



How Do You Know If It's Time to Upgrade Your POS System?

Rapid advances in omnichannel technology in the past several years have radically changed the nature of POS. Instead of serving as simple transaction execution devices, POS systems now serve as links to a customer's loyalty and behavioral history across all channels. In many instances, POS platforms also need to extend to mobile and customer self-service devices, connect to social networks and otherwise extend beyond standard fixed terminals.

Yet many retailers still operate the same POS system they were using five or even 10 years ago, leading to slower transactions and increased risk of fraud and theft, resulting in lost profits. This special report will delve into exactly why traditional POS systems are dangerously out of date and provide retailers with the tools to evaluate their current POS systems and determine if an upgrade is needed.



Sponsored by



digitalPersona.

POS AND THE 'LAST MILE' CRISIS IN RETAIL

The POS represents the “Last Mile” of retailing. It is the final step on the customer’s path to purchase, and in many ways is the most crucial step of all. After all, if a customer cannot successfully purchase an item, no sale can be made. Yet in the past decade, retailers have made huge investments in distribution, CRM, store planning, pricing and assortment optimization, and numerous other solutions designed to guide customers into the store to buy certain items, but have not invested in solutions to successfully complete transactions with the speed, accuracy and omnichannel efficiency the customer expects.

This puts the ROI of retailers’ entire systems investments in peril and further exposes them to competition from Amazon.com and other pure-play competitors. Using outdated POS technology also exposes retailers to the risk of “showrooming,” which is the practice of customers disappointed by the POS experience using their mobile devices to check for cheaper prices on the items you sell in your store from nearby competitors or online market places like Amazon.com.

Some sobering statistics from the January 2014 Boston Retail Partners “POS Benchmarking Survey” give insight into how many retailers have not yet modernized their POS installations. Of more than 500 top North American retailers surveyed, only about 20% said they have updated their POS terminals in the past two years, while roughly 25% have updated them in the past two to four years, and another 25% have updated them in the past four to eight years! And a still surprising 5% have gone more than 12 years without an upgrade.



When considering an upgrade to their POS terminals, retailers using a Windows XP platform also need to realize that in April 2014, Microsoft ends support for Windows XP as an operating system. This means that Microsoft will no longer support XP, used by many retailers as a platform for POS terminals as well as other installed retail systems such as ATMs and back office servers, with security patches intended to eliminate threat vulnerabilities to this OS. Eventually, retailers will need to take alternative action to ensure systems handling customer credit card information remain compliant to the Payment Card Industry Data Security Standard (PCI DSS). The problem is terminals loaded with Windows XP will not likely run the current Windows 7 upgrades, due to too little RAM and CPU power. Posiflex can help existing customers with upgrades and replacements to their POS terminals and databases as needed, and new customers looking to migrate from Windows XP with many attractive options.

Sponsored by



digitalPersona.





● Touchscreen terminal with fingerprint reader

LESSONS FROM RETAIL

Retailers that have not yet upgraded their POS systems can learn lessons from more proactive peers. Upgrading your POS system to a more modern platform — especially one including biometric security solutions — resolves several critical needs. These include the need for 100% POS uptime 365 days a year; the need for rugged, durable systems; the need for intuitive devices; the need for fast customer service; and the need for built-in protection against employee theft and fraud. Following is a brief review of each issue and how a POS upgrade solves them.

100% Uptime

Today's hypercompetitive, omnichannel retail environment — where constantly connected customers can have access to your competitor's inventory from within your store — demands POS systems that are always operating at full capacity. Long lines caused by POS downtime will quickly drive your shoppers to your competitors, possibly while waiting in line via mobile device. In addition, POS downtime leads to wasted labor costs of checkout employees left idle and can also lead to general customer dissatisfaction.

Rugged, Durable Systems

Related to the issue of full uptime is the need for rugged, durable POS systems. POS maintenance can be a huge monetary expense for retailers. Posiflex-sponsored research data indicates that annualized POS maintenance costs can run from \$400 to \$800 per terminal. Assuming a retailer had an average cost of \$600 per terminal and

operates 250 stores with three terminals per store, that results in annual POS maintenance costs of \$450,000. Upgrading to a newer, more durable platform that does not produce these kinds of maintenance costs can pay for an entire POS implementation within a few years.

Intuitive Devices

POS devices need to be as intuitive as possible. Store associate turnover rates are high, meaning any time spent training employees only offers a short-time benefit. In addition, store workforces often include many employees who are younger or not native English speakers, further amplifying the need for intuitive POS devices that do not require significant training or manipulation to use. Modern POS devices mostly rely on intuitive visual touchscreen controls. In addition, biometric security devices eliminate the need for employees to memorize user names and passwords and also reduce the time needed for activities such as manager overrides.

Fast Customer Service

Resolving all the above issues inevitably leads to faster customer service. However, upgrading your POS can also speed up customer service through features like omnichannel connectivity, which allows customers to gain quick access to online loyalty accounts, special mobile offers and other “seamless retail” features. This opens up the walls of the store and lets customers take advantage of every channel in which you do business at the physical point of sale. In addition, newer terminals feature superior peripherals, such as scanners, readers and cash drawers that operate at a much higher level of efficiency and reliability, further improving the speed of customer service at the point of sale.

Built-in Protection Against Employee Theft and Fraud

Biometric security technology offers built-in protection against internal theft and fraud at the POS. Fingerprints provide accountability, which is a strong deterrent to employee theft. Requiring a fingerprint login versus a password or card protects against employees granting access to unauthorized personnel, impersonating managers to approve improper overrides, sharing passwords, improperly clocking themselves and coworkers in and out, and otherwise abusing or misusing their access to POS systems and data.

Sponsored by

POSIFLEX[™]



digitalPersona.

CHAIN STORE AGE
CSA

THE DANGERS OF NOT UPGRADING YOUR POS

Not upgrading your POS poses a number of very real dangers to your enterprise's long-term viability. In addition to external dangers such as customer alienation, failing to upgrade POS systems can also create internal dangers, such as running an out-of-date operating system that is open to security vulnerabilities, as well as employees taking advantage of outdated technology in ways that benefit themselves at the expense of the company.

Inadequate loss prevention

Turning to internal dangers resulting from POS systems that go too long without upgrade, a substantial portion of shrinkage occurs at the POS due to associates "sweethearting," the practice of giving friends excessive or unearned discounts, and otherwise manipulating legitimate charges. Consider that according to estimates from the National Retail Federation, retailers lose 1.41% of their inventory to shrink, totaling \$34.5 billion in annual losses. And close to half (44%) of that shrink results from employee theft.

Many older POS systems do not have any functionality to effectively monitor shrinkage at checkout, and today's store managers are too busy keeping up with the "real time" pace of store operations to monitor the activity of checkout personnel.

Improper data sharing

Biometric systems can eliminate dangers of employees improperly sharing access codes, passwords, etc. and also allow for instant manager overrides. As with time theft, improper data sharing is a serious internal issue that potentially exposes retailers to significant financial loss. Employee passwords and keycards can easily be shared or stolen, and an employee watching over the shoulder of a manager can obtain their password and later perform an unauthorized override to obtain an expensive item at a fraction of the cost, which contributes to overall shrink losses.

Decreased customer acquisition/retention

A poorly functioning, obsolete POS system can lead to reductions in a retailer's customer acquisition and retention rates, which in turn results in diminished frequency of visits, basket size and other crucial metrics retailers count on as mainstays of profitability. An Accenture global customer satisfaction report found that poor quality of customer service, rather than price, is the leading cause of customer churn. In addition, figures from Bain & Company indicate that reducing the customer defection rate can increase a retailer's profits by anywhere from 5% to 95%, and Adobe Digital Index data indicates that converting 1% of non-loyal customers to returning customers can increase a retailer's revenues by up to \$39 million.

Time theft

Most retailers are well-acquainted with the kind of losses that can accumulate from employees stealing inventory, but overlook the heavy impact that employees stealing time can create. Tracking of employee hours at POS with biometric systems that detect the physical presence of workers helps eliminate employees arriving late, leaving early, taking excessively long breaks and/or punching in and out for an absent coworker without detection. Statistics from private investigation firm Williams Investigations show that employee time theft costs U.S. business \$98 billion a year, and that recovery of five minutes in a workday from each employee for a company of 50 people paying their employees \$10 per hour would result in an annual savings of \$10,625. Extrapolate that figure across the thousands of store associates working at a typical large retailer, and you compile annual savings in the millions of dollars.

Negative social commentary

Tweets, Facebook posts, "fail blogs" and other negative social commentary by consumers frustrated with poor POS performance, often made spur of the moment via mobile device, can spread the news of a single POS glitch globally, creating a PR nightmare.

For example, one site we will not give undeserved publicity to lets customers anonymously post negative comments about their experiences with retailers. POS-related complaints about one retailer that shall remain unnamed include overcharging, failure to redeem virtual coupons,

Sponsored by



digitalPersona.



incorrect price scans and incorrect handling of loyalty cards. All these complaints are posted online for anyone in the world to read, with no real opportunity for the retailer to respond or any time limit on their duration.

CASE STUDIES — SPECIALTY WINE RETAILER AND HOOTERS

It's one thing to hear general information and advice on how and why retailers should upgrade their POS systems to advanced platforms that include biometric security applications. It's another to hear actual first-hand accounts of how these types of POS upgrades directly benefit the retailers that undertake them. To help illustrate the advantages that come from modernizing the POS with implementations that include biometric security, let's take a brief look at two real-life examples. The first is a mid-sized specialty wine retailer, and the second is casual dining chain Hooters.

Specialty Wine Retailer Discovers Password to Success

In 2012, this successful mid-sized, 100-store specialty wine retailer with about 900 POS terminals decided it was time to upgrade from a rudimentary POS system to a modern one that could automate many of the tasks employees were performing manually and provide better visibility into store activities. In the course of the rollout, the retailer also decided to include fingerprint biometric applications from DigitalPersona to manage employee login and access to POS terminals.

The retailer selected the biometric solution because of its clear proven benefits and the ability to place one at each POS terminal and lane. In addition, as the retailer was deploying the biometric solution to manage employee login to POS terminals, the extra stringency of requiring a thumbprint, which unlike a password could not be given to other employees, was a significant factor. Unauthorized password sharing had previously been a problem.

The retailer found that about 98% of employees had no problem learning or using the biometric solution. The remaining small percentage either used large quantities of skin lotion or had fingerprints that were hard to read. Employees were generally receptive to the biometric system as it meant they would no longer have to remember a user name or password to gain access to POS terminals.

In addition, the overall POS upgrade provided easier access to transactional data and allowed the retailer to use the POS like an enterprise application, as it enabled corporate management to monitor each register, as well as total sales for each store during the day. Previously manual tasks, such as determining what coupons and discounts customers should receive, were instead automatically determined at preset prices.

The end result was a savings of 5% to 10% in time per transaction due to customers checking out more quickly and shorter lines. Inventory accuracy also improved, with both these benefits boosting customer satisfaction levels.

HOOTERS SEES PROFITS SOAR AND THEFTS PLUMMET

Goals for 452 global restaurant locations:

- Prevent theft
- Improve productivity
- Monitor time and attendance

Solution:

- Implement biometric-enabled POS system, using DigitalPersona secure biometric technology and Posiflex reliable touchscreen terminals

Results:

- During loss-prevention investigations, Hooters is more assured POS Sign-In logs are valid and no longer has to review video of individual transactions
- Elimination of PINs and swipe cards
- More accurate tracking of time, attendance and access
- Reduced help desk calls
- Reduced transaction fraud and food costs
- Reduced payroll fraud costs
- Elimination of unauthorized overrides

Sponsored by



digitalPersona.



QUESTIONS TO ASK

Obviously, not every retailer needs to upgrade their POS system. There is no “magic formula” to determine when the need exists, nor is there a set time limit on how long an existing POS implementation remains “current.” However, there are several general questions retailers can ask themselves to help determine if their organization would be best served by a POS upgrade.

How many years has it been since the last major POS upgrade?

Retailers looking to stay on the cusp of current POS functionality should upgrade their POS systems every three to five years, considering the rapid evolution of POS technical capabilities, the expanding role of the POS and growing customer expectations for customer service levels. In addition, software patches and updates frequently require more CPU or RAM to properly implement, making an older terminal run more slowly and leading to frustration on the part of both store associate and customer. Holding on to an old POS system more than seven years without a major upgrade creates a near-certainty that your organization (and your customers) would greatly benefit from one.

Is your current POS system up to date with omnichannel technologies, such as mobile and social?

Even if you have upgraded your POS system in the past few years, that is no guarantee it is sufficiently up to date with emerging mobile and social technologies that are transforming how customers execute in-store transactions. Mobile POS terminals provide advantages, such as elimination of long lines, real-time “scan and pay” capabilities, targeted upsell and cross-sell offers based on the customer’s location in the store, and heightened self-checkout capabilities. Meanwhile, POS systems that are integrated with social media platforms allow customers to instantly let friends know what they have bought, check items off gift registries and collect social gamification rewards.

Does your current POS system offer biometric recognition technology?

A recent POS upgrade is also no guarantee that your POS system offers biometric recognition technology that can provide crucial competitive differentiation in your customer experience and also promote significant cost savings resulting from improved time and attendance compliance and reduced shrinkage. The previous section outlined the many advantages biometric recognition technology provides at the point of sale, and biometric capabilities will soon evolve from “leading edge” to expected features of a mainstream POS experience. Ask your current POS provider if its latest release includes biometric integration.

What percentage of uptime does your current POS system offer?

If your POS system does not offer 100% (or virtually 100%) uptime, 24 hours a day, seven days a week, 365 days a year, it is not reliable enough for modern retail. Even if your stores are not open during these hours, that type of reliability is still necessary as customers are coming to expect retailers to be open whenever they want to shop, across all channels and on all occasions (including nights, weekends, major holidays, etc.).

Is there a prevalence of negative social commentary about your POS system’s performance?

We have already reviewed the significant, immediate and lasting threat negative social commentary can pose to a retailer’s brand image, sales and profitability. Any conscientious retailer should be performing some level of “social listening,” or monitoring social and online chatter for signs of consumer discontent. If this reveals any detectable levels of unflattering discussions about how customers perceive your POS system’s performance, it’s time for an upgrade.

Has there been a decrease in sales, profits or loyalty membership in the past three years?

These types of decreases usually have deep-seated and multifaceted origins, rather than one simple root cause. But in all likelihood, an obsolete POS system is at least part of the problem, and is an easily identifiable and rectifiable part of the solution.

Sponsored by



digitalPersona.



THE POSIFLEX WITH DIGITALPERSONA BIOMETRICS ADVANTAGE

Founded in 1984, Posiflex Technology Inc has since grown to be a world leader in the design and manufacture of touchscreen terminals and peripherals which can run virtually any retail software, with a strong presence in the retail POS marketplace. Posiflex offers a complete line of rugged, durable, intelligent POS applications that provide continual uptime in even the most demanding retail environments and can be used intuitively, all resulting in the fast, efficient, omnichannel service today's customers expect.

In addition to a wide range of POS terminals, Posiflex also offers complete, all-in-one POS hardware platforms and peripherals, such as monitors, cash drawers, barcode scanners and secondary displays and mini-PCs for digital signage or kiosks. To further enhance the value provided by Posiflex POS technology, retailers should also investigate the complementary fingerprint biometric solutions offered by DigitalPersona, Inc.

DigitalPersona solutions provide organizations with the ability to link their customers', employees' and partners' physical identity to their logical identity, allowing them to create, manage and secure their digital identity. DigitalPersona draws from a deep portfolio of software applications and capture devices to configure identity solutions for any enterprise. Offerings include a wide range of optical, silicon, touch, swipe and embedded components for capturing quality fingerprint biometrics, and Software Development Kits (SDKs) are available on multiple platforms to make integration easy.

More than 90% of the biometric POS terminals on the market today use a DigitalPersona solution. Using fingerprint biometrics instead of PINs, passwords or swipe cards saves time, reduces fraud and adds more money to your bottom line. It also improves customer satisfaction. Whether it is employee logon or management overrides, biometrics speeds transaction time, making employee logon and manager approval immediate and transparent to the customer.

CONCLUSION

The POS is a critically important element of a retailer's technology architecture and customer service experience that is all too often overlooked or taken for granted. The rapid pace of evolution in IT and customer expectations means that a POS rollout that is even just a few years old may already be obsolete.

Modern POS systems offer omnichannel capabilities, 24/7 uptime, durability and reliability, and intuitive user interfaces. When combined with biometric security applications, they also offer substantially increased protection against employee theft of inventory and time. In addition, through their generally superior levels of efficiency and technological sophistication, they provide faster customer service and reduce costs associated with maintenance.

Given how critical the POS is to the retail enterprise and how much quantitative and qualitative ROI a POS upgrade can provide, doesn't it make sense to at least review your current POS platform to see if it is properly up to date? Nobody ever won a race by stumbling in the last mile.



Sponsored by



digitalPersona.

