

A Quick Guide to Third-Party Credit Card Processors

By Angela Wu

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If you've ever looked into getting your own merchant account, you already know how expensive it can be. Application fees, setup fees, standard monthly fees, transaction fees... they all add up fast! It can be too much for a business that's just getting started.

There is an alternative. Third-party credit card processing companies handle your credit card transactions for you in return for a cut of your profits. Setup is typically either free, or there's a small, one-time fee.

Here's how it works: once you've applied and/or been approved and paid any applicable setup fees, you create ordering links for your products. These ordering links lead to the third-party processor's server, where they handle orders on your behalf. Credit cards and online checks are common ordering options provided by third-party processors. Some also offer a telephone ordering option.

After your customer places an order, that sale is automatically credited to you, minus the company's commission. You are paid by the third-party processor at regular intervals, according to their pay schedule.

So what's the big deal? Why would third-party processors appeal to startup businesses? Aside from the setup fee, you are only ever charged IF and WHEN you make a sale. If you don't sell anything, you're not charged anything.

Here are a few things to consider when researching third-party processors:

- * How much is the setup fee? Don't be put off if there is one; three of the four processors I use charge a setup fee, and they've been well worth the small cost.

- * Transaction fees. After paying these fees, do you still make a reasonable profit? I've seen fees ranging from around 5% to about 30%, with the average somewhere in the middle.
- * Are there additional fees for accepting online checks or telephone orders? Does the processor even offer these as options?
- * Settlement fees. Does the company charge to cut you a check each pay period, or to wire transfer your funds to you?
- * How much is the reserve? A 'reserve' is the amount held back from each pay check as a "slush fund" against future refunds, returns, or chargebacks. What percentage do they hold as a reserve, and for how long? It's commonly 10%, 10%, held for 6 months before being released back to you.
- * Pay frequency. Most pay either every two weeks, or once a month.
- * Reliability. Talk to others who have used the service to see if they've had any problems. If your order processor is 'down', your customers can't buy!
- * Restrictions and limitations. For example, is there a minimum monthly sales quota you must reach? Is there a maximum product price you can set? Does the company restrict what the type of content you can sell? Do they handle only tangible or intangible products?
- * Customer service. Does the company respond promptly and helpfully when you contact them?
- * 'Extras'. For example, are there reporting or tracking capabilities? Free use of a shopping cart?

Finally, here's a short reference list of several third-party processing companies:

- * Clickbank, <http://clickbank.com/>
- * GloBill, <http://globill.com/>
- * Digibuy, <http://digibuy.com/>
- * Revecom, <http://revecom.com/>
- * iBill, <http://ibill.com/>
- * 2Checkout.com, <http://2checkout.com/>
- * Verotel, <http://verotel.com/>
- * CCNow, <http://ccnow.com/>

As you can see, there are many options, so don't let a

tight budget prevent you from taking orders online! Third-party processors are both convenient and affordable -- even for startup businesses.

Angela is the editor of Online Business Basics, a practical, down-to-earth guide to building an Internet business on a beginner's budget. If you enjoyed this article, you'll love the book! Visit <http://onlinebusinessbasics.com/article.html> or request a series of 10 free reports to get you started: <mailto:businessbasics@workyourleads.com>

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