Setting Up a
Point Of Sale System
at Minimal Cost

A point of sale (POS) system consists of the hardware and software necessary to complete sale transactions. It may be very simple -- consisting of a card reader attached to an iPhone or other smart device -- or it may be quite elaborate, feeding information into a network of computer servers. POS systems may be separate from the actual cash registers, or they may be integrated with all transaction-related hardware.

Many of the components of point of sale systems can now be bought off the shelf, at prices ranging from nearly nothing to tens of thousands of dollars. Today's POS systems need to be fast, reliable, easy to use, and rich in features. In this guide, we'll tell you how to set up a POS system for your business, without breaking the bank.

Good POS systems make for more efficient check-out and happier customers.

The typical point of sale system today has a computer, monitor, cash drawer, customer display, barcode scanner, debit and credit card reader, and receipt printer. Different industries will have POS systems with different capabilities. For instance, a grocery store point of sale system will have an integrated scale. Many newer systems have touch-screen technology and are equipped to handle transaction functions like:

- Sales
- Returns
- Exchanges
- Gift cards
- Loyalty programs
- Gift registries
- Layaway

They can be programmed for promotions and sales, and even transactions in different currencies.

POS Systems in Retail

Not only do point of sale systems handle customer transactions, they are usually part of a comprehensive POS system that handles inventory, purchasing, and receiving. They may handle an individual store's sales information, generate reports, and analyze sales trends. With some retailers, customer information is stored for marketing and loyalty program purposes. Of course, not all retailers need such an advanced system. A small

boutique, for example may do just fine with a simpler POS system that handles cash, credit, and debit transactions and that does simple inventory tasks, like removing a product from inventory records as it's sold.

Restaurants and Hospitality and POS Systems

The competitive restaurant industry relies on industry-specific point of sale systems to keep costs under control.

Fast-food restaurants depend heavily on their POS systems, which today are often outfitted with touch screen controls. Registers may be connected to a storewide server or control unit, yet are increasingly able to operate independently as well, should a back office server crash. Data collected by point of sale systems are often stored in multiple locations so that it isn't lost if one part of the system goes down.

Increasing numbers of "sit-down" restaurants are using wireless POS systems that servers can carry around to collect orders and send to the kitchen and / or bar in real time. Some handheld systems include electronic signature capture capabilities so that customers can pay by credit or debit card right at the table.

Specialty Industries

Beauty salons, hardware stores, and other types of retailers with specific transaction needs are able to purchase POS systems designed just for their needs. For example, systems for salons may include appointment-making capabilities as well as transaction-handling features. In the hardware and home improvement industry, POS systems can handle service or rental orders, and contractor purchase orders in addition to traditional retail transactions.

5 Ways that POS Systems Can Save You Money

Consider return on investment when choosing a POS system.

It is reasonable to expect a one to two year return on investment from your point of sale system, but you will start to see savings right away. Here are 5 ways a POS systems can save you money.

1. By Improving Efficiency

With a well-chosen POS system, you can integrate mail order and e-commerce with your retail business, opening up previously untapped markets. With a great POS system, checkout is quicker regardless of payment method, and your system can automatically generate sales reports so you can make more informed decisions about your sales strategies. When customers know they won't face checkout hassles or inaccurate prices or receipts, they're more likely to return. What's more, you can process more customer transactions with fewer clerks.

2. By Making Inventory Management Simpler

Even basic POS systems today incorporate great inventory management time-savers. As items are sold, they can be removed from inventory records; and with some systems, automatic alerts can be generated when inventories of certain products fall below a set threshold. With a good POS system, you'll eliminate the need for double-checking inventory disparities and reconciliation with cash register records. The effort required to do inventory falls dramatically, and many other formerly paper-intensive tasks can be automated as well.

3. By Allowing Targeted Customer Marketing

Targeted marketing can improve customer loyalty.

Many POS systems allow tracking of customer purchases. This not only allows you to use customer loyalty programs, it makes it easy to design customized marketing programs to generate more business. For example, if you run a confection shop, you can send special offers out to customers who purchased candy from you last Valentine's Day. If you run a clothing boutique, you can notify customers when their favorite designer's new line will be available. Many POS systems allow you to create email marketing campaigns and direct mail reports.

4. By Allowing Digital Purchase Ordering

Not only do you save paper when you can create digital purchase orders, you can save a lot of time over creating them by hand. Many POS systems now allow you to create digital purchase orders that are more accurate, because you can use data taken directly from your inventory and sales figures that your POS system also keeps track of. Purchase orders can be sent electronically to your supplier or warehouse, and you won't even have to locate a functioning pen.

5. By Helping You Understand and Reduce Shrinkage

Shrinkage can happen right at the cash register.

Shrinkage is the difference between what's actually in inventory and what should be there according to purchase and sales records. It usually occurs due to shoplifting, employee theft, and mistakes in recordkeeping. With the right POS system, inventory quantities are tracked in real time, and when your POS system's inventory functions are used properly, they can help you determine causes of shrinkage and reduce out-of-stock situations. When employees know your POS system can give you real-time cash register reconciliations with an itemized list of who completed what transactions, employee theft can decrease significantly.

5 Ways to Save Money on Your POS System

A POS system can be a big investment, and system features vary widely, so it's critical that you don't just buy the first system you see. Many point of sale systems are custom-tailored to your business, which means that you can't just return it if you don't like it. Here are 5 ways to get the most for your POS investment.

1. Evaluate point of sale software before hardware.

The POS software you choose needs to be compatible with the type of business you have. If it isn't, you could find your POS system doesn't live up to expectations. Check out your POS software options first to determine which software is going to work best for your needs. Only after identifying software should you start looking at scanners, printers, and other hardware compatible with the point of sale software you have chosen. Some software programs are more flexible than others in terms of what hardware they will accept. You may be able to get by with more reasonably priced hardware if you choose your POS software wisely.

2. Sometimes "one-stop shopping" gets you the best deal.

Once you identify the point of sale software that will best serve your needs, see if you can purchase the software and related hardware as a bundle. This does two things. First, it ensures that the hardware you purchase is compatible with the point of sale software you need. Second, it can often save you money over purchasing everything separately.

3. Insist on at least a demo and preferably a free trial.

Most POS vendors are happy to provide a demo of their systems. During your demo, kick the tires by trying out a simple cash transaction, looking at kinds of customer records generated, seeing how the inventory system works, and finding out how to do refunds and credit card transactions. Some POS vendors allow you a free trial period, and this is a great way to see for yourself if a system is going to work for you. Purchasing a POS system before trying it out is very risky because you generally can't just return it if it's not right for you.

4. Consider today's tablet-based POS systems.

Today you can get POS systems that run on your iPad.

POS systems based on the iPad and the iPod Touch have been successfully integrated into many restaurant businesses. Major restaurant POS systems can easily cost tens of thousands of dollars, while an iPad-based system will often come in at well under $10,000. In restaurants, a server uses an iPod Touch to take orders and immediately transmits them to the kitchen. While making the front of the business run more efficiently, these systems can also offer detailed inventory data and can even be managed remotely. Some systems include dedicated routers that connect up all components without the need for an ISP provider, because they can be run entirely off 3G or 4G.

5. Consider buying a used system.

Some small businesses find that a used POS system is a cost-effective solution, provided several criteria are met. First, you want to buy from a legitimate secondary market POS provider, not someone on Craigslist. This will ensure you have the manufacturer support you need. Also, you want to buy the newest used system you can. POS technology is rapidly changing, and systems become outdated pretty quickly. Make sure the system includes any accessories you need, or you could spend just as much as with a new system. It is also critical that any used POS system have usable, up-to-date software and that the software license is transferrable. Always insist on a demo or free trial before buying.

The following table offers a checklist you can use with each POS vendor you're considering to help you compare features before buying.

Name of POS Vendor:		
POS System Checklist Criterion	**Yes**	**No**
Is this POS system designed for my industry?		
Is this POS provider geared to businesses similar in size to mine?		
Is this POS system compatible with home office systems (if applicable)?		
Can this POS system grow if I add new branch locations?		
Is the system easy for my employees to use?		
Can I upgrade if and when new features are released for this system?		
Can I get 24/7 technical support?		
Can this provider train staff at my location?		

Are advertised transaction and processing speeds adequate?		
Does the system integrate inventory control and tracking?		
Does it print bar-coded sales receipts to aid with returns?		
Will the system do real-time cash register reconciliation?		
Can it be set up to notify me when inventories run low?		
Can I create an automatic item reorder list?		
Can employee time clocks be integrated into the system?		
Will the system easily create daily, weekly, monthly, and annual sales reports?		

Are you ready to find that POS system that will improve efficiency, make inventory management and ordering easier, and help you reduce shrinkage? If so, check out Business.com's POS section to start exploring your options.

Photo Credits: Rosemarie McKeon, Rick, Michael Casey, Liz West, Mark Hillary, Yukata Tsutano