

# Purchasing the Right POS System

# 2011

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We want you to be sure that the system you purchase will have everything you need. This white paper will help ensure that you purchase the best POS system for you and your company.

From Business  
Software  
Solutions

## Selecting The Proper POS System For Your Business

The goal of this white paper is to help you purchase a POS system that will have everything you need. A good point of sale system should not only help you ring in sales faster, but it should also help you run your business more efficiently. This includes having features such as a full featured inventory management system, accounting and payroll functions, and an easy to use point of sale.

A quality point of sale system can provide a huge return on your investment. Imagine being able to go to your point of sale system and quickly see all sales data, product and labor costs, and expenses. Having quick and immediate access to this information will not only save you time, but, also allow you to make informed decisions for your business.

However, choosing the wrong POS system could cost you, and your business, more than just the price of the system. If you can't quickly see all of the necessary business information, such as sales and costs, you could be making the wrong decisions. For example, without accurate cost reports, you could be spending too much on your products.

This white paper will walk you through how to select the best POS system for your business. We also have included a checklist that you can use as you are researching POS systems.

## Will the POS System Help You Run Your Business More Efficiently?

A good point of sale system should not only help you ring in sales faster, but it should also help you run your business more efficiently. Look for the following features:

### **Inventory Management**

A built in inventory management system to help you keep track of on hand quantities and costs. You should also be able to quickly enter new inventory as you receive it.

Also, look for the following features:

### ***Tracking Product Costs***

You need to be able to see all product costs and profit margins at any point in time.

Something that is constantly drilled to MBAs is “If you can’t measure it, you can’t manage it.”

If you have not been measuring and tracking your product costs, it is impossible to ensure that you have the lowest food costs possible.

Your POS system should have multiple cost and profit margin reports to give you an accurate view of how much you are spending on inventory.

### *Tracking On Hand Counts*

This would involve entering in an initial count of all products you would like to track. Also, you should be able to define which items are removed from inventory when you make a sale. For example, if someone purchases an omelet in a restaurant, you would need to be able to program the system to not only deduct eggs from inventory, but also cheese, any toppings, oil, etc.

### *Creating Purchase Orders*

With many POS systems, you also have the ability to create purchase orders for your vendors.

For example, in a restaurant, when you are out of eggs, you would generate the purchase order for more eggs. When the eggs come in, you would let the system know that the eggs have arrived, and the system will automatically add the eggs into your inventory. This method of adding inventory would be much more efficient than any manual method.

To speed up the process, many systems can auto-generate purchase orders. For example, you can setup your system to create a purchase order when you are down to four dozen eggs. Again, when the eggs come in, they will be automatically entered into your inventory.

### *Tracking Waste and Shrinkage*

One final aspect of a modern inventory system is accounting for waste and shrinkage. Again, using our eggs example, if someone dropped a dozen eggs on the floor, in most modern POS systems, you can quickly enter this in as food waste.

## A Robust Reporting System

The POS System you purchase should have a robust reporting package. Your POS system should include detailed reports to give you a full view of how well your business is performing. A business manager or owner needs to be able to see a complete view of his/her business at any point in time.

If you are just relying on sales figures to tell you how well your business is doing, you could be actually losing money by not tracking other numbers.

Having access to this information allows you to make better decisions concerning purchases, employee scheduling, or even whether to fire someone for stealing.

Your POS System should have the following reporting features:

- Sales
- Costs
- Inventory On Hand Counts
- Purchases
- Specific Customer Sales Tracking
- Labor
- Profits and Sales Margins
- Payroll
- Accounts Receivables/Accounts Payables

## A Built In Accounting Package

A built in accounting system that will allow you to manage all costs, revenues, and expenses...right from your POS system. Not having to purchase a separate accounting package can save you time and money.

The following are some of the features that should be included in the integrated accounting package:

### *Accounts Receivables*

Here, you should be able to process on account sales, calculate finance charges, print A/R statements, print and email A/R invoices, create credit and debit memos, and view Accounts Receivables aging reports.

### *Accounts Payables*

With an Accounts Payables function, the POS System should allow you to print checks for your vendors, reconcile your bank accounts, view your cash flow forecasts, and print 1099 forms.

### *General Ledger*

Just like QuickBooks and PeachTree, the accounting system built into the POS that you choose should be a [double entry accounting system](#). This would allow you to create journal entries and post them to the General Ledger, view balance sheet and income statements, view trial balances, perform revenue and expense account budgeting, perform depreciation, and view profit and loss statements.

## **BONUS: Printing Payroll Checks**

Instead of outsourcing your payroll to another company, you should be able to print payroll checks, right from your POS System.

The payroll function in your POS System should also contain updated Federal Tax Tables. These tax tables are changed every year...you need to have a system that will allow you to update these tables every year.

## **Will Your POS System Be Secure?**

It seems like every day, another news article mentions credit card theft. Here are just a few of them that have made national news:

- In 2007, Heartland Payment Systems had a security breach of close to 100 million transactions by hackers.
- In 2008, RBS Worldpay announced that there was a security breach of their payment systems that may have affected 1.5 million people.
- In 2005, a security breach at CardSystems Solutions compromised 40 million debit and credit card accounts.

## **The POS system you choose needs to have systems in place to prevent credit card theft.**

To combat credit card fraud, the Payment Card Industry Security Standards Council requires that all POS vendors comply with the Payment Card Industry Data Security Standard (PCI DSS). The POS System you choose needs to be compliant with the PCI-DSS standard. This security standard has been mandated by the major credit card companies, such as Visa, MasterCard, and American Express, to ensure that POS system manufacturers are developing secure software for their customers.

## Along with credit card theft, your POS System should be equipped with features to prevent employee theft.

- According to the US Chamber of Commerce, **75% of all employees commit some form of employee theft**. Many will do so repeatedly.
- Research done by Employee Theft Solutions, a division of The Shulman Center for Compulsive Theft and Spending, estimates that employee theft causes  $\frac{1}{3}$  of all US corporate bankruptcies.
- **Small businesses with 100 employees or less have the greatest risk for employee theft.** This is because small businesses normally implement fewer anti-theft controls than large businesses.
- A typical business **will lose 5% of its annual revenue** to theft.

Your POS system needs to have security features, such as passwords and manager cards, to prevent theft. You should also be able to view reports that show you when voids or comps have been performed.

For example, if a manager approved a void, you should have a report in your POS system that shows the name of the employee that performed the void, and the name of the manager that approved it.

## Other Items to Look For

Along with the above features, the [National Restaurant Association](#) published the [8 Essential Elements of POS System Ownership](#) to help you purchase the best POS system for your business.

### **1. Know all hardware and software components included in the system and their individual or bundled costs.**

When purchasing hardware and software from a POS manufacturer, be sure that the company lets you know exactly what comes with your package. You should also receive an invoice explaining exactly what you have purchased.

### **2. Establish a clearly defined Service Level Agreement.**

A Service Level Agreement (SLA) is an agreement between POS manufacturer and yourself/company. This includes information about warranties, support services offered, licensing, upgrades, etc. This information should be presented to you completely to avoid any misunderstandings.

### **3. Require a clearly defined fee schedule for all services, training, upgrades, conversions, gateway services, and support.**

You should know the exact fees for support, updates, and training before purchasing the POS System

### **4. Understand the terms and conditions of the hardware and software warranties.**

Before purchasing the system, you should know the all warranties associated with your system.

**5. Insist on PCI-compliant and PA-DSS validated POS systems and payments applications and the associated fees for ongoing hardware and software updates.**

As mentioned above, the major credit card brands (Visa, MasterCard, etc.), have implemented a new mandatory standard for credit card security called the Payment Card Industry Data Security Standard, or PCI DSS.

**6. Require the POS System Provider or POS Developer to disclose any financial benefits from relationships with payment processing companies and other service or product providers.**

Many of today's payment processors will have a reseller program that will offer back-end commissions to the reseller.

However, some POS manufacturers will act as if they are the credit card processor. Actually, they are just providing a "middleman" service with another payment processor. This allows them to charge you a higher rate than if you just went directly to the payment processor.

Be sure that the if the POS manufacturer is offering a credit card payment service, they are not claiming the service as their own.

**7. Ensure you can use the supported payment processor of your choice and have fully disclosed pricing for set-up, conversion, and support.**

As mentioned in #6, many POS manufacturers will resell credit card processing services. However, to be sure that you are not locked into their credit card processing service, the POS manufacturer should allow the credit card processor of your choice.

**8. Understand your contract and know your POS System Provider.**

If there is a contract associated with purchasing a POS system, be sure that you fully understand all of the terms of the contract.

# Point Of Sale Purchase Checklist

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To ensure that you purchase the right POS system for your business, we have created the following checklist for you to use. Whenever you are researching a particular company's POS systems, be sure to have this checklist available.

Also, if you need help in using the checklist, at the end of this section there is a sample checklist that you can reference.

You can also download this checklist at

<http://www.businesssoftware.com/training/documents/pointofsalechecklist.pdf>

<b>Point of Sale Purchase Checklist</b>	Company:
	Contact Name and Phone:

Inventory Management	Comments
<input type="checkbox"/> Does the inventory management system allow you to track on hand quantities?	
<input type="checkbox"/> Does the inventory management system allow you create and receive purchase orders?	
<input type="checkbox"/> Does the inventory management system allow you to track waste?	

Reporting	Comments
<input type="checkbox"/> Does the POS system contain sales reports?	
<input type="checkbox"/> Does the POS system contain cost reports?	
<input type="checkbox"/> Does the POS system contain inventory reports?	
<input type="checkbox"/> Does the POS System contain product purchase reports?	
<input type="checkbox"/> Does the POS system contain labor reports?	
<input type="checkbox"/> Does the POS system contain profit and sales margin reports?	
<input type="checkbox"/> Does the POS system contain payroll reports?	
<input type="checkbox"/> Does the POS system contain accounts receivables/accounts payables reports?	

Accounting		Comments
<input type="checkbox"/>	Does the POS system contain a built in accounting package?	
<input type="checkbox"/>	Does the POS system allow you to enter accounts receivables?	
<input type="checkbox"/>	Does the POS system have a double-entry General Ledger?	

Payroll		Comments
<input type="checkbox"/>	Does the POS system allow you to print payroll checks for your employees?	
<input type="checkbox"/>	Does the POS system have updated Federal Tax Tables available?	
<input type="checkbox"/>	Does the POS system allow you to print W-2s?	

Employee Theft Prevention		Comments
<input type="checkbox"/>	Does the POS system allow you to protect functions, like voids and comps, with a password?	
<input type="checkbox"/>	Does the POS system allow you to protect functions, like voids and comps, with a manager swipe card?	
<input type="checkbox"/>	Does the POS system contain reports to show when functions, like void and comps, have been performed?	

Other Items To Look For	Comments
<input type="checkbox"/> Do you understand all hardware and software components of your POS system?	
<input type="checkbox"/> Do you understand all warranties and licenses associated with your POS System?	
<input type="checkbox"/> Does the POS system contain inventory reports?	
<input type="checkbox"/> Do you know the exact monthly/yearly fees for support, upgrades, and training?	
<input type="checkbox"/> Does the POS manufacturer have any financial agreements or benefits by partnering with other credit card companies?	
<input type="checkbox"/> Are you locked into choosing certain credit card processors with the POS system, or, are you able to choose the processor of your choice?	
<input type="checkbox"/> Are there any contracts associated with purchasing a POS system?	

## Sample Checklist

Point of Sale Purchase Checklist	Company: Business Software Solutions
	Contact Name and Phone: Laura 801-336-3303

Inventory Management	Comments
<input checked="" type="checkbox"/> Does the inventory management system allow you to track on hand quantities?	I can keep track of all of my on hand quantities
<input checked="" type="checkbox"/> Does the inventory management system allow you create and receive purchase orders?	Yes
<input checked="" type="checkbox"/> Does the inventory management system allow you to track waste?	Yes, they have a Waste and Shrinkage function

Reporting		Comments
<input checked="" type="checkbox"/>	Does the POS system contain sales reports?	Yes, they have daily, monthly and yearly reports
<input checked="" type="checkbox"/>	Does the POS system contain cost reports?	Yes
<input checked="" type="checkbox"/>	Does the POS system contain inventory reports?	Yes. I can see reports for on hand quantities and costs
<input checked="" type="checkbox"/>	Does the POS System contain product purchase reports?	Yes, they have reports that shows all of my purchases
<input checked="" type="checkbox"/>	Does the POS system contain labor reports?	I can see my employee's hours every day
<input checked="" type="checkbox"/>	Does the POS system contain profit and sales margin reports?	Yes
<input checked="" type="checkbox"/>	Does the POS system contain payroll reports?	They also allow you to print payroll checks
<input checked="" type="checkbox"/>	Does the POS system contain accounts receivables/accounts payables reports?	Yes. They also allow you to print and email statements

Accounting		Comments
<input checked="" type="checkbox"/>	Does the POS system contain a built in accounting package?	I won't need to use Quickbooks
<input checked="" type="checkbox"/>	Does the POS system allow you to enter accounts receivables?	Yes. I can place orders on account
<input checked="" type="checkbox"/>	Does the POS system have a double-entry General Ledger?	Yes

Payroll		Comments
<input checked="" type="checkbox"/>	Does the POS system allow you to print payroll checks for your employees?	Yes
<input checked="" type="checkbox"/>	Does the POS system have updated Federal Tax Tables available?	They are updated every year
<input checked="" type="checkbox"/>	Does the POS system allow you to print W-2s?	Yes

Employee Theft Prevention		Comments
<input checked="" type="checkbox"/>	Does the POS system allow you to protect functions, like voids and comps, with a password?	Yes. I can setup multiple passwords for all of my managers
<input checked="" type="checkbox"/>	Does the POS system allow you to protect functions, like voids and comps, with a manager swipe card?	Yes
<input checked="" type="checkbox"/>	Does the POS system contain reports to show when functions, like void and comps, have been performed?	Yes

Other Items To Look For	Comments
<input checked="" type="checkbox"/> Do you understand all hardware and software components of your POS system?	Quoted a 1 station system with printers, cash drawer, and touch screen for \$1695
<input checked="" type="checkbox"/> Do you understand all warranties and licenses associated with your POS System?	Their sales staff broke down the warranties of each part of the system
<input checked="" type="checkbox"/> Does the POS system contain inventory reports?	Only \$30 per month for license and support
<input checked="" type="checkbox"/> Do you know the exact monthly/yearly fees for support, upgrades, and training?	Only \$30 per month for license and support
<input checked="" type="checkbox"/> Does the POS manufacturer have any financial agreements or benefits by partnering with other credit card companies?	They do have partnerships with X-Charge and PPI. But, they are not acting as the processor. So, I know that my rates will be fair.
<input checked="" type="checkbox"/> Are you locked into choosing certain credit card processors with the POS system, or, are you able to choose the processor of your choice?	I am not locked into a credit card processor
<input checked="" type="checkbox"/> Are there any contracts associated with purchasing a POS system?	No Contracts

As you are researching potential POS system manufacturers and software developers, we encourage you to use the above checklist to help ensure that you are making the best decision for you and your business.

You can also view the National Restaurant Association's [8 Essential Elements of POS System Ownership](#) to help guide you in making the right point of sale system purchase.