Process Customers Quickly And Cheaply

▲ A closeout merchandise chain claims POS systems savings of 40% and more by following a single-vendor sourcing strategy.

by Paul Froehlich

When your stated goal is to be the "world's best bargain place," razor-thin margins leave little room for error when it comes to store POS systems.

That's the philosophy followed by Big Lots, Inc., the nation's largest broad line closeout retailer. Big Lots features merchandise such as consumables, housewares, toys, furniture, seasonal products, and gifts at prices 20% to 40% below traditional discount retailers. These big savings for consumers add up to big bucks at the Columbus, Ohio-based chain that posted 2002 annual revenues exceeding $3.85 billion.

To meet those numbers, cost consciousness pervades the entire organization, including information systems. "When it comes to store systems, we look at cost and ROI very carefully," explains John Zavada, chief information officer at Big Lots. And the approach the retailer takes bucks the trend toward open POS systems — it migrated to a proprietary, single-vendor POS application more than a decade ago and has been happily counting its investment savings ever since. "It's a very compelling story of lowest cost per register, and flies in the face of conventional technical wisdom which holds that you'll get a greater ROI with an open POS system," says Zavada.

Avoid Hidden Costs Of Ownership

POS systems are proprietary, non-proprietary, or a combination of both. Proprietary systems generally consist of components from a single manufacturer, including software, hardware (printer, touch screen, peripherals, etc.). Although considered more expensive and limited in availability, they tend to have longer lifecycles. They also are built to withstand rigorous retail use and are designed with greater integral security.

Conversely, nonproprietary, or open systems, feature a standard PC platform and are designed to be compatible with "off-the-shelf" hardware. Theoretically, you can mix and match hardware, peripherals, and middleware to design your own dream POS system at a cheaper price up front and not feel locked into any one technology. The trade-offs can be less durability, expensive software licensing fees, frequent hardware updates, and greater security risk to employee hackers familiar with its common operating systems.

Big Lots' attitude is to wring the most out of each dollar, and has aligned its store systems strategy with overall business goals in mind. Thus began a partnership with Datasym, Inc. of Brantford, Ontario, Canada, that now spans nearly 15 years — and three generations of POS systems. Datasym manufactures both the hardware and software, from front end cash control to back office systems analysis. The front end software accommodates Big Lots' high-volume, high-throughput needs, monitoring item movement and customer demand at the SKU (stock keeping unit) level. The software also includes loss prevention security features and provides critical POS management information functions.

Big Lots has more than 11,000 POS terminals across the chain's 1,400 stores. About 65% of stores — those with higher volumes — presently have Datasym's latest version Symcash 6000 registers and POS software. The remaining 35% of stores have older Sharp 3250 registers run by Datasym's special boards and firmware. As software updates and customizations are developed, they are downloadable to the store level, easily keeping Big Lots POS systems current, says Big Lots POS Manager Fred Greene. "There's no difference in functionality between the model 3250 or 6000 registers, and we've seen no difference in terms of comparative store sales," says Greene. "It's more a matter of processing speed. The new 6000 models are about 50% faster."

POS Costs 40% Lower Than Industry Norm

The Symcash 6000 runs on a proprietary system that is all Datasym. Registers are connected to a back office PC that runs Datasym's COMM2000 32-bit communications software. COMM2000 is embedded into OWORKS, Big Lots' own back room software suite that centrally connects and transmits item movement data, processes e-mail, and controls merchandising and ordering functions. A second back office PC connects to the frame relay network to capture POS information transmitted to the chain's data warehouse application from MicroStrategy (McLean, VA).

"Over the course of our relationship with Datasym, we've achieved a solid return on our investment," claims Zavada. "With other POS systems, there can be many additional hidden costs, for instance, hardware, hardware support, operating systems, and license upgrades, and the integrated support side of database management. Plus, there's the headache of dealing with unknown third parties."

Zavada continues, "In terms of checkout speed, our benchmark data is on par with top-of-the-line POS systems but at a fraction of the cost. Our POS system costs are at least 40% lower than the prevailing industry norm of $4,000 to $7,000 per register, and installation is simple. We take it out of the box, plug it in, and don't worry about it. It's absolutely turnkey." For a bargain-hunting operation like Big Lots, its POS system is a good fit. ❏