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The shape of things to come

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SPECIAL TO THE GLOBE AND MAIL

BottomsUp had a problem. The company was having difficulty keeping up with orders from its website -- it had inventory, but filling orders consumed too much time.

BottomsUp.ca Inc. designs, manufactures and sells "shape enhancing" undergarments and accessories for men and women, says Jack Timlock, director of development for the company, which is based in Toronto. Mr. Timlock was taking credit card orders by phone, fax and e-mail and processing each order manually.

When an order was received, he sent an acknowledgment e-mail. If the information was incomplete, he had to contact the customer and fill in any blanks about size, colour or quantity. He then called the credit card company to authorize the sale. Once the transaction was approved, he e-mailed a receipt. Then he wrote up a shipping label and picked, packaged and shipped the product.

In addition to the time it took to process orders, BottomsUp had to pay a portion of each sale to the credit card company and to the credit-card processing company. This ate into profit.

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"For a small business, the credit card processing fees were just too exorbitant," Mr. Timlock said.

As small businesses grow, they often need to take steps to become more efficient. On-line retailing operations do this by adding "shopping carts" that automate order processing. They also can cut credit card processing costs by picking the right payment processing company.

BottomsUp decided to scrap its costly credit-card merchant account and turned to PayPal, which charged less than the combined transaction fees it was paying.

Small businesses also often turn to third-party credit-card processing companies such as Payment Services Interactive Gateway Inc. (PsiGate), based in Mississauga, Ont., which charges a monthly fee, takes a bite out of each transaction and holds back a portion of each payment in reserve for several months. (This reserve replaces the security deposit charged by credit card companies.) PayPal, located in San Jose, Calif., and owned by eBay Inc., eschews the monthly charge but takes a higher fee for each transaction, enabling companies, and even individuals, with low sales volume to accept on-line payments.

Once an on-line merchant has sorted out how to process payments, the next step is to set up a secure shopping cart and automate the processing of orders, **said Paul Patience, director of Sunny Oasis Internet Corp.**, an Internet consulting, programming and electronic commerce company that is based in Ottawa but conducts business around the world.

"Selling your products or services on-line is like having a shop that's open 24 hours a day, seven days a

week, all year round," Mr. Patience said. Without such a shopping cart, on-line businesses have to process incoming orders manually, as BottomsUp was doing.

The shopping cart ensures that the customer has filled out all information required to place the order, Mr. Patience said. It can automatically apply any promotional discounts and calculate taxes and shipping, even allowing the customer to choose from a variety of shipping methods. Shopping carts can be customized to accept multiple orders, special orders and even annual subscriptions.

Credit card information is automatically and securely sent to the payment processing company's computer system and is processed in seconds. Once the transaction is completed, order details are sent by e-mail to the merchant and a confirmation receipt is sent to the customer.

At BottomsUp, Mr. Timlock now receives all the information he needs to process orders. He no longer has to contact customers for details they might have left out, nor does he have to call credit card companies to approve transactions.

And he no longer e-mails receipts. In addition, the customer's shipping information is sent to a Canada Post website where Mr. Timlock pays for postage on-line and prints shipping labels. No more writing out labels and licking stamps, he said.

For companies that sell software and other downloadable products such as electronic books, the shopping cart can be linked to a fulfilment system that automatically lets the customer download the product once the order has been approved, making for a truly automated 7x24x365 company.

Even companies that sell less tangible products can benefit from shopping carts and third party credit-card processing systems, Mr. Patience said.

CanadianActor Online, a website for actors, charges an annual fee for subscriptions to its discussion forums, which are moderated by industry professionals. Until Sunny Oasis set up a shopping cart to automate the payment process, CanadianActor administrators manually granted subscribers access to the discussion boards and sent out receipts and renewal notices.

Today, members pay and are automatically granted password-protected access to the discussion forums. When subscriptions come up for renewal, reminders with links to the shopping-cart payment system are automatically issued. This has saved the site's administrators hours of work each month.

Setting up and hosting a simple website with a shopping cart starts at \$40 a month, Mr. Patience said. Companies that want more customization can get on-line for about \$2,000 plus a monthly hosting fee, he added.

This is a small price to pay if a small business wants a share of the more than \$3-billion that Canadians are spending on-line. And it's an even smaller price to pay if, like BottomsUp, they are able to tap into the billions of dollars Americans are spending on-line.

"Before, every time I turned around, wrong stuff was happening," Mr. Timlock said. "Now, I can concentrate on fulfilling orders and marketing BottomsUp."

Other payment options

Because they are concerned about on-line fraud, credit card companies make it difficult and costly for small businesses to obtain merchant accounts to process credit cards on-line. Many small businesses do not qualify for merchant accounts, cannot afford the deposit or fees, or can qualify only for a "cardholder present" account, which lets them process credit cards only if the cardholder signs the receipt.

So small businesses turn to third-party credit-card processing companies such as PayPal (<http://www.paypal.com>), CCNow (<http://www.ccnow.com>), PsiGate (<http://www.PsiGate.com>), Beanstream

(<http://www.beanstream.com>) and InternetSecure (<http://www.internetsecure.com>).

Other developments:

Google wants in: PayPal, which eBay purchased in October 2002, has dominated the on-line payment field. Now Google is getting in on the payment act. Retailers are testing GBuy, a Google payment system. Consumers can expect to see GBuy icons next to Google's paid search ads, although Google has not announced when it will go public with the service.

Interac Online: This service allows Royal Bank, TD Canada Trust and Scotiabank customers to pay for goods and services on the Internet directly from bank accounts. When shoppers select the Interac Online service as their payment method, the merchant website redirects them to an Interac Web page where the shopper selects his financial institution and authorizes payment.

Other non-credit-card options: HyperWALLET (<http://www.hyperwallet.com>) lets consumers fill an electronic wallet and transfer funds upon receiving an invoice from a hyperWALLET merchant. Qchex (<http://www.qchex.com>) processes credit-card payments and also lets North Americans send and receive electronic cheques securely over the Internet for a per-cheque fee. Use My Bank (<http://www.usemybank.com>) is a debit-based payment system that charges per-transaction fees to move money from a bank account to a participating merchant.

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