



Point-of-Sale (POS) Solutions

Market Segment Overview



Overall, today's POS systems (both mobile and stationary) support retail environments that are more flexible and information-rich—enabling businesses to more easily adapt to the needs of their customers and be more competitive with online retailers.

Choosing a point-of-sale (POS) solution is one of the most important technology investments most small businesses will ever make and not one that they look forward to changing.

That's why it's common today to see older, dedicated electronic cash registers at many small businesses. These traditional solutions are proven and familiar—minimizing training needs. They can be acquired and maintained cost-effectively. It's common for a small business to hold on to a solution for five years or more.

New Interest in POS

But the market for POS systems is undergoing a major transformation. Changing payment options—including greater use of credit cards, loyalty points and mobile payments—has created an alternative, complementary solution to a large fixed function POS, or a minimal function cash register.

The popularity of tablets and other handheld devices has made mobile POS solutions an attractive option. Also, newer POS systems can be more tightly integrated into business processes to support omni-channel, customer engagement and other business-enhancing initiatives.

These and other factors are driving renewed interest in POS solutions. In a survey conducted by Vertical Systems Reseller (VSR) Magazine for its 2013 POS report:¹

- Nearly three-fourths of retail and hospitality respondents to the VSR survey indicated that they are planning

a major upgrade of their current POS within three years, and one-third will do so within a year.

- More than half of respondents reported having an annual budget of greater than \$25,000, compared to 26 percent of respondents the year before.

New Payment and Loyalty Options

One of the key factors contributing to this market growth is the increased adoption of credit and debit cards. Debit cards have overtaken cash, particularly among the highly desirable, younger Gen Y consumers. Businesses need to up their game to address the more sophisticated processing and security challenges posed by credit cards, as well as the growth of mobile payment options.

The growth of mobile payment applications—often referred to as a mobile or digital wallet—is also causing many businesses to rethink their POS solutions. Mobile payment applications allow consumers to make payments for products or services from their smartphone, without a physical card. Instead of swiping a physical card, the consumer simply taps (near field communication) or scans their phone to make payment.

Newer POS systems can handle a wide range of payment options (including “digital wallet” payments) and are able to play a central role not just in ringing up sales but also in marketing, pricing, inventory control, customer service, integrating with accounting, property management, digital signage, security and other systems.

Intel®-Based Point-of-Sale Solutions Market Segment Overview

The ability to support loyalty programs focused on getting repeat customers is often cited as a driving force that is making small businesses rethink their reliance on traditional POS solutions. SMB retailers want to be able to quickly identify loyal customers (typical via their payment information) and more easily offer coupons and other perks. The best way to do this is at the POS. A small store might have a welcome screen that promotes relevant offers as you enter versus when you are about to leave.

Mobile POS

Like nearly all technology solutions today, POS systems are being transformed by the mobility revolution: a new generation of mobile POS systems (mPOS) is being implemented on tablets and other portable devices.

In stores, sales associates can use these devices to answer questions, provide information and check out a customer anywhere. In restaurants, waiters can record selections electronically at tableside. Customers can even use their own mobile devices as POS solutions.

Major retailers, such as Home Depot, Nordstrom, and Gucci, have recently added mPOS alongside their fixed POS solutions. The IHL Group estimates that approximately 45 percent of retailers have a rational approach toward adoption of mobile devices in their stores, with about half using the devices specifically for mobile checkout.² For SMBs, using a tablet is a way to support the POS capability at far less capital expense than a traditional fixed solution.

Market Growth for POS

Overall, today's POS systems (both mobile and stationary) support retail environments that are more flexible and information-rich—enabling businesses to more easily adapt to the needs of their customers and be more competitive with online retailers.

While the overall market for POS solutions is expected to grow at a CAGR of



approximately seven percent a year,³ the demand for mobile POS solutions is much higher.

In particular, POS solutions based on tablets are taking off. The IHL Group estimates that tablet-based POS solutions will see high double-digit growth in the coming years, with specialty retailers deploying about 45 percent of all tablets shipped to retail.⁴

Mobile POS solutions based on nonrugged handheld devices (i.e., mobile phones) will also experience heavy growth over the next two years, particularly among restaurants. In many cases, however, this will involve replacement of older mobile devices.

While sales of traditional POS shipments will not decline, they will not grow as fast as they otherwise would. A typical scenario might be for a small business to replace its current POS system with three mobile devices and one fewer stationary device.

IHL Group predicts that mobile POS will cannibalize traditional POS by 12 percent in North America by 2016, with the highest replacement rates in department stores and specialty soft goods retailers.

Already specialty retailers—especially small independent retailers and large mall-based specialty chains—have deployed nearly half of the tablets shipped to retail for POS.⁴

Over time, mobile POS solutions will be replaced more frequently than stationary systems. “The key with mobile POS is that you’re going to replace every two years instead of every four to six years for a fixed POS,” according to analyst Greg Buzek of the IHL Group. “The opportunity is for resellers to sell more software licenses because you are going to have more devices.”

Fragmented Market

The market for POS systems is extremely fragmented across vertical markets, requiring resellers to understand the unique differences from segment to segment. According to the VSR survey, the traditional SMB retailer is the largest market segment, followed by fine-dining restaurant, quick-service restaurant, grocery/supermarket, hospitality-lodging and health care. The market for POS hardware and software solutions is similarly fragmented, with no single solution provider being dominant.

Top Markets for POS

Retail SMB (other)	61%
Fine-Dining Restaurant	54%
Quick-Serve Restaurant	50%
Grocery/Supermarket	38%
Hospitality-Lodging	29%
Health Care	27%
Field Service	23%
Retail Big Box	20%
Warehouse/Distribution	20%
Government	16%
Education	13%

Source: Survey of VARs by Vertical Systems Reseller Magazine, July 2013

Cloud-based POS

Cloud-based POS solutions are beginning to make their presence felt. New options focused on the needs of the business (versus a solution like Square, which is more oriented to the consumer) are being introduced by startups, but traditional legacy providers of POS solutions such as NCR are also jumping in. Cloud-based POS solutions offer all the advantages that the cloud provides in other markets—access to a service on demand, lower capex, reducing internal IT needs, etc.

New Opportunities to Add Value

The dramatic changes in POS solutions and the role they can play in a small business are having a big impact on how solution providers work with their customers.

When the POS system was primarily used to process sales, there was little opportunity to add value beyond the basic system.

Now solution providers can help customers sort out the ways in which the POS solution integrates with other capabilities, such as inventory, pricing and even systems such as digital signage and security. Navigating the choices being offered in mobile and stationary POS solutions, understanding the many new mobile payment options and putting in place the right security/compliance are also part of the equation.

All of this is helping to increase the market for POS solutions and the opportunities for solution providers to deliver ongoing services.

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For more information, visit
<http://www.intel.com/content/www/us/en/retail/retail-pos.html>

¹<http://vsr.edgl.com/reseller-reports/2013-State-of-POS-Market-Study-87291>

²IHL Group, 2013 Mobile POS, www.ihlservices.com

³<http://www.technavio.com/report/global-pos-software-market-2011-2015>

⁴IHL Group, 2013 Mobile POS, www.ihlservices.com

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