By Lisa Terry, Contributing Editor

SMART POS INVESTMENT STRATEGIES

3 KEY CONSIDERATIONS BEFORE YOUR NEXT POS HARDWARE UPGRADE

SPONSORED BY

Upgrading the point of sale (POS) has always been a big undertaking, but today it could be considered Herculean. Today's POS plays a far larger role in supporting hospitality business goals than in any previous era. Now POS is not just a device; it's a platform to deliver enhanced, personalized brand experiences that attract savvy, empowered guests.

This transformed role means the financial aspects of selecting a POS platform go well beyond system preparation, deployment services, maintenance, power consumption and other hardware considerations. Now hospitality companies must also consider the critical role that up-to-date POS plays in delivering a standout brand experience. These are important not only in what solution is chosen, but in how it is acquired. The right investment model ensures maximum value from the POS platform across its lifespan, minimizing costs and limitations while empowering operators to easily adapt the POS environment to compete for customers.

Taking a holistic view of POS purchasing means considering these key criteria: total cost of ownership (TCO), return on investment (ROI), and purchase model options, including comparing capital purchase to leasing to as-a-service plans.

A Deeper Look at TCO

TCO includes the upfront cost of the solution plus the total cost of usage across its lifespan. Determining the cost of usage can be tricky, so it's important to take an in-depth look. Key questions to ask include:

- **What costs are associated with solution architecting, testing and creation of gold images and deployment documentation?** All are needed to ensure smooth deployment.
- **How much will deployment services cost?** This includes system staging, loading and preparation as well as the physical deployment into each location.
- **What is the value of the warranty?** What is covered and for how long? What warranty extensions are available? Terms can differ widely across vendors.
- **How frequently will devices require repair?** Manufacturers can provide guidelines, but repair needs depend on environment and how equipment is used. Repair trends on previous equipment can provide clues as to where problems tend to occur.
- **What are the hidden costs of repairs?** Include ancillary costs including downtime, help desk costs and the impact on productivity.
- **What is the expected product lifespan?** A solution with an expected life of just four to five years must be purchased twice to match the performance one with an 8- to 10-year lifespan, plus all associated deployment costs.
- **How will repair needs and costs change as devices age?** Costs tend to increase over time as more parts wear out.
- **What is the cost of energy**? Saving $5-$20 per device a year multiplied across devices really adds up.

Often overlooked, but a big factor in TCO for POS solutions is device management, particularly when comparing purpose-built to consumer-grade devices. How often do changes from the hardware manufacturer force users to make image changes to maintain compatability? Look for stability over time. Consumer-grade products such as PCs often tweak the platform frequently, so over the course of a lengthy POS rollout the user may receive different versions of the hardware.

Every image change costs money. For example, when the manufacturer updates the operating system, software must be recertified and/or undergo regression, volume and/or functional testing across a number of platforms. There could be multiple manufacturer changes per year.

That in turn unnecessarily drives incremental costs to create, test and deploy the new images across multiple versions of the hardware. Frequent image changes mean at any time a hospitality company is operating multiple versions of the hardware and therefore different versions of the bios and OS. Tracking all that in order to provide support increases costs at the store and help desk level.

The Lifecycle of POS Hardware*:* Installing new POS devices is not a one-time event. Store resets, new stores, service and maintenance, new use cases such as kiosks — all mean hospitality companies are acquiring new devices long after the initial rollout. Just as with software changes, when the manufacturer makes hardware changes after that initial fleet is purchased, it forces the operator to support multiple versions.

An operator-friendly lifecycle means the same POS model is around long enough to support consistency across the entire install base. These manufacturers do not rapidly discontinue models, but rather, continuously support them while also introducing new models to offer a wide range of choice for their customers.

Reliability is essential to keep transactions moving and support costs low. Devices that are purpose-built for POS are better equipped to stand up to the rigors of the hospitality environment, have lower failure rates and therefore tend to deliver greater reliability.

How POS Can Deliver ROI

Because of its increased role in facilitating the brand experience, POS now plays an even bigger role in driving revenue, and therefore can achieve ROI more quickly. Well-designed modular POS systems enable innovative new services, from dynamic menu boards to self-service kiosks. These help hospitality organizations deliver an engaging guest experience, increase loyalty and make operations more efficient. POS also delivers ROI through:

- **Higher solution reliability.** This translates into lower support costs and higher uptime, so hospitality companies don't risk losing sales because equipment goes down.
- **Faster performance and increased productivity.** In busy periods, shaving even three seconds off transaction time can significantly reduce lines, and therefore walk-offs or frustrated guests.
- **Better customer service.** When transactions are easy, fast and convenient, they help drive increased loyalty, higher shopping frequency and larger basket sizes. Restaurant operators realize this as improving digital engagement and loyalty is a top strategic goal for technology investments according to *HT's 2018 Restaurant Technology Study*.

A well-designed POS platform puts highly reliable, flexible hardware in the right places to allow hospitality companies to serve guests in new ways, for example, associates taking mobile POS devices out on a patio, or line-busting at a busy restaurant week event.

Budget and Acquisition Models

The investment model hospitality companies choose to finance the POS investment can be either an obstacle or an enabler of POS' greater role in guest experience and revenue creation.

The traditional approach is a one-time, CAPEX-intensive purchase. While this may put the hospitality company in complete control of its system, it comes with some negatives. After the considerable effort and costs of implementation, the hospitality company is fully responsible for managing, supporting and servicing equipment. Much of this ongoing life-cycle support is often addressed by hiring the manufacturer or a third party. According to the *2018 Restaurant Technology Study*, maintaining existing systems consumes 66% of IT budgets. Hoteliers name maintaining existing IT infrastructure their second biggest challenge in *HT's 2018 Lodging Technology Study*, tying with the inability to derive ROI for tech rollouts. Hospitality companies purchasing POS also bear full responsibility for security, an increasingly formidable task as breaches make daily headlines.

These days many hospitality companies are finding the biggest headache is getting locked into the capabilities a platform offers at one point in time. Today's market changes much faster than it used to, forcing operators to modify or upgrade their devices much sooner than they planned or risk falling behind the competition.

Resources are limited; the *2018 Restaurant Technology Study* found restaurant IT budgets average just 2% of total revenue. With 66% of this for maintenance this leaves just 24% for building and scaling new systems and 10% for R&D and innovation. Hotel budgets average 4%, but lack of sufficient IT budget is still the top challenge for operators.

Because of this, a growing number of hospitality companies are choosing device-as-a-service (DaaS) models offered by some POS manufacturers, such as HP. DaaS models offer to remove many of the burdens of installing, managing and updating POS from the hospitality company, so IT staff can focus on development and innovation rather than maintenance and security. Depending on the level and terms the hospitality company chooses, DaaS can mean the POS manufacturer takes responsibility for keeping hardware healthy and current, making it easier to add new components and features as market conditions change. The hospitality company can even access services that optimize the productivity of their POS solution, including hardware analytics and software support and proactive maintenance services.

Some of the reasons hospitality companies are choosing higher-level DaaS models for POS acquisition include:

- **POS hardware is always current,** with the manufacturer managing patches, software updates and other enhancements on the hospitality company's behalf.
- **Easier to add application functionality,** because POS hardware is up to date.
- **Manufacturer provides proactive remote management, utilization and health monitoring.** This prevents failures and prolongs equipment life. Analytics make these even more efficient by spotting trends to prevent downtime.
- **Includes configuration and deployment services,** so these are performed quickly and correctly, without runaway costs.
- **Security is actively managed by full-time experts**, lowering risk and freeing hospitality companies' IT staff for other tasks.
- **POS devices are processed at end of life in an environmentally responsible way,** freeing the operator from those tasks.
- **Lower TCO,** by replacing unpredictable and runaway costs at each stage of ownership with a set monthly rate.

It's never been more critical for hospitality companies to push forward with innovative, tech-fueled guest experiences. That requires rethinking traditional approaches to how they acquire, maintain and enhance POS systems, which can bog them down by consuming excessive resources and holding back enhancements. By taking a holistic view that includes a thorough look at total cost of ownership, hardware lifecycles, return on investment and as-a-service models, hospitality companies can optimize IT resources and maximize the ability for the POS platform to drive conversions, revenue and customer satisfaction. **HT**