IBM

Why IBM?
Selling against PC cash drawer systems

Sales reference guide

Overview

One of the biggest challenges to IBM and IBM Business Partners gaining market share and improving sales is the prevalence of PC vendors pushing PC cash drawer (PCCD) systems. In fact, many IBM Business Partners tell us that PCCD systems are being sold as commodities, and are not delivering the business value customers need. To help you win against PCCD, we have identified five PCCD pain points and how IBM point-of-sale (POS) solutions can resolve them. When you hit these pain points, your prospects will soon understand exactly what is at stake when they choose PCCD systems – and what they stand to gain by choosing true POS solutions from IBM.

Pain point #1: High total cost of ownership

Many retailers select PCCD because they feel they have no choice. They have tight budgets and very little time to make IT decisions. These factors favor PCCD because retailers are making quick decisions based on a one-time purchase price instead of a comparison of all the costs and risks. And when retailers compare a PCCD system to an IBM POS solution by price, the initial cost of the PCCD system will almost always win. When you shift the discussion from initial cost to total cost of ownership (TCO), this is where IBM solutions are clearly superior to PCCD systems.

Lower TCO in the first year
Many retailers assume that PCCD systems are not only less expensive to acquire, they offer lower operating costs than a POS solution. However, a recent study[1] by IDC clearly indicates that PCCD systems are actually more costly to run than POS solutions, even within the first year of use. According to data from the study, POS solutions delivered 17.5% lower TCO per system than PCCD in the first year, 24% lower TCO per system after three years, and 27% lower TCO after five years.

These differences are the result of pronounced differences in the costs of software, peripherals, support and staffing between PCCD systems and POS solutions. When the cost of software (including initial software, upgrades and maintenance) and peripherals are itemized, POS solutions offer a lower total cost per system than PCCD systems, according to the study. Staffing costs are lower for POS solutions because POS solutions have a significant impact on total productivity. Because operators can serve more customers more efficiently with POS solutions than with PCCD systems, the store requires fewer total staff hours to reach the same revenue target. POS solutions also offer better information management, more reliable stock processing and product identification – all of which help improve productivity and customer service.

Total cost per customer

The impact on customer service is another differentiating factor with respect to TCO. According to the IDC study, POS solutions enable retailers to provide faster checkout and lower customer wait-time in line. This also allows store managers to reassign employees to other customer service duties instead of anchoring them to the POS, which fosters customer loyalty. Faster customer service also reduces the total cost per customer served. In the study, the PCCD system operating cost per customer served is between 57% and 83% higher than for a POS solution. Finally, POS solutions offer longer life spans than PCCD systems. This has a bigger financial impact in larger retail chains. However, the study's research model confirms that POS solutions consistently deliver benefits for up to 70% longer than PCCD systems.

Other key points related to TCO
- *IBM SurePOS™ systems do not make retailers pay for capabilities they do not need. Many PCCD systems feature extremely fast processors designed for game playing and other visually intensive applications*
- *IBM POS systems have the ports and connectivity options (such as powered USB) that allow retailers to upgrade peripherals and software without replacing the system unit. Most PCCD systems do not offer this cost-effective scalability*
- *If retailers want to increase sales through customer relationship management, reduce costs by centralizing systems management or take steps to become an e-business, they will probably need the retail-specific capabilities that IBM SurePOS systems deliver*

- *Many IBM POS systems are compact designs that conserve valuable counter space, with peripherals that require no external power supply. This leaves more room available for selling merchandise and creates a cleaner, more attractive POS*
- *Two entry-level POS solutions from IBM – the IBM SurePOS 300 Series and the IBM SureOne® – are priced to compete effectively with PCCD. (For more details on these products, please see POS Hardware: IBM SureOne and POS Hardware: IBM SurePOS 300 Series.)*
- *IBM SurePOS systems have high residual value*

Pain point #2: Frequent downtime

Desktop PCs are designed to work in the home or office. Stores regularly expose POS systems to dust, dirt, grease, electrostatic discharge (ESD), vibration, rough handling, spills, power surges, power outages and changes in temperature and humidity. PCCD systems have a significantly higher risk of failure in retail because they are not designed to withstand these conditions. That means more downtime, which hurts profitability, reduces revenue and erodes customer loyalty. These are risks small business owners can't afford to take.

IBM POS systems are retail-hardened. With POS systems that are designed to deliver high uptime, retailers can provide consistent customer service. They get a dependable, long-lasting POS system for the money. And they can count on these systems' overall reliability and day-to-day uptime. Proof points for the IBM concept of retail hardening are numerous. Please see *Why IBM? Retail Hardening* for a detailed overview of how IBM ensures retail hardening during design, manufacturing and testing of our POS solutions.

Pain point #3: No single point of contact

PCCD sales often involve multiple vendors, which means retailers lack a single point of contact for service and support. When they have a problem, they may get passed from vendor to vendor in a familiar finger-pointing scenario. Retailers who contact a vendor's support team may have to talk to a technician who may not be able to provide any assistance if the PCCD configuration is more than six months old. Meanwhile, the PCCD is idle and the retailer must focus on facilitating service instead of serving customers. When this downtime occurs, productivity and profitability inevitably drop.

IBM and IBM Business Partners provide fast, efficient and comprehensive service and support.

- *By choosing IBM, retailers also gain a single point of contact for questions and concerns. This method dramatically reduces the time and effort required to obtain service, and allows retailers to quickly return to running their stores*
- *IBM and IBM Business Partners support products for well into the future – longer than most retailers expect to own the POS system. Also, these systems are scalable and designed to grow with the retailer's business*
- *IBM has more than 25 years of experience in retail POS. Our service teams understand that downtime hurts profits, and they react to retailers' needs accordingly*
- *IBM offers multiple options for service, maintenance, onsite repair or exchange and rollout – so retailers can choose the best plan for them*

Pain point #4: Changing configurations

PCCD configurations can change as often as every six months, quickly becoming obsolete. This rate of change poses problems for retailers who want to expand. There is no guarantee they can keep POS hardware and software consistent from store to store, and inconsistent configurations raise support costs for service and maintenance.

Configurations of IBM POS systems typically stay unchanged for 18 to 24 months. With these systems, retailers can deploy a consistent platform across the enterprise and take advantage of centralized management more easily. In fact, IBM endeavors to provide replacement parts, upgrades and service for up to seven years after a system is withdrawn from the market.

Pain point #5: PCCD providers don't know retail

PCCD sellers have a very different view of the retail marketplace than IBM. They deliver boxes – and that's it. They do not understand the specifics of the retail world, and they do not anticipate well what retailers need.

IBM is devoted to meeting retailers' needs.
IBM professionals analyze industry trends, participate in standards committees and promote open communication among retailers in every segment. As a result, IBM can offer solutions that are designed to solve real-world retail problems. These IBM products are designed exclusively for POS environments, and they go through exhaustive ergonomic and usability testing to help operators maximize productivity.

IBM is a true solutions provider.
Through IBM and a network of hundreds of IBM Business Partners, retailers can buy hardware, software, peripherals and service plans designed to work together. These solutions rollout according to well-defined migration paths. As retailers increase their business, they can add solutions from IBM that enhance their capabilities and match their infrastructures – instead of having to start over because parts and service are no longer available.

IBM has outstanding global reach.
Through the network of IBM Business Partners, IBM can deliver complete POS solutions with outstanding service and support nearly anywhere in the world.

Winning the battle

To give you the best chance to win the POS vs. PCCD argument and improve sales in this segment, IBM Retail Store Solutions is preparing a number of strategic marketing tools specifically designed for this task. Below, you will find a table that specifies which messages we think will work best for various audiences, and what tools you can use to drive these messages home.

Points of contention	Target audiences		
Vendor vs. vendor	Retailers	ISVs	Market influencers
Which provider is better?	*Key messages* • Financial stability • Strength of service • Responsiveness • Understand retail *Available tools* • Retail hardening white paper • Publicity	*Key messages* • Brand recognition • Market leadership • Training • Support *Available tools* • Retail hardening white paper • Publicity	*Key messages* • Brand recognition • Market leadership • Training • Retail initiatives *Available tools* • Retail hardening white paper • Publicity • Public relations
System vs. system *Which product is better?*	*Key messages* • Reliability • Affordability • Functionality *Available tools* • Retail hardening white paper • TCO white paper and interactive CD • Publicity	*Key messages* • Easy service • Reliability • Easy installation *Available tools* • Retail hardening white paper	*Key messages* • Reliability • Affordability • Functionality *Available tools* • Retail hardening white paper • Publicity • Public relations

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[1] From "Total Cost of Ownership for POS and PC Cash Drawer Solutions:
A Comparative Analysis of Retail Check-out Environments," an IDC
white paper sponsored by IBM, December 2002.