

# POS Indispensable for Retailers



POS terminals have a ubiquitous presence in the retail industry. How have they been of benefit to the industry? What are the advantages in having integrated POS terminals? N. Mohan speaks to retailers and reports:

**W**hether it is a convenience store, or a games shop or an electronic outlet or a large retail chain, the ubiquitous POS terminals help make the sales transactions easier and quicker. With the spread of credit and debit cards, even the smallest of the businesses which lack the financial wherewithal, leverage on the strength of this payment system in order to protect their assets, increase margins and profits and to a certain extent improve their brand equity. In large chains, POS has improved the business processes as a whole, streamlined the work and simplified many business practices. A terminal at the check-out point speeds up customer interactions, resulting in more efficiency, superior service and customer delight.

## POS PIONEER

Ranjit Satyanath, customer care associate & general manager, Solutions & Technology, Shoppers Stop, says his firm had been a pioneer in using POS terminals. "POS terminals were working in our stores way back in 1998-99. As transactions in our stores began to scale up, we found that the stand alone terminals - I mean the EDC machines - had their own disadvantages. A large retailer like us needed to use several of them belonging to different banks. The transactions were slow. It is then that we decided to go for a system that is globally used as opposed to locally developed system, because such a system can have all the modules that are required for a retail chain like ours and we can just activate a module when we felt the need to do so. That's how we opted for the global firm JDA to provide us the solution - WinDSS. So, in 2006, we decided to have integrated POS systems across all our stores. The system can accept cards from all the banks, debit and credit, cash as well as loyalty program cards," says Ranjit.

WinDSS comes with an embedded database and tools to configure UI, transaction flow and business rules easily. It features POS and back-office, store inventory, customer data tracking and labor scheduling capabilities. The main advantages are real-time connections to enterprise systems and rapid transaction throughput, which saves hardware.

## ISSUE OF MDR

SrinivasRao, director-Sales, Prizm Payment Services, one

of the leading payment solutions providers in India today and offering total POS solutions to retailers, gives an overview of the POS scenario: "The Indian merchant acquiring industry is going through a revolution. On one hand, there are existing banks like HDFC, ICICI, Axis, etc, sharpening their strategy to keep this portfolio profitable, and on the other there are other banks, including many PSU banks, venturing into this business. Existing players want the average merchant discount rate (MDR or MSF) to go up whereas the new entrants are mainly focused on enhancing their current account portfolio and are ready to compromise on the rate or fee offered to the merchants. The impact to the smaller retailers has not been much on the domestic card transactions charges, but the same has gone up substantially for the international and premium card transactions. For the large retail establishments, banks are offering better value propositions to acquire them. Again the rates can change dynamically depending on the volume of sales and goods sold. Merchants are now also encouraged to offer value added services like mobile refill, cash cards, etc."

Prizm Payments is sourcing merchant accounts on behalf of Corporation Bank and the two entities plan to expand the portfolio to one lakh terminals in the next two years. The sales strategy is mainly focused on leveraging on the industry transitioning to higher average MDR and to offer a larger bouquet of value product/service offerings to the merchants.

Prizm also offers switch connectivity for transaction processing and this facility is being availed of by many banks. Besides providing the regular PSTN connectivity for the POS machines, the company offers CDMA and GPRS connectivity terminals which are 'wireless terminals'.

VIP Industries, the premier manufacturer and retailer of luggage systems, makes use of POS terminals extensively. However, the company does not have integrated POS systems as of now.

## THE MIS ANGLE

Kishore Keswani, general manager - Commercial of VIP, points out an inconvenience. "While we use POS terminals for transactions, we are saddled with a system where we have to do physical reconciliation of stocks even as we have fully implemented SAP. The other issue is sales done through coupons, which again create reconciliation problems. We have 140 retail stores in the country and we have EDC machines. One of the issues we face with the banks is the single account and statements that



Ranjit Satyanath feels that integrated POS systems can bring in customer delight

actually hamper our MIS. In fact, we wanted a horizontal consolidated MIS statement where we can view opening and closing balance of individual retail outlets. We have banking relations with ICICI Bank and IDBI Bank. While in the case of ICICI Bank, it is a single account covering all the retail outlets, it is different accounts in the case of IDBI Bank. So, we end up with individual statements in the case of the latter bank. Again banks do not assign a single point of contact for this purpose and we have to interact with the customer care, which is a laborious, time consuming and often fruitless effort. There are instances where we have not been given credit of card transactions that have taken place two years ago."

Keswani says he is evaluating a proposal from Prizm Payment Services and Corporation Bank for integrating the POS business.

### REDUCING TRANSACTION TIME

Ranjit says more than half of Shoppers Stop sales are through credit and debit



**Kishore Keswani** is concerned about reconciliation issues

cards. As each transaction involves a fee to be paid to the transaction acquiring bank and to make sure that the bank with the lowest processing charge at a given point in time gets the bulk of the transactions and to cater to customers' preferences on their choice of acquirer, retailers traditionally deploy multiple EDC machines supplied by the banks at their POS. This increases the clutter at these critical touch points. Further, the customer care associates have to be briefed regularly regarding EDCs to be used. Each EDC transaction is done over traditional PSTN lines which are designed for carrying voice rather than data. This results in transactions taking longer time which in turn snowball into longer check out queues and at peak time lost sales on account of frustrated customers abandoning their shopping baskets. "The end result is loss of several million rupees in sales and dissatisfied customers. To battle this problem, we collaborated with

Pine Labs, a software service provider, and developed an application – Plutus – and integrated it with the WinDSS. As a result, against the 30 to 45 seconds response time taken earlier, we are able to complete a transaction in less than 15 seconds. Yes, we have dedicated data circuit connecting to the payment gateway. The most important outcome of this system is the customer delight. Today, at our integrated POS terminals, we carry out credit card/debit card transactions, cash transactions and loyalty program-based transactions," adds Ranjit.

### ADVANTAGE INTEGRATION

Srinivas Rao of Prizm says the integrated payment solution cuts the cost of accepting payments, streamlines the retailers' operations and at the same time leads to customer delight. "One of our major strengths is that we are working very closely with both MasterCard and Visa to offer more value addition to our offerings to the large retail establishments and this affords an advantage for the retailer. The credit processing on the POS terminals is made easier."

He lists the 3 major advantages of using integrated POS terminals as: (i) faster transactions and elimination of manual data entry through direct integration with billing software, (ii) centralized EOD and reporting (iii) one interface to control all transactions at the back office. The system also is capable of offering instant electronic mobile top-ups at without paper vouchers, integration of loyalty programs and supports alternative payment acceptance.

### CASH WITHDRAWAL

One of the value added services - cash withdrawal at POS terminals - is going to become popular among both the customers and the retailers, says Srinivas Rao. While the terminals for such a facility need to be standalone for the moment, customers will find it very convenient as more number of retailers starts offering the facility. The retailers will see it from three angles - (i) source of income through the commission banks would pay, (ii) use of latest technology and (iii) increased footfall as the people withdrawing cash could be enticed to step into the store and buy some products or other.

VIP Industries has not opted to offer any value added services through its POS terminals. "Given the nature of our business, we do not see large footfall at our stores. Again as much as 60% of our



**Srinivas Rao** visualizes a competitive POS scenario in days ahead

transactions is done through credit or debit cards and as such services like cash withdrawal from a POS machine are not part of our business plan," says Keswani.

### EDC STILL HOLDING FORT

He does not, however, underestimate the role of EDC machines in the light of the advent of integrated POS. For one thing, says he, an integrated POS solution is for the large retail chains as the cost of installing one is substantially high. Definitely it is not for the smaller stores. From offering simple card swiping payment solutions, these machines have come of age. There are EDC machines which can perform more than 20 functionalities and can offer any value added solutions.

### FORWARD MARCH

Prizm is now in the final stages of concluding an agreement with one of the largest retail chains for integrated POS terminals with the help of Pine Labs. Says Srinivas Rao: "We will be shortly rolling out the solutions in over 400 outlets of a major retailer in the country. The arrangement with Pine Labs enables us to offer integrated POS solutions to retail establishments, which includes valued added services like mobile top ups and loyalty programs with average transaction time between 5-15 secs."

The POS scenario is going to be more and more competitive, feels Srinivas Rao. The total number of POS terminals in India is approximately 4.5 lakh. In the next 2-5 years, as banks give projections, this number is going to touch 12 lakh. "As I see it, every merchant will have to have two to three EDCs belonging to different banks and then the challenge would be to excite the merchant to swipe card on a particular bank's POS terminal through value offerings and satisfactory services," says Srinivas Rao.

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