

Making the Case

Free POS is Anything But Free

If we could only give one tip to our resellers about countering free POS, it would be this: *teach your prospects how to read the “free” contract.*

Help them uncover on their own the overwhelming drawbacks to free POS. You can't fight the allure of free—but you can show that free POS is anything but. Most of it is contained in the contract they'll be asked

to sign—all they have to do is read it. Your best sales approach is to let them know what to look out for. The processing fees, the hidden costs, the penalties and requirements, the nearly till-the-end-of-time contract term, and more.

That's if we could only give you one tip. But we can do better than that. Here are six more.

1—Explain the Business Model

Most of your customers understand the business model behind free POS—even if they're not aware of it. It's the same model behind Pez candies and personal printers. The dispenser is free and the printer's inexpensive. It's the candy and the ink where the money and the margins are. That's free POS. They give away the software and clean up on the credit card processing fees and on the required service agreements.

(This is a good time to remind them that some free POS systems are owned by the credit card processors.)

2—Calculate the Real Price of Free

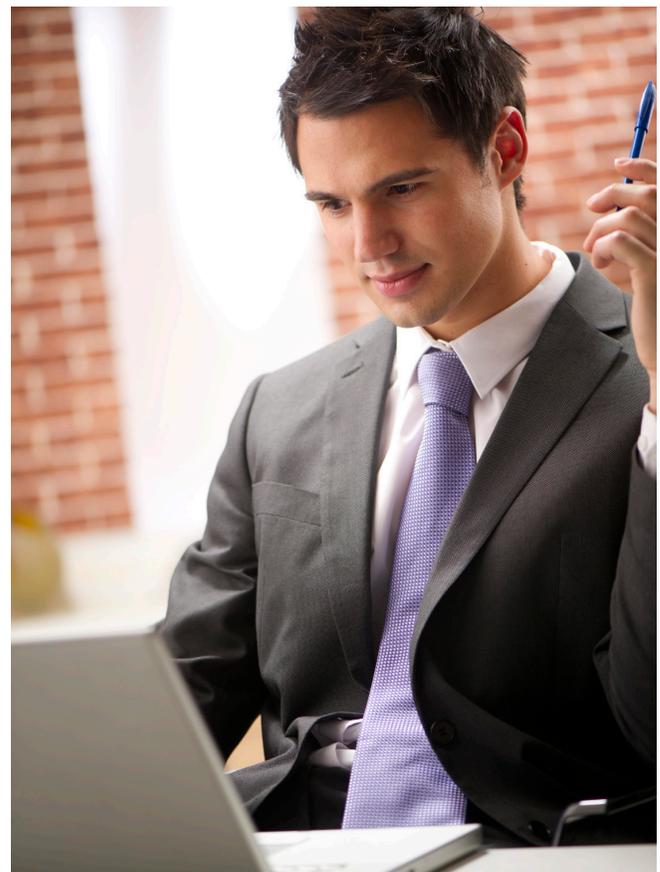
Focus on the cost elements—that's where a lot of your best arguments will come from.

1. Explain that free POS vendors make plenty of money by taking a piece of each transaction fee.

Show them the difference in that fee from standard fees. This is also a good time to remind them that with Maitre'D, they can negotiate fees with any credit card processor they want. With free POS, there's no option.
2. Multiply the difference in fees by the projected number of transactions per year (remind them that the typical free POS contract is for five years).
3. Add to that the cost of mandatory service agreements.
4. Add to that the cost of any equipment that's not provided (like a bump box or a kitchen video monitor).

5. Add to that the cost of other required services, like quarterly reporting.
6. Add to that the cost of incorporating functionality (like loyalty, gift cards, online ordering) not provided with the system.

What they end up with is the real price of free POS.



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3-Plant Red Flags in the Free POS Contract

The pitfalls of free POS are obvious, if you know where they lurk. It's possible your prospect won't have seen the free POS contract when you talk—depending on how far along they are in their product selection process. You won't be able to pick apart terms and conditions you haven't seen, but you can definitely alert them about what to look out for. Here are some things to focus on:

1. The length of the contract. Most are for five years.
2. The cancellation penalties. Often, the penalty is to pay what's due on the full contract, which includes mandatory service and support fees.
3. The loss of their data if they cancel the contract. All their customer and sales information is gone.
4. The lock-in relationship for the prospect. They can use only the processor the free POS vendor chooses (which is often the same company).
5. The way fees increase. The frequency and size of rate increases are at the sole discretion of the vendor.



4-Alert Them to the Penalties and Hidden Fees

Free POS vendors make a lot of money on services and hidden fees, which can include:

1. Quarterly charges to report earnings to the IRS.
2. Mandatory service agreement.
3. Mandatory reporting costs.
4. Automatic renewal.
5. Penalties for breaking the vendor's rules (for instance, forgetting to batch out according to the required schedule).

5-And Don't Give Up

There will be some restaurants for whom even the best arguments won't instantly dull the shimmer of free. But that doesn't mean they sign up for the free system. The guidance you offer might very likely put enough doubt in their minds that they choose to do nothing. Reconnect with them—three, six, nine months down the road—and see if there's still an opportunity to bring Maitre'D into their operation.