Custom Research

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POS IS DEAD, LONG LIVE POS

POS as we know it is dying and being replaced with a full-featured, interoperable POS platform

There was a time when POS was principally thought of as a hardware technology. It was an electronic cash register that could read barcodes, authorize credit cards and print receipts. That notion died when POS began to morph into a sophisticated software solution tightly coupled to dozens of adjacent applications, such as ERP, supply chain, CRM, e-commerce, order management, gift registries, labor management and more.

Today, POS as we know it is dying again and a new POS is emerging that is neither hardware nor software in a traditional sense and is instead a POS platform. This is the premise of this month's Custom Research report. To paraphrase an old English proclamation when a monarch passes away: POS as we know it is dead, long live POS.

Tracking the evolution of POS, especially as it evolves into its next iteration, is important because POS is the heart and soul of the store. It is the central nervous system that makes it possible to sell a compelling mix of products at high speed, accept every form of payment under the sun, manage complex promotions and exchanges, and do it all while ensuring profitably across a chain of stores that spans the nation and, frequently, the globe.

In these disruptive times, pressure from digitally-obsessed shoppers is forcing retailers to rethink their store business model and the core technologies that serve it. Some retailers are thinking digital first, some mobile first, some store first, and some are aggregating all of the above.

In each case, traditional POS software is being pushed beyond its former limits and a new POS operating environment is being born. In its next iteration, POS platforms will be interoperable with adjacent applications but loosely coupled. They will be less reliant on complex integration schemes and more flexible to support easier upgrades and adding new functions.

Not So Fast

However, there is one big problem with this POS vision of the future – we are not quite there, which is one of the overarching findings in the report. Since the next iteration of POS is not here yet some retailers have a hard time envisioning it as their next POS platform.

Figure 1
Architecture approach for the "POS platform of the future"

Separate POS and e-commerce tightly integrated	39.1%
Unified commerce platform for stores and online	26.1%
No change – traditional hardware, software, in-store server	13.0%
Distributed order management hub with POS front end	13.0%
E-commerce back end with POS front end	8.7%

Figure 2
State of "POS platform of the future" technology today

- 8.7% Don't know
- 6.5% Will take longer than 3 years
- 17.4% Will take 3 years to be ready
- 8.7% Fully developed and available for deployment
- 17.4% Developing now and ready within a year
- 41.3% Developing now and ready in 2 years

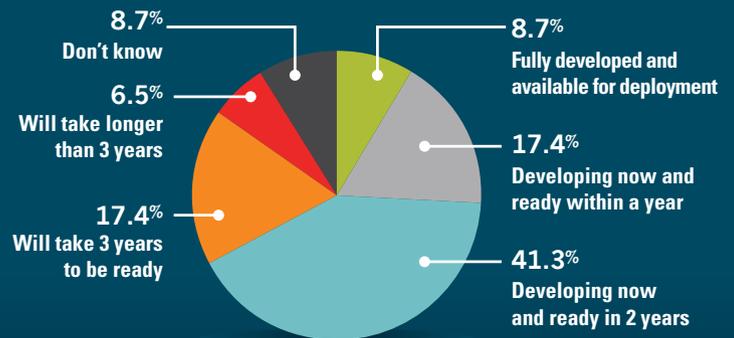### Figure 3
Do you need to replace POS and take an intermediate step before "POS platform of the future" becomes available?

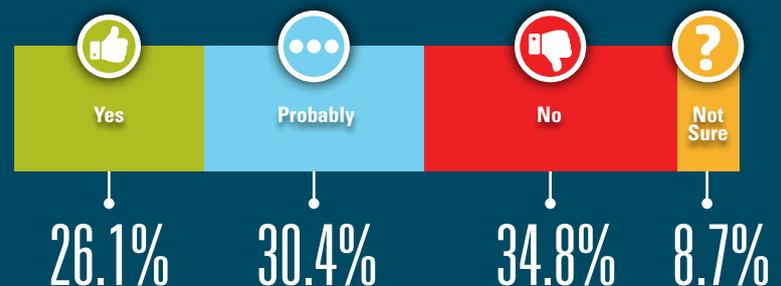| Yes	Probably	No	Not Sure
26.1%	30.4%	34.8%	8.7%

Figure 4

Timeline for deploying "POS platform of the future"

21.7% Have begun implementing

17.4% Will begin by end of year

17.4% Will begin in 12 months

32.6% Will begin in 24 months

10.9% Will begin in 36 months or longer

Figure 5

Vendor selection plan for deploying next POS

6.5% Replacing current vendor is a priority

19.6% Staying with current vendor is a priority

23.9% Reviewing targeted vendors with preference for current

2.2% Unsure of best vendors to review

47.8% Reviewing targeted vendors with no preference for current

Figure 6

3.9

1 2 3 4 5
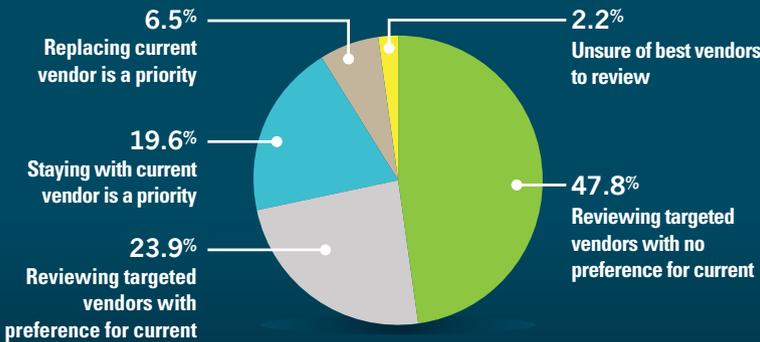
Commitment level by retailers to leverage mobile devices to deliver a new level of customer service and store sales performance. *(On a scale of 1 to 5 where 1 stands for no commitment and 5 for highest commitment.)*

Figure 7

2.4%

Estimated sales lift per store if your organization had full commitment to mobile devices in stores and they were rolled out today. *(Based on saving sales from out of stocks, guided selling, recommendations, split omnichannel orders, etc.)*

The Digital Transformation of the Physical Store

Over the last decade, Amazonian fever has dramatically increased the focus on the online world, yet the advantages of the physical store cannot be dismissed given that a surprising 93% of all retail transactions are still conducted in a brick and mortar store. In today's OmniCommerce world, recent studies show that the online channel is influencing almost 50% of in-store purchases.

The power of the online channel to influence and drive customers into physical stores is a significant factor contributing to the store's digital transformation, but other marketing touchpoints can no longer be ignored. In today's highly connected world, the sales associate must be empowered to take advantage of all opportunities to interact with the customer, with the ultimate goal of increased sales conversions in every channel. Data collected during customer interactions including sales, missed opportunities, recommendations and shopping behaviors provide a wealth of information to refine and ultimately improve the result of every interaction.

OneView's Digital Store Platform is the first that enables associate-led store transformation and successful cross-channel operation by capturing and delivering content from every channel to and from the store.

OneView delivers full store transformation via integration of point of sale and expansive cross channel uses cases with the commerce platform, analytics, device management, workforce optimization, digital content delivery, and more. This enables delivery of vital store information across all channels, the enterprise, and the retailer's expanded network of suppliers, partners, and manufacturers to immediately shape sales, business operations and the customer experience.

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As a result, many retailers are looking forward to creating an improved version of what they have now —separate POS and e-commerce platforms that are tightly integrated (39.1%). However, a sizable group of visionaries, retailers who want a unified commerce platform for stores and online as their next POS, comprise a quarter of our survey pool (26.1%)

No doubt the fact that the unified POS platform of the future does not exist today has an impact on long-range planning. So, when will the unified POS platform of the future arrive and become available for deployment? Most retailers believe it will take two years or longer – 41.3% say two years, 17.4% say three years and 6.5% say longer than three years.

Another impact of the long development time needed for what we are calling the "POS platform of the future" is that many retailers believe they will need to replace their current POS before the next iteration becomes generally available – 26.1% are certain they will need to make a change sooner and 30.4% say it is probable they will have to.

But shoppers wait for no man, woman or technology, and many retailers are taking matters into their own hands. More than a fifth (21.7%) say they have already begun the process of planning and implementing their POS platform of the future. Within six months another 17.4% say they will begin and within 12 months another 17.4% will begin. So, within a year more than 50% of retailers will have begun some work on their POS platform of the future.

Note to POS vendors: if you are not pushing your development teams to the limit to get unified commerce platforms ready (which also should include a cloud POS option), then you risk missing out on a large retail segment that is ready, willing and able to invest in it.

Shaping the Future

Regarding retailer thoughts about vendors and which ones they will pursue in their POS platform of the future, most retailers say they are reviewing or planning to review vendors with no preference for their current POS vendor (47.8%). This is probably a normal response level for the replacement of any major IT system in the retail tech stack.

Still, it says a lot when retailers, who obsessively track customer satisfaction and loyalty, find that their primary vendors do not deserve high marks. To be fair, 19.6% say that staying with their current vendor is a priority and 23.9% say that when they begin their review process they will give a preference to their current vendor.

Only 6.5% say that replacing their current vendor is a priority, which is a low number, but so is the number of those who will give their current vendor either priority status or make it a top preference. This figure (43.5%) can be viewed as a proxy for a customer satisfaction score, where a number in the 90s is considered good in most industries.

Figure 8

Impact level of the imperative to secure transactions and adapt to new payment alternatives (including EMV) to open up opportunities to fix or transform your current POS
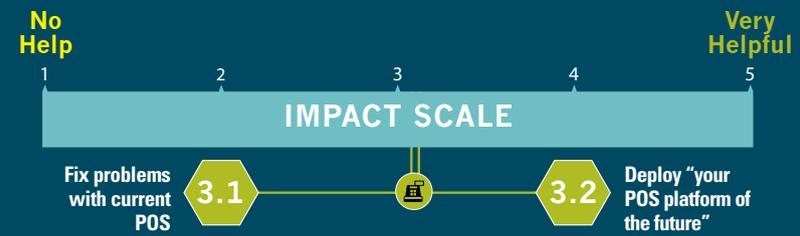

Figure 9

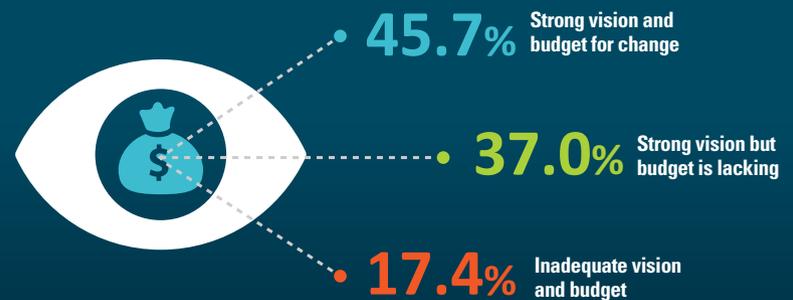**Vision and budget for making changes to adapt stores to demands of omnichannel shoppers and competitors**

45.7% Strong vision and budget for change

37.0% Strong vision but budget is lacking

17.4% Inadequate vision and budget

Figure 9

How would you describe your progress toward transforming your current stores into fully functioning omnichannel stores?

Up-to-date omnichannel capabilities in place	**8.7%**
Many omnichannel capabilities in place	**17.4%**
Some omnichannel capabilities in place	**19.6%**
Omnichannel implementations begun but not finished	**23.9%**
Will begin omnichannel implementations by end of year	**8.7%**
Will begin omnichannel implementations in 18 months	**21.7%**

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Other key takeaways from the study include:
- What is the level of retailer commitment to leveraging mobile POS and other functions to deliver better customer service and store sales performance? On a 1-5 scale it is 3.9. In rating scales like this a 2.5 is a neutral rating, which means there would be no real commitment. Anything above 4 is a high level of commitment. The 3.9 rating falls just short of this level, but it is close enough to count as strong commitment.
- What would the sales lift be per store if there was full backing in your organization for mobile devices in stores and they were fully rolled out? Respondents say it is 2.4%, based on saving sales from out of stocks, guided selling, making recommendations to shoppers, splitting omnichannel orders and more.
- Is the EMV mandate with its October 1 deadline a Y2K moment? This can be translated as a time when retailers can fix other problems while working on the pathway to EMV compliance. The answer is "not really." Retailers gave it a 3.1 rating on a 1-5 scale, which shows relatively weak agreement.
- The same level of agreement was found when we asked retailers about using the EMV mandate to jumpstart their work on their POS platform of the future. The rating was 3.2 on a 1-5 scale.
- Many retailers (45.7%) have a strong vision and budget for making changes to adapt stores to omnichannel shoppers and competitors. However, the majority of retailers still lack either budget or vision or both. Many retailers in this category need to wake up and smell coffee quickly, or they will run out the clock and it will be too late to make the transformation.
- Finally, it is always interesting to track progress being made by retailers to create fully functioning omnichannel stores, which is still a distant goal. Only 8.7% retailers say they are up to date and have full omnichannel capabilities in place. On the other end of the spectrum, almost a third have yet to begin – 8% say they will begin by the end of the year and 21.7% say they will begin in 18 months. The clock is ticking.

Methodology
This study was conducted during the month of May and only senior executives from national or large regional retailers were invited to participate. The results do not include any store-level, field-level or regional employees. Only headquarters-level staff responses were included.

Conclusion
A new POS is emerging that will become more of a unified commerce platform than a traditional software application and a big part of it will reside in the cloud. The next iteration will push POS far beyond its former limits and become an enterprise transaction platform that will be interoperable with adjacent applications but loosely coupled to them so that it becomes easier to support upgrades and add new functions at rapid speed.

Not only are retailers ready for this "POS platform of the future" to emerge, but many are not willing to wait for vendors to develop pre-packaged or cloud software versions at the vendor's pace. Many retailers are moving forward with development on their own or will begin the process soon. Another group of retailers will begin looking at new POS vendors currently entering the retail industry, start-ups and players not formerly thought of as POS powerhouses, who have a vision of the future that has been liberated from traditional business models and licensing and services contracts.

POS has seen big changes before, but this one is different. It is a true inflection point. In many ways, the next POS you install will probably be your last in a tradition that goes back to the scan of a pack of Wrigley's gum at a Marsh supermarket in Ohio in 1974. **RIS**

Figure 10

What was your company's revenue in the most recent 12 month period?

8.7%	13.0%	15.2%	34.8%	28.3%
Less than $100 million	$100 to $500 million	$500 million to $1 billion	$1 billion to $5 billion	More than $5 billion

Figure 11

How did your company's sales revenue perform in the last 12 months?

JAN	MAY	SEPT
FEB	JUNE	OCT
MARCH	JULY	NOV
APRIL	AUG	DEC

56.5%	39.1%	4.3%
Increased > than 3%	Increased between 0% - 3%	Decreased