

UNDERSTANDING MERCHANT ACCOUNT COSTS

Hello and welcome to the wonderful world of e-commerce! E-Commerce can be quite confusing, but 1stCommerce has broken down YOUR COSTS and how the E-Commerce system works to ensure you can become an E-Commerce Expert.

Step 1: The Merchant Account

- \$100 Non-refundable application fee - This you understand as the one time setup fee for your merchant account. This is a non-refundable fee, but 1stCommerce has a 98% approval rate for applications.
- 2.39% Discount Rate - Visa & MasterCard and the processor take a fee for every transaction. It works like this. On a \$100 sale, the discount rate of 2.39% would deduct \$2.39 from the \$100 sale. There is a 25-cent transaction fee charged to each order and a 5-cent AVS (Address verification service) fee. Therefore, on the \$100 sale, the processor would keep \$2.72, giving you, the merchant a net of \$97.28. Note, some banks deduct this fee at time of sale, while most deduct it as a total of charges at the end of each month.
- \$25 Minimum Monthly fee - In the example above, you the merchant would pay \$2.39 cents in total transaction fees on that order. The bank has a minimum of \$25 per month in transaction charges. So if you did not do another order for the month, they would charge you the additional \$22.58 to cover the \$25 monthly minimum. If you do zero orders a month, you will be charged the \$25 monthly minimum. If you do \$25 a month or more in transaction charges, then you pay no minimum.
- \$.25 + .05 Transaction Fee - This is the fee charged for each transaction as described above.
- \$10.00 Monthly Customer Support Fee - This fee is charged to your account for a monthly statement that is sent to you each month itemizing all of your transactions, much like a bank statement, that you will use to reconcile your month's sales.

Step 2: The Shopping Cart and Payment Gateway

Now that you understand the merchant account fees, you need to also understand the other two parts involved in E-commerce:

1. You must have a shopping cart (or script written) that will allow your customers to order their items online and that shopping cart (or script) must be able to connect to a...
2. Payment Gateway. The gateway is what connects your shopping cart to your merchant account so that you can take credit card transactions in real time. The gateway also uploads your batches of transactions for the day at a designated time and allows you to keep records of all transactions with name, address, phone numbers and credit card numbers. The gateway offered by MCPS is \$79.00 to setup for AIT customers and has a monthly recurring fee of \$29.95. There are NO other charges involved with the gateway.

Step 3: Marketing your Products

PAL or "Partnership Advantage League" is a virtual warehouse of vendors and buyers exchanging and reselling each other's products and services at a premium discount. Imagine gaining instant access to thousands of channel resellers for your products and services. If you sell something, give other PAL members a discount and let them resell your product or service for you.

Summary:

To sum it all up: If you sell nothing at all, your merchant account monthly cost will be \$35.00 for the merchant account and \$29.95 for the gateway, totaling \$64.95 per month. This could be a consideration during your first month or so in business if you are unable to sell any products/services. Once your business starts to grow and you do a minimum of \$1,033.00 per month your costs will be \$39.95 per month.

How'd we do? If you still have questions, please feel free to call on 1stCommerce at any time.
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