Part 2 – Getting Started

Do you know why most people fail? It isn't because of lack of sales skills, or knowledge on how to perform the work involved in what you're offering. It isn't because you're broke. It isn't because of bad decisions you make when it comes to your business. Most people fail, because they never even get started.

Action IS Better Than Inaction

You can only plan so much. You can learn about SEO and all the latest and greatest tricks, thinking that once you know it all you will be able to sell it and get started but do you realize you will never learn it all? You never stop learning.

I know a lot of stuff. I know more than most people when it comes to SEO, and running an online business. I also know that I will never stop learning.

You can fail without getting started. You can only succeed once you do get started.

Most people know more about what they plan to offer, than they do on how to get started. If you look on message boards about this type of stuff, it is always about how to get more customers. Rarely do you see someone asking how to set up an LLC or S-Corp… or how to process payments. Rarely do you see anyone care about the things that really matter in moving forward.

Getting clients is absolutely necessary but you need to setup the right foundation in order to do so.

Be prepared to make decisions about your identity, what you want to offer. You will need to know how to process payments. You need to know if you want to do this as a sole proprietor or if you want limited liability through an LLC or S-Corp.

You need to have yourself setup with a website and marketing plan before you can help someone else do it! In fact, I have been coaching a guy who has been failing, and he got started because of some webinar, but never bothered having a website for himself! He was emailing, and putting himself out there but how can you trust a web design company if they don't have a website for themselves? That's craziness!

If you're offering SEO, you should be doing SEO for yourself.

If you're offering reputation management, you should be doing it yourself.

Social media? If you only have 3 likes on your page and 2 of them are you and your mom, a lot of businesses will wonder if you're really capable of performing that service for them.

Be good at what you offer. Be good enough to where you believe in it for yourself. If you wouldn't do it for your own business, it might not be something you should offer to someone else.

It's so odd when you see someone specializing in a certain area but they don't do that for themselves. A good friend I've made over the past couple years has an SEO firm, he offers white label solutions like I've always planned (but haven't) and he doesn't do any SEO for himself. At least he didn't for the first 2 years that I've known him. He always thought nobody valuable would be searching for city + SEO, and it was just crazy to me that he would think that.

Another friend of mine who is big into outsourcing, he also is in the real estate business, owning a web design and SEO firm, while ALSO having an outsourcing office for his business in the Philippines. The reason why this relates is that I realized that he and my other friend were in the same city offering SEO. They both had clients nationwide; the only difference was this guy was ranking #1 for city + SEO. So I asked him, "What exactly does that ranking do for you, how much money does it bring in?" and he responded, "On a bad month, $10,000."

I ended up going to the other friend and told him what I found out, just thought he should know that he's missing out on some additional cash and I don't think he believed it at first. It took him a few months to start pushing and doing SEO for himself, and he saw a difference. He's currently ranking #4 in that city and says he's bringing in an additional 4-5K/mo in sales, which is pretty good for a little bit of work, right?

The point of this story is, for you to offer services to someone else, and not do it for yourself is a bit silly. It's kind of like when you go to a Dairy Queen Drive Thru to get a shake or ice cream (what they're known for) and they don't have any, they ran out or their ice cream machine is down. How ridiculous is that!?

Maybe you can't rank nationally for a high search keyword but it doesn't mean you can't be performing SEO on your own site. Same with every other service, you should be testing that out on yourself before other businesses!

Your Purpose and Identity

Very recently I was helping out in a mastermind group, answering questions for beginners. I later realized that the beginners were people who haven't gotten started and that the "experienced" people weren't experienced at all, they were beginners.

One person, who said they had a lot of experience, was frustrated because of the lack of sales. Everyone always wants more sales, but she wasn't doing very well at all and only had maybe one or two clients since starting. After a little bit of digging, I found out that she doesn't focus on one service at all, she is all over the place.

Of course when flaws are pointed out, people naturally get a bit defensive. I told her that it's no wonder why she is failing; she keeps jumping around from one service to another trying to be everything to everyone.

Her rebuttal was, "Well being everything to everyone seems to be working for me, that's how I got my second client". I responded, "And that is the same reason why you haven't been able to get a third client."

She was selling mobile apps, and then jumped to social media management, then to thinking about online reputation management. Is it any wonder why nothing has worked? You have 2 clients in a period of who knows how long, and you jump from offering one service to another. It doesn't work like that. I can't offer web design one week and then offer apps and drop the web design.

When we look at companies that have made it big, it is easy to see how they make a lot of money cross-selling, up-selling, etc. but do you know why they got big in the first place? They usually did one thing, very well. GoDaddy, wasn't known for the Website Tonight website builder, or their own design services. They weren't really known for the hosting much or SSL certificates, but they were known for domain names.

Today, if you use GoDaddy, they have quite a few different services that complement each other. When you buy a domain name, you can pay extra for privacy, add hosting, add an SSL sertificate, pay for the website tonight service or have them build out your website.

Porsche, is a car that is a fantasy for most of us to have right? What is their purpose? Is their purpose to try to be everything to everyone? Are they marketed to lower to middle class families? They have properly identified their target market and to the rest of us, it is just a nice dream.

Another company that has really been making a big push in the online space is web.com. Even though I detest them, and hate the quality of their service, their marketing and advertisements are working. You've seen the commercials, try us for free for your website; we design it, yada yada, only pay for it if you like it. While I wouldn't recommend offering free website design services, what they have effectively done is build a huge reputation with websites. Now they have been able to launch a complimentary service that offers facebook fan page design, and they're charging a monthly fee for it. Free to build, pay XX amount each month if you're satisfied.

In my opinion, web.com is a rip off, but they have done exactly what we all should be doing. Start off with one service, and once there is a foundation of clientele, launch a new service that compliments it.

When you start your own web agency, you have to identify yourself, your purpose, and your target market and buyer personas.

What is YOUR Identity?

You have to identify yourself, pick a service. You don't need to offer 5 different services and in fact, I wouldn't ever recommend it until you have a nice base of clients. It is going to be easier for your to market, sell, and deliver one service very well than it will be to spread yourself too thin, offering multiple services.

It is much easier to offer a web design service and bring in recurring money with hosting & maintenance. Once you have a nice client base, maybe 20 customers, you can introduce them to your new services.

You don't have to offer web design, the point is that you have to figure out which service you want to offer in order to get started and build a business. You can always add in services later down but you want to be very good with at least one service instead of just being mediocre, offering 5 different services.

The next part of developing your identity is more controversial and one that I don't really have a strong opinion of.

The theory is picking a niche and sticking to it. I have never done this, I have never wanted to do this, however, I do segment my marketing by certain niches to be more relevant to them.

The benefits of picking a niche, like Dentists, Plumbers, Lawn care companies, Pest Control, etc. is that if you build a few websites or have a few clients within an industry you can position yourself better as an expert specializing in those industries. It allows you to learn more about them and probably do better work than someone who works with any business out there.

If your home had a busted pipe, who would you call? Would you call a handyman that has done some plumbing here and there or would you call a licensed plumber?

Usually when people pick a niche, they decide to target those businesses nationally. If you're more of a general agency then you would generally want to stay local and not limit yourself to just one agency.

My company deals with people across the country among multiples niches. You know what the easiest sales are for us? It is companies in an industry that we've already sold to extensively.

What is YOUR Purpose?

Your purpose, competitive advantage, unique selling proposition, whatever you want to call it, you have to figure it out.

Why should somebody do business with you versus the next guy or girl? If you picked a niche, why should they chose you instead of someone else who has been targeting the same niche?

Do you offer a guarantee, do you do something different, and do you have a specific process that ensures success? Are you offering things at a cheaper price point, higher price point?

What really helped me with a couple issues I have been having in the past year or two was offering content creation as part of the web design process. It helped in multiple ways. One way was avoiding time delays, dragging projects out because I didn't have content they were supposed to provide. It was difficult to stay on top of projects because I had so many that were open. We had weeks planned out for what was going to happen then a client from 5 months ago decides to send 15 pages of content, and makes us miss some deadlines.

Another way it helps us, is that nobody else is doing it. I have a couple people with majors in Journalism that interview the client, will perform the necessary research, and creates content for the entire website. It allows us to avoid the whole "I don't have time to put into this" objection that people love to give. It helps us finish projects faster. It helps us offer something other people don't.

When it comes to competitive advantage in offering services, you have to be careful. Very rarely do you want your competitive advantage to be based on price alone. How can you offer more value than your competitors? How can you deliver higher quality services than your competitor? These are things you should figure out.

Seth Godin said: "Instead of working so hard to prove the skeptics wrong, it makes a lot more sense to delight the true believers. They deserve it, after all, and they're the ones that are going to spread the word for you."

If you have a unique selling proposition it will put you far ahead of others in your field, whether you offer web design, PPC, SEO, or a handful of other services. Many established companies in these fields don't have a USP. Don't make the same mistake.

Even if your USP is a little weird or even offensive, it is better than trying to cater to everybody.

I sent out an email blast, cold emails and the title was "Your Website Doesn't Have To Suck". So many people responded with how offended they were that I said their website sucks. Which if they read the body of the email it was actually very helpful but they couldn't get the title out of their head. They hated it. They let me know they hated it and you know what? It was a success. Even though it turned off a lot of people, it produced the highest amount of leads I've had from a single email. Most of the leads were yellowbook customers so they all knew they had an awful website to begin with.

I did irritate a small fraction of people with that email, but they probably wouldn't have been a great customer, and definitely wouldn't respond to me very well, or my sales team. The reason it worked though, for most people is that they realize their website sucks; they have known it all along. I pointed out the problem, and they automatically think I can make their website NOT suck. I positioned us as an arrogant company that can blow away all these generic sites with no problem. I played into the greed of some business owners, and while pointing out their website sucks, boosted their ego by explaining in the body of the email that they are very smart business owners, trying to do what they can to bring in more money. Unfortunately, phone book advertising and yellowbook websites aren't cuttin' it any longer and here is why, etc.

That email to date has been one of the best emails sent for highest open rate, click thru late, leads generated and sales generated from leads through that email blast.

Get into your ideal customer's head. Find out what they want, what problems they have, how to relate to them, and deliver the solution to whatever issue they're having with what you have to offer.

In order to be remembered in a crowded marketplace, it helps if your business has a trait that is *worth remembering*.

Your Target Market

What does your ideal customer want?
How does the service you offer, solve their problems?
What affects their buying decisions? Is it price, quality, guarantees?
If you have customers, ask them what made them choose you over XYZ Company.

Your target market needs to be identified along with your buyer personas.

Abercrombie & Fitch identifies their target market as cool, good looking people. They refuse to market to anyone outside of that definition. However awful some people may think that is, it works.

There was a retail analyst, that was commenting on the definition of their target marketing and I believe the article was on business insider. He or she commented that the more people they try to target in their marketing, the higher the risk will be.

It is actually higher risk to market to everyone, than it is to identify exactly who your target market is and sticking to it.

Learn to tell stories. Stories are a very powerful marketing point that allows you to relate and identify with your target market.

Resource: For help creating buyer personas, check out the hubspot guide for free, it does require an opt in but they offer so much information that it is probably the best opt in you will ever make.

http://offers.hubspot.com/free-template-creating-buyer-personas

Pricing Your Services

This is one of the most difficult subjects to figure out and I would be lying to you if I said I had it figured out. I'm not qualified to give you a **definite range** of what you should perform your services for. I do, however, have a lot of experience and trial and error of pricing experiments not just for products but services as well.

Generally, the lower your prices, the lower quality customer you will get. If you're charging $200 for a 15 page website, you're not getting paid enough for your time, let alone your time + employees or freelance outsourcers.

When it comes to pricing you have a couple things to decide, and there isn't really a wrong answer, it just depends on your goals, your lifestyle, how big of a company do you want to grow or do you want to just work from home with low overhead.

Pricing strategy #1: High Prices with higher perceived value.

This strategy has pros and cons, like everything else. The pros, you work less. You spend more time acquiring a client and the payout is much higher. Your profits are higher and the hours you work are lower.

This strategy is for someone that is very confident in their abilities, very experienced in performing the work but is someone that doesn't want to spend a lot of time working. This is for someone who is a lifestyle hacker, someone that wants to work from the beach or set their own hours.

The cons… It's high risk. If you have 5 clients paying $2,000 each month, and you lose 2 clients, you lose 40% of your income in one month. That is a huge potential for swings in income. You also won't develop a core clientele and be able to exit your business via an acquisition.

Pricing Strategy #2: Lowest Prices, Make Money on Volume, not Margins.

While I will never recommend being the lowest priced out there, it isn't an awful idea for those who know how to market very well. There are actually a lot of benefits to it but the most obvious thing that most people think is a benefit is actually not. Most people think that since something is lower cost they can get a higher volume of sales easily. That isn't the case.

It takes a lot of marketing power, and sales ability to sell to people whether it is for $200 or $2,000.

The pros… Low prices open you up to more industries. A small salon that is making a very small profit is not going to be able to afford big ticket services. Same applies to small lawn care companies and various businesses that don't make a whole lot of money other than their living expenses. Having a low price allows you to appeal to more of them.

Another pro to using this pricing strategy is that the higher volume you sell, the more you will make in passive income like hosting fees. It also increases the likelihood of one day selling your business because when it comes to acquisitions, companies like a larger customer base.

The Cons… It takes a lot of work; you will be performing MORE work than someone who is priced higher. It takes a good team to be able to handle the volume of work necessary to make a good amount of profit, and great marketing skills to bring in the volume of sales. This strategy requires systems. Proven systems to be able to handle high volume work and remain at a decent profit margin.

Pricing Strategy #3 – Middle of the Road, Not too High, Not Too Low.

This in my opinion is the best place to be. You reduce the risk of having just a couple but very high quality clients, and you reduce the workload by having a volume based business. You have good price points that allow you to handle a higher volume without reducing your margins. You can usually afford to spend more on marketing.

The con… there really are no cons to this strategy, but the downfall is that many never figure out how much to charge to be in this area. For some it could be $600 for a website, or $300/mo for SEO but for others they will think that is too high.

For me, the cheapest website I offer is $1,500 with $50/mo hosting and maintenance. However, that doesn't mean that is the price point where I was most successful in sales volume, and in fact, I have been thinking about changing my pricing a bit to reflect my most successful sales point.

The most successful price point I've had was between $800-900 for the cheapest priced website, with $350/yr flat rate hosting and maintenance. For SEO, my most successful price point was at $175/mo for basic local SEO and national organic SEO at $500/mo. Of course, certain terms, industries and cities would raise those prices but that is the average.

This pricing strategy is probably one of the hardest to figure out. If you charge too much in this area, you're borderline high end, but not high end enough to be successful, if you're charging too low, you're a low end provider but not low end enough.

Pricing is difficult. My recommendation is that you definitely get compensated for your time. Don't be the low priced provider until you have your systems in place. Make sure your prices are high enough to be able to pay for your mortgage, or rent with one sale. That's a good rule of thumb when starting out.

Other Pricing Strategies

When you're offering different services, chances are you can package them up to offer different solutions. Don't make the mistake of being that "consultant" who doesn't list prices because every job is different… be the established company who has a system and a proprietary process that 99% of businesses will fit into one of the 3 or so packages offered. This way, when you are talking to somehow you called, or who have called in, you can lead in with your middle package. Feel them out, if price is an issue say well, I think this middle package is most ideal for you but we do have a lower priced package at XXX.xx.

You get to consult them when on the phone, giving your recommendation but if their budget doesn't allow it and it needs to be a lower priced package, then you can give that to them. Don't give a custom quote, unless it's a very high end project. This is very important and many people do it wrong. Don't make that mistake.

Choosing the Proper Business Entity

It's very important to realize I'm not an attorney, and I'm not your accountant so you may want to check with one to see their opinion on which business entity you would like to create that fits your exact situation. I am just a guy that has done it all so maybe my experience can help you in getting started and make an informed decision. A lot of attorneys seem to recommend things based on what they can charge the most for and not your personal situation. Not all are like that but regardless of how they are, it is good for you to have a basic understanding. Accountants, well, most accountants are a joke and they're awful business people. If you find one that is good, then great, stick with them because they are few and far between. I have seriously had to go meet with about 6 different accountants before finding the right one.

So let's break this down.

Sole Proprietorship – this business entity is the easiest and usually the option for most people starting out. It was the choice I made because I didn't have any additional money to form anything else. It is your typical business, mom and pop shop, one man show. You are the business; there is no separate business entity even if you have an EIN.

In some cities you may need a business license. In my city and state, I don't need a business license. Usually the businesses that need licenses are contractors, plumbers, etc. but not SEO guys, not website designers, or web related agencies.

The good thing about this, is the cost… it is usually free to start out. Very little paperwork involved, easy taxes, low maintenance legally and financially.

The BAD thing about this is the liability. If you get sued, which WILL happen if you do this long enough, your liability is not separate from the business. You have full

personal liability if sued or owe any debts for the business. Your tax rate will also be higher; you can usually get a better break under a different entity structure.

Business name issues with sole proprietors – You have to do business as your name. If your website is Webdesignguru.com or SEOkiller.net and someone writes a check to you in those names, you can't cash it. It would have to be made out to your name, John Smith… SOME banks allow you to have your business name without a DBA if you have an EIN print out, or if you have your name as part of the business name. For example, John Smith Marketing or John Smith Consulting, you may be able to create the business account in that name. Make sure you check around with your local branches to verify what they will need.

If you want to increase the level of perceived professionalism, without a big chunk of change, you can go to your county clerk's office to apply for your DBA. Usually it is an assumed name certificate. Just give your county clerk a call and ask. Some states also don't require the registration of a fictitious name.

Investors for Sole Proprietorships

If you're actively searching for an investor or a venture capital group to invest in your company you will have a problem doing so as a sole prop. A sole prop doesn't allow for any investors, you can't give away equity in the company in exchange for whatever percent agreed on. In fact, many established investors will not even listen to you pitch an idea if you don't have the proper business structure.

Is it a good idea to be a sole proprietor? I think so. It makes sense to start out as one but eventually you will want to move to a different entity like an LLC or incorporate.

LLC (Limited Liability Company)

LLC stands for Limited Liability Company and is usually a better entity than sole proprietorship. You will still be taxed as a sole prop but you have the benefit of limited liability, like the acronym suggests. The downfall with this is that you have

additional paperwork and filing fees. If you live in Illinois, the highest cost in the USA to file you will be paying $500 to file your articles of organization, until Governor Quinn(now Rauner) and the state congress pass the bill that brings the cost down to $29. The form is fairly simple to fill out, you likely will NOT need to have a lawyer do it for you since it is so straight forward. It will save you probably $500-1,000 to file it yourself. It literally takes 5 minutes to fill out. Check your secretary of state website to find out what your filing costs will be. For example, in Kentucky it is only $39 to file.

The benefits of filing for an LLC extend far beyond just the limited liability. It allows you to give away equity and have investors. You can have basically an unlimited amount of investors and split up equity however you would like. You could hand away certain amount of equity in exchange for whatever amount of investment money, while also reducing the profit distribution if you like. It gives you ultimate flexibility when handling profit sharing, equity, and having investors. Often times you can register an LLC in a state you don't do business in to avoid higher filing fees, although if you have an actual office location that probably wouldn't be a good option unless you have a virtual office in the state you file and consider your local office the satellite. This is where you would definitely want to consult with an attorney.

Another plus in forming an LLC is that you can start building business credit since it is technically its' own entity. You can't establish separate business credit effectively as a sole prop but you can as an LLC or a corporation. This allows you to get trade lines with net 15-30-60-90 terms, credit cards, lines of credits, etc. Business credit is a valuable asset, especially later down the road if you grow large enough to sell your business, it will allow a higher evaluation.

An advanced pro for LLC's is that you can register your LLC with the IRS as an S-Corp to save money on taxes. You essentially will save at least 10-14% on your taxes by doing that. However, be prepared for a lot of additional paperwork and instead of being at a less than 1% audit rate you would be about 3%.

The cons of starting an LLC are the start up costs and annual filing fees. You have to file your articles of organization, get your EIN for free (10 minute process available same day, no charge) and come tax time it will be slightly more complicated than it would be as a sole prop but not too much.

Incorporating Your Business, C-Corp and S-Corp

This is where things get slightly more confusing. I've had businesses of all types and the S-Corp is my favorite and also the least favorite. It is difficult to maintain, but the tax breaks are worth it. The laws are confusing, but your audit risk is lower as an S-Corp vs. any other business entity.

A corporation is filed by filling out your articles of incorporation and sending them in to your Secretary of State with the filing fee. It is fairly easy to fill out, there is no need to pay an attorney to do it for you when it's something you can do within a couple minutes.

Everyone who files to incorporate will automatically become a C-Corporation. If you stay as a C-Corp then you will be subject to double taxation. There are benefits to becoming a C-Corp if you don't plan on distributing all the profits. It also benefits you if you are very wealthy and you would like for all your income to be through capital gains instead of having to pay social security and Medicare taxes.

A C-Corp is the only business entity that is subject to taxes. Sole prop, partnerships, LLC, S-Corp are not subject to taxes on the business entity itself.

Of course a C-Corp is limited liability as well, and allows investors like an LLC. However, the main benefit of C-Corps for tax breaks are when you do something called income splitting. What this strategy is, is when you split the profits

between you and the corporation so it lowers your personal tax bracket and the corporate tax bracket.

The biggest disadvantage would be when you distribute profits you're subject to the double taxation. Meaning, that the corporation is taxed on the income and it's also taxed at the personal income level. It can be both an advantage and disadvantage. Another disadvantage is the cost difference from other entities when you need accounting and legal help. This isn't a business entity you should choose unless you understand the law as well as tax law. The safest bet before choosing this entity would be to talk to a real expert in both areas.

Now when you choose an S-Corp, you have other advantages, but remember, when you first file your articles of incorporation with the Secretary of State, you are automatically a C-Corp. You have to file form 2553 with the IRS declaring sub chapter S status to become an S-Corp.

The advantages of an S Corp are pretty good when it comes to tax breaks. You have to pay active shareholder employees a "reasonable" salary which could be based on average income of people doing your job, or a certain percentage of what you bring in each month. You have to pay payroll taxes on the salary but any other profits will be distributed and taxed as capital gains/distributions/dividends.

This is my favorite tax structure and makes sense if you're making at least 3-5,000 in profit each month. Your savings will be huge when it comes to tax time. The business has to pay 50% of the payroll taxes, which you can write off as a cost of doing business, then you personally cover the other 50% of payroll taxes which you will likely get back in a return. If you play your cards right, you can get a decent tax return.

S Corp and C-Corps have a lot of maintenance involved though, you have to declare a board of directors, have board meetings, keep very good records, stay up to date with filing requirements and taxes. It can be a pain in the butt.

The main disadvantage an S-Corp has in comparison to the C-Corps and even LLC's, is the fact that you are limited when it comes to investors and stock

distribution. You only have one class of stock in an S-Corp but you can issue the same stock with non-voting rights. You are limited to 100 investors and none of them can be outside of the USA. With a C-Corporation, you can have multiple classes of stock, more investors, and they can also be outside of the USA. Same with an LLC, you can have essentially unlimited membership interest, even if they are foreign so an S-Corp is a bit limited in that regard. If you have a problem with investor limitations as an S-Corp, then it is a good problem to have.

Which state to form your LLC or Corporation?

Okay so if you have done any research regarding incorporation and state filings you will often see suggestions to file in Wyoming, Nevada, Delaware, etc. to avoid state taxes and other issues. They have their own business litigation court system; they don't pierce the corporate veil, etc. My suggestion is that you file in your home state. I have filed in Kentucky, Delaware, Wyoming, Nevada, and South Dakota. Filing in my own state was by far the easiest. The company I am mostly focusing on at this moment is filed in Kentucky but I am very familiar with both state laws and have an excellent attorney. Worry about complicated tax advantages when the money you will save is large enough to justify the extra hassle. For now, stick with your own state.

Important note: If you file as an out of state entity, you will need a registered agent in the state you file. There are many services available, for as cheap as $49-$99/year. If you file in your own state, this is something you can do yourself since most states allow you to be your own registered agent.

Summary and my recommendation: I don't want to just give you the information without giving a solid recommendation. This is a very tricky subject and my recommendation would depend on your unique situation, however, I can give a generalization here.

If you are just starting out, or have very little income from your agency then start as a sole prop.

If you are making at least $4,000/mo and have a lot of money in savings, or own your home instead of rent, then it would make sense to file for an LLC. If you do not have any real property ownership you can probably wait until you're at around $6,000 or so a month.

I cannot in good conscience recommend anybody choose an S-Corp or C-Corp without knowing you are able to handle the organization that it requires and time involved. Once you're ready to choose those business entities, you won't be needing advice from me.

Payment Processing

In any business, you're going to have to have a way to process your payments unless you're a drug dealer or in a cash business. This isn't a cash business though.

If you have read "My Story" in the beginning then you would already be aware of potential problems with payment processors. That doesn't mean you will have the same issues but it is a possibility. Many people have used PayPal and merchant accounts with no problem; I wish that were the case for me but it wasn't.

So here are a few of the most popular options.

PayPal: PayPal is a trusted source for processing payments, it is easy to sign up and easy to invoice and maintain records. If you choose the most basic business option then you don't have the option of inputting the credit card information by phone through the gateway. If you want to be able to do that, then you will be paying the pro price at $30/mo.

You will also be paying a fee that will range usually between 1.9% and 3.5% on every transaction. You will eventually get a PayPal debit card and not have to wait for the transfer times from PayPal to your bank account but I wouldn't recommend that. (I just setup a PayPal Account for the first time in years, to accept payments for this E-Book, as well as my future project of starting over 100% using the teachings in this guide to better help those I'm coaching. You can now get a PayPal debit card immediately, 7-10 days processing/mailing time. It used to be 45 days after you opened your PayPal account.)

PayPal has its' own dispute process which you will usually win since what you're selling is considered an intangible item. If someone disputes their charge with their bank, you will surely lose. One exception to this is when you're selling websites, you can ship a CD with all the contents of the website as an emergency back up to protect yourself and be covered under their chargeback protection

terms. For SEO, ORM, PPC, you're mostly out of luck and nothing you can do will protect you from a chargeback unless you have a contract and are willing to sue the client to recover the money and damages.

Merchant Accounts: These are much better than PayPal usually in terms of fees, and flexibility, especially if you have good credit. There are a wide variety and you need to make sure you get the best deal possible and complete transparency when it comes to fees, charges, gateway fees, batch processing fees, etc. The average rate seems to be 1.9-2.2% but you will usually pay a $10-15/mo gateway fee through authorize.net and a 30 cent transaction fee. If you are not processing much money, then the fees will likely be more than PayPal when you consider the batch processing fees and the gateway fees.

Avoid merchant processing companies that charge setup fees and have rolling reserves. If you don't have good credit, you will probably have to go through a high risk merchant account which will give you higher rates than others, but it's a cost of doing business. I would recommend if you have a PayPal account and you're making even a little bit of money, get a backup through a merchant processing company so in case there is ever some weird hold or restriction placed on your PayPal account you can still process with no problem.

Taking Checks Easily, Without Waiting

My preferred method of processing payments is the good ole check. I know some of you may be thinking that you don't want to deal with waiting on a check to come in the mail, and rightfully so. The answer to this problem is processing it over the phone. Now, if you're going to be processing your own checks, printing them, and depositing them you don't want to do it via ACH transaction. You want to get their information, and print the check yourself, and physically go the bank to deposit the check.

If you average $5,000/mo in sales and you process all your payments via check by phone, check by text, etc. then assuming a good 1.9% fee through a merchant account you will be saving roughly $1,200 a year by printing your own checks.

A common question I receive about printing your own checks is how do you get around the signature line on the check? Well, there's a law that requires the bank to process the check, for deposit only, as it is a check draft. In the signature line you have it printed as "This check is authorized by your depositor. No Signature Required". Don't ask the bank teller if they will deposit it, just go up to them, act normal and process it.

Information you need, is exactly on the front of the checks, just as if they were to physically mail the check to you.

Most people feel weird asking for the information, but what I always do is tell them, "So how we process payment is check by phone, all I need is the information on the front of the check as if you were to write one for a bill, do you need a minute to grab your information?"

If they ask you WHY you only process check by phone, tell them you're tired of merchant processing companies and all the problems with it. It also allows you to keep competitive prices instead of making the customer pay for the fees incurred with processing the payments. I usually ask them what the fees are with their merchant account, get them realizing how much money they lose and it is not longer something sketchy, it is something smart. It is good business and it builds trust.

You can also say it is so you can avoid the liability that all these major companies have when it comes to people stealing credit card information. Anyone can have a shopping spree online with a credit card, but very rarely can someone do the same when it comes to just the information on the front of a check.

For printing the checks, what I recommend is EZcheckprinting.
Non-Affiliate link: http://download.cnet.com/ezCheckPrinting/3000-2066_4-10697208.html
it does cost money. I believe I got mine for free somewhere but I guess that is over with. I have some lucky streak of people asking me to become a beta tester for certain pieces of software, and I do vaguely remember sending in suggestions.

It appears that it is $39 for the license. Your other cost would be both a printer and checks that you can pick up at office max.

Summary: Do what makes you feel comfortable. I'm comfortable with processing checks, but you may be comfortable sticking with PayPal for now. Just be aware of the potential problems with any method you may choose for your business.