

# Why Don't YOU Have a Merchant Account?

A business owner's guide to getting set up, and why  
by **Craft Show Success.Biz**

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## **Introduction – What is a Merchant Account?**

How many business owners know what a merchant account is, raise your hand? My guess is, you may have heard about it, know it might be able to help your business – but you have no idea what it really is and why you really should have one for your craft show business.

That's what we're going to show you.

In this brief guide, we're going to show you not only what a merchant account is, but also why you need one, where to get one, and the things you need to be aware of when selecting a merchant account provider. We'll also take a look at how all of this applies to your craft show business – and how you can make it work!

## **The Merchant Account**

Have you ever walked into a store, picked out a few items, walked up to the check out counter, pulled out the good old plastic, and have a retailer say, "I'm sorry, I don't take credit cards..."? Believe it or not it still happens.

Here's something to chew on:

**25% of personal expenditures are made using credit cards, retail cards and personal banking cards.**

The startling thing is – this is growing. Fewer and fewer people are carrying a billfold full of dollar bills, and instead swapping it for the ease, convenience and security of a credit card, bank card, or retail card. That's one in four purchases are made with a card of some type – and that rate is growing.

Now, you can read between the lines – **a merchant account** is an account that allows you to accept credit cards as forms of payment for purchases. More specifically:

- **A merchant account** – A commercial bank account agreement that establishes the rules and procedures for accepting and processing payments through the use of credit cards for a retail establishment.

This means that you will be able to accept credit cards when people come into your craft show booth, pick up an armload of gifts, and come to the checkout wanting to spend hundreds on your crafts. That's the ideal scenario. The only problem is... they will probably put 95% of that armload back if you don't accept their credit card as a way to make the payment.

### **Types of merchant account**

There are two main types of merchant accounts:

- Card present
- MOTO
- **Card present** – This method is exactly how it sounds – the card has to be 'present' in order for the transaction to go through. The card is usually swiped through a credit card terminal or other point of sale apparatus and then it is approved or declined, and the customer signs the receipt to validate the sale.
- **MOTO** – This is an acronym for "Mail Order Telephone Order" – which is what we might do if we were ordering something over the telephone, or sending out credit card information to someone through the mail.

I would say that as craft show booth operator, having the point of sale 'card present' system would be more convenient – but in some cases you may not actually be able to use that sort of a system, depending on the craft show.

Most of the point of sale card swipe systems need an Internet connection (or telephone line) in order to send and receive the information for the transaction. Some local craft shows might not have the infrastructure to support an on the spot credit card swipe – but there are way around that later in this book.

### **How it works**

The merchant account set up, fundamentally, is very simple. If you think of your merchant account at 'zero' every month, and then each time a customer uses their credit card to pay for a purchase (provided the purchase is approved), then that amount (minus service fees) will be deposited into your merchant 'bank' account.

Usually, at the end of each business day, all of the sales, minus the cost of doing the business (service fees), will be deposited into your account.

**Note:** The fees you are charged will vary between merchant account providers and you should shop around when you are comparing the service and the features – along with the fees.

### **Merchant account tips:**

- **Do your homework** – Don't just sign up for convenience sake. Find out as much as you can about the provider and how they do business.
- **Good sale system** – Find a sales system that works for you: it could be a swipe terminal, a wireless terminal, an Internet gateway account, or you may have credit card processing software.
- **Don't always look to the bank** – They may not provide you with the best service, prices, or sales options. Actually, most people steer away from banks when it comes to opening merchant accounts – they just don't seem to be able to compete. Do your homework.

### **Why YOU should be accepting credit cards**

I can think of a hundred reasons... but the most important one is this:

#### **The BOTTOM LINE!**

Few and far between are those who can say that setting up a merchant account **hasn't** helped their business. Frankly, with the number of people who primarily use credit cards for purchases, how can you not be accepting credit cards?

But, I understand some of you need a little bit more evidence before you jump head first into a world of credit. I also understand that for many of you, accepting credit card payments seems a little bit intimidating – after all, you don't want the pain and hassle of having to go through the receipts, and sending them to Visa, etc, etc.

Well, the good news is, unless you have an old imprint machine, you don't have to do it anyway. It is as simple as this: customer likes product, customer buys product, customer swipes, terminal says approved, customer signs, you both smile and say have a wonderful day – **and the money is in your account!**

Here are a few examples of how merchant accounts have helped the businesses of others:

**“... my sales are up over 400% as compared to last month.”**

- Michael Berkowitz, Bravo Rewards, Cherry Hill, New Jersey

**“... sales immediately went up by 1,000% I challenge anyone to find a better investment than that.”**

- David Nixon, Chancellor Vaporizers, West Palm Beach, Florida

And that was on the website of just ONE of the top merchant account providers - <http://www.charge.com/banners/click.php?vince231> . People rave about the merchant account options that are available to them and their business.

Shortly before this guide was written, I had the opportunity to assist Judith Chrisco of **Accent Creations** - <http://www.accentcreation.com> - with getting set up with taking credit cards. She reported to me that her sales had doubled as a result.

But, aside from all of the hoopla, here are more hard facts (unbiased) that support the use of credit card payment for your craft show business.

- American households spent \$412 billion in credit card purchases in 2004
- In 2004 it was reported that 76% of Americans had a credit card
- There are nearly two credit card accounts per person in the United States (574 million Visa and MasterCard accounts) – or more.
- Americans typically spend between 12 and 18% more if they use credit cards instead of cash.
- Projections of 24.4 billion credit card usages by people with Visa, MasterCard, American Express and Discover Cards (ATM and Debit New EFT Data Book) – so for every man, woman and child on EARTH, four credit card transactions were made.

These are all interesting statistics, and one can judge what that means for the economy, debt loads, etc (I digress), but the one thing it means for your business is that you could be missing out on potential sales by not having a credit card

payment option in your craft show booth.

Think of how often you pay cash for something today – there is no doubting that it has probably decreased over the past 5 years with the introduction of bank cards, but also because credit cards are easy to use.

Further, more people are using their credit cards to gain rewards, cash back, or because they don't cost as much in interest any more. It is obvious to me, with the statistics to back it up, that you could be hindering the growth of your business by not accepting credit cards as a form of payment.

Merchant account providers have made setting up the merchant accounts as simple as possible, with many of them providing free set up, free software, free support – all the bells and whistles – because they make money every time one of your customers makes a purchase as well. They believe they are going to make more than enough money by having you as a customer. And in the meantime, you are going to be making more money, too!

I think you know that taking credit cards at your craft show booth is probably going to help increase your sales. If you don't have this option already, you have probably had a few people ask you if you take credit cards. And more often than not, you sheepishly answer, "No, I don't... sorry."

At that point, some potential customers might even put their purchases back on the shelf. No business owner wants to see that happen.

## **Accepting Payment at a Craft Show**

All right, we have already established that setting up a credit card payment system is the way to go. But, what options are really out there. We'll take a look at a few options for setting up your credit card payment system, and how the merchant account will work via that system.

- Credit Card terminal (at check out or wireless)
- Virtual terminal (with software)
- Credit card imprint / terminal combination
- Imprint style

These are going to be your main sources of providing a credit card service to your customers.

## **Credit card terminal**

This is the easiest one for most people, because the terminal is set up right next to your till, and you just swipe the card through, and the rest essentially takes care of itself. This system is provided by a great number of merchant account providers, and can be set up at a relatively low cost to the merchant.

With the terminal you are going to need access to the Internet – so the information can be exchanged with the cardholder's account. Some craft show venues may not be set up to support this feature (this might be something you check for in advance), so you will need to come up with an alternative.

One of the newest alternatives is the use of a wireless terminal. This looks very similar to the normal terminal... but, of course, wireless. The main feature of the wireless terminal is that the Internet access doesn't have to be by a cable - it works very similar to standard wireless technology for your cell phone or cordless phone.

You may also consider having a terminal that can track and store the credit card information, to be processed at a later time. You still have to connect to the Internet, but you can do it at your leisure, after a hard day's work at your craft show.

Yes, the technology is that advanced.

The cost for a terminal system can vary – depending on the kind of bells and whistles you get attached. You might want the full package and look at spending a thousand dollars to do it. Or, you might just need something that simply says yes or no for the transaction, and puts the money in your account.

All options are available, and once again, this is some thing that requires a little bit of research on your part, to determine the set up that is best for you.

## **Virtual terminal**

You can have a computer set up at your craft show booth, complete with the credit card processing software that will allow you to key in purchases online, but that can come at a greater cost.

With this software, you can login into the main merchant account website, key in the customer's credit card information and at that point it links up with the cardholder's credit information – providing you with an accept or decline notification.

You can perform all of the same sort of functions with the virtual terminal as you can with one that is sitting right next to your till, connected directly to the credit card company.

This system might work for you if you already have a laptop or desktop computer check out set up, and all you need to do is validate the credit card using the computer. There is no need to shell out the cash for the terminal set up.

You still need an Internet connection for this set up, but once again, you won't have to put out the capital cost to purchase or lease a terminal from the merchant account provider. As long as you have a computer that can access the Internet, a virtual terminal is possible.

### **Credit card terminal / imprint combo**

You have a few shows a year in smaller venues that just can't handle the number of Internet requests – so they just don't offer it. You need to be prepared. It is always a good idea, if you are going to accept credit cards for payment, that you have the age-old imprint machine on stand by.

You should have something like that available anyway – as your terminal could go down at any point during the craft show and you still want to be able to take payments by credit card.

But, for this explanation, you can combine the imprint and terminal set ups to make the credit card transactions. Most terminals will allow a manual key-in option for taking credit cards – so all you need to do is to take the imprint of the credit cards while you are at the show, fill them in so the customer has a copy (with signature), and then you will have to spend some time keying those imprints in afterward.

But, really, it is a small price to pay when you are doing good business.

### **Imprints**

While many of the merchant account providers are steering clear of the old imprint method, if this option still works for you, then it might be well worth looking into. You may have to search around, but it is probable that the major banks will be able to assist you in this venture.

The imprint system might be the most reliable, except that you don't know whether a charge is going to be rejected on the spot. While most credit card

companies will still honor the purchases made with an imprint machine, they have been clamping down on customers that are taking advantage of the time factor between purchase and validation.

This solution works well in situations where you just don't have Internet connection, and can be used in conjunction with the terminals and with a virtual set up. In most cases, you can even key them into your Internet payment gateway if you have a website set up with your crafts on it.

## **Choosing the right merchant account provider**

There's a good bet that you have been provided with at least enough information to get you looking further into the idea of accepting credit cards at your craft show booth. Now all you need to know is what to look for in a quality merchant account provider.

In order to move through this section in as much detail as possible, we will break it down into three areas:

- Fees
- Service and support
- Flexibility in payment options

### **Fees**

This is the part that even scared me off. No one wants to have to pay someone money for not really even doing anything. After all, you probably have to pay for the equipment, and all the merchant account company really does is give you a line on the credit card company.

One major thing that is overlooked when merchants think of the fees is this:

### **You may not make the sale if you can't accept credit cards.**

Most business people will tell you that you have to spend money to make money. This is one of those cases. You can't make the money from the sale if you aren't providing the consumer with a way to pay for it. Without those extra sales – you may not make enough money to keep the business going. When we are talking business, sales equals revenues, and revenues equal profit – that's really what it is all about, isn't it?

For the most part you are going to be looking at these standard fees:

- Swiped charge (discount rate)
- Internet/Mail or Phone charge
- Fee per transaction
- Monthly statement fee

But, some providers will attempt to charge for nearly everything – from application, to set up to an annual fee, a maintenance fee, fees for client cards being overlimit.... And on and on.

You need to spend money to make money – but you need to decide where to draw the line with charges from your merchant account provider. If it is going to take you month after month to recover the costs of providing the service, or if you have to raise your prices too significantly it won't be worth it to deal with that provider.

#### **Fee tips:**

- **Pay to play** – Steer clear of providers that are promising little to no fees. You always have to pay something for this kind of service.
- **No cap** – Some merchant account will only allow a certain sales volume – make sure you do not get this kind of account.
- **Need Global** – If you expect to be taking a large number of credit cards from overseas, then you need to talk with your service provider about this. If you don't, those cards may not be accepted, or you will be charged a phenomenal fee.
- **Leases, bad** – You can usually purchase the equipment outright from a reputable merchant account provider. Those that push leases are trying to make more money than they deserve, for providing you with equipment you will never own.
- **No reserve fee** – Companies that charge a reserve fee are just trying to insure there are no chargebacks... but that isn't really a fair business practice. Don't go with a merchant account provider that is going to charge you for other your customer's credit issues.

It is safe to say that you are going to be charged something for using the merchant account service – but it should never be exorbitant. Do your homework to determine your needs in advance, and have a reputable company work with you to service those needs.

## **Service and support**

What do you do if your terminal goes down? What happens if you have a technical glitch? Is there any one to call? How long is service going to take? These are all questions that need to be answered when you are setting up your merchant account with a provider.

Service and support isn't always in the forefront when you enter into an agreement, but when you have a lineup of people at your craft show booth on a busy Saturday afternoon and the terminal goes down – what sort of help can they provide?

You can find this information out by going to the company's website, or by talking with those who subscribe to a merchant account service already. Don't be afraid to ask questions of the merchant account provider to show you how they are able to handle support and service situations. Ask them:

- If my terminal goes down, how long does it take for you to respond?
- Do you have 24 hour support?
- If I find the account type or service I have selected, how easy is it to change?

Simple questions such as these are often the most revealing ones as far as gauging the customer service you are going to receive along with your account.

## **Flexible payment options**

This isn't how much you pay them, because trust me, they take their cut straight off the top. This is how many options YOU have for customers to pay. Remember, you need something that is going to work for your craft show booth. Is that a terminal system? A wireless terminal? Or are you going to have a virtual terminal with secure software in order to log your purchases. The sign of a good company is being able to meet your needs.

Don't let a company corner you into something you think isn't good for you, or your business. Sure, let them help you decide which system is going to suit your immediate needs, but don't let them push a service on you. If they do, it is probably a service that is going to cost you more money than it is worth. Good merchant account providers are trying to get you set up for as little money as possible. The sooner they set you up, the sooner their company makes money.

## **How merchant account fees work**

You probably don't want to get into this without knowing how much it is going to cost you to have the credit card service. No problem. We'll give you a brief idea of what you might be looking at in a typical month for merchant fees, and how they might be derived.

The main fees you will be charged are:

- Discount fees
- Transaction fees
- Batch fees
- Statement / Support / Service fee
- Internet Gateway fee

### **Discount fees**

This will be where the bulk of your fees go. This is the fee charged on every transaction, and is a fixed percentage of the transaction. For example, if you charge out \$1,000 in one weekend, and your terminal transaction fee is 2%, then you will be charged \$20 for those transactions.

This fee may or may not be different when processing mail or phone orders – but the bottom line is, for those customers paying with credit card, you will pay the merchant account provider a set amount. These fees can also vary between keying in credit card numbers and swiping them. Find out what those fees are and compare with others before signing on.

### **Transaction fees**

This is simply a charge that is attached to every transaction. I know, I know, they already charged you a percentage for the discount rate – but they also charge you each time you use the system – regardless of whether or not the sale goes through.

The fees for transactions are generally between \$.20 and \$.30 cents, and they vary between credit card, and the type of system you are using.

### **Batch fees**

Well, you do need to transfer that money into your account, don't you? This is the fee for doing just that. The merchant account provider needs to make a daily

deposit into your account so you have the money available.

This charge is usually between \$.05 and \$.50 per day.

### **Statement / Support / Service fees**

These are those maintenance costs that go with having a service like this. Someone needs to prepare the statements, someone needs to be on the other line to answer your technical cry for help and just for general service. You want a merchant account provider that excels in these areas, so it is worth it to pay the price.

You may struggle with the size of this charge each month, but you will be wondering why it is so low when the person on the other line just saved you a weekend's worth of sales with their excellent technical support.

### **Internet Gateway fee**

You will have this fee if you are using an Internet portal in order to make the credit card transactions. This is a standard charge, because they are likely paying someone else for the Internet service as well, and this is usually just a charged that is passed on down the line.

### **Other fees**

There can be a host of other fees, but generally speaking they are fees that are specific to certain set ups and situations and you can talk with the merchant account provider about those charges. When you discuss with them the type of account you need, they should inform you of any charges you may incur as a part of doing your business.

Some of these fees might include:

- Monthly minimums – fees charged if you don't reach a certain dollar value in sales
- PIN Debit fees – If you choose to include debit charges on your terminal set up (for bank cards), then you will be charged for these – like a transaction fee.
- Overlimit fees
- Equipment reprogramming fees

- Address verification fee – if you are not swiping transactions, this is an additional fee that can be charged.

### **Final tips for choosing merchant account providers:**

- **Check references** – Work with a company that has a long history of satisfied customers. If a company can't provide you with qualified, independent references, then you should walk away.
- **100% Money back guarantee** – This should be ironclad. Don't get involved with a company that cannot provide you with a guarantee of this sort. Watch for little caveats or small print that gives them any sort of out – this is 100% guarantee – no questions asked.
- **Steer clear of banks** – Non-bank merchant account providers are competing on a more competitive level, and therefore are willing to offer the merchant a better deal and better service. We have all had experiences with big banks I am sure – they just don't care about the little guy.
- **Check the BBB** – You can always find reputable companies listed with the BBB. But, even if they are listed, always ask if that company has received complaints about their business practice.
- **Watch for 'teaser' discounts** – Many providers will try to lure your business with low discount rates, but then jack them up once they have you locked in for business. BEWARE!
- **Watch for junk fees** – These are the kind of fees that appear as lines in your statement, and you have no idea what they are for, and neither does the merchant account provider.

**Note for all fees** – When you are putting together your price for the crafts in your craft show booth, you need to consider the price of doing business. So, that means you need to apply the price of these fees into the cost of your products so that you don't end up making less profit overall in your crafts.

For example, if you have 500 items in your booth, and your fees are around \$75 per month for all of the merchant account services (give or take), then you need to add \$.15 to the price of each product. This pays for the service, and the price is absorbed by all customers, not just the ones that pay by using their credit

card.

It makes sense to ensure that you are including the costs of running your business into the price of your crafts. If you didn't then you probably aren't going to make any money. Always keep in mind the profit margin when you are selling your crafts.

## **Taking Business to the Next Level**

OK, so you might only be running a craft show booth – but that doesn't mean you can't ramp things up and start accepting credit cards as payment. You never want to lose sales, because that ultimately means you are losing profits. You keep losing profits and eventually you are not going to have a business anymore.

Accepting credit cards is a tried and true method of increasing your sales – more and more people are using credit cards – and prefer to – so why are you not getting on board and accepting them as a form of payment for your crafts? One might wonder what you are waiting for.

I may sound a little tongue in cheek – but the evidence is there. We showed you much of it earlier in the guide. Credit card purchases continue to go up and up and up. And you saw the testimonials of merchant account customers inside the guide – would you turn your back at a 400% increase in business? How about 1,000%

Would you be interested to know that the average increase the sales for a person that has incorporated a merchant account service is double. That's right, double. It almost seems worth it to subscribe – just for the increase in sales at your craft show booth.

With that said, always do your homework, and make sure this is the right thing for you. You don't want to find that it is costing you more money to run a merchant account than it is generating sales for you. That would defeat the entire purpose of doing it.

**Now is the time to do it!**

You have the information you need to begin making an informed choice on selecting a merchant account provider. All you have to do is find the one that

works for you.

If you need a place to start, consider **Charge.com** - <http://www.charge.com/banners/click.php?vince231> or **PayPal** - <https://www.paypal.com/us/mrb/pal=L6DMR2NTB888J> as a merchant provider. Both of these should serve you well.

Also, if you want someone to help you with this, or need more information, I would be glad to help you get going. Just email me - [vincent.shawn@gmail.com](mailto:vincent.shawn@gmail.com).

**Best Wishes!**