



Five Things to Look for in a Recurring Payment Gateway Partner



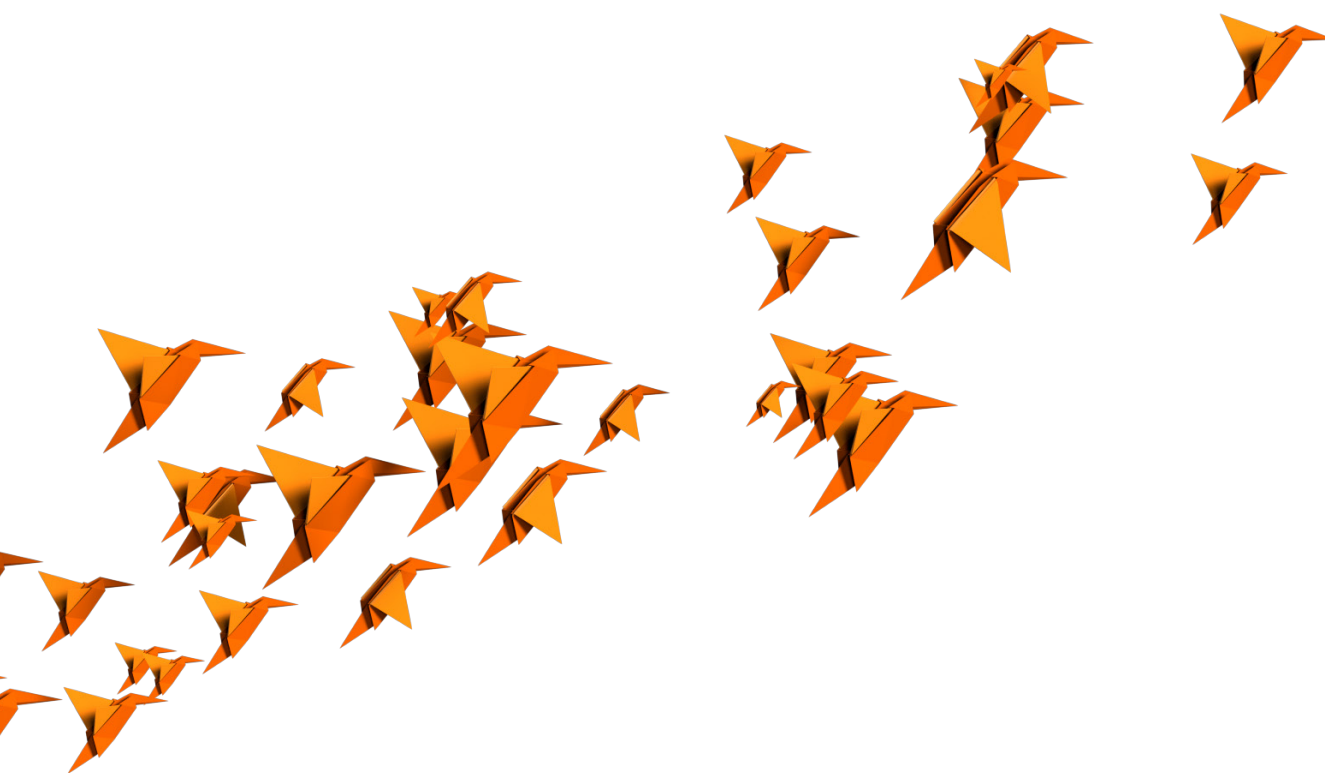


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During the past few years, payments have become more critical to online business, driving the customer experience. For the first time, experts predict online retail sales will reach [\\$6.51 trillion](#) by 2023, with [ecommerce websites](#) taking up 22.3% of total retail sales.

The payment process plays a critical role in the modern customer journey. You need to be aware of your subscribers' preferences if you want to lower your cart abandonment rate. [A recent study from payments firm P-PRO](#) found that more than 40% of U.S consumers will stop a purchase if their preferred payment method isn't available.

To optimize revenue, businesses need to provide frictionless payment experiences, and selecting the right payment gateway is an easy way to do so.

“More than 40% of U.S consumers will stop a purchase if their preferred payment method isn’t available.”

[P-Pro News, April 24, 2020]

What is a Payment Gateway?

In [credit card processing](#), the payment gateway sits between the merchant and the payment processor who passes transactions to the card network (Mastercard, Visa, American Express, Discover, etc). [The role of the payment gateway](#) is that of a secure information conduit that complies with credit card processing security rules and regulations.

You can't accept payments without a gateway. Most people think of collecting payments as needing a [merchant account](#), but the merchant account requires a gateway — and they are not all the same.

How Can a Payment Gateway Impact Business?

The number one concern of any subscription company is churn.

While voluntary churn — which occurs when a customer chooses to cancel a subscription — can be reduced through an enhanced offering, more seamless customer experience, and other proven strategies, experts encourage businesses to invest in preventing involuntary churn — when a customer unknowingly cancels.

“Reduce friction after a payment failure by allowing customers to retry their current payment method,” said Max Mautner, Senior Software Engineer at Netflix, at [SubSummit 2022](#). “Make it abundantly easy to rejoin after a payment failure.”

Businesses can’t afford to lose customers, and they certainly shouldn’t be losing them due to a payment issue. **Failed payments account for 20-40% of subscriber churn**, [according to Zuora](#), and it can cause businesses to lose up to 6% of their customers. Having the right payment gateway partner is critical to successfully supporting subscription-based and recurring-revenue-based companies.



When choosing or re-evaluating a payment gateway partner, take the following five criteria into consideration.

- 1. Ease of Integration**
- 2. Ease of Migration**
- 3. Security**
- 4. Customer Service**
- 5. Recurring Payment Features**



1. Ease of Integration

Be sure to ask whether the payment solution integrates with other critical software your business uses (e-commerce platform, subscription management) and the time and resources needed to complete the integration.

The last thing anyone wants is extra work. That's why working with a payment solution that's easy to implement and integrates with other critical software is important.

Look for a payment solution that offers a [payment API integration](#). API integration allows applications to request and share data between each other seamlessly. With APIs, a developer can consistently get value from data sources and optimize current systems' capabilities. The payment partner should also provide full support throughout the implementation and integration.

2. Ease of Migration

Business owners should regularly [evaluate their tech stack](#) to ensure that the right tools are in place to support their business strategy.

Although there's no set time as to how often you should evaluate your tech stack, there are several things you can look out for, including:

- A change in business needs or goals
- Compliance with a new data and/or security regulation
- Tech is no longer scalable to support business growth and business processes
- Increasing operational costs

If it's time to update your payment gateway — which requires moving from one provider to another — **your migration should be as easy and seamless as possible for everyone involved.**

It should include a secure transfer of all account information, such as customer names, addresses, credit card numbers, expirations, and so on. **If your systems are up to date, the switch is simpler.**

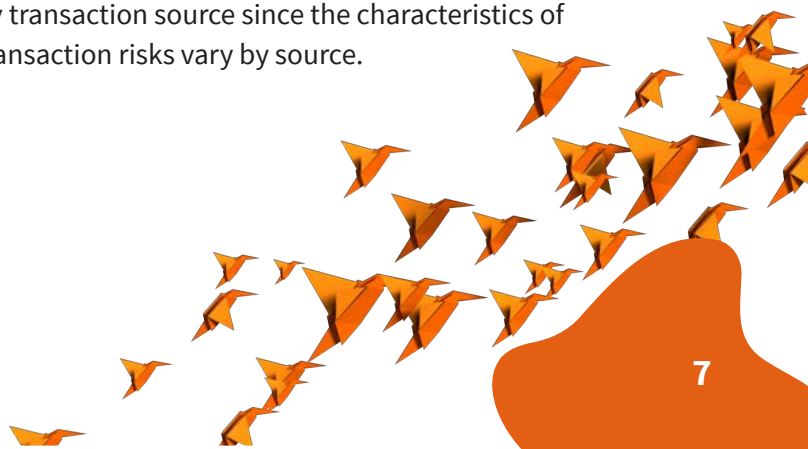
3. Security

Data security is paramount when it comes to processing payments. Without it, businesses — including [Target](#), [Adobe](#), and others — have faced financial loss, a decline in customer trust, and tarnished their brands.

More than half of businesses fail to meet standards set by the [Payment Card Industry Data Security Standard \(PCI DSS\)](#), which protects card data and reduces the risk of a data breach. In 2020, [43.4% of businesses achieved full compliance](#), compared to 27.9% in 2019.

[Point-to-point encryption \(P2PE\)](#) is one of the best methods you can use to protect yourself, as well as your customers, and prevent a credit card breach. The simplest way to ensure you're protected is to partner with a company listed as a [Point-to-Point Encryption \(P2PE\) provider](#). This way, you can verify the gateway is both certified and PCI-compliant.

You also want to protect your company against credit card fraud. At a minimum, **the gateway you're considering should encrypt data at the time of transaction, offer address verification, and be security-code configurable.** It should also be able to check and block transactions, and be configurable by transaction source since the characteristics of transaction risks vary by source.



4. Customer Service

When vetting a company, ask if you'll receive immediate support, personalized service, or if you will be redirected through a series of menus. Things may happen that need immediate attention such as system trouble, suspicious transaction activity, or payment fee questions.

The less time you spend trying to get support, the less downtime you'll incur. Sometimes, identifying the problem and who is responsible can be frustrating. This is when finding a payment provider with exemplary customer service counts even more.

5. Recurring Payment Features

If you run a subscription or recurring revenue business, make sure your payment gateway has features such as [Account Updater](#) and [Level 3 processing](#).



Account Updater routinely queries Visa, Mastercard, and American Express to verify account numbers and expiration dates. It also checks for closed accounts or expired cards. This reduces churn by preventing failed payments. On average, Account Updater saves more than 50% over manual updates and reduces churn by 2%, according to Payway data.

Level 3 Processing helps business-to-business (B2B) and business-to-government (B2G) companies save on processing corporate credit cards and procurement cards by providing additional information to credit card companies. Every transaction has data levels (Level 1, Level 2, and Level 3) that require a certain amount of data. The more information, the higher the level, and, in turn, the lower the cost to process. On average, Level 3 processing saves 1% on qualifying transactions, per our data.





One More Thing...

While ease of integration, ease of migration, security, customer service, and recurring payment features are five important factors, there is also something else to consider — pricing.

Pricing Models

Payment gateways like [Stripe](#), [Braintree](#) and [Square](#) offer merchant accounts as part of their services. However, not all gateways require you to sign up with their merchant in order to get the gateway. These providers are system agnostic and can code their gateway to any acquirer or processor. You can bring your own merchant account on board or sign on with one of theirs.

There are many advantages to this. You have flexibility to build the solution that will work best for your business. You'll also benefit from cost-plus pricing. Instead of a blended percentage rate, you pay the published [interchange rate](#), a per-transaction fee and basis points (one basis point is 0.01%). When you run the numbers, [cost-plus pricing](#) can save businesses up to 20% in savings over bundled pricing.



Final Decision

If your business is struggling to meet revenue goals, it may be due to ineffective payment processing. Knowing what to look for when selecting your recurring payment gateway is one way to overcome this.

When you select a payment gateway that's easy to integrate, easy to migrate to, provides necessary data security, exemplary customer service, recurring payment features as well as cost-plus pricing, you optimize the payment process, leading to profitability, longevity, and success.



About Payway®

Payway is a proven payment service provider offering a highly secure and versatile environment to help subscription businesses simplify and accelerate transaction processing leading to improved cash flow and significantly lowering the costs associated with accepting recurring payments.

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