

Online Transactions & Internet Merchant Accounts: E-Commerce 101

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If you are planning to open an online storefront and process credit card transactions through your site, you will need to talk to your host and your bank to make sure you have the following five elements in place to properly handle these transactions:

1. Merchant credit line for the Internet
2. Link to the bank settlement network
3. Way to report authorizations, settlement and confirmations
4. Encryption system
5. Reporting system for your accounting department

In general, if your bank agrees to provide the credit line, it will take care of the other four items. But many small banks may not have experience dealing with online transactions. As a result you might need to open an Internet merchant account with a bank other than the one where you have your standard business credit account.

If your regular merchant account is with a different bank, your Internet merchant account will usually act as the liaison to your standard merchant account.

Once you've found a bank that will grant you an Internet merchant account, expect to pay close to \$5,000 in setup fees. You will also pay an online transaction fee that on average will cost 2.5 percent of the sale in most cases (as opposed to 1.5 percent for standard credit card transactions). Why the higher rate for Internet transactions? Banks perceive a greater risk in online commerce.

If all of this sounds confusing you can either ask for guidance from your host or check out POS Card Systems [<http://www.poscards.com/>] -- they begin by finding a bank that will grant you an account and will handle the details.

The following list of URLs will assist you in learning more about the important issues involved in

online transactions:

Internet.com's E-Commerce Guide: Library <http://e-comm.internet.com/resources/library/library.html>

Electronic Commerce Information from Visa
<http://www.visa.com/cgi-bin/vee/nt/ecommm/main.html?2+0>

Master Card's Merchant Information Site <http://www.mastercard.com/merchants/>

TopHosts.com -- Find hosts that support e-commerce Web sites <http://www.tophosts.com>

TopHosts.com offers a searchable database of Web hosting services. Visit <http://www.tophosts.com> to learn more about hosting or to find the ideal hosting company for your Web site.

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