

# PAYMENT PROCESSOR SECRETS



LEARN THE SECRETS TO CHOOSING THE RIGHT PAYMENT PROCESSOR!

# Payment Processor Secrets

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## Introduction to Payment Processor Secrets

Choosing a payment processor is one of the most critical elements of any online selling endeavor, yet all too often people choose the first processor that is recommended by someone they know, or through an online ad without any additional research involved.

The trouble is, not all payment processors are created equal, and choosing the right one (or wrong one) could make or break your business. You see, your payment processor is the very thing that provides guidance to your customer during the checkout process. It leads them from adding your product into their cart to completing the purchase. Should your customer become confused or overwhelmed by a clunky, inefficient processor, they will likely give up before ever completing their payment.

Faulty or over complicated payment processors are often the cause of abandoned shopping carts, so it's important that you streamline and simplify the purchase process.

Some factors you'll want to explore when choosing your payment processor include:

1. **The payment processor's reputation and history.** You need to be sure you're going to receive payment (should you choose a merchant account that receives the payment on your behalf), that you'll be paid on time, and that the company isn't likely to freeze your account for no reason and hold your funds for a long time.
2. **The processor's terms & conditions.** Breaking the terms & conditions, even inadvertently, will cause you to lose money or at least have your money tied up indefinitely. Be sure upfront that your business model and product are okay. Never assume!
3. **Fees.** Fees take money away from your profits. Sometimes they take so much it can damage your business, especially if you're already operating on low profit margins.

4. **Payment terms.** You need to know how often you will be paid, how the money will arrive, etc.
5. **Support.** You need to make sure that you are given the support that you need, and are able to contact the payment processor at any time should you encounter problems.
6. **Customization.** Continuing to build your brand is an important part of any online business and so you want to make sure that you're able to customize your customer's checkout process, including your logo, return URL, or perhaps integrate purchases with your mailing list.
7. **Reliability/Uptime.** If your payment processor is hosting your product or purchase pages, you want to make sure that they are hosted on reliable, secure servers and that your customer's information is protected at all times.
8. **Ability To Maximize Sales.** Does the payment processor offer you the option to offer additional products, upgrades, or backend offers? It's important that you get the most out of your sales funnel and are able to maximize the value of every customer.

In this report, you'll learn how to choose the payment processor that is right for you, and how to know which features you're likely to need the most.

## Why Do You Need a Payment Processor?

The very first thing to ask before you even start looking for payment processor is: “What am I selling?” Don’t just say “an eBook” or “clothes”, for example. Be specific, because it really matters.



Some payment processors don’t allow the sale of digital goods, while others actually don’t allow physical

goods, or at least aren’t set up to do it reliably. Some don’t allow products that relate to certain fields. Some pay too slowly to make a drop shipping business workable.

Here are some questions you need to ask yourself:

1. Is your product physical or digital?
2. Will you be doing any drop shipping?
3. How quickly/often do you need to get paid in order to stay in business?
4. Is your product or business considered “high risk”?

These questions will help you determine exactly what you’re looking for in a payment processor, and which features you can live without if necessary.

Once you have a list of features you can’t live without, choosing a payment processor will be much easier, because you can eliminate those that don’t have those features right away.

## Traditional vs. Mobile

There are three major types of payment processors to look at:

1. Traditional
2. Mobile
3. Merchant account



You'll learn more about merchant accounts in the next section, but for now we'll discuss traditional payment processors vs. mobile payment processors, and how to know which one you need for your business.

Traditional payment processors are designed for taking payments online. Generally, they allow the customer to input their credit card number, expiration date, CVV number and address in order to verify their identity and process payment.

This would be clunky for someone who is not selling online. They would have to get the customer to visit a website and type in their information, making the sales process slow and frustrating. Online, this is no problem, because it's what people are used to. Offline... not so much.

Mobile payment processors are designed mostly for offline merchants. You get a card reader that attaches to the headphone jack of your mobile phone or tablet, and you simply swipe the card to take payment. It's much faster and more secure, making the payment process easier for you and your customers!

Many mobile devices also allow you to input information manually when necessary, as well.

## Merchant Accounts

You may want to secure your own merchant account and use a payment gateway. Fees may be a bit lower if you do this, however there are some pitfalls to choosing a merchant account over a payment processor.



For one thing, you may need to have good credit to secure a merchant account. Most merchant accounts do check your personal or business credit report before they extend an account to you.

Another factor to consider is the fact that many merchant accounts charge a monthly fee. This gives you access to lower percentages in fees than other payment processors, however if you don't do a lot of volume this may not be profitable for you.

Additionally, you may have to pay an extra fee to a payment gateway if your website isn't set up with its own or if your merchant account doesn't provide one. The payment gateway is a program that interfaces with your merchant account to process the credit card transaction, make sure it is valid, check for fraud, etc. Without a payment gateway, a merchant account is useless.

Merchant accounts are best for high-volume merchants who need lower percentages taken out in fees and can afford a monthly fee in order to access it. If you're just starting out, a merchant account probably isn't the right choice for you, and you should consider one of the other options.

## Reputation



A processor's reputation is probably the single most important factor to look at before you even consider using them. Too many processors have gone out of business and left their customers unpaid, or at the very least scrambling for a new processor at the last minute, or they've taken so long to pay that people have gone out of business while waiting on their payments, unable to pay their

bills in the meantime.

There are many ways to find out what people think of certain payment processors. For one thing, you can search for their name online along with words such as:

- Complaint
- Scam
- Sucks
- "I hate"
- Problems

Another way is to search for their name on forums where business owners and marketers gather, such as:

>> <http://www.warriorforum.com>

>> <http://forums.digitalpoint.com>

Just remember to take everything you read online with a grain of salt, because you'll never know both sides of the story. For example, people have berated PayPal for closing their accounts and freezing their funds for months, only to reveal later they had done something against PayPal's terms.

If you see a large number of complaints and very little praise, it's a good indication that you should probably stay away from that payment processor. If the reverse is true, you can add them to your list of processors to research.

What are some potential pitfalls to choosing a processor with a bad reputation?

- You could be paid late, or not at all.
- You could have your money tied up for no reason in the event of an account cancellation.
- If they aren't reputable, customers may not want to purchase through them.
- If their servers go down, you could lose money.
- If they go out of business, you could lose even more money.

These are just a few potential scenarios that could happen if you aren't careful with the payment processor you select, so thorough research is key.

## Terms & Conditions

Another often neglected thing to consider is the terms and conditions of the processor you are considering. Many people mistakenly believe it isn't necessary



to read the processor's terms and conditions, thinking that whatever they are selling couldn't possibly violate them. But this is a big mistake.

For example, did you know some payment processors do not accept internet marketing products? It's shocking, but true. There are a few that feel most internet marketing products are "scams" and aren't willing to accept the risk.

Also, did you know that some processors don't allow the sale of erotic fiction, or bar certain (legal) types of it? It may be surprising to hear that, since it's like a kind of virtual book burning, and considering they have banned topics that are actually quite legal and protected by free speech, but it does happen.

Additionally, certain products may not be specifically outlawed by the terms and conditions but still be barred by a particular processor. The only way to know for sure is to contact their customer service and ask about your product, and even then a processor can change its terms at any time.

This is one reason having a backup processor is absolutely critical. We'll talk more about backup processors in a later chapter.

## Fees

Payment processor fees can vary greatly – from as little as around 2% all the way up to 20% or more. Why the vast difference?



One major reason for the difference is whether or not that processor accepts “high risk” merchants. High-risk merchants are those that either have bad credit (although many processors don’t check credit) or are participating in a business that they deem to be “high risk”.

Examples of high-risk businesses include:

- Pornography and other adult content
- Bail bondsmen
- Check cashing services
- Dating services
- Escort services
- Internet marketing, multi-level marketing, and investments
- Gun shops
- Credit repair

These are just a few of the different categories of products some processors deem as “high risk”, and those processors often charge excessively high fees as a way to offset the risk they take by processing for these businesses.

Here are some of the most popular payment processors, along with their current general fee structure:

- [PayPal](#) – 2.9% + \$0.30 per transaction
- [Amazon Payments](#) – 2.9% + \$0.30 per transaction for payments over \$10, less for larger transactions, and 5% + \$0.05 per transaction for payments under \$10
- [Stripe](#) – 2.9% + \$0.30 per transaction
- [Braintree](#) – 2.9% + \$0.30 per transaction
- [2Checkout](#) – 2.9% + \$0.30 per transaction
- [Authorize.net](#) – Setup fee \$99, monthly gateway fee \$20, transaction fee \$0.10, batch fee \$0.25, plus other fees for fraud detection, recurring billing and other services
- [ClickBank](#) – Setup fee \$49.95, check processing fee (every time they pay you) \$2.50, \$1 + 7.5% per transaction
- [Square](#) – 2.75% per swipe or \$275 per month flat rate with no transaction fees
- [Intuit GoPayment](#) – 2.75% per swipe or 3.75% per keyed transaction or \$12.95 per month plus 1.75% per swipe or 2.75% per keyed transaction

As you can see, the industry standard is 2.9% + \$0.30 per transaction, however that can vary significantly. Authorize.net has setup fees and monthly fees, however their transaction fees are quite low.

## Payment Terms

Another major factor to consider is the processor's payment terms. You need to ask a few key questions in order to determine whether or not a particular processor is right for you.

Let's say you are drop-shipping merchandise. In case you're not familiar with it, drop shipping is what you order a product from a wholesaler, and that wholesaler ships directly to your customer. The customer pays you, and you pay the wholesaler.



The trouble is that you must pay to ship that product to the customer upfront, because most wholesalers won't be willing to extend credit to you. If you don't have a huge cash reserve, you will probably need to choose a payment processor that can make cash available to you as quickly as possible.

Here are a few examples of common payment terms:

- **PayPal** – If you're in the United States, PayPal can make your money available to you instantly through their PayPal MasterCard debit card. This card can be used just like any debit card to make purchases with your PayPal balance (up to \$3,000 per day), or you can remove money via any ATM (up to \$400 per day).

If you are outside the U.S., or you need to move more than these amounts, you can transfer your money to a bank account. This can take up to four business days to complete.

- **Amazon Payments** – Payments can be withdrawn at any time as long as your balance is at least \$1.00. You can choose to have your money sent to an Amazon.com gift certificate or you bank account, and it says withdrawal to a bank account takes about 5-7 business days, which they claim is determined by your bank.
- **Stripe** – According to the Stripe website, money shows up in your bank account seven days after the money is charged. If you are paid for an order on Friday, the money will be in your bank account by the following Friday morning.
- **Braintree** – The Braintree website says U.S. merchants receive funds from Visa, MasterCard and Discover transactions within 2 business days, and American Express transactions within 4 business days or less.
- **2Checkout** – Payments are made weekly, but accounts are subject to a reserve that will be held for 90 days in case of fraud or chargebacks.
- **ClickBank** – ClickBank pays by direct deposit or check. Accounts that receive direct deposit are paid once per week or once every two weeks. All other accounts are paid every two weeks.

Pay periods end at 12 A.M. Pacific time on Wednesday, or every other Wednesday for two-week payments. Payments are sent on the Wednesday two weeks after the end of a pay period. Thus, it may take a couple of weeks to receive your first payment, but direct deposits will usually come weekly after that. Their minimum payout is \$10.

- **Square** – For payments taken during business hours, they are usually available in your bank account the next business day.
- **Intuit GoPayment** – Money is deposited into your bank account daily at 3 P.M. Pacific.

Keep in mind that most processors have payment limits, minimum payouts, etc.

For example, you might have to wait until you've accrued at least \$100 in funds before you'll be paid.

Or you might only be paid up to a certain amount of the money you receive, while the rest is held in reserve for a certain length of time in case of refunds or fraud.



## Regional Availability



Your location is another factor to consider. If you're in the United States, you probably won't have to worry so much about this. But if you're in another country, you may find some payment processors restrict you from being able to use their systems.

The primary reason for this is a high prevalence of fraud in certain countries. However, there are other reasons some processors cannot or will not process transactions in certain countries.

*Factors can include:*

- Currency exchange rates
- Banking regulations in that country
- The current social or political environment in that country
- Other factors

If you are having trouble finding a payment processor that will allow merchants for your country, you may have to consider using a high-risk provider or perhaps partnering with someone who lives in a country that will allow them to get a merchant account and splitting the profits with them.

## Backup Processors

Because you may be subject to changes in terms and conditions, it is always best to have at least one backup processor in reserve. Don't wait until you've been banned from one to find another, because you could lose an unbelievable amount of money in the process!

*Here's what you need to do to secure a backup processor:*



1. Review the processor just as you would any other processor. View the terms and conditions, fees, payment terms, etc.
2. Apply for the processor and get accepted.
3. Test the processor thoroughly with your current system to be sure the switch could be seamless in the event it becomes necessary.
4. Send some sales through their system so you can start any "timers" that might be in place to get paid.

Ideally, you will want to have at least two backup processors in place in case one of them isn't working, closes, or changes their terms by the time you need them.

Another good reason to have a backup processor is in case your payment processor goes down during a major launch or shopping day. Imagine releasing a new product and having your payment processor go down for a day or two! You could lose thousands of dollars, upset affiliates, and even potentially ruin your reputation, because affiliates and customers will expect you to be prepared for such an event!

## Final Words

If you're looking for a payment processor, you need to be sure you review all of the various available processors and take a look at which type is best for you. Look at their terms and conditions, compare them to your business model, and choose one that fits well with your current structure.

If you've been using the same payment processor for a long time, you might want to consider changing processors if you find one with better terms. Remember that not all payment processors are created equal. Some have better fees, some have better features, and some have better service.

Just don't take the selection process lightly. Remember, if you end up doing a very high volume of transactions, a difference of just 1% in fees could make a huge difference to your bottom line. This is especially true if you're running on low profit margins already.

Hopefully you're now equipped with the information you need to choose the right payment processor for your business!

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