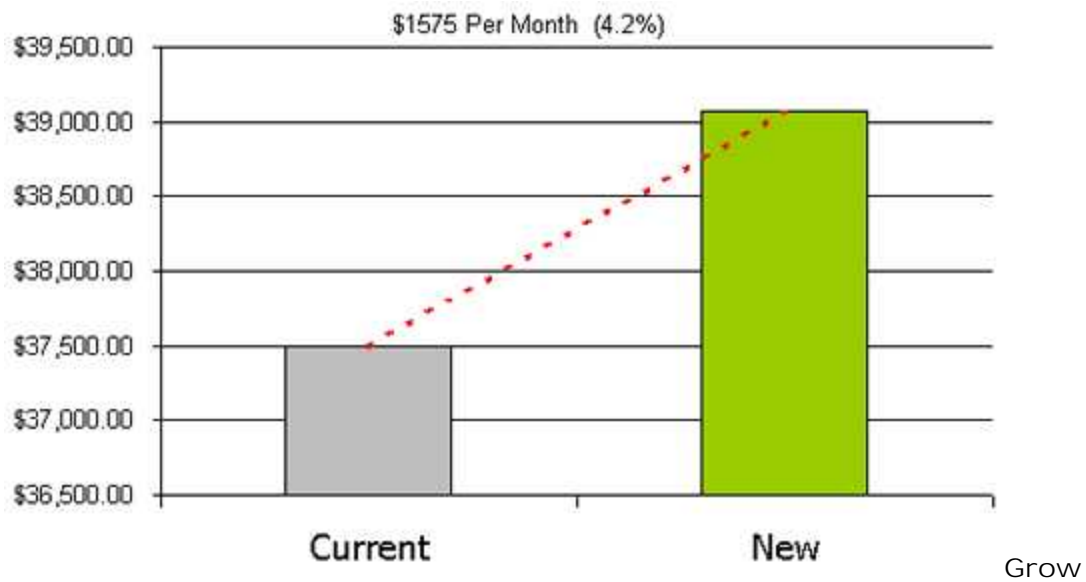# ROI Analysis: Part 1 POINT OF SALE

Want more in-depth information on how POS solutions can increase your revenue? In this first part of our 4 part series discussing the return on a point-of-sale system investment. We will look at a cross section of a hypothetical business scenario with monetary figures and percentages based on industry average findings.

There are two sides of the ROI analysis that need to be considered. The first is what the investment will be to purchase a retail automation solution. The second, and perhaps more important, is the cost associated with not purchasing the solution. All of the figures in this section are based upon a retail business that is doing $450,000 in annual sales and has 52% COGS.

INCREASES	Monthly Impact
Revenue	$1575.00
Gross Margin	$378.00
Marketing Effectiveness	$136.00
DECREASE	Monthly Impact
Capital Tied to Inventory	$101.25
Inventory Labor Cost	$110.46
Shrinkage	$90.00
Re-stocking Expenses	$367.50
Re-stocking Shipping Expenses	$84.83
Checkout Process	$323.95
Under-rings	$570.00
Management Reports	$511.00
Accounting Expenses	$541.20

Revenue Growth

$1575 Per Month (4.2%)

Chart showing Current vs New revenue bars, with y-axis from $36,500.00 to $39,500.00.

Grow your top-line revenue

Growth in revenue is based upon data from thousands of installs and is driven by:

- More cash-in per customer through up-sells when they are checking out.
- Specific promotions to your customers that buy certain types of products.
- Better management of sales and promotions.
- Highly targeted marketing to segments of your customer base.
- Frequent customer discounts and volume purchase discounts programmed directly into the system.
- Knowing what products are selling at what times during the year and building promotions around those items.

More time available from the owner to focus on building their business rather than doing overhead and operations type functions.

Gross Margin
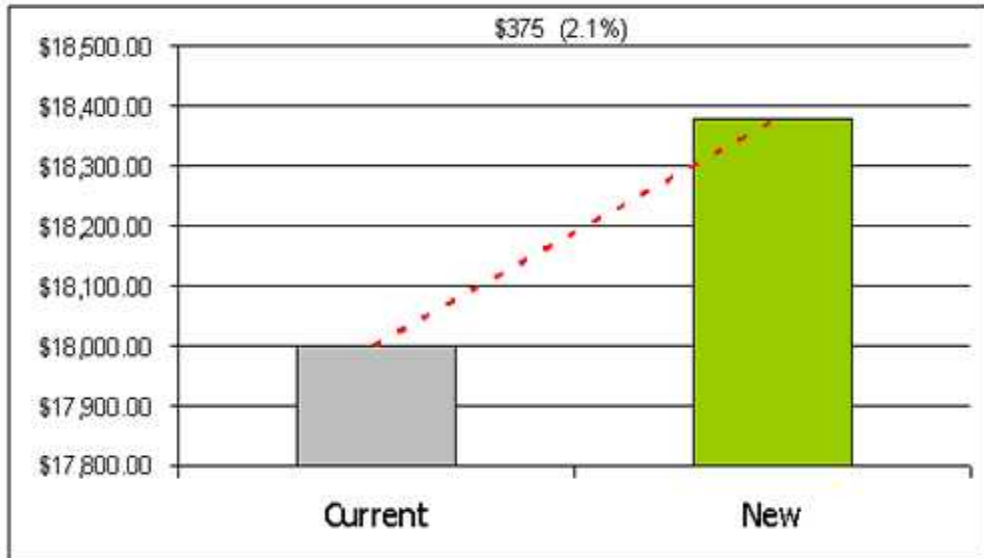
See an immediate impact on your contribution margin.

Gross margin is increased through:

- Dramatic reduction in pricing errors.
- Tracking exactly which products are the highest margin and focusing promotions around those products.
- High margin up-sells in the checkout line or with sales associates.
- Knowing which products to stock according to what is really selling.
- Know what products are not selling and reduce dead inventory.

Inventory Management Efficiency
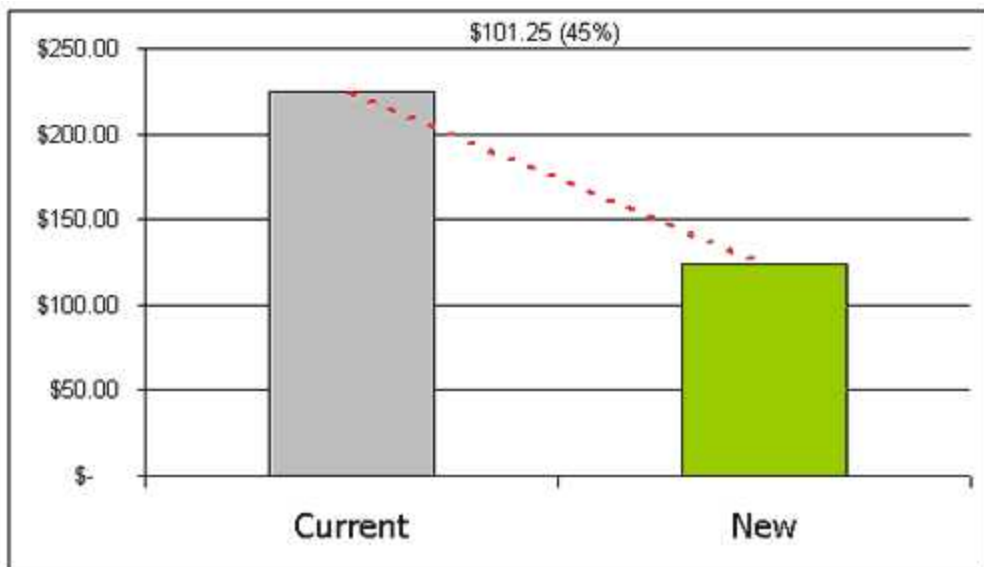
Inventory Management Efficiency is the cost of money for the amount of inventory overage that a business has at any given point due to lack of automated purchasing and

inventory control processes.

Example: If you have $3000 of extra inventory then that $3000 has a value of what it could be earning for your business if it was used elsewhere. Typically this is in the 7% to 11% range. Through automation, the business owner will be able to get daily buying reports of what products need to be purchased based upon inventory control levels that are pre-set in the system and changed when ever is necessary.

It allows the owner to run a Just In Time Inventory (JIT) control process and only stock what is absolutely necessary. Rather than having to have a significant amount of overstock, the owner will only have to keep exactly what is needed. This also represents a significant advantage to cash flow.
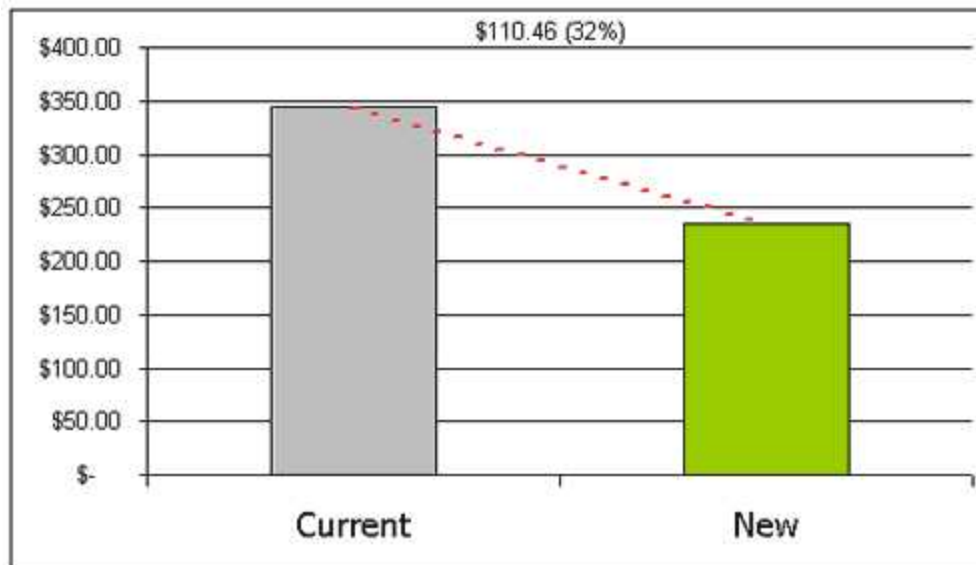
ROI Analysis: Part 2

posted on Wednesday, August 11, 2004
by   Kyle Ritter

In   ROI Analysis Part 1, we showed you your revenue will grow, how inventory managment is made easier, and how your gross margins are generously effected by using point-of-sale solutions.

In Part 2, we will go further in depth with our analysis.

Inventory Count – Labor

Reduce the labor cost associated with the inventory counting process.

Through have a POS automation solution a business will be able to reduce the labor costs associated with counting inventory by an average of 32%. Every single

transaction is automatically logged, allowing for immediate access into inventory levels of every product in stock. The figures in the graph were based upon an $8 per hour wage, and would obviously be higher if a manager or owner is performing the task.

Reduce Shrinkage/Theft
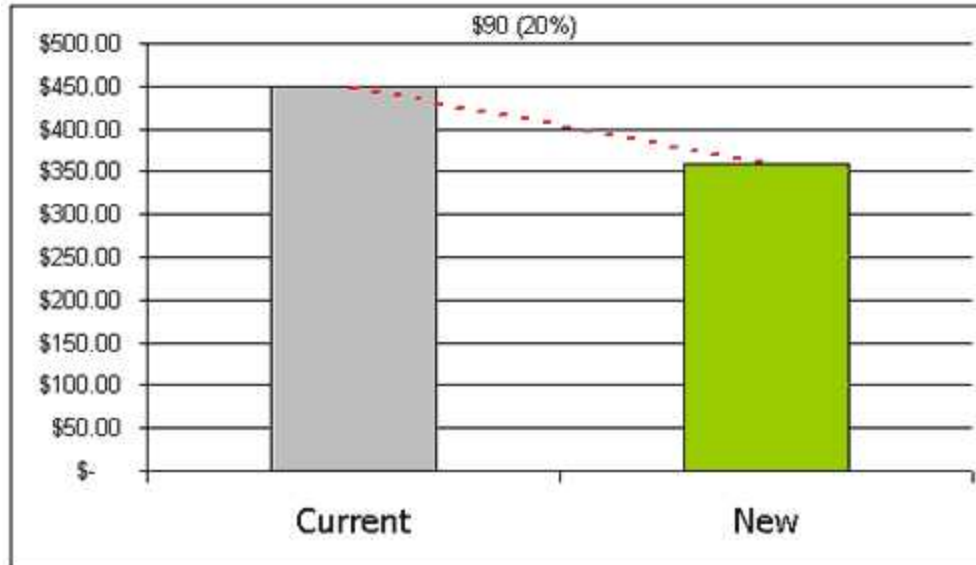
Utilize point of sale to reduce the amount of theft and shrinkage your store experiences

Reducing shrinkage is always a concern for a retail store. While the retail automation solution does not act as a security device, it has been proven to reduce shrinkage by:

- Immediate access to inventory levels versus quick counts of floor inventory.
- Reports showing shortages in inventory.
- Intimidation factor of employee theft due to computerization of the store.
- Employees able to watch the storefront closer due to lower time requirements in checking customers out at the each register.
- View shrinkage history reports to determine which items need to be closely monitored.
- Know exactly which employee was at each register in order to track responsibility.
- Directly integrate with video security system to record activity of POS terminal and floor activity

Restocking Expenses
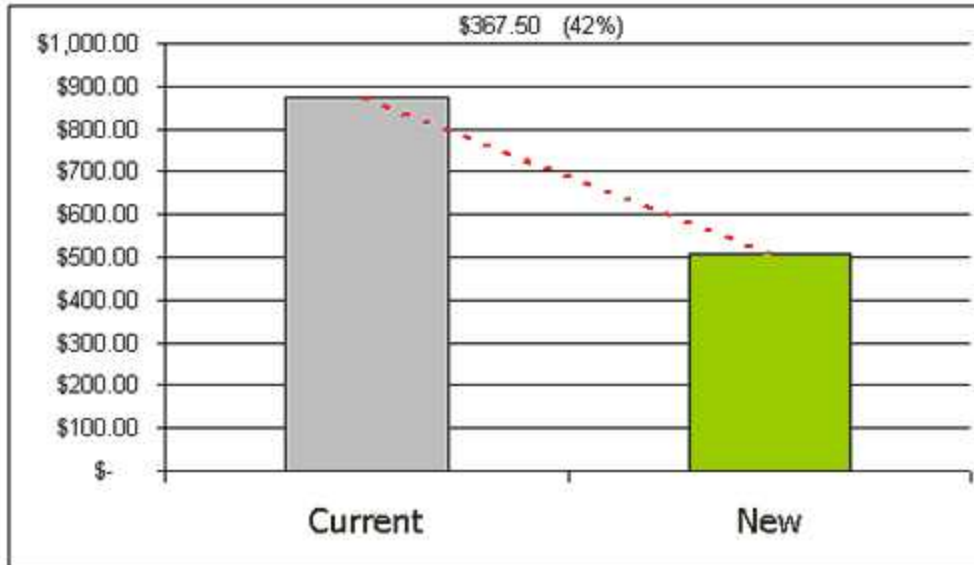
Reduce the amount of time associated with purchase orders and re-stocking of inventory.

One of the ongoing challenges of any retail business is to deal with purchasing product. This can be a very time consuming process and is almost always completed by the most valuable people in the business; owners and manager. Through the POS solution, purchasing new product becomes easier by:

- Automatic re-order levels set with each item.
- Automatic generation of PO's based upon multiple different criteria.
- Easily manage suppliers and know who is giving the best pricing most recently, as well as historically.
- Save PO's and edit them later as well as re-use them for future purchasing.
- Take the hassle out of the manual purchasing process and focus on the key activities that drive the success of the business.

ROI Analysis: Part 3

posted on Monday, August 1 6, 2004
by Kyle Ritter

In Parts 1 & 2, we discussed shrinkage/theft, inventory labor, and restocking expenses, revenue growth, gross margin, and inventory management. Continuing to Part 3 our 4 part ROI analysis series, we will discuss further ways you will find a significant return on your point-of-sale investment.

## Re-stocking Shipping Efficiency
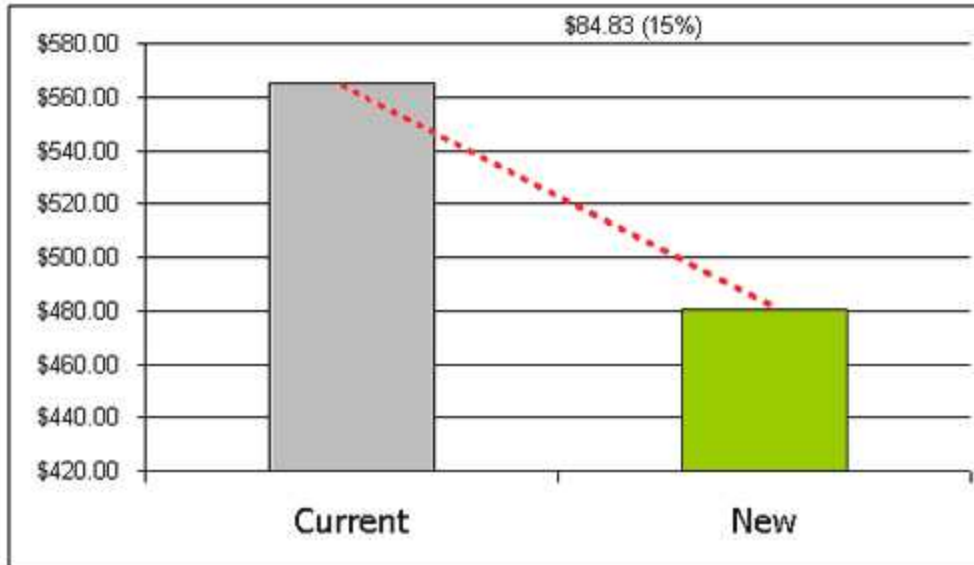
Reduce shipping expenses through better planning and management of the ordering process.

Lower shipping rates will be able to be achieved through proper planning and management of the purchasing process. Rather than having to pay higher rates to get items in quicker because inventory is running low, items can be sent by ground or cheaper methods to reduce costs. Lower shipping rates are also achieved through purchasing larger quantities and ordering by the palette.

*All of the figures above are based upon the monthly average, and in no way guarantees specific performance.

Marketing Effectiveness
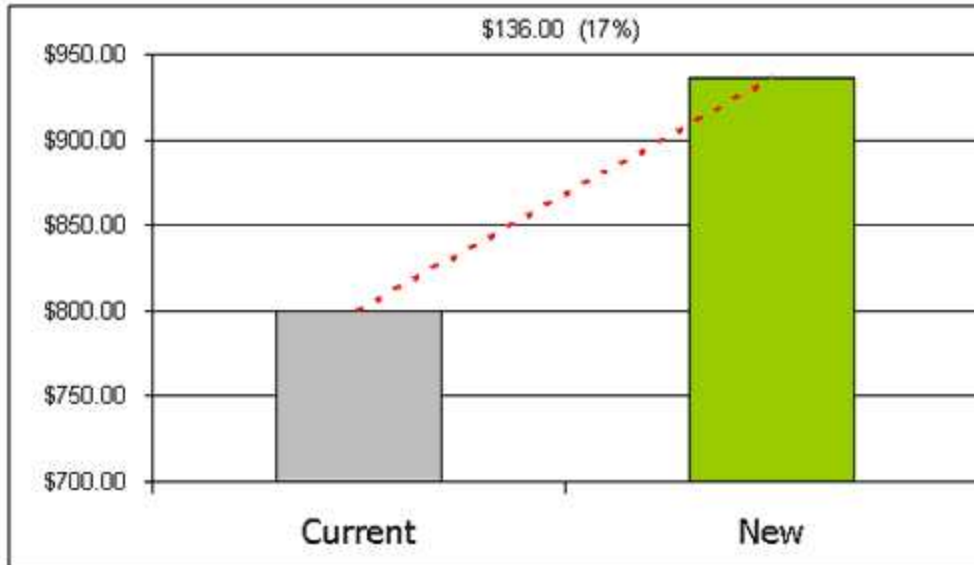
Increase the effectiveness of your monthly marketing budget.

Regardless of the size of a marketing budget, the ca|micro solution will increase the effectiveness of those marketing dollars through:

- Tracking ROI calculation for each marketing campaign.
- Use marketing dollars to target specific segments of the customer database including customers who haven't purchased recently or those who have purchased certain types of items.
- Use the data from marketing campaigns and sales activities to make better marketing decisions in the future.

*All of the figures above are based upon the monthly average, and in no way guarantees specific performance.

Checkout Line Processing
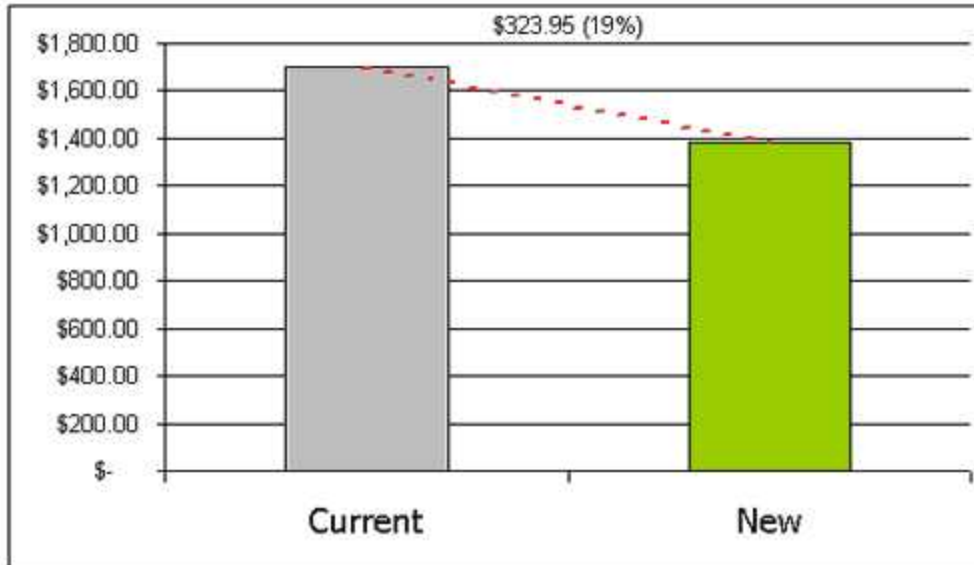
Reduce the amount of time associated with checking customers out at the POS terminal.

There are multiple benefits that come from reducing the amount of time required to check a customer out. These include:

- Lower labor costs
- More satisfied customer that don't have to wait in line.
- Few customers who walk out due to long wait times in line.
- More parking spaces open in front of your store to allow other customers to shop and fewer customers who don't stop and shop.
- Employees are available to complete other tasks like retail floor management, stocking shelves, etc.

*All of the figures above are based upon the monthly average, and in no way guarantees specific performance.

ROI Analysis: Part 4

posted on Monday, August 16, 2004
by Kyle Ritter

In our final installation of our 4 Part ROI analysis article, we will
show you how you can prevent under-rings, which are often a
form of employee theft by giving discounts and reduced costs to friends and family.
We cover how you and your managers can generate reports in all manner of

productivity based on employee sales, inventory, area positioning, and more. Finally, learn about how point of sale and accounting software integration will help generate you the most significant ROI.

Under-rings
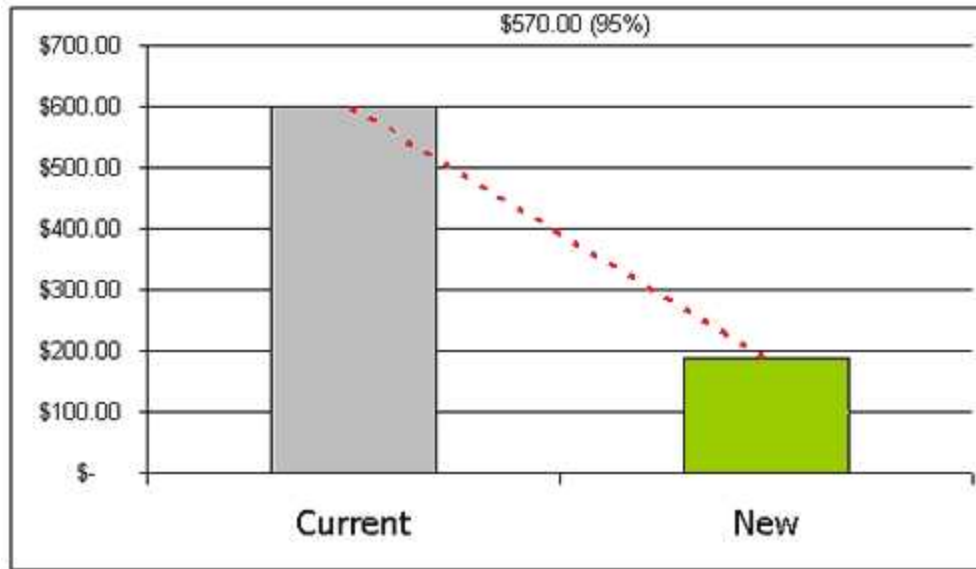
Virtually eliminate under-rings through automation.

One of the major benefits to the ca|micro retail automation solution is that you can almost completely eliminate under-rings. With tradition cash register there is no way to reconcile a shortage between the number of products sold and the actual amount charged per item. With a POS terminal the employee does not have the ability to manually enter a price and is forced to either scan the item or enter it from the database and the prices cannot be changed unless they are given security rights to do so. The reality of an employee charging $5 for a $20 item is completely gone.

*All of the figures above are based upon the monthly average, and in no way guarantees specific performance.

Management Reports
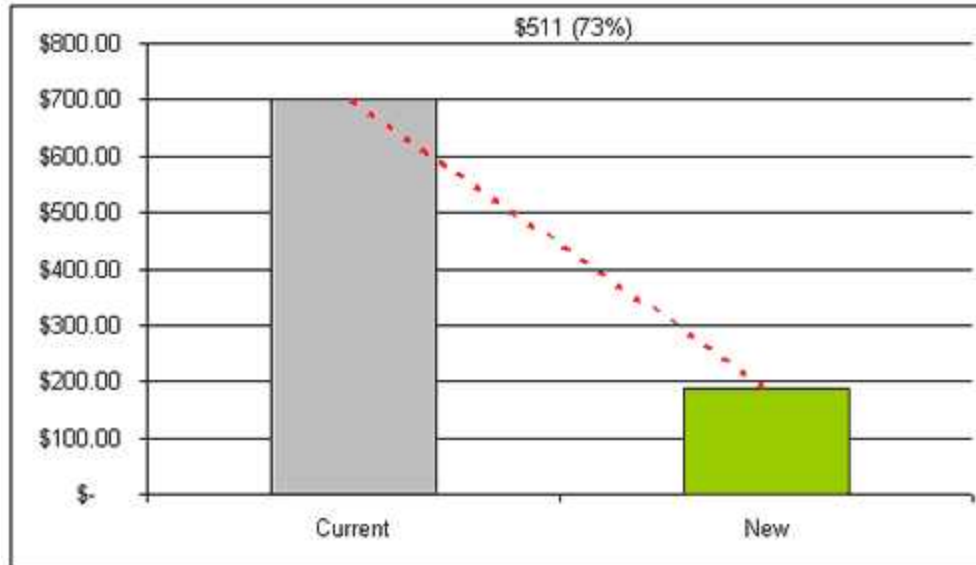
Having the right information to make the key business decisions is critical the success of any organization.

The benefits of having access to reports that show the key business metrics is absolutely vital to the success of a retail store. Being able to send trends developing and track sales activities is critical. Some of the key benefits include having reports on:

- Top selling items.
- Top producing employees
- Most product departments or product categories.
- Most profitable items.
- Least profitable items.
- Best suppliers.
- Best and worst customers.
- Customers who have not purchased recently.
- Highest margin products.
- Hundreds of other reports and key business data that is available through completely customizable reports.

*All of the figures above are based upon the monthly average, and in no way guarantees specific performance.

Accounting Integration
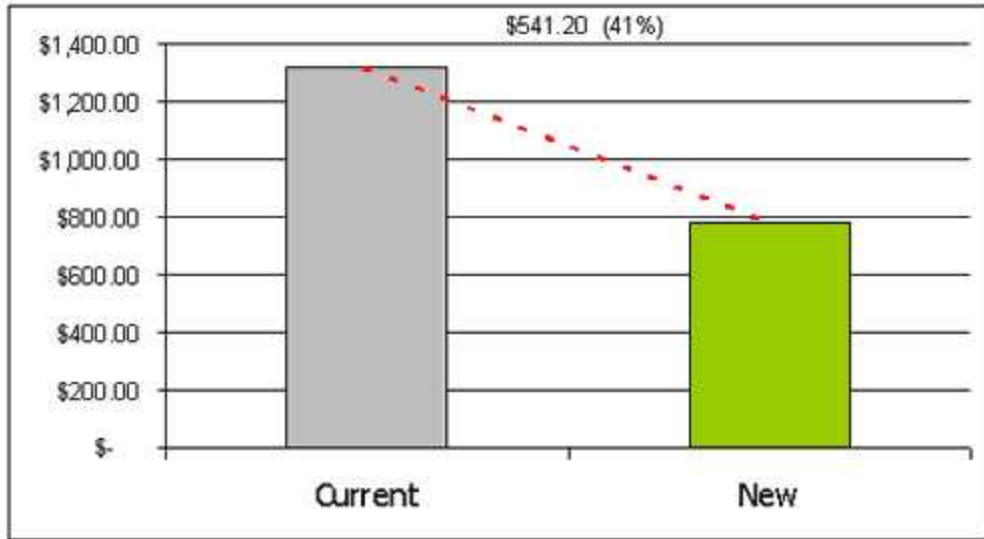
Reduce bookkeeping expenses and get access to up-to-date accounting information in a real-time basis.

The ca|micro solution will enable any retail business to have every transaction directly entered into back-office accounting program. QuickBooks, Quicken, Peachtree and other major accounting programs are all supported. There is an immediate impact in lower bookkeeping expenses, as well as the ability to access key financial information that is up-to-date and accurate. A retail business will know exactly what daily cash flows and accounts receivable are, as well as daily balances sheets at the end of each day.

*All of the figures above are based upon the monthly average, and in no way guarantees specific performance.