

# The Benefits Of Payment Gateways

VARs can help clients secure cardholder data with new gateway tools.

BY BRIAN ALBRIGHT

As payment processing and related Payment Card Industry (PCI) security requirements continue to befuddle merchants and software providers, many are migrating from direct interfaces with payment processors to payment gateways. These gateway solutions provide a greater degree of control and automation to merchants, allowing them to interface with multiple processors and also help secure cardholder data while reducing PCI compliance scope. "Integrated systems through a payment gateway offer an improved daily work flow for end users, allowing merchants to minimize manual tasks and the redundant work load associated with stand-alone POS systems," says Christy Corey, president of TransFirst's VAR Division. That's why many merchants are adopting gateways, even though they add a new layer of integration and cost to their payment infrastructure.

"The B2B market and many service companies operate in a nonface-to-face environment and use a payment gateway to process their transactions," says Nicholas Peirson, VP of business development at WorldPay US. "In the retail and restaurant markets, POS vendors are looking for partners to help reduce their PCI scope. A payment gateway, particularly when implemented with end-to-end encryption at the card reader, can dramatically improve the data security for a merchant and reduce the PCI scope."

For VARs, there are opportunities beyond retail and hospitality to sell these solutions to municipalities, utility companies, rental properties, and other verticals that utilize recurring payments. "Gateways that offer ISVs (independent software vendors) and users the flexibility to choose their processor without adding costs for middleware or the additional development needed to support individual payment processors will be the winners in these verticals," says Tracy Metzger, president and CEO of T-Gate.

The market is quickly transitioning to hosted and cloud-based gateway platforms that can store customer data in a central location away from the storefront in a PCI-compliant environment. "VARs need to embrace this trend. In doing so,

they can leverage these technologies to secure their customers from the threat of a data breach that would disrupt their business and potentially expose them to fines or, even worse, being terminated from ever accepting credit cards again," Metzger adds.

## PCI Compliance Is Critical

In general, payment gateways should provide connections to a wide array of service providers and should not charge any transaction fees. Other features to look for include point-to-point encryption, tokenization, processor interface certifications, Automated Clearing House (ACH) processing, authorization management, end user reporting, and PIN and PIN-less debit capabilities. "Early adopters of gateways sought basic elements of accessible API, speed, and primary transaction types," Corey says. "As the payments industry has evolved in the past five years, needs have evolved. Additional payment types, integration formats, integration consultation, end-user integration assistance, supplemental end-user reporting, ancillary products, interchange management, and PCI consultation are all elements that might be keys today in successful use of a gateway."

PCI compliance and security are the most important elements to evaluate, though. "In terms of security features, gateways should be evaluated on their ability to support tokenization, point-to-point encryption, and the ability to reduce or eliminate the PCI burden for the VAR or end user," says Bruce Kirst, VP, head of gateway sales and account management at Elavon. "From a certification perspective, they should be certified to support all of the major credit, debit, gift, check, and private label processors."

VARs should take the opportunity to educate clients on the value of PCI compliance and make sure that the gateway vendor can provide information as well. "I can't imagine that there are any gateways out there at this point in the game that aren't PCI-compliant, but if they aren't, then they should most definitely be avoided," says Christopher Smith, VP of busi-



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ness development, software integration, at Nationwide Payment Solutions. “You should also look for a company that is willing to educate you and assist in making sure that your systems are secure.”

It is possible that PCI-compliant gateways could “mask” non-compliant shopping cart or POS applications at the merchant level. However, if a merchant’s software passes cardholder data in any form, then it must be validated against the PCI standards.

“Using a PCI-compliant gateway, merchants have been able to continue using noncompliant shopping carts and other payment applications, since the processor does not have information about the application being used by the merchant,” Peirson says. “This is a high-risk approach to PCI compliance, and if a merchant has a data breach, the VAR could be held responsible.”

### Focus On Security

Gateway solutions provide a number of advantages to resellers, Metzger says. “First, they give a VAR access to multiple service providers for processing their customer’s transactions. Next, since they offer products that are not processor-specific, they don’t limit applications that need a payments capability. Finally, they offer support that complements the VAR’s offering and helps get their products to market quicker with lower development overhead.”

Since processors can be seamlessly changed at the gateway level, VARs can increase customer retention by enabling their

merchants to keep their POS systems in place, while eliminating training and migration costs that are associated with switching processors. When merchants have a direct interface with a processor, this type of migration can be costly and time-consuming.

By integrating a gateway offering with existing POS solutions, resellers can increase their contacts with each client. “If the VAR has their POS system at a merchant, with an integrated gateway processing the transaction which also handles their gift/loyalty programs, electronic check service, and recurring billing, that’s five products that you’ve now sold your customer,” Smith says. “The typical sales agent on the street may not have all these tools to sell and will have a much harder time taking the client away. The VAR should also be sure to review multiple payment gateways, since some gateways offer more than just the standard processing service. By allying with a gateway that is also a processor, they can create a nice additional source of revenue in recurring merchant processing charges.”

Security remains the biggest selling point for gateway solutions, and focusing on compliance and the prevention of data breaches can help VARs expand their retail business. “As payment gateways become embedded in POS systems, there is a greater opportunity for VARs to resell the gateway services,” Peirson says. “This solution also provides greater security for the merchant, which, in the near term, is another differentiator for the VAR to help close that next deal.”●

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