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## 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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1. Know all hardware and software components included in the system and their individual or bundled costs.
2. Establish a clearly defined Service Level Agreement.
3. Require a clearly defined fee schedule for all services, training, upgrades, conversions, gateway services, and support.
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.

## 7. Ensure you can use the supported payment processor of your choice and have fully disclosed pricing for set-up, conversion, and support.

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.

## 8. Understand your contract and know your POS System Provider.

Being trapped in a bad business relationship can be taxing on your restaurant's profits and operations. Before you sign — or re-sign — a contract with a POS System Provider, make sure you are fully aware of your options for terminating any agreement related to your POS or payment processing and any fees that may go along with it.

- Find out termination options and the associated fees for all contracts pertaining to your POS system.
- Understand the difference between bank financing and leasing.

Each POS System Provider should provide you with several references of the POS system you are evaluating. Areas you should validate are:

- The installation process of the POS System Provider; the guidance they provided you in preparing for the system, the quality of the physical installation, the staff training, the database being accurate, the opening day coverage (standby) provided and the like.

- Of the features you are contemplating purchasing, validate the ROI of several users (did they get a return on their investment or improve their operations as expected).
- Evaluate the POS System Provider's after-sale service; the quality of their repair personnel, their Help desk support, service during regular hours, service after hours and during holidays. How responsive to problems is the POS System Provider?
- NRA recommends using RSPA Certified POS System providers who endorse the Eight Essentials. The POS System providers can be found by visiting the Retail Solutions Providers Association ("RSPA") website to check for certifications, references or make comments by visiting [www.RSPAcertified.com](http://www.RSPAcertified.com).



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Be prepared to use your POS system as a tool in your business. The best ROI comes when you, the restaurateur, fully embraces and learns your system's capabilities.

## Tools to help you purchase your POS System

To help you manage your POS decisions, the National Restaurant Association offers these additional tools that are critical to your success. Download your free PDFs of our Checklist, Definitions, and Definitions of Terms at [www.restaurant.org/POS](http://www.restaurant.org/POS).

**POS Provider Checklist**

Submitted to Business Name: \_\_\_\_\_

Contact: \_\_\_\_\_

Address: \_\_\_\_\_

Phone: \_\_\_\_\_ Email: \_\_\_\_\_

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**POS Hardware**

1. Please list all hardware components that will be included in and installed with the system, including:
  - a. Manufacturer
  - b. Manufacturer's warranty terms
  - c. Key specifications (including, but not limited to, processor brand, type and clock speed, RAM and HDD capacity, operating system, and screen, ports and supported programs for POS applications and file formats)
  - d. Quantity and unit price for each component
  - e. OS Card
2. What is covered by the hardware warranty?
3. What is the duration of the hardware warranty?
  - 1 year
  - 2 years
  - 3 years
  - Other \_\_\_\_\_
4. What happens between the end of the warranty and the end of the hardware life span?
5. List the instances where the hardware warranty would be out of scope (e.g. lightning strikes, fire, accidental damage, etc.)

**POS Software**

6. Please list all software modules that will be included in and installed with the system, including:
  - a. Quantity and unit price for each module
  - b. Additional modules available
  - c. Additional costs I will incur for installation, training, programming and maintenance of the system (including but not limited to: Card processing, \_\_\_\_\_ Cost: \_\_\_\_\_
  - Time and attendance, \_\_\_\_\_ Cost: \_\_\_\_\_
  - Heat and measurement, \_\_\_\_\_ Cost: \_\_\_\_\_
  - Delivery, \_\_\_\_\_ Cost: \_\_\_\_\_
  - Online ordering, \_\_\_\_\_ Cost: \_\_\_\_\_
  - Gift Card, \_\_\_\_\_ Cost: \_\_\_\_\_
7. What are the hours for live phone software support?
8. Are customer service calls for software assessed by your company specifically as customer service outsourcing?
  - Yes
  - No
9. Please list the charges and fees for software support:
  - One-time
  - Recurring
10. Are **hidden** (customer packs) included in the software support fees?
  - Yes
  - No
 If "Yes," list on the additional sheet?

Continued on reverse

**1. Definitions**

**Infrastructure may include:** Internet connection, Radio, Infrared, and Network

**Hardware may include:** PC/Mac, Report Printer, POS Touchscreen or Keyboard terminal, POS Printer, MICR Printer, Kitchen Display System, Mobile device (Smart Phone, Tablet, etc.), Mag Card Reader, Bar/Bottle Credit Card Terminal.

**Software may include:** POS Server Operating System, Backoffice or enterprise management software (Labor Scheduling, Inventory Management, etc.), POS Application, Kitchen Display Software, Check applications on the POS Terminal and/or mobile device, integrated payment process.

**Operational Services:** Above-site on-site support, central reservation, mobile device integration, gift cards, point-to-point, on-site training, on-site inventory management, payment processing, hardware and support services that include: system preparation, system installation, ongoing hardware and software support, periodic maintenance, help desk.

**Hardware Warranty:** The length of time the POS System Provider or Hardware Supplier guarantees the capability of hardware components against failure or defects.

**Software License:** The terms of use and time frame for any application software provided with the purchase of a third party license.

**Software Upgrade:** A fee to permit to existing software to improve stability, security or functionality.

**Software End-of-Life:** The date when software is no longer sold or supported, requiring a software upgrade or new software purchase to continue support.

**Interchange:** The amount of money collected by Visa and MasterCard from the issuing bank and exclusive of Cash, Time, Time and Payment Processor margin.

**Service-Level Agreement (SLA):** A Service-Level Agreement (SLA) is a negotiated agreement between the Merchant (Customer) and the Service Provider (POS System Provider). This is a common understanding about the services, priorities, responsibilities, response times, and obligations. Each party's responsibilities should be clearly defined. Areas of SLA may include: service availability, availability, serviceability, performance, operation, or other attributes of the service, such as maintenance, upgrades, and fixing the "level of service" described in the SLA allows the Merchant to be informed about what to expect. In some contracts, penalties may be assessed when the level of performance of the SLA. It is important to include the "agreement" related to the services the customer receives, not how the service provider delivers that service.

**POS ISS:** The Payment Card Industry Data Security Standard (PCI DSS) is a worldwide information security standard developed by the Payment Card Industry Security Standards Council (PCI SSC). The standard was created to help merchants protect their business and the data payment card industry organizations that process card payments. Payment fraud through increased controls around data and its exposure to compromise. The standard applies to all organizations that hold, process, or exchange cardholder information.

**Cash:** Cash refers to the Payment Processor through the Acquiring Member by the issuing bank, Visa, MasterCard, Discover and American Express. Cash does not include Payment Processor margin or any costs of services provided by the Payment Processor member directly or indirectly provided by third-party entities, neither, or other parties of any kind and do not include Cash, Assessments, Interchange, or Fees.

**Dues and Assessments:** Charges made directly by Visa and MasterCard to the Payment Processor through the Acquiring Member, categorized as "Dues" or "Assessments" and exclusive of Cash, Fees or any Payment Processor margin.

**Fees:** Charge of Visa and MasterCard to the Payment Processor through the Acquiring Member for transaction processing settlement, and retention services not otherwise included in Interchange, Dues, and Assessments.

**Pass-Through or Pass-Through:** The act of charging the Merchant the precise amount of monies designated as Interchange, Cash, Dues, Assessments, and Fees as defined in this document without mark-up or deduction of any kind for any reason. Pass-Through or Pass-Through means to mark-up any fees as defined by the Payment Processor or any other party when Interchange, Dues, Fees, Cash, and Assessments are collected from the Merchant.

**2. Definitions of Terms for the Purchase of a POS System**

The undersigned agree that the definitions below accurately represent the meaning and intent of these words as used in all documents and representations of the POS System Provider and will be used to provide clarity in the pricing that will be provided to:

\_\_\_\_\_ (Name of Merchant)

\_\_\_\_\_ (Name of POS System Provider)

**POS Systems Provider:** The name of the company selling the Point of Sale System, which may include a portion or all of the items listed below. Confirm which company is responsible for each element of your system.

**Infrastructure Provider:** The name of the company providing you with an internet connection, local and/or external network.

**POS Application Software Provider:** The name of the company providing the POS programming or POS management application software.

**Support Organization:** The name of the company who will be your first line of support for your POS System, including the hardware, software, and operation of services.

**Hardware Services Company:** The name of the company responsible for hardware warranty service, on-site hardware support repair, periodic maintenance and hardware replacement.

**Accepted by POS System Provider**

Signature of Legal Representative for POS System Provider \_\_\_\_\_ Printed Name of Representative \_\_\_\_\_

Title of Representative \_\_\_\_\_ Accepted by \_\_\_\_\_

**Accepted by Restaurant**

Signature of Legal Representative for the Restaurant \_\_\_\_\_ Printed Name of Restaurant Representative \_\_\_\_\_