

# The Point of Point-of-sale: Increased Profitability

Why small retail store owners can Not afford Not to have Point-of-Sale

Not to many retail store owners complain that they are making too much money. In fact when one considers the amount of hourly time (and effort) many retail store owners put in, their hourly compensation may well be below minimum wage! Small retail store owners have to wear lots of hats, they are part salespeople, part purchasing managers, part bookkeepers and not the mention operations managers and overall decision makers. It is hard work, but there is no greater satisfaction than succeeding and doing something you love without anyone else telling you what you have to do, and where and when to do it!

With the general trend in retail business toward larger chain stores, franchising, and the attainment of greater purchasing power to push prices down for the retail consumer, small retail store owners have to be savvy. A point-of-sale (POS) system can provide both the sales marketing tools and time saving inventory management tools, the small retail business owner needs to be successful!

First of all, lets define exactly what a point of sale system is and note at the outset that advances in modern micro computing have made *a computerized point-of-sale system affordable!*

What is a point-of-sale system? Unlike a the old fashion cash register, which is an adding machine that produced a paper receipt total and had a cash drawer to take in and dispense money, the computer based POS system is a powerful sales and marketing tool, plus inventory purchasing and management tool. By the way, the POS system also adds up items purchased, prints a receipt and has a cash drawer. The components to a point-of-sale system are: first of all a computer, running specialized software, an electronically controlled cash drawer, a receipt printer usually narrow 40 column, a barcode scanning device, a magnetic card reading device and optionally a customer display.

There are as many variations to the above description as there are small retail stores, and there are many different ways to purchase a POS system; from the completely self contained turnkey system, such as the CREST system from *Point-of-Sale Systems* of Los Angeles CA, to software and peripheral components available from many computer automation consultants such as *POS International* of Fort Lauderdale FL. Whether a particular retail store decides to go with the simple turnkey system or decides to implement the process themselves, the overall cost will range from \$3,000 to \$7,000 for a small retail store, affordable either way. Now let's look specifically at why a retail store would want to implement a Point-of-Sale system.

There are at least four (4) main reasons to use an affordable POS system:

- 1) Increase Sales, by Increasing Customer Service.
- 2) Increase Sales by Target Marketing Customers
- 3) Decrease Losses by Better Inventory Control
- 4) Decrease Expenses by Purchase Order Management

Let's look at all of these areas individually.

## **Increase Sales by Increasing Customer Service.**

Customer Service, or sometimes more recently referred to as "Customer Relationship Management" is to an increasing extent the single most concept for a small retail business to master. Almost all small retailers know, the key to their success is to offer higher quality service and even higher quality merchandise than is available at their larger competitors. Most small retailers know they compete on quality not the lowest price. Therefore, whatever the small retailer can do to establish service that is more accurate, quicker and more efficient the better. A POS system makes completing the sales transaction fast and easy. Merchandise is identified quickly by an almost instantaneous scan of the item's barcode. No looking up price, no numerous keystrokes, no waiting to correct mistakes; improved customer service equals higher customer satisfaction. Multiple tenders: part cash, part credit card or check - no problem. Tender with a store credit - no problem. Return merchandise, for refund, for store credit, for exchange - no problem. Any variation on any payment type for any type of merchandise: fast, accurate and efficient. Sales people have more time to concentrate on assisting customer's selection of merchandise. Customer's image of the store? Very positive.

## **Increase Sales by Target Marketing Customers.**

The point-of-sale system allows the customer to be identified and their purchases tracked. That simple fact allows a limitless number of direct and in-store marketing promotions that will bring customers in, and encourage their spending. Some examples are: Coupons printed at the point-of-sale for purchases over say, \$100. Coupons for lifetime purchases over say, \$5,000. Percentage off, or value off certificates sent to customers on their birthday's, anniversary's or other special occasion are little advertisements that create a positive image of the store every time they are viewed. Customers keep the marketing piece in their wallets or purses and are therefore encouraged to visit the store every time they view the piece. Customers are thinking of the store more often, are positively

encouraged to visit the store; and therefore more customers will come to the store than would have without the direct marketing.

**Decrease Losses  
by Better  
Inventory  
Control**

“Shrinkage” is a catchall term to describe the loss of merchandise through both known and unknown reasons. Items broken, or damaged are the reality of the retail business, as is theft from customers, employees

and vendors. A POS system contains a database of all items in a store, who they were purchased from, how much was paid for them and how many there are. By implementing a regular system of inventory audits, the retail management knows exactly what is missing and approximately when, that allows an investigation as to causation. The reality is that the mere fact that a person knows that the inventory is being accurately counted is a huge deterrent to theft.

**Decrease  
Expenses by  
Purchase Order  
Management**

The most powerful feature of the point-of-sale system has nothing to do with sales, rather it will save huge amounts of time and allow for accurate control of inventory.

By using purchase orders to order and bring into a store all of the merchandise, very accurate cost information can be acquired, reorders of merchandise can be automated, and accurate profitability determined. Imagine simply requesting a report of all items that should be reordered at any given time and the report is ready in seconds. Further imagine that the purchase order for that merchandise, addressed and referring to the vendor’s item numbers not the retailer’s, with price break quantities and last cost amounts filled in, is printed ready to be sent by email, fax or post to the vendor a few seconds later. Or, if a store stocks items available from several vendors, ask for a purchase order report based on lowest price vendor and have that purchase order printed in just seconds. These capabilities offer a very significant cost savings in terms of personnel time and are much more accurate.

There is much more to point-of-sale than this article can hope to explore but hopefully this has created an awareness for the small retailer of the enormous value of point-of-sale.

Where do you go from here for more information about how a point-of-sale system can work for you? Here are several suggestions: *Point-of-Sale Systems* offers free information in their on-line library, available from their website at [www.point-of-salesystems.com](http://www.point-of-salesystems.com); they also offer a free telephonic consultation so it would not hurt to call. Books written to provide hands-on useful information are scarce, but a good source of both articles and books is available from the *National Retail Federation*. The NRF also represents many large national retailers so not all of

their information is as specifically tailored as one might like. The NRF can be reached via their web site at [www.nrf.org](http://www.nrf.org).

Finally a perhaps the best source for information is simply the awareness gained by observing other retailers using POS and even asking a few questions. When in another store take notice of what information is being acquired and how it is being used. Ask yourself what is liked or disliked about the process? How could it be made better?

While, a system can be implemented by the do-it-yourselfer, the advantages to having professional assistance, in the selection of software and equipment plus configuration of the database, installation and training can not be over emphasized. With everything else a store owner/manager has to do, and to get the most out of any POS system, if at all possible look to get competent professional help from a firm that has done POS installations and can offer referrals. Many computer consultants may believe that they are competent to complete a POS project but do not realize the complexities of retail management. They may know computers and computer systems but there is more than that to creating a point-of-sale system that accomplishes all that can be done to maximize a store’s potential.

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