

8

Essential Elements of POS System Ownership

Point-of-sale (POS) systems are one of the most critical business tools for restaurant operators like you. They are powerful operating systems — but the functionality, associated fees and contracts can be complex. To help educate you and others in the restaurant industry, the National Restaurant Association offers our “8 Essential Elements of POS System Ownership.” Use this information to educate yourself about POS practices and how you can protect your business — and your bottom line — from common POS pitfalls.

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

POS system functionality runs the gamut from fairly simple to extremely comprehensive. It’s amazing to stop and think about all of the functions that can be performed with a POS system. But, it’s possible that not all of the bells and whistles — or even some of the more basic components — you see during the sales process are included in the system:

- Confirm which software and hardware components and features that you see in the demo are included in the system quotation.
- Have the POS System Provider quote pricing for all optional hardware and software not in the base quotation.
- Have the POS System Provider quote pricing for the associated installation fees, license fees, software fees, maintenance fees and ongoing Service Level Agreements (SLA) fees for all options (all recurring costs).

By finding out how much the system components cost you at installation, as well as other recurring costs, you can determine your total cost of ownership (TCO) and avoid financial surprises down the road.



2. Establish a clearly defined Service Level Agreement.

A Service Level Agreement (SLA) is a negotiated agreement between the Restaurateur like you and a POS System Provider. The SLA stipulates the service provider’s obligations regarding services, priorities, responsibilities, guarantees and warranties. The SLA may specify the levels of availability, serviceability, performance, operation or other attributes of the service (e.g. maintenance options, upgrades and billing options). In some contracts, penalties may be agreed upon in the case of non-compliance of the SLA.

Having a clearly defined SLA with your POS System Provider is critical to understanding the terms, conditions and costs associated with the POS system. A clear SLA will minimize questions, avoid potential future misunderstandings and provide recourse if necessary.

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

Implementing or upgrading a POS system is a substantial investment. In addition to the upfront POS system cost, there will be recurring charges for other services provided by other business partners. It is best to confirm which party provides each service (e.g. credit card processing, time and attendance, or

online ordering to name a few). You should have a clear understanding of fees for additional services such as staff training, upgrades, conversions and hardware and software support. Ask your POS System Provider for a fee schedule that outlines each of these costs and their frequency so you can anticipate these charges and budget accordingly.

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

A warranty is one of the most important factors when purchasing POS hardware or software. It's like a safety net for your system — and you should know just how far and wide that protection spans. Many times the parts have longer coverage than the labor to maintain or repair them. A detailed list should be provided of all hardware and software items covered by warranty, depicting the length of time each item is covered and what out of pocket costs might be encountered.

Additional questions to be addressed include:

- What are the service options available after the warranty expires (e.g. on-site SLA contract, depot contracts, time and material, etc.)?
- What portion of the warranty might be deemed “out of scope”?
- What hours of coverage are provided and possible expenses for time frames not covered.

By finding out the answers to these questions and others, you'll know when you're covered — and when you're not.

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

Using payment applications that have been validated as being compliant with the PCI PA-DSS (payment application data security standard) is a critical requirement of being PCI compliant. Please check the following PCI Security Standards Council website at <https://www.pcisecuritystandards.org/index.shtml>. But remember, having PA-DSS compliant application is only one of the requirements of the PCI-DSS.

Be wary of POS System Providers who claim to offer “PCI Compliance” simply by installing their solution. PCI compliance has many requirements and many of them are not within the scope of the POS or payment application. Know what these require-

ments are and be prepared to ask your vendor which of these requirements their products or services address. It may mean engaging multiple vendors to address all of the PCI DSS requirements.

Compliance is an ongoing process, and when standards change, your system may need an upgrade. Ask your POS System Provider about the costs for these upgrades and any other ongoing fees the POS System Provider may charge to keep you compliant. Make sure you understand what service you're actually getting for the additional expense to ensure you're not paying unnecessary fees. Also ask if your software upgrades for PCI are included in your software maintenance agreement.

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.

It is not uncommon for POS developers, POS System Providers and payment processors to have revenue-sharing agreements. These arrangements can influence their product and service offerings. A POS System Provider may lower the cost of a POS system significantly if you use his company's “processing services” and/or increase the price if you don't. In those instances, most POS developers or POS System Providers aren't processing transactions directly; rather, they are outsourcing the processing to an independent sales organization (ISO) or sub-ISO of large processing organizations.

When this is the case, the POS System Provider is a middleman who may charge higher rates than the direct processor. Ask what additional services you are getting from the POS System Provider that may not be available from the direct processor product offering. To know if you are truly receiving a discount on your POS system in exchange for a processing contract, compare the pricing of identical POS products with a variety of payment processing options from multiple vendors. For example, a direct processor's fees for one year may be half of those charged by a POS System Provider for the same services delivered through his ISO or sub-ISO. These fees are directly debited from monthly deposits — making them an “invisible,” yet significant, cost. Plus, these fees can be marked up at any time — in any amount — without notice from the POS System Provider or the payment processor. Also ask for the amount of termination fees and fees that will be charged to change the

At a Glance

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4. Understand the terms and conditions of the hardware and software warranties.
5. Insist on PCI-compliant and PA-DSS validated POS systems and payments applications and the associated fees for ongoing hardware and software updates.
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.
7. Ensure you can use the supported payment processor of your choice and have fully disclosed pricing for set-up, conversion, and support.
8. Understand your contract and know your POS System Provider.

phone number in your parameter file to effect a change of service request.

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Establish a relationship with a trusted advisor to help you understand the hardware, software application, payment processing application, secured network environment, ongoing systems administration and support, PCI security requirements and their relationship with your systems.

Some POS systems are designed to work with one or two payment processors and some work with virtually any payment processor. The complete system TCO needs to be considered as part of the payment processor decision. If the total POS System/Payment Processing TCO is best and provides the lowest cost of ownership, then working with the POS System Provider's payment processor may be fine. All things being equal, the

fees associated with the payment processor need to be part of the overall cost of ownership.

The payment processor is typically a 3rd party vendor in the POS system consideration. The payment processor should provide a list of fees for services not included in their processing fees. Regardless of which POS developer or POS System Provider you work with, you should be able to use the payment processor of your choice — whether it's one of the providers your POS System Provider recommends or it's a processor of your own choosing. In any case be aware of the rights of your provider to arbitrarily raise your fees as well as the amount of the termination fee and the amount of charges you will be assessed to change the phone number in the parameter file to redirect transactions to an alternative payments provider.

Some POS System Providers may charge set-up and conversion fees if you want to switch from their captive processing services to another provider. Some POS developers also may claim they can't support you if you use another processor. The right card processing partner, however, can work with your POS System Provider and service you appropriately.

