



## Consulting



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# Processing Credit Card Payments

Congratulations! You've made the sale, took the customer's order and have their credit card number.

How do you convert this information into cash?

## Using Existing Systems

The easiest method of processing credit card payments for many small businesses is to process payments using their existing merchant accounts. Credit card information from the online shopping cart is cleared manually using existing [VeriFone](#) hardware or software. If you plan to have a real "bricks and mortar" business and an e-commerce site, this may be the best option.

## Automating Payments

The second option is to hire a company to process just the online credit card payments. These companies usually charge a 4-5% transaction fee and have a minimum monthly charge that ranges from \$20 to \$50. This method is ideal for existing businesses with a fairly large and regular volume of sales.

The Yahoo! index provides a [list of over 150 companies](#) which offer credit card merchant services.

## Alternatives

Several companies now offer third party billing and processing of credit cards for a flat percentage of the transaction. For an average fee of 9%, these companies will clear the credit card transaction using their merchant accounts and cut you a check for the transaction minus the transaction fee. Payments are either deposited in your credit account or checks are cut and mailed.

- [CCNow](#) - collects 9% of your total sales in excess of \$100.00. No setup fee; \$9.95 monthly fee.
- [ClickBank](#) - collects \$1 plus 7.5% of the total amount charged to a credit card. There is a one time setup fee of \$49.95. Only for digital products (delivered over internet).

- [iBill](#) - collects 15% for up to \$10,000 in sales per billing period. There are no setup or monthly fees. Limited to sales of access, content or services.
- [iFulfill](#) - collects 9% of the total amount charged to a credit card. There are no setup or monthly fees.
- [NetBanx](#) - collects 5% to 8% (various additional fees). Targeted at UK-based businesses. Setup fee of £75 (\$130) for one item or £125 (\$200) for 2-10 items
- [PayPal](#) - collects 2.9% plus 30¢. No setup or monthly fees. Commonly used by eBay auction merchants.
- [Verotel](#) - collects a 19% commission on sales of content subscriptions. There are no setup or monthly fees.
- [Verza](#) - collects 4.9% plus 99¢ per transaction. There are no setup or monthly fees. Note: chargeback fee of \$15.
- [VISAge™](#) - collects 3% plus \$2 per transaction. There is a one time setup fee of \$49. For digital and tangible products.

This method is best used in the initial start-up period when the number of sales doesn't justify the expense of monthly minimum merchant account fees. Eventually, as sales increase, it will be less costly to convert to a standard merchant account.

## Factoring

**Warning! Be very careful not to factor a credit card number.**

Factoring involves ordering a second time with the credit card number. It is generally illegal in most states to collect a customer's credit card number and then re-enter that same number into another merchant's ordering system. This is a common mistake among small businesses that sell products which are drop shipped by a second business, such as a manufacturer or wholesaler.

The Arkansas Code of 1987 states in 4-59-502:

*"(a) A person authorized by an acquirer to furnish money, goods, services, or anything else of value upon presentation of a financial transaction card or a financial transaction account number by a cardholder, or any agent or employee of such person, who, with intent to defraud the issuer, acquirer, or cardholder, remits to an issuer or acquirer, for payment, a financial transaction card record of sale, which sale was not made by such person, his agent or employee, is guilty of **financial transaction card fraud**.*

*(b) Any person violating this section is guilty of a **Class C felony**."*

If you're not swayed by the moral or legal argument, don't do it because it's easy to get caught. All it takes is one customer initiating a chargeback, and you can lose your merchant account forever.

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