

Use SaaS To Simplify

Payment Processing

Find out how cloud-based payment processing is helping this point of sale (POS) ISV offer more options to customers while growing its business.

BY GENNIFER BIGGS

With the advent of PCI DSS regulations a few years ago, even the smallest of restaurants must meet stringent credit card privacy regulations. As a POS independent software vendor (ISV) servicing mostly mom-and-pop eateries, FoodTronix, owned by CJ and Melinda Winslow, needed a way to offer secure payment processing without blowing its customers' budgets. That's when CJ Winslow discovered the value of Software as a Service (SaaS).

Winslow's foray into POS software solutions grew out of his strong Christian beliefs. He and his wife talk openly about their hope that FoodTronix's economically priced POS solution and its consultative relationship with its customers will help those restaurant owners automate operations so they can spend more time with family and friends. "There are all these people working so hard in this business, and there are so few smiles," explains Winslow, who had his epiphany at a busy IHOP with no automation in place. "We thought, if we can mix technology and our Christian business management strategies, couldn't we improve on this? We saw an opportunity to serve those families in need." To accomplish that, Winslow developed a simple, low-cost POS software solution for his customers and pairs that with sturdy but economical components for an affordable end-to-end POS solution that includes secure payment processing. It was the "economical yet secure" portion of the solution where he hit a snag about a year ago.

FOODTRONIX

2009 SALES REVENUE: \$1 MILLION

2010 PROJECTED SALES GROWTH RATE: 25%

EMPLOYEES: 18

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Use SaaS Payment Processing To Add POS Value

When CJ Winslow, owner of independent software vendor (ISV) FoodTronix, started looking for an alternative payment processing solution, he found an option rather new to the point of sale (POS) industry: a Software-as-a-Service (SaaS) offering from T-Gate. The solution allows Winslow to pair his POS software



A CLOUD-BASED PAYMENT PROCESSING SOLUTION FROM T-GATE ALLOWS FOODTRONIX TO OFFER A LOWER-COST SOLUTION THAT IS STILL SECURE TO ITS SMALL RESTAURANT CLIENTS.

product with a payment processing solution that is secure and affordable plus offers a handful of value-add options.

When Winslow discovered T-Gate, he was looking for a PCI-compliant payment processing option for his customers, nearly all of which are small family-owned restaurants. “We wanted an affordable but safe solution that helps automate more of the POS process for these small shops,” explains Winslow. T-Gate payment processing sits in the cloud, housing and securing each customer’s credit card information in an enterprise-class, PCI-compliant data center. “This solution stores the credit card information, tokenizes it, and supports MSR (magnetic strip reader) encryption,” says Winslow, who utilizes a secure socket layer (SSL) connection direct from the station hosting the card reader to the T-Gate cloud.

Because the T-Gate solution is SaaS with open architecture, it is vendor-agnostic in terms of the credit card processing vendors

used by Winslow’s customers. “With the T-Gate gateway, we’ve been able to connect our customers regardless of the processor,” says Winslow. “So if you are an ISV such as we are and integrate into T-Gate, when your merchant wants to switch processors, T-Gate just flips some switches on their end. There is no change to the POS system, no training the customers, no integrations beyond inputting a user ID and password.” That allows Winslow to find the best processing solution for his customers at any given time without tying them to one provider at any point.

With the T-Gate monthly subscription model, FoodTronix can also add value by bundling the monthly gateway fee with its other service and support packages, offering the entire solution as a managed POS offering that is more affordable to small restaurateurs due to its monthly fee vs. an up-front investment in the entire system. That also benefits the ISV since the T-Gate solution seamlessly slides into the recurring revenue model FoodTronix has for its POS solution.

Other options included in the T-Gate solution include tokenization of credit card information, which allows for error corrections when a restaurant accidentally charges the wrong amount to a card — without ever exposing the credit card information. Winslow says another value-add is mobile access to credit card processing through T-Gate’s Web gateway — a key benefit for any restaurant that offers catering. “T-Gate also offers an a-la-carte selection of other features so customizing my solution doesn’t have to include a bunch of options my customers simply won’t use,” adds Winslow. In all, he says that the solution enables his company to offer a better solution that evolves with its clients’ needs, and because of the cost and time savings on both his side of the solution and the customer’s side, it has proven a differentiator in the marketplace.

www.tgatepayments.com

PCI Complicates POS For Small, Independent Eateries

It is no secret that PCI compliance has increased the focus on where and how credit card information is used and stored in businesses. But, for many small, family-owned businesses such as those with which FoodTronix works, the knowledge about or interest in a fully secure solution is absent. “These are not restaurants with IT staff, such as a chain like Chili’s,” explains Winslow, adding that most of his customers post only about \$30,000 to \$60,000 a month in credit card payments. “These are independent restaurant operators whose passion is their restaurant business, not computers.” To ensure his customers’ payment processing was secure, Winslow tried to provide the simplest payment processing solution that did the job.

The solution FoodTronix had been offering was a premise-based payment processing solution housed in the IT network at the restaurant. The issue there, says Winslow, was that many of his customers are using consumer-grade products with many vulnerability points. Plus, the third-party solution FoodTronix was offering didn’t support swipe-point encryption and was failing on a regular basis. “We went looking for affordable options that helped with secure payment issue and still allowed our customers flexibility in terms of card processing choices,” explains Winslow. An ad in *Business Solutions* led him to T-Gate. What Winslow found with T-Gate’s SaaS solution was the power of cloud-based security, the flexibility of a payment processor-agnostic solution, and interoperability with MSR-point (magnetic strip reader) encryption card processors. “With this solution, the store swipes the credit card, then the card information is encrypted at the reader, tokenized, and stored off-site,” explains Winslow. With SSL (secure socket layer)-direct connections in each of his customer locations, the SaaS solution nearly eliminates the points of failure (i.e. points in the network where information “sniffing,” key logging, memory parsing, or in-store database compromises can occur).

To highlight the advantages of the SaaS solution, Winslow had to find a simple way to show each restaurant owner the risk of on-premise solutions. “I have them open a Notepad file on their computer, then swipe the credit card, and bam! There is the credit card info, right on the screen in front of them,” says Winslow. Helping Winslow make his case for off-site

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“We have recovered about 8 hours a day due to our choice of SaaS.”

CJ WINSLOW, FOODTRONIX

credit card information storage is a pending PCI DSS lawsuit showcasing the damage (\$17 million and counting) that can be caused when credit card information is stored in a restaurant's unsecured network (<http://bit.ly/6wijYr>). “When they can see how that information slides right onto their computer — and is completely accessible from the Internet — it is a great illustration of why they need card encryption and why they don't want that information in their network.” Another selling point for cloud-based payment processing is the access — secure access — from nearly anywhere. “Most of our customers do some type of catering, so access to credit card payment processing on the road, through the SaaS product's Web gateway, is another great selling point,” says Winslow.

SaaS Payment Processing Helps POS ISV Simplify Operations

For FoodTronix, the advantage is multifaceted. Not only can the ISV offer an affordable solution — its SaaS solution is about half of what the on-premise solution costs, plus includes 24/7 support — but it has a simpler solution to roll out to customers with little interest in IT. But one of the biggest selling points for Winslow has been time saved — the SaaS solution requires less time for deployment, for service, and for integrations. “The average installation of our former product was 4 hours; the average T-Gate installation is about 45 seconds,” says Winslow. “Today, we hand over the merchant's processor information, our vendor sets up the profile, and then hands the credentials to us. We used to calendar installation time because it took so long. Now we gain that time back.”

Additionally, the expense to his company in support time with past payment processing products was massive. “A lot of POS companies use a product that, for us, averaged one advanced support issue call per customer per quarter — these were issues we couldn't fix ourselves,” explains Winslow. “Most often, we would spend time on hold with the vendor's third-party tech support, then escalate the problem at least three levels up, and finally, battle several disconnects when the customer service rep would say the problem was unfixable and hang up.” In all, those calls would sometimes run as long as 2 hours — often with an end user also on the line. With the SaaS solution, Winslow says he rarely needs to esca-

late a problem to the vendor because most support calls from customers are simple operational errors. “So far, in a year with this solution, we've made maybe 10 support calls to the company, none of which were 2 hours long.”

Another advantage to FoodTronix is the ability to bundle the monthly subscription fee for the SaaS payment processing solution with its existing service and support offering. This means the SaaS solution allows FoodTronix to meet its goal of offering a stable, economical, secure solution to its small restaurant customers. “We feel we are ahead of the game in terms of our competition because we are now offering secure credit card services in an economical way so these little guys can play with the big guys,” says Winslow. “PCI has always meant expensive solutions, and it overwhelms these small shops. Now, because most of the sensitive data is handled by the vendor, the payment processing is hardened, trusted, and certified for PCI at a better price — plus it's simple.”

In terms of competing in the POS market, the SaaS solution allows Winslow to talk about high levels of security right off. “I have encryption, and I am PCI-compliant; that's an advantage right there,” he says. “Plus, many competitors in my space are locked into credit card-specific platforms. T-Gate allows us to offer total flexibility with that because they are processor-agnostic. They have given us that as an advantage over our competition as well by getting rid of that additional transaction fee that some other SaaS processors charge.”

Overall, the time saved in terms of installations, support, and troubleshooting security vulnerabilities has allowed FoodTronix to recruit and support new customers. “We have recovered about 8 hours a day due to our choice of SaaS,” says Winslow. At \$15 an hour, that savings totals about \$31,000 per year — enough for a new hire. Winslow says with this final piece of his POS solution in place, FoodTronix is expecting to see growth of near 25% this year and is preparing for its own partner channel outreach that begins with FoodTronix's own POS software, but includes the fully bundled, end-to-end solution he offers his existing customers today. ●



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