

# electronic point of sale

**STUART JACKSON** LOOKS AT THE PROS AND CONS OF EPOS SYSTEMS FOR HEALTH FOOD RETAILERS

Interest in EPOS is at an all-time high and although systems have been available for a number of years, our industry's capacity to service that need is as fragile as ever.

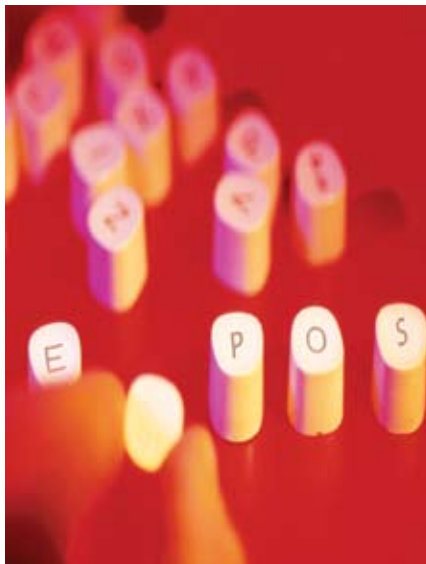
It is most difficult to recommend a good system or to point out how a retailer can ensure the system they buy performs. The former exists only in part and the latter would take at least a working day to communicate the main issues.

EPOS is an asset and can provide many benefits; this article is not aimed at dissuading purchase, but at ensuring the main idiosyncrasies are understood so that a system and its provider are not engaged lightly.

## THE MARKET

There are only a handful of EPOS providers with a track record in our industry: Triple Software, Positive Solutions, Excelsior and W Solutions. All have technical issues but also some market success and have systems functioning adequately in some health food shops. Those retailers that are content with performance, however, have either straightforward needs, accepted limited performance or are unsure as to how well EPOS could perform.

The reason why our systems under-achieve is that they are all derived from another market such as pharmacy, pet care or grocery. In each case, the core programme has been modified for natural product retailing. The result is a system with a number of "fixes" to make it perform in our trade. Worse still is that those fixes are made by computer providers usually deficient in real working knowledge of both retail and health foods.



Although a provider can be criticised for not seeking out market knowledge, they should not be blamed for using a ready-made system. The health food industry is just too small for a provider to recoup the investment required to design and develop a bespoke programme. Since health food retailing is not their core business, retailers may also find requests for enhancements being treated as low priority. These factors merge to make EPOS a tricky purchase to get right.

## THE CONCEPT

EPOS is a system designed to keep human interaction with data (and therefore error) to a minimum. It collects, collates and reports data in a form that is user-friendly and helpful in the quest to improve efficiency and profitability. EPOS controls delivered goods, maintains stock levels and calculates order needs. At the front end, it increases sales security and speed

at the checkout, and enables the retailer to extend the services on offer to customers.

## THE REALITY

When EPOS systems are dissected, they are often not all that they seem. The basic lane (one checkout kit) charge is anything between £1,500 and £5,000 but does not include some vital elements of the package. Excluded is an electronic handheld method of collecting arrivals, matching to purchase orders and exception reporting, forcing manual checking and entering to the system – human error at the first stage of stock control.

Since EPOS labelling of shelf edges requires the right type of shelves, it creates havoc with shopfitting, especially fridges and freezers. It also requires tight disciplined systems for synchronising the updating of both tills and shelf edges. It is a fact that shops often continue to price goods manually, removing what should be one of the major benefits of EPOS: staff time and the increased speed of product moving from delivery to shelf.

Human error at goods in, combined with shoplifting and staff theft, result in a very unreliable stock figure held on the system. This is normally tackled by applying rolling daily stock takes (different sections each day) using handheld scanning equipment that counts, downloads, updates and produces exception reports on stock irregularities. Here again, this function and hardware is typically absent in a basic lane package.

EPOS providers are quick to reassure us that setting up the stock file is straightforward due to the availability of barcode databases obtained from

## SUMMARY

If you are a retailer with expansion goals, seriously consider EPoS. It will generally improve the ease of operation of the business. Make certain however, that you research the business nature of any potential provider and agree a written format for rectifying faults to systems that do not perform as specified.

wholesalers and other suppliers. Alas, wholesalers don't stock entire brands (leaving gaps), many origin suppliers do not have an electronic database at all, and those that do can be error-strewn. The retailer has to be prepared for many months of corrections.

Security and speed at the checkout is enhanced, but EPoS does not always handle discounting, wastage and promotions well. If selling fruit and vegetables, flashpacks, loose commodities or operating a packing department for own-label produce, suitable solutions are scarce.

A small retail store can often work with and control the necessary human interaction to function quite happily with a basic system. A larger shop will encounter many or all of the above failings and find that the investment in a basic lane goes nowhere near far enough to providing a useful solution. Accept that to achieve a fully functioning system further financial and time investment will be a prerequisite.

## ORDERING

Perhaps the most disappointing aspect of EPoS is its lacklustre attempt to solve ordering. Calculating order quantities is usually handled in one of two ways: by referencing stock on hand with a minimum and maximum reference pre-entered by the retailer, or by using a sales algorithm designed by the EPoS provider. Both have flaws.

Human error at the delivery point, wasted goods and theft can cause errors in stock quantity that affect both solutions, as do discounting, promotions and seasonal shifts in sales. Two fascinating examples are:

■ First, where a product is not selling and has to be discounted, for the purposes of ordering the system only recognises it as a normal sale. It then bases its next order on that information, effectively recommending the re-purchase of a quantity that failed to be sold last time.

■ Conversely, EPoS does not consider when a product is out of stock so an item could sell at the rate of six per day for three days, sell out and be out of stock for the next four days. A standard ordering algorithm would then incorrectly calculate average sales of 2.5 per day ( $6 \times 3$  divided by 7 days). The item is under ordered and becomes out of stock again!

In the health food trade, it is common to order the same item from more than one source (especially due to wholesaler out of stocks) yet it is rare for an EPoS system to facilitate alternative suppliers. When a delivery arrives, those items out of stock should be automatically transferred to the next specified supply source.



If you have any questions for Talking Shop or would like further information on Stuart Jackson's consultancy service, contact him on 0131 315 0303 or email [stuart@forceofnature.co.uk](mailto:stuart@forceofnature.co.uk) or visit [www.forceofnature.co.uk](http://www.forceofnature.co.uk)