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THE SIX DEADLY E-COMMERCE SINS

By Thomas Harpointner

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If you plan on cashing in on the e-commerce revolution, the question is no longer whether or not you should accept credit cards and checks on your web site. The question now is how to set up a successful e-commerce solution that fits both your business model and your budget.

Here are some statistics you should be aware of:

According to Nua Internet Surveys, as of January 2000, there are approximately 248.6 million people online worldwide.

CREDIT CARD USE DOUBLES IN YEAR

Dec 3, 1999: Twice as many US adults used credit cards to buy products and services online in 1999 than did in 1998, according to new research from Cyber Dialogue.

INTERNET ECONOMY WORTH \$1 TRILLION IN 2001

Nov 4, 1999: The Internet economy will be worth \$1 trillion by the end of 2001 and \$2.8 trillion by the end of 2003.

BUSINESS-TO-BUSINESS E-COMMERCE TO SOAR

Business-to-business e-commerce will show blistering growth in the coming years, with the worldwide market expected to expand to \$7.29 trillion by 2004, more than 50 times larger than in 1999, states a market research company. (TechWeb)

When you take these facts and figures into consideration, it's no surprise that more and more entrepreneurs and businesses are feverishly rushing to establish e-commerce web sites.

On the surface, the concept is very simple: You set up a web hosting account with a web hosting company; you create an appealing site that sells your products or services; and you get a credit card merchant account so you can accept credit cards.

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But there is more to enabling an e-commerce web site. There is a lot of uncommon knowledge regarding the establishment and operation of a successful e-commerce web site, which makes the difference between your site becoming a success or thousands of dollars wasted and hundreds of hours of pain-staking trial and error.

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I have outlined below the six deadly sins that can derail an otherwise simple process of enabling an e-commerce web site.

1. Merchant account does not support e-commerce or AVS

If your merchant account is not compatible with Internet processing systems, you will need to manually enter transactions and even risk losing your account due to bank regulations. AVS (Address

Verification System) is required by VISA and it is a system that matches address criteria on the cardholder's statement to reduce chargebacks. If AVS is not used, you can be charged up to 3.75% or more per transaction and leave yourself open to chargebacks. If you incur a chargeback rate higher than 3%, the bank may terminate your merchant privileges. Once you are listed as a terminated merchant, getting another credit card merchant account is virtually impossible. Be sure your processing solution uses AVS and that your merchant account is set up for Internet processing.

2. Processing solution does not support real-time processing

Processing solutions that do not work in real-time can wreak havoc on your growth and marketing efforts. Spending time entering every order manually can literally cost you more than the order is worth. Also, when Internet orders are not processed in real-time, you won't know if a credit card is valid until you manually process it, at which point you will need to personally contact the card holder. This can turn into a time consuming and costly process, especially if the customer lives overseas.

Of all the credit card orders processed by our office, about 7% are invalid or declined the first time. Fortunately, since we utilize a real-time processing system, the customer is able to re-enter his/her credit card number or use a different card.

Additionally, AVS is not typically used or available with manual systems, thus boosting your transaction discount rate to a whopping 3.75% on every dollar!

3. ISP or hosting company does not support particular processing solution or shopping cart

Often, a web host does not support a certain shopping cart. In addition, not all shopping carts work with all credit card processing solutions. Furthermore, if you're working with a different vendor for each service, you're vulnerable to customer service nightmares. Few things are worse for an online business than not being able to get fast answers to common questions or problems. You can save yourself a bundle of frustration by working with a company that can provide one-stop service for your web hosting, shopping cart, and e-commerce needs.

4. Insufficient processing limit on merchant account

The majority of banks that accept Internet merchants only allow a certain volume to be processed on a monthly basis. The limit for newer businesses typically ranges from \$5,000 to \$17,000 per month.

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Furthermore, as part of the fine print in their merchant service agreement, some banks prohibit you from obtaining a second merchant account. Businesses that breach their merchant service agreement are subject to immediate termination of their merchant privileges. As your business grows, you can find yourself in quite a bind. To avoid this type of trouble, be sure that the merchant service provider you choose to work with can help you establish a relationship with a bank that can offer you higher processing limits and is flexible enough to grow with you.

5. Higher processing and transaction fees due to credit history

Some merchant service providers will penalize you with higher processing and transaction fees if you have less than perfect credit. They may want you to believe that the bank passes on these fees. The reality is that processing fees have nothing to do with your credit. It's simply a way for them to make more money from your account. Your discount rate should be no higher than 2.5% (unless you have a high-risk product such as an adult site) and the transaction fee should be no higher than \$0.50 per transaction. The only area where your personal credit plays a factor is in the rate you receive when you are leasing processing equipment.

Don't get taken for a ride! Be sure that you work with a merchant service provider that's honest with

you and will take the time to answer all of your questions. The rates you receive today will have a long-term affect on the profitability of your business.

6. Up front cash reserves required

Often, a new or home-based business is required to pay thousands of dollars up front to get their merchant account approved. Banks require reserves from "high-risk" merchants to protect themselves against potential losses that they may incur. For example, if a merchant processes \$20,000 in one month and then disappears, the bank would incur all losses due to chargebacks.

If you plan on processing a high volume, have high priced items, or high-risk products, be sure to select a merchant service provider that has enough experience to negotiate reasonable terms with the bank for you. It's to your advantage if the bank will agree to take just a small percentage from each sale to build up the reserve as opposed to asking for cash up front.

AIS Media was founded in 1997 with the goal to be a one-source solutions provider for companies wanting to do business on the Internet. Today, AIS Media offers:

- Lightning-fast and reliable web hosting services
- Complete credit card and online check processing solutions
- Integrated shopping carts and easy Internet storefront builders

Contact one of AIS Media's knowledgeable and friendly e-commerce Account Executives today for a FREE, no-obligation consultation at (800) 784-0919 or (678) 382-2247 in Atlanta.

Or visit us on the web to get fast answers to the most frequently asked questions and COMPLETE A FREE ONLINE NO-OBLIGATION APPLICATION TODAY AT http://www.aismedia.com/home/merchant_services/index.htm?co1866xsmartbiz.

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7 Deadly Sins of Distributor Web Sites

By Jeff Gilman

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Survey of Distributor Web Sites in the HVACR Industry

Survey shows how web sites DID NOT try to sell. Examples include; few placed featured merchandise in best web page selling space, few offered 'scratch and dent specials', and few provided resources for existing high volume customers. Complete text at http://www.marketingforidiots.com/distributor_web_sites.htm.

Mr. Gilman has extensive management information systems experience gained in several capacities. He has held the positions of Senior Consultant with KPMG Peat Marwick, performed project management for the U.S. Agency for International Development, and was the Office Automation Project Manager for the Health Care Finance Administration and the Integrated Services Office Automation Architect for Saudi Telecom



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