

Paypal primer

To conduct business on the Internet, whether informal, one-time only transactions between two friends, or a full-fledged business selling products or services, payment arrangements have to be made. Before 1998, this often meant either checks sent through snail-mail, or very expensive, and often hard-to-obtain, merchant accounts for online credit card processing. In 1998, PayPal was introduced to fill the payment processing gap.

PayPal now has about 50 million members, but was originally introduced to provide a payment processing service for online auction buyers and sellers, in particular, eBay. Since then, PayPal has grown into the premier third-party payment processing service. In fact, PayPal was so successful that eBay bought the company in 2002, replacing their own Billpoint service with the far superior PayPal service.

PayPal is free to join, although buyers are no longer required to join in order to pay for goods and services from seller members. Many people are still afraid to do business online, and won't provide their credit card information. Scams certainly abound in cyberspace, but PayPal is a solid, reputable company, and there is little to fear.

For sellers, PayPal offers much lower processing fees than many other third-party processors. PayPal rates are not much higher than those of merchant account processors, and there are no ongoing fees. You only pay PayPal fees when you make a sale. It is also much easier and faster to set up a PayPal account than a merchant account. Some sellers complain of unjustly frozen PayPal accounts, and as with most any service, there are plenty of horror stories surrounding other PayPal actions. However, many more buyers and sellers have used PayPal from the beginning with no problem at all.

PayPal offers transfer of funds to and from a PayPal account through e-checks, debit and credit cards, and instant transfer from other members' accounts. They offer debit cards to allow you to make purchases against your account balance, just as you would with a bank debit card, a money-market interest rate on the balances in some accounts, seller and buyer protection services, invoicing, recurring billing, shopping cart, and many other tools that online merchants may need.

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