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Alternative Online Payment Systems

By Godfrey Heron

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One of the most frequently asked questions I get as a webmaster is "can you setup an ecommerce system for our company?"

For most businesses venturing into ecommerce, e-payment means accepting credit cards. This involves setting up a complex system including a SECURE order page/shopping cart software, a merchant account (basically a bank account that receives the credit card proceeds), and a credit card processing service. Care has to be taken to ensure that the shopping cart is compatible with the authorization service. All the various elements need to be compatible and interface with each other.

While the bulk of Internet ecommerce is still transacted using credit cards, there has been steady inroads being made by alternative methods of settling e-transactions. These Web Payment Services (WPS) have ingeniously utilized the most popular application on the internet "e-mail", to appeal to customers.

By using an existing platform to launch their services, WPS providers have enjoyed wide appeal with customers worldwide. The largest of these, PAYPAL, has approximately 11 million users, processes 150,000 payments per day, and attracts over 20,000 new users each day.

But are there any advantages of using these alternative payment systems over credit card merchant systems? To help you decide the following criteria will be evaluated:

- (a) SetUp
- (b) Maintenance Costs
- (c) Ease of Use/Convenience
- (d) Cash Flow Effect
- (e) Customer Perception

SETUP

As mentioned above the setup of a credit card merchant system is complex. The setup of a merchant account may take up to two weeks or more for final approval to be granted from the financial institution involved and verification of the integration of

various components completed.

WPS services on the other side of the scale, are incredibly easy to setup, almost laughably so. For example, Paypal, which is the largest WPS just requires a merchant to go to the Paypal site to register their account. This whole process may take 5 –10 minutes. There is no transaction processing software to install, and importantly, no shopping cart to rent or buy. Paypal simply generates a HTML code which you can place in your site next to your inventory items.

A click on these buttons takes the customer straight to Paypal's secure server. When customers want to make a payment they send a message to Paypal, and then Paypal, the middleman, does the rest.

MAINTENANCE COSTS

Establishing your own merchant account for credit card processing and installing a shopping cart can easily run into hundreds of dollars. In addition there are the ubiquitous monthly minimum fees and address verification fees (a proven anti–fraud strategy).

WPS providers don't levy application setup or monthly charges, and the costs are competitive with Credit Card transaction processing charges. These average at \$0.35 and 2.5% per transaction.

EASE OF USE / CONVENIENCE

Although WPS providers intimate that their services are very user–friendly, the fact of the matter is that WPS services are not as easy to use as credit card systems. WPS services require the user/ customer to register with them, if they have not already done so. Now this is a major disadvantage as it interrupts

the flow of "impulse" purchases. Potential customers have been known to abandon shopping carts for even less interruptive purchasing hiccups.

On the merchant side, payments received in WPS accounts are not automatically lodged to your bank account. The merchant will have to manually claim and then transfer payments into their bank account. With credit card merchant accounts your account is automatically updated.

CASH FLOW EFFECT

Having your own merchant account will certainly increase the flow of funds to your bank book. While a merchant account provider will hold your funds to prevent charge backs losses, the period of time is usually relatively brief, about 48 hours. Expect to wait

for at least a week before money appears in the account of WPS providers.

CUSTOMER PERCEPTION

At this point in time credit cards are the medium of choice and a business that uses only WPS providers as the means of receiving payments may appear to be amateurish and "small-fry". In the online world, where site visitors don't have a face to relate to, perception is critical, and the ability to accept credit cards has been held as a mark of an established, feet on the ground firm.

CONCLUSION

There are definite advantages to using WPS providers. They should however be used as backup payment services or in conjunction with merchant accounts. Its always to your advantage to present the customer with as much payment options as possible.

The following is a list of WPS providers:

<http://www.paypal.com>
<http://www.c2it.com>
<http://www.westernunion.com>
<http://www.billpoint.com>

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Payment Methods On Ebay

By David Riewe

Gone are the days when only cash (or cattle in some cases) was the only accepted mode of payment for trades. As the concept of trading evolved, so did the means of paying for items.

Today's electronic world pushes the envelop further. With the advent of online trading systems such as eBay, many new forms of payment have flourished.

First of all, on eBay, the mode of payment depends on the agreement between the buyer and the seller. Most often, the seller will specify his or her desired payment method. In these cases, the seller often has primacy in the decisions regarding payment modes. However, the buyer may still communicate with the seller regarding a viable alternative if it suits both parties.

The following is a list of common eBay payment modes.

Cash On Delivery

Cash is, after all, still cash. This payment method can be done through a third party courier system or by the buyer and seller meeting each other at an agreed place. The advantage of a cash transaction is that the exchange of the item for payment is done in the presence of the buyer and the seller (or the seller's representative). However, some people will not accept the risk present when two strangers meet.

Personal Check

One popular method of payment is personal check. Writing checks is easy and safe. However, many sellers do not like accepting check because they are easy to cancel.

PayPal

PayPal is the payment of choice on eBay. In fact, eBay owns PayPal.

Using PayPal is easy, convenient, and relatively safe. PayPal acts as like an internet 'wire transfer.'

After signing-up for PayPal, one may send cash to anyone with an email address using the PayPal system. PayPal also has security features that safeguard against fraud in case there is a dispute between the seller and the buyer. This system is best for transactions up to \$1000.

Escrow.com

Escrow.com is the payment of choice for purchases over \$500. Escrow.com holds the buyer's money from the seller until the seller delivers the item. Only then will the funds be released to the seller. This system makes for a very safe, although highly procedural transaction.

Wire Transfer

This is the payment of choice for countries that do not carry the PayPal service. Wire transfers are risky because the buyer usually has to wire over the funds before the seller sends the items. The chance for non-delivery of items is high.

Other Payment Systems

The number of third party payment services is steadily on the rise. Their systems for payment vary. However, to be successful they must be convenient to use and safe as well.

Discover 101 Ebay Auction Tips



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