



Your Website Coach



Should I Accept Online Payments? – 6/29/06

The World Wide Web has done a lot to improve our lives as business people and that includes the ability to electronically accept money. Not only can you purchase products online, you can pay for services rendered, too. Cheryl Bida of *G & C Accounting Services* (www.gcaccounting.com) asks "I'm an accountant and I accept credit card payments from my clients in person, but now I'm thinking about doing it from our website. What must I do to accept online payment?"

There are two basic ways to accept payment online, 1) Online merchant account and 2) Online payment solution. Cheryl, since you already have a merchant account, let's talk about an **online merchant account**. This type of account involves using a virtual terminal (a.k.a. online terminal or payment gateway). The difference lies in how the customer's payment information is transmitted to the bank. When you go to a department store and pay for something by credit, that payment goes through a Point-of-Sale (POS) terminal or the "swipecy thing" as I like to call it. The POS terminal processes the transaction which then gets sent to your bank. When you make your purchase online, you enter your name, address, credit card information in a form that sends your transaction to a payment gateway. The payment gateway encrypts your sensitive information to ensure that it passes securely between your customer and you. Included in this process is a secured line (SSL), digital certificates and fraud detection. Generally, when you go this route there are more details to which you must tend. Authorize.net is an example of a very popular payment gateway.

An **online payment solution** is an all-inclusive service. It takes care of everything; you simply supply some basic information. PayPal (owned by eBay) is probably the most popular online payment solution. This very flexible method allows you to set up in a couple of hours and you don't need to have a separate shopping cart. In the case of PayPal, customers can shop your website and pay you through them even though they don't have a PayPal account.

Depending on the company, both types of solutions offer the ability to start and stop the service when you wish (i.e. monthly rather than annual commitments). However, the online merchant account usually has monthly fees and cancellation fees in addition to their regular service fee.

Consider **online checking**, too. Your customer pays by check without using pens, envelopes and stamps. Your internet check processing provider will then either issue you paper checks that you can deposit in your bank or you can go the "paperless" route; cleared funds are electronically deposited into your checking account.

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