

R.J. Calio Consulting, LLC.

Retail Systems Consultant

What You Need to Know Before You Buy A New POS System

Choosing the right system for your store can be a daunting and confusing project. The most common questions I receive from retailers are: Where do I start? What questions should I ask, and how technical do you need to be? These are all legitimate concerns and I hope to answer them in this article.

When retailers who are looking for assistance in helping them find the right system for their store contact me, the first question I ask is why do they want a new system and what business problems are they trying to solve? The most common responses are that their current system doesn't have the functionality to meet our needs. In most instances they never defined their needs correctly when they purchased their existing system. They made assumptions or felt that since other museum stores were using the same system it would meet their needs. The purpose of this article is to give you a blueprint to follow, and list of features you should consider. If you get one thing from this article it is that the software you chose "needs to improve your ability do business." The technology of the system is secondary to the functionality of the software.

Establishing an Evaluation Process

When considering the purchase of a new POS System for your store, your first step should be to establish an evaluation process. To establish such a process, you should undertake the following steps:

- ◆ Detail all your needs by function, such as POS, customer tracking, purchase orders, compatibility to all store systems, etc. You should end up with a detailed systems needs document broken down by specific functions.
- ◆ Involve your key people to develop your needs document to ensure the thoroughness of this phase. A second and possibly more important benefit of this collaborative effort is the "buy-in" of these key people. Involving key people in this phase increases the likelihood that they will use the system that is ultimately chosen.
- ◆ Send your needs document to prospective vendors and have them respond in writing. It is important to have a written response so as to establish the vendor's representations regarding the system's capabilities and limitations.
- ◆ Evaluate the responses from vendors and follow-up for clarification on specific points where needed. Your goal is to find the system and vendor that most closely matches your needs.
- ◆ Invite the three vendors to demo their software whose responses best match your needs document. Evaluating more than three systems during the demo phase can be very confusing and time consuming. Schedule the demos on consecutive days if possible in order to keep the information flow fresh in everyone's mind.
- ◆ Set a demo agenda for the vendors to follow when presenting their software. This will ensure you that you are evaluating each product feature-to-feature, and are seeing the features that are important to you, not the vendor.

R.J. Calio Consulting, LLC.

Retail Systems Consultant

- ◆ Score each demo against your system needs document. It's not only important to know if a software package has the specific feature, but is equally important to see how the function actually works. Ease of use should be given some value.
- ◆ Schedule a second demo with the one or two vendors that best match you needs to get deeper into the product.

The needs document and the vendor analysis will become the foundation of your "technology plan." Many museum stores are multi- channel retailers, who are selling inventory in their stores, through catalogs and on the web. Your infrastructure needs to support sales across these various channels and support interoperability between the retail system and other museum software. Your technology plan should act as your guide for the next five years and should be updated yearly to include changes in your needs and core business processes.

The software you chose needs to have the capability to improve your ability to do business and service your customers. The key element is to align your business and technology needs.

Vendor Evaluation

Did the vendor present their software in clear and understandable terms? An ambiguous explanation is usually disguising a deficiency. Could the vendor articulate some clear "Return on Investment" strategies? Will the vendor provide a list of users ranging from recently installed systems to users that have been on the system for over three years? Can they provide a detailed implementation plan and training syllabus?

The reality is that a mediocre system that is implemented and utilized properly is a better solution than the best system that is poorly implemented. The vendor evaluation is critical and I typically spend as much time evaluating vendors and monitoring the installation and training process as I do in choosing the system.

"Must Have" System Features

This list can certainly vary from store to store, but in my experience, the following features should be seriously considered when selecting a system:

Touch Screens: Touch screens offer a number of benefits that fit the needs of museum shops. They require 35% less training time for cashiers and are much more intuitive to use than standard POS screens. A second benefit is the ability to setup touch buttons to represent product. This can be very helpful for open stock departments or small non-scannable items to speed up transactions. Touch screens will add approximately \$500 per POS station to your cost.

Internet Credit Card processing: Since many museum stores experience heavy transaction volume in short periods of time, speed of credit card processing becomes essential. Transaction approval is 2 to 3 seconds over the Internet. There usually is an upcharge of \$.04 to .05 per transaction and therefore you need to weigh the benefit against the cost. I have been in many

Mailing Address:

P.O. Box 827
South Windsor, CT. 06074

E-Mail: rcalio@snet.net

Web: rcalio.com
Phone: (860) 644-7956
Fax: (860) 644-2358

Page 2

R.J. Calio Consulting, LLC.

Retail Systems Consultant

museum stores that have school tours where faster processing for an upcharge of \$.05 would have been very cost effective. Also coming under the heading of payment processing are signature capture and PINpads that allow customers to key in their PINS for debt card transactions.

Sunrise 2005 complaint: By January 1, 2005 inventory databases and scanning equipment will have to be able to accommodate and read 13 digit and 8 digit EAN codes. The 12-digit barcode will still be used, but all products arriving from foreign markets will only have the 13-digit barcode.

Replication: Replication is essential in a retail environment due to the dynamic nature of the data. The data is being updated constantly from the point of sale, purchasing, receiving and price updates. It is preferable to choose a system that is constantly updating the data back to the server and replicating such data back to all the workstations and POS stations. In the event the system loses connection to the server, replication ensures that an updated database working on all the POS and workstations is available. The need for this replication process grows exponentially in a multi-store configuration.

OPOS: Microsoft, NCR, Epson, PSI and others have developed Standards for the Association of Retail Standards (ARTS). *OLE for POS (OPOS) is an acronym that defines a set of compliance standards for interfacing software to a range of POS devices, printers, scanners, etc. The advantage of an OPOS complaint system is that it is hardware independent. The advantage of an OPOS complaint system is that if you decide to change software at some point you hardware will work with any OPOS complaint software.*

ODBC: Open data base connectivity (ODBC) is a standard SQL interface defined by Microsoft that allows application software to access data in a standard format. An example of ODBC would be a report designed in Excel that is getting the data from your POS system. Once you have designed the report and defined the specific data you want from the POS system, the report can be run and to automatically give you updated information every time you recall the report.

Smart Cards: Smart cards (a/k/a gift cards) are rapidly giving retailers increased sales and promoting greater customer loyalty. There are two options when considering a gift card program. One option is an internal card where the data is kept within your POS system. Another option is an external card, which is managed through a Credit Card Processor. Though there are cost and other technical considerations, smart cards offer a perfect opportunity to increase sales and customer retention. It is estimated that 43% of consumers will purchase gift cards this holiday season and thirty-nine per-cent of those sales will be impulse buys.

SQL: Structured Query Language is a language used to interrogate and process data in a relational database. SQL allows queries such as give me “ all the items in a specific department that have a gross margin % of less than 40%.

R.J. Calio Consulting, LLC.

Retail Systems Consultant

"Nice To Have" Features

These are features that once your system is up and running and you are utilizing the system should be considered for the next phase of your technology plan.

Wireless LAN: Wireless local area networks will give retailers the ability to have wireless devices such as Palm-type handhelds devices, Tablet PC's, and wireless POS stations for special events and kiosks.

RF: Radio frequency (RF) hand held devices offer tremendous value as an add-on to a POS system, as well as a high return on investment. These Palm-type devices can be used for checking inventory, pricing product, generating orders, receiving orders and conducting physical inventories. Since they are live on the system through an Access Point, the data you are viewing is current and the changes you execute can take effect immediately. An additional benefit is that your key personnel remain on the sales floor when performing many of these tasks.

RFID: Radio Frequency Identification (RFID) tags have an embedded chip that allows a wireless receiver to receive and transmit data. These tags might eventually replace bar codes on product once the price per tag comes down to below five cents, at which point the technology will first be implemented on the supply side and eventually at POS. On the supply tags will be affixed to pallets on cartons of merchandise to identify the contents. I have included RFID because it is not a question of if it will happen, but when it will happen.

Conclusion

Don't get caught up in the concept that new and better technology will be available tomorrow. Your goal during this process is to buy technology that is functional and that enhances your business processes. Technology is obsolete only when it can't deliver on that premise.

Your job isn't done when you have chosen the best solution for your store and successfully installed and implemented the system. At that point you can begin to execute strategies and develop goals to improve your business practices and get a return on your investment. It is estimated that stores utilize only about 30 per-cent of the power of the technology they own. You can avoid that trap by developing key indicator reports that point you to problem areas and then acting quickly to resolve those problems. The philosophy should be " Now that you own it, use it."

R.J. Calio Consulting, LLC.

Retail Systems Consultant

The store of the future (Sidebar)

When you enter a store of the future your RFID customer card will immediately identify you. The clerks will be able to monitor any items that you pickup from the RFID tags on the items. The store will provide a PSA (Personnel Shopping Assistant) for your use, which will allow you to view any items on sale, search for item in stock, place items on a gift registry and scan the items they you to purchase. When you are finished shopping the items you have selected will be uploaded to the POS station and your credit card information will be transmitted to the POS device by a Pay Pass RFID tag. The buyer will immediately be notified if the item needs to be re-ordered.

The system might a Java based system running on a Linux server. The store of the future would have to ability applications across multiple platforms. Many components of the store of the future are available today. The RFID component will become part of the everyday retail landscape once the prices of the wireless infrastructure, RFID tags come down.

Mailing Address:

P.O. Box 827
South Windsor, CT. 06074

E-Mail: rcalio@snet.net

Web: rcalio.com
Phone: (860) 644-7956
Fax: (860) 644-2358