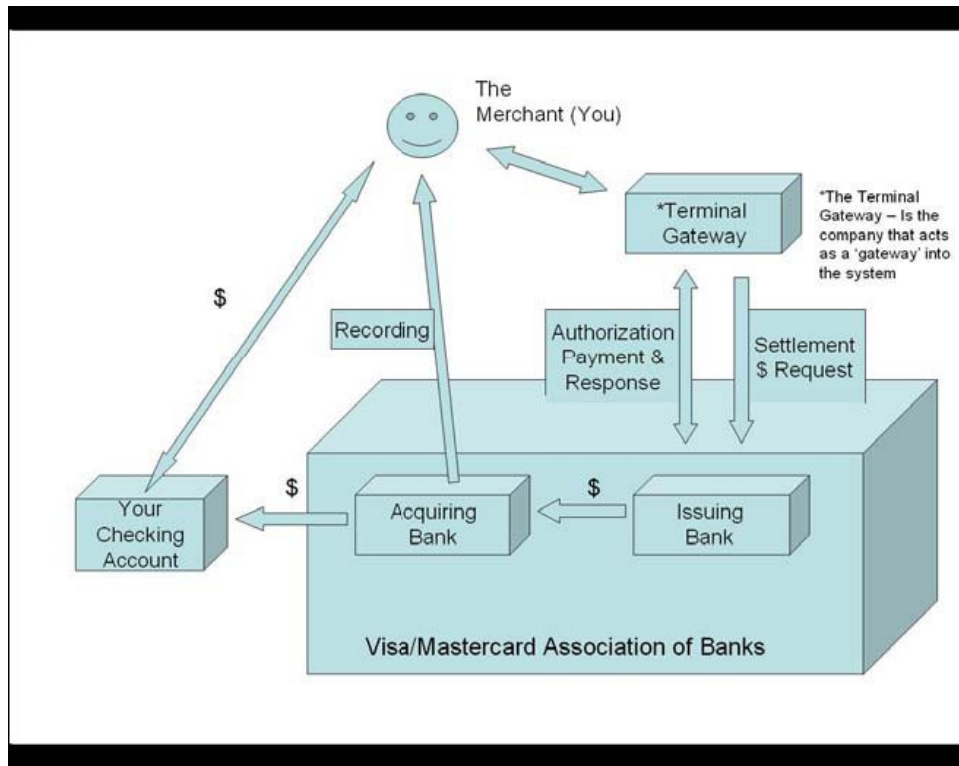
STEP 2: It authorizes the merchant to accept the sale (verification and authorization take place in real-time)

STEP 3: It settles the transaction

Q: What is a Merchant Account?

A: It is essentially a credit arrangement between you and your 'Merchant' bank, which allows you to receive payment by credit card.

The Merchant Account is what deposits your customer's credit card payment into your business checking account.



The Five (5) Steps to Payment Processing Set-Up:

1. Create a Legal Entity (e.g., an LLC, Sole-Proprietorship, etc)
 - The recommended service for this is: Incorp Services (www.incorp.com)
2. Pick a Bank and get a Business Checking Account
3. Apply for a Merchant Account
4. Choose a Payment Gateway
5. Attach the Merchant Account & Payments Gateway to your Shopping Cart

Recommended Merchant Account Provider is: MerchantE-Solutions.

Their website is: www.merchante-solutions.com

For any questions and to receive assistance, contact: Peter Knopf, at (650) 628-6818, or via email at: pknopf@merchante-solutions.com
 It is recommended that you be able to accept these four (4) big credit cards for your products: Visa, Mastercard, American Express, Discover
 When applying for a Merchant Account, they'll want to know the following information:

- Your price point and your estimated product sales per month
- Your product returns policy

Merchant Account Pricing/Fees:

The Visa/MC fee rate – this is a percent of sale: Approximately 2.5% of each sale

- This fee is taken as soon as the customer's credit card is charged
- Toll Fees: About \$0.30 per transaction

- This fee is auto-withdrawn from your bank at the end of the month
- Service Fees:

- Monthly and Annual
 - Per "charge-back" fee

Possible Reserve:

- About 10% of sales

Example:

- For a \$100 sale with a 2.5% fee and \$0.30 transaction fee:
\$97.50 is deposited to your bank account
\$0.30 is debited from your bank account at the end of the month
= \$97.20 in total reserves left for you
- Other fees may apply depending on the card type used and if there are any "charge-backs"

Q: What should I look for in a Merchant Account Provider?

A: Look for the following:

- Online reporting & 24/7 customer service
 - It should process Paypal, credit cards, pair authentication services (e.g., Bill Me Later, E-checks, etc), and other Merchant Accounts
- The recommended Merchant Account Provider, which can do all of the above, is:
www.merchante-solutions.com

Instructions for setting up a Payment Gateway:

Your Merchant Account Provider may be able to set up the Gateway for you.

The Payment Gateway allows you access to the credit card and banking system.

The Payment Gateway is the "technology" piece, while the Merchant Account Provider is the "financing" piece.

Examples of common Gateway providers are:

- Paypal/Verisign
- Authorize.net
- Merchante-solutions

Costs related to your Gateway: Initial set-up fee; monthly fees; per transaction fees (about \$0.10 USD per transaction)

Managing the Risks:

Be aware of the "charge-back":

- The consumer (credit card holder) has the right to dispute a transaction for up to six (6) months
- When a formal dispute is lodged with the card issuer by the credit card holder, then funds from the sale are returned to the card holder's account
- The burden of proof is on the Merchant to show that the charge was Legitimate
- Costs (This varies)

How Your Offers impact Your Refunds and Charge backs:

- Complications: Your amount of risk depends upon your Offers, your price points, and the perceived value of your products (David Hlavic mentioned that in regards to refund requests, there is a noticeable difference between women customers and men customers; however, David did not specify what the difference consisted of)
- If you offer a "free trial" to your customers, do an up-front credit card authorization
- Develop a relationship with your Merchant Account Provider and actively manage your risks; this will help you receive a lower rate, in the long term
- Process all refunds meticulously!! (This is Your responsibility)
- Your goal should be to keep the chargeback rate below 3% (for Amex) and 1% (for Visa and MC)

- By processing refunds meticulously, this will help you to avoid ugly chargeback fees, but you'll still have to pay the per-transaction fees

Alternative Methods of Payment:

a. Third party payment services

- Paypal's Payment Express: This may be useful whether you are a larger merchant wanting to add all payment options, or a smaller merchant just getting started (note however, not all customers will use

Paypal; therefore, you should try to have other payment options available, such as Visa, MC, Etc)

- "Google Check-Out"

b. Mail orders

Final Piece of Advice: It is HIGHLY RECOMMENDED that you call and stay in touch with your Merchant Account Provider on a regular basis (for example, to let them know about any new product launches you have, which will generate more purchases than your site normally has).