



Web Site Mini-Guide: Using PayPal

You can connect your Web site to PayPal to take credit card orders. This guide describes the pros and cons, and explains how to go ahead with using PayPal.

Overview

PayPal (at paypal.com) is an internationally-used system for making and taking payments. **Anybody** with an e-mail address can use it to take payments, even if they aren't running a business or don't have a merchant account. In fact, some years ago, the popular auction system eBay bought PayPal because it allowed individuals to accept payments easily.

A few years ago, PayPal was inconvenient to use as a business, because your customers had to be PayPal members before they could pay you. This meant that they had to go through a laborious sign-up process at the PayPal site. Many businesses lost orders simply because customers couldn't be bothered going through this sign-up process.

However, PayPal recently removed that restriction, and now allows anybody to pay you using PayPal, as long as they have a credit card or they are a PayPal member themselves. The money goes into your PayPal account, and you can transfer it into a regular bank account at any time.

PayPal charges a very reasonable fee of 2-3%, which compares very favourably with a merchant account from a bank.

Pros and cons

As a business owner using our e-commerce system, you have three options for taking credit card payments:

1. You get a merchant account with a bank, and Web site orders are e-mailed to you for processing. You treat them just like a phone/fax order – i.e. you process the transaction manually using your merchant account.
2. You get a merchant account *and* a "real-time payment gateway" for automatic processing of transactions. You still get the orders e-mailed to you, but this is only for you to ship the orders; the payment has already taken place.
3. You use PayPal. This is just like option 2, except that you don't require a merchant account.

In an ideal world, you would use option 2. You get the benefit of your own merchant account and you have the transactions processed automatically.

However, the downside of this option is that it costs more – significantly more. It typically costs an additional \$500-800 per year for the bank and payment gateway. And that's on top of your merchant fees of 2-4% per transaction.

The other downside of options 1 and 2 is that it's not always easy to get a merchant account, especially if you're just starting out in business. Even if you do get the merchant account, your bank might not allow you to do "customer not present" transactions, which means that you can only use it for face-to-face transactions.

That's why PayPal seems to be an attractive option. It's easy to set up, the transactions do get processed automatically, and the costs are low. However, it does have two drawbacks, though they are relatively minor:

- Because of PayPal's history as a popular choice for individuals and amateurs, it still carries a slight stigma. Some of your customers might think you less professional if you use PayPal. That perception is changing, but it's still there to some extent.
- The PayPal ordering process is *slightly* more complex. Your customers have to go through one extra step, and have to enter their name and address details twice.

Overall, here are our recommendations:

- If you can't get a merchant account, the choice is easy: Use PayPal (option 3).
- If you would like to look as professional as possible, and you can afford the extra \$500-800 per year, get the full merchant account and payment gateway (option 2).
- If you only think you'll get a few orders and you don't mind processing them manually through your merchant account, get the merchant account without the payment gateway (option 1).
- In other situations, you'll have to decide for yourself!

The rest of this guide assumes that you *have* decided to go ahead with PayPal. If not, refer to the main *Getting the Most Out of the E-Commerce Module* guide.

Setting up PayPal

Once you've made the decision to use PayPal, it's quite easy to get started.

First, go to the PayPal site at www.paypal.com and sign up as a merchant:

This only takes a few minutes, and is reasonably straightforward. It's also free!

IMPORTANT: PayPal identifies you by your e-mail address. This is good, because you don't have to remember a separate user name. However, it does mean that you should use a permanent e-mail address. If you've got your own domain name, use an e-mail address at that domain, because that will remain the same regardless of your ISP. For example, it's better to use gihan@firststep.com.au than firststep@bigpond.net.au.

When signing up, it's not necessary to provide your credit card details, because you will only be receiving funds, not paying them. In fact, it's better *not* to provide credit card details, because it will make it more difficult to do the testing later.

If you're already a PayPal member (because you've been using it for paying other people), upgrade your membership to a Business account so that you can take credit card orders. Again, this is free.

Connecting PayPal to your Web site

This is extremely easy!

Log in to the administration area of your Web site and click "E-commerce settings":



Set the Gateway field to "paypal" (from the drop-down menu) and type your PayPal e-mail address into the Merchant field:

Gateway	paypal ▼
Merchant (or PayPal e-mail)	pp@firststep.com.

That's it! You're now set up to accept orders using PayPal.

Testing

As with any other change to your Web site, we recommend that you test it yourself before real customers start using it.

To do this, simply go to your Web site to an existing product page and go through the normal ordering process. The Web site automatically connects to PayPal for the payment:

Payment:

PayPal

Your order will be processed by PayPal, one of the most popular payment systems in the world. After your payment, you'll be taken back to our site for a receipt.

Click the Confirm button to enter your credit card details.

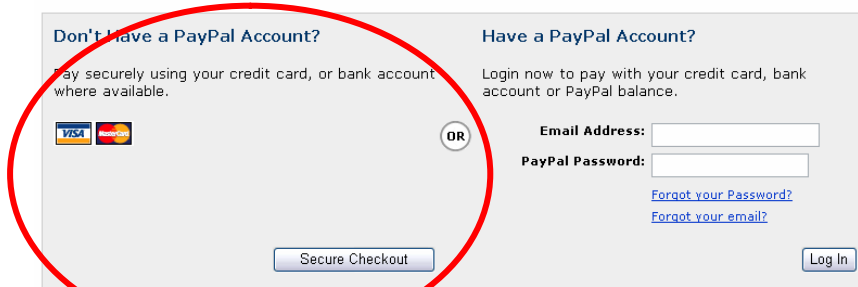
PayPal offers two choices – for members and non-members. Because you're pretending to be a customer, take the *non-member* option (You have to do it that way because PayPal won't allow you to pay yourself):

Checkout

[Secure Transaction](#) 

PayPal is the secure payment processor for your seller, **First Step Communications**. [Learn more](#) about PayPal.

Pay To: First Step Communications
Payment For: Order Payment
Amount: \$71.50 AUD
Postage & Packing: \$0.00 AUD
Total Amount: \$71.50 AUD



Then go through the payment process. Everything should work smoothly.

This *is* a real payment, so it will be charged to your credit card. However, because it's ending up in your own PayPal account, the only cost is the small merchant fee. You can minimise this fee by creating a dummy \$1 product, which you use for the test.

At the end of the process, you'll get a flurry of e-mail messages:

1. The normal product acknowledgement from the Web site to you, the customer, confirming the payment and giving you further instructions.
2. A message from PayPal to you, the customer, as a record of your payment.

3. The normal order message from the Web site to you, the merchant, informing you of the order.
4. A message from PayPal to you, the merchant, informing you of the payment.

With real customers, you will only receive (3) and (4), and the real customer will receive (1) and (2).

Unable to test

There is one situation in which you'll be unable to do this test as described above. This will happen if you were already a PayPal member and had recorded your credit card details with PayPal.

Then, when PayPal asks for payment, if you use the same credit card, it will reject it because it won't allow you to pay yourself. Even if you try to pretend that you're not a PayPal member, PayPal still discovers the credit card in its files and thwarts your attempts to trick it.

If this happens, you have two options:

1. Use a different credit card for the test order; OR
2. Ask a friend or colleague to put through the test order.

In fact, you could create a dummy product priced at \$1 for this purpose.