

# How To Select A POS solution provider

## INTRODUCTION

Business automation is an involved and demanding process. Whether it includes accounting, distribution, or manufacturing, it affects all areas within a business. All business software is not created equal. And selecting the right solution makes the difference between success and failure. Over the past 10 years, automated solutions have become more sophisticated and complex. Few businesses have the time, staff or expertise to stay current on the technology—let alone select and implement these solutions without the assistance of an outside consulting organization. To maximize an organization's productivity, a professional and methodical a POS solution provider can make a vital difference.

Selecting the right POS solution provider is more important than selecting the right hardware, operating system, or application software. When a POS solution provider fails, it is usually at the expense of the client. We have written this document to provide insight and key questions to help you select the POS solution provider or consulting firm that best meets the needs of your organization.

Deloitte & Touche conducted a study of 1,500 companies, all of which had to replace systems purchased within the previous 24 months. In the survey, the companies were asked to rate the 10 most important factors that influenced their decision each time they made a software selection. For the replacement purchase, the most important criteria were focused on the solution provider and software vendor, compared with price and ease of implementation on the initial purchase. The companies had learned an expensive lesson. Anyone can promise, but few can actually deliver!

<b>Top 10 Purchasing Criteria for Selecting Software</b>		
<i>» The first purchase vs. the second purchase «</i>		
<b>1st time</b>	<b>2nd time</b>	
8	1	<b>Level of support provided by the local partner</b>
10	2	Vendor's track record of performance
4	3	Software's ability to fit the business
7	4	Growth potential of the software
1	5	Price of software
9	6	Quality of documentation
5	7	Functionality of software
3	8	Ease of use
2	9	Ease of implementation of new system
6	10	Software works with existing hardware

*Don't make the same mistakes that these companies made.* We have been involved with countless numbers of companies that chose the wrong vendor or solutions the first time and came to us to rectify



and clean up the job done by the vendor they've initially selected. Even worse, we've talked with many companies that basically had to live with a bad or inadequate solution because they couldn't afford to fix or replace it.

### ***AVOID THE COMMON MISTAKES***

Business automation is a complex matter and will affect your business operation for the next five to 10 years. If all costs are considered, including the amortized cost of your employee's time over five years, an implementation project can cost from \$75,000 to \$2 million and up. **Considering the size of the investment, it is amazing how many businesses never take the time to ensure they are making the right decision.** This section discusses the common mistakes made by so many organizations during the automation selection process.

#### **All Software Is the Same**

Many people assume that, since the product they purchase comes from a leading software manufacturer, it is going to work and they cannot go wrong. This is analogous to assuming that a car and a truck are the same. If you only intend to use the vehicle as transportation, then either the car or truck provides the desired result. However, if you plan to haul cargo, only one solution does the proper job. The same concept holds true with a business automation solution.

Vast differences exist between one solution and another. Before you begin sorting out these differences, you need a clear and precise understanding of your own company's requirements and goals. Create an internal company document or list that focuses on each department within the organization. The list should differentiate between "must" haves, "want" to haves and "wish list" items and should include key information:

- A prioritized list of each department's needs and requirements including a "wish list"
- A description of how information is shared and flows between departments
- Current manual and automated data collection systems
- Data about transaction volumes (i. e. , number of customers, orders, invoices, vendors)
- Financial data and documents required by accounting, auditing and banking firms
- Reports and analysis required for management and day-to-day operations
- Integration with in-house systems and desktop applications
- Other important information

Once your company information is collected and organized, every solution should be analyzed in terms of how well it addresses each of your goals and requirements. Give special attention to report output, online queries, ease and speed of data entry, processing time for updating and reporting, and the intuitiveness of the user interface.

#### **I Don't Have Time**

All solution providers need time with key members of your organization to gather information and requirements about your business. They analyze this data to determine the best overall solution for your company. You must be willing to spend the time necessary for the POS solution provider to do the job right. All too often we hear, "I do not have the time to spend with you" or "I can only give you an hour." Imagine needing surgery and telling your doctor to hurry because you have another meeting!



Your business is a valuable asset. If you want a solution that works, you must make time. If you do not have the time, postpone the project until the time is available. Foregoing an immediate solution is better than rushing into the wrong solution.

### **We Can Do It Ourselves**

An experienced POS solution provider has automated hundreds of businesses. Their level of knowledge and expertise in business automation is generally well beyond the staff of a typical business. Use the POS solution provider as a valuable resource. Take advantage of their experience by asking questions and learning how similar projects have been done for other organizations. We have been involved with many large companies that have an experienced MIS staff. Even the experienced people have valued and appreciated our unique specialized knowledge and solutions. Very few businesses can select and implement a solution without outside assistance. If you think your organization is prepared to do it alone, ask yourself the following questions:

- Performing a needs analysis and selecting a solution is a full-time job. In addition to their day-to-day functions, does your staff have the time to do the job without cutting corners?
- A successful solution requires a project leader or “quarterback.” Do you have an individual with the technical expertise and authority across departments to make the project happen?
- Does your staff have the appropriate certifications and in-depth knowledge in hardware, operating systems, and application software?
- Application software cannot be judged by simply looking at its feature set and making a choice. Does your staff have the time and experience to examine all the important facets of competing products to make the right selection?
- Does your staff have the communication skills and time to train your end users in the use of the solution?
- Are you willing to be over-budget, over-time and have an under-performing system?
- What happens to your project if the quarterback or a key member of the project team leaves?
- What are the potential costs of lost business opportunities because key members of your organization are spending time selecting and implementing a solution?
- Once a solution is selected, who will perform the data conversion and required data entry?
- Who will answer your questions, solve problems and provide ongoing support?

### **The Cheapest Solution Is the Best**

The heart and brain are vital organs in the human body. If you required surgery on one of these organs, would you interview three doctors—and then select the cheapest? Business automation is a vital part of any organization’s productivity and success. Selecting a POS solution provider based upon price is equivalent to selecting the cheapest surgeon. In the long run, the cost of a poor solution is substantially more expensive than doing it right the first time (see Top 10 Purchasing Criteria on page 1). Measure price in terms of a firm’s knowledge, experience, professionalism and depth of resources.

### **My Friend or Family Told Me to Buy It**

Although family and friends want to help, they rarely have the knowledge and experience to select a total



business solution. Understanding computers or an aspect of automation does not make someone an expert. Beware of recommendations unless you're dealing with an expert. Also ask them to guarantee—with their own money—that their recommendations will work and solve your business problem.

### **Don't Buy Sex Appeal!**

Many products have graphical user interfaces that look really slick. Evaluating a software product requires that you look under the hood. Compare features, design, reporting, integration, performance and usability. Don't get caught up in the sex appeal a product shows on the surface. Compare products based upon the overall feature set as it relates to your needs and requirements. Don't get hung up on a single feature unless it is critical. And don't lean toward a product because it has great features you will never use.

### **Beware the "Demo Trap"**

Just like that famous old saying, "You can't tell a book by its cover," knowledgeable software users and solution providers agree that the same thing can be said about the software demo.

During the past 15 years, many people have come to believe that looking at a software demo will help them choose the best software package. Unfortunately, time has proven that choosing software based on a flashy demo can be an expensive mistake, as well as a confusing process.

There are dozens of factors involved in choosing the best software for the job, the least important of which is the graphical user interface that you traditionally see at "the demo." Many solution providers still rely on this technique when trying to convince prospective buyers that they have the right software for the job. They will demo their product, rather than focusing on more important issues such as:

- What is the design and architecture of the software?
- Is the software current? How new is it?
- Will this software work harmoniously with your current network?
- Will your users be able to use it?
- Will it be able to scale with your company as it grows?

### **Get References**

Once you are comfortable with the POS solution provider, you should contact at least 3 of their existing clients to talk about how they feel about the POS solution provider, or even better get the last 3 installations that they've done. It is important to be considerate of their time when calling a reference and to have some structure to the questions you ask. Remember that it is unlikely that the solution provider gave you the name of an unhappy customer, so it is important to ask questions that are of concern to you. We have included our top 10 reference questions to get you started:

1. How long have you been working with this particular POS solution provider?
2. Have they done everything they said they would?
3. What are the project managers, consultants and tech support people like to deal with?
4. What are the other departments like to deal with?



5. Did they deliver the project on time as per the project plan agreed upon in advance?
6. Did they deliver the project on a fixed price contract or exactly on budget?
7. Did you get all of the functionality you were promised?
8. Did they show up on time as promised to perform the services?
9. How quickly and professionally has the POS solution provider addressed the project and tech support challenges?
10. How satisfied are you?

## ***KEY SELECTION CRITERIA***

### **The Selection Process**

It has been estimated that for every \$1 a company spends performing pre-selection and deployment analysis with a solution provider, they save approximately \$5 during the implementation phase of the project. The reason for this is simple: the better we plan and the more we know, the fewer surprises and overruns that we'll encounter. Any selection of software should include the six critical phases of system selection and deployment.

#### ***Phase 1***

##### **Project Team**

Prior to embarking on the journey of software selection, your company should create a project team. It is essential that this team include an executive sponsor, someone high enough in the organization (i. e. , CFO, VP of Finance or CEO) to cut across departmental lines and deliver the executive's view of the system. Remember, at the end of the day, the executives of your business are going to base crucial business decisions on the information contained in the system. Therefore, if they are not involved early on in the project, the result is usually a challenged project (over-budget, over-time and with reduced functionality). The project team takes the blame for the challenges.

Other critical members of the team are users from the various departments that may be using the system, as well as any technical representatives. Your CPA may also need to be included if he or she requires specific reporting during tax time or for audit purposes. For a smaller company the team may be only the owner and a key person.

#### ***Phase 2***

##### **Needs Definition and System Evaluation**

Through interview and observation techniques, critical system information is gathered with respect to your present data flow and system requirements. The resulting list of critical requirements should be reviewed against your present system. The gap between what you are currently using and what you ultimately require should be evaluated, using various reporting tools and requirements checklists specifically for this purpose.

Who pays for this service? You, the customer. Average investment? This depends on the size and scope of your business but could range from \$2,000 to \$40,000. Consult with your POS solution provider for an estimate and expected benefits.



### ***Phase 3***

#### **Negotiation and Contract**

Working with your POS solution provider, you should arrange to see the best two software options for your business. A demonstration script should be in place prior to viewing the software, along with a weighted score card for each of the people on your selection committee to ensure an unbiased evaluation of the software. The vendors will provide a quote for the required software and implementation services.

### ***Phase 4***

#### **Installation and Training**

This phase involves the installation of the hardware and software, testing of back-up and recovery procedures and training of staff on the basic use of the system. It also involves a pilot project to “mock-up” the accounting software with limited data. This mock-up is used to test procedures and reporting requirements prior to “going live” with the new system.

Who pays for this service? Typically the customer. Average investment? Depends upon the scope of the POS project.

### ***Phase 5***

#### **Data Conversion and Procedures Documentation**

In this phase, the conversion of data is addressed. The decision as to whether this process is electronic or manual is decided. The development of a detailed procedures manual should be done prior to the system going live.

### ***Phase 6***

#### **Switchover and Parallel Testing**

Switchover to the new system must be planned based on the expected cutoff date. Any necessary parallel testing is done prior to switchover.

Who pays for this service? Typically the customer. Average investment? Depends upon project scope.

#### **Length of Time in Business**

POS solution providers that have been in business longer than five years are generally more stable and more likely to continue in business. Find out when the firm was been established and what their growth has been over the length of time in business.

#### **Size of the POS solution provider’s Client Base**

The size of the POS solution provider’s client base is directly related to the success of the firm and its level of experience. However, considering the profile of the client base as it relates to your industry and company size is more important. Compare your annual sales and number of employees to similar industry clients of the POS solution provider. If you find three or more profiles similar to yours, the probability of a successful implementation increases greatly.



## **Employee Profiles**

Company and employee profiles show the years of experience and depth of knowledge a firm has acquired. Request these profiles from each prospective POS solution provider and use them as tools for comparison.

## **Breadth of Business Services**

To objectively recommend a solution, the provider must have a broad range of knowledge and expertise. You need to decide whether you want to work with multiple solution providers or just one that can do the entire job. When more than one provider is involved, be sure there is a clear understanding of each providers responsibility. Finger-pointing is common in business automation due to the complexity of the project. If possible, work with one POS solution provider that has the breadth of services to do the complete project. Typical products and services are listed in the scorecard on the following page.

## **Onsite Client Visit**

Once a clear solution is proposed, arrange an on-site visit to a POS solution provider's client. Insist on a client that is similar in size and industry. Make sure the hardware, operating environment, software and transaction volumes are similar to those proposed for your organization. Make a list of questions to ask the client. Explain to the POS solution provider that you would like to spend some time alone with the client. This way the client will not feel intimidated by the provider when you ask sensitive questions.

## **Comparing Rates and Negotiating**

When comparing prices between POS solution providers, you must be certain to compare "apples with apples". There are large gray areas in proposals that make direct comparisons difficult. Break down the cost of your proposals to hardware, software, installation, training, support, conversion and customized programming. Try to get to a common denominator so components can be compared equally.

When comparing hardware, networking and multi-user solutions, list the components side-by-side. Make sure you understand exactly what you're getting for your money.

Don't focus on the absolute cost of any given item, but rather analyze the total cost Project. Some POS providers charge less on some items and more on others. Total delivered cost is what is important.

The cost of services is much harder to compare. Are you concerned with the cost of a doctor performing surgery or his expertise and successes? Firms with more people and experience will always be more expensive than small firms and independent consultants. Evaluate a firm's breadth of service, expertise, professionalism and references as part of the cost equation.

Insist that your POS solution provider do an onsite proposal review. You can attempt to understand proposal differences only if you take the time to fully understand what is going to be delivered. Ask the POS solution provider if any hidden costs or additional items are not listed in the proposal. Are they willing to state in writing that there are no additional costs?

If there are large cost differences between one provider and another, discuss the differences and make sure you understand them. If one car dealer offered you an automobile for \$35,000 and another dealer



offered the same car for \$25,000, either one dealer has misunderstood what you want or something is very wrong. Remember to compare apples to apples.

If one POS solution provider claims that they can train you in 20 hours and another says it takes 40 hours, is there really a price difference? Compare the hourly rate, but make sure you 're not being "low-balled". You might want to check with each provider's references to see how much time they needed for training and implementation.

Once you have done a comparative analysis of the proposals of your selected POS solution providers, it's time to look at your budget. There are many alternative solutions at various price points. If you have a specific budget, share the information with the POS solution providers. Solutions are individually designed to achieve different levels of flexibility at different prices. If you describe your needs and requirements to a provider and the end result is a \$100,000 solution when you have a \$25,000 budget, everyone has wasted their time. Be realistic about your goals in relation to your budget.

To achieve that realistic perspective, do some homework with one of the POS solution providers to help establish the budget, before you get too far along in the budgeting process. Only having \$25,000 is one thing, but if you set the budget without any experience in what it takes to implement the type of system you need, then you have done your company a terrible disservice.

Don 't be insulted when a solution provider refuses to negotiate price. Most professional firms do not inflate their proposals to leave room for negotiation. Both you and the POS solution provider must feel the project will be done at a fair price, or it is likely that there will be short cuts taken along the way. Remember you only get what you pay for.

### **SUMMARY**

*Business automation is an involved and demanding process that will affect all areas within your business for the next five to 10 years. Selecting the right POS solution provider will make the difference between a successful business automation system that enhances all your business processes or a system that fails and leaves you with an expensive nightmare.*

*Selecting the right POS solution provider is more important than selecting the right hardware, operating system and application software.*

*The POS solution provider you select will become a valuable asset and a long-term partner. Choose your partner wisely by following the steps outlined in this document and your business will be headed in the right direction.*

