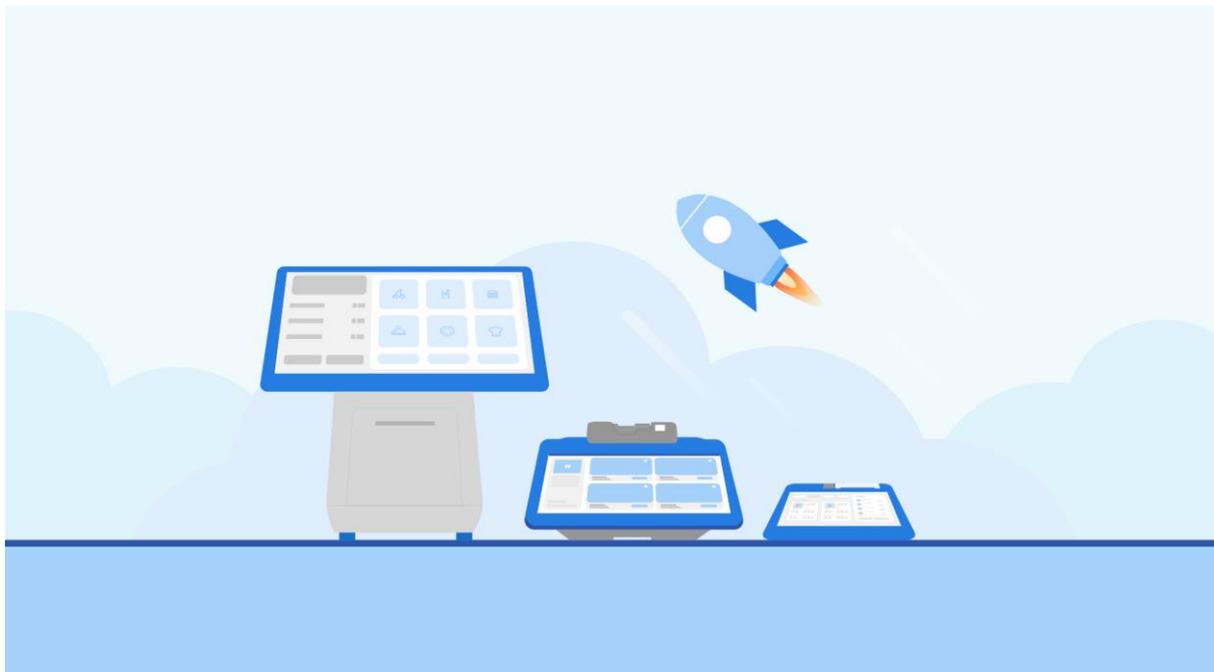# Growth in demand for EPOS Registers from SMEs

**Robert McLaughlin,** Sales Director, PAX UK

**Mark O'Flynn,** Sales Director, PAX EMEA

In this latest blog we explore the global market trend for smaller sized retailers and hospitality providers to invest in Electronic Point of Sale (EPOS) terminals to power their retail stores and businesses.

# Let's start by defining an EPOS terminal

An EPOS terminal is a computerised cash register that packages a range of hardware and software features and delivers integration to further software applications and systems. The first models were launched back in the 1970s by IBM, NCR and ICL, but the rapid growth only came with the launch of Microsoft Windows and the arrival of graphical user interfaces in the 1990's. This enabled the development of a multitude of vertical sector specific EPOS applications from independent software vendors (ISVs). EPOS terminals typically manage product sales and pricing, inventory levels and reordering, record keeping and business reporting, employee monitoring, customer activity, payments and much more. They are an incredibly powerful tool for managing a retail business and have come such a long way since Ritty's invention of the original 'incorruptible cashier' back in 1879 and the electronic cash registers (ECR) that independent retailers relied upon for decades.



# What is the difference between a POS and an EPOS?

These two terms sound the same and are frequently confused, in fact they refer to two different product categories. The confusion starts dependent on who you are asking. A retailer (and retail systems provider) will typically shorten EPOS to POS as all Point-of-Sale devices are electronic these days. They include a range of devices from simple ECRs to highly sophisticated store systems used by large retailers (Tier 1). However, those working in the payments industry, including merchant service providers, refer to payments acceptance devices as POS terminals.

EPOS therefore always refers to a computerised retail store system, whilst a POS or SmartPOS can either be an abbreviation of EPOS or describes a payment terminal (POS terminals run Linux or proprietary legacy operating systems, while new generation SmartPOS run Android). In this article we are focussing on the retailing definition where EPOS is an advanced register that is used to 'ring up a sale' and manage store operations.

# What are the benefits of investing in an EPOS

There are many benefits available from using EPOS terminals; these include efficiency savings, reduced administration, automated stock and pricing controls, a reduction in human errors, enhanced employee management, real-time business reporting, monitoring of shrinkage and waste, as well as ways to improve customer acquisition and retention.

# EPOS is now available to Small and Medium Sized Enterprises (SMEs)
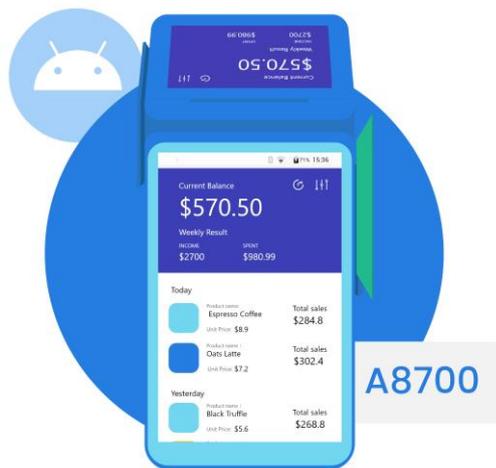


For many years EPOS usage was restricted to larger sized merchants. This was due to the high upfront hardware and software costs, the complexity of managing terminals and software applications, and the high cost of training employees. Over the last decade medium sized businesses have deployed EPOS and now we are at the point when small retailers can do so too, thanks to technology advances by companies such as PAX Technology who deliver EPOS functionality on Android SmartPOS devices or larger form factor SmartECR products.

Small and medium sized businesses mostly have the same needs as their larger competitors, just on a smaller scale. They were therefore disadvantaged when facing bigger competitors by not having EPOS. Heightened customer expectations are a further driver for SMEs to invest in EPOS terminals, even if they decide to do so in a reduced or phased manner.

Reasons for growing SME adoption of EPOS include the drop in the cost of EPOS terminals, the greater availability of software applications, the arrival of Android (with its lower license cost), and a desire for simplified operations. An increased range of financing options, including monthly software licenses have also removed previous barriers to adoption. Today, SME business owners also have greater familiarisation with computerised systems and recognition of the need to invest in technology.

# Which sectors are adopting fastest?

The retail sector represents the largest market for EPOS terminal sales, where small retailers (referred to as Tier 3) account for the largest proportion of retail businesses. The hospitality sector is the second largest market opportunity and here it is both medium sized (Tier 2) as well as small (Tier 3) who are now adopting next generation EPOS systems. Other applicable sectors are transportation and entertainment both of which are exhibiting rapid growth.

The global EPOS market was sized by Fortune Business Insights at $25 billion in 2022 and forecast to grow to $70 billion by 2029 at a 15% Compound Annual Growth Rate (CAGR). Other research studies confirm the double-digit growth projections.
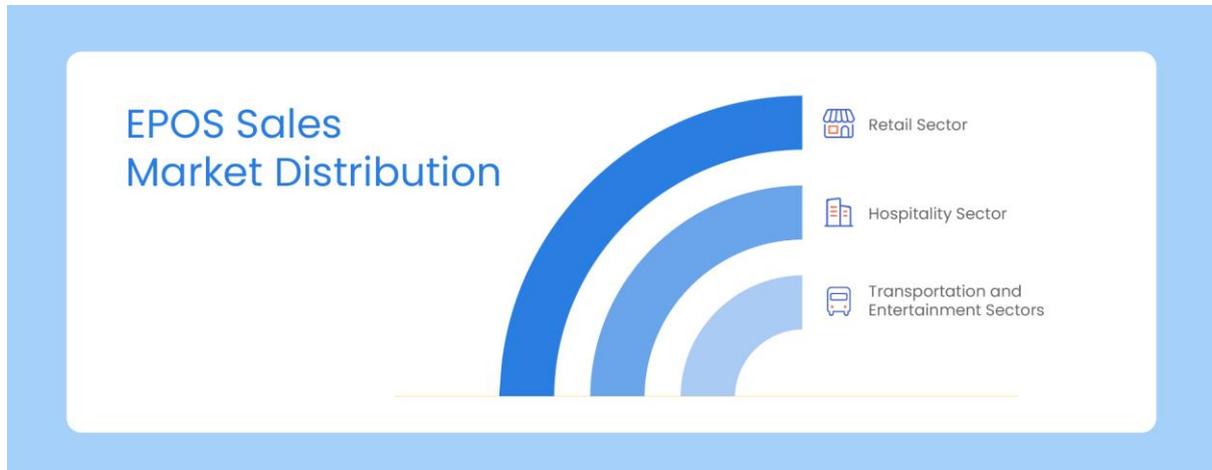


# What are SMEs looking for?

SMEs want the EPOS terminal to sit at the very heart of their store operations. It must deliver a broad range of capabilities and be incredibly easy to use and manage. It must look aesthetically great, as retailers pay lots of attention to their store design and don't want this diminished by an ugly 'brick of a till'. One of the key needs is for payments acceptance to be fully integrated, enabling single amount entry, fast transaction processing, and the sharing of peripherals such as printers. Increasingly, SMEs require seamless integration of payments acceptance and retail sales operation.
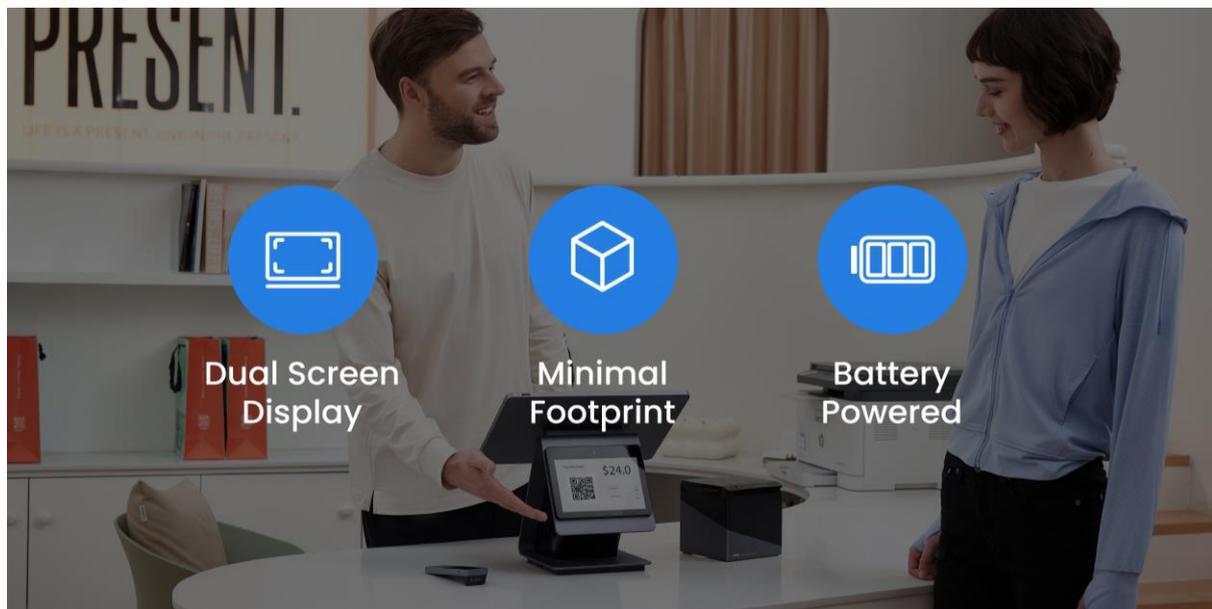


Today, an EPOS terminal must incorporate a large touch-screen colour display that supports a variety of media formats including product images, adverts and videos. In fact, two large displays are now required, one to face the cashier and a second to interact with the consumer before, during and after the sale. Fast, quiet, thermal printers are also a prerequisite for customer receipt and reporting needs.

Counter space is incredibly valuable in a small store, as each square centimetre can be used to generate impulse purchases, and so the EPOS needs to have a minimal footprint, designed to package components into a single unit rather than separate hardware modules. Effective cable management is another critical need of retailers - but often overlooked by suppliers - to remove clutter and reduce the risk of connection failures. Some merchants also want the terminals to be battery powered to serve customers anywhere within the store rather than be tied to a fixed countertop.

Increasingly, EPOS applications are designed for deployment in the cloud. This is particularly beneficial for smaller sized merchants, as they are relieved of many of the IT system management and software update responsibilities. It also ensures that terminal installations are simplified and new software updates - including security patches - are implemented faster.

SMEs need to respond to the consumer shift in increased online buying, and a preference for digital payment options. Next generation EPOS systems - such as the PAX E-Series and soon to be launched **Elys** portfolio - accept the latest alternative payment methods including contactless cards, digital wallets and account2account options. Integration to eCommerce storefronts is a further requirement. Investment in EPOS will allow independent retailers to blend physical and digital retailing together.

# The PAX perspective

Our market leader Android SmartPOS terminals already run multiple apps on a single device. The most widely deployed non-payment application is an EPOS Register app and we currently offer many version, developed by sector leading ISVs, available for download from MAXSTORE - our advanced mobile device management & app store platform. Many of our customers already deploy the popular A920 and A920Pro models to SME merchants as a combined retail EPOS register and payments acceptance POS terminal.

**During 2023, PAX will be launching new models such as the A920Max, A910S and A960, all SmartPOS devices, while in the SmartECR segment the Elys portfolio will be inaugurated, the latest state-of-the-art EPOS solution with a wide ecosystem of connected devices and advanced functionalities.**
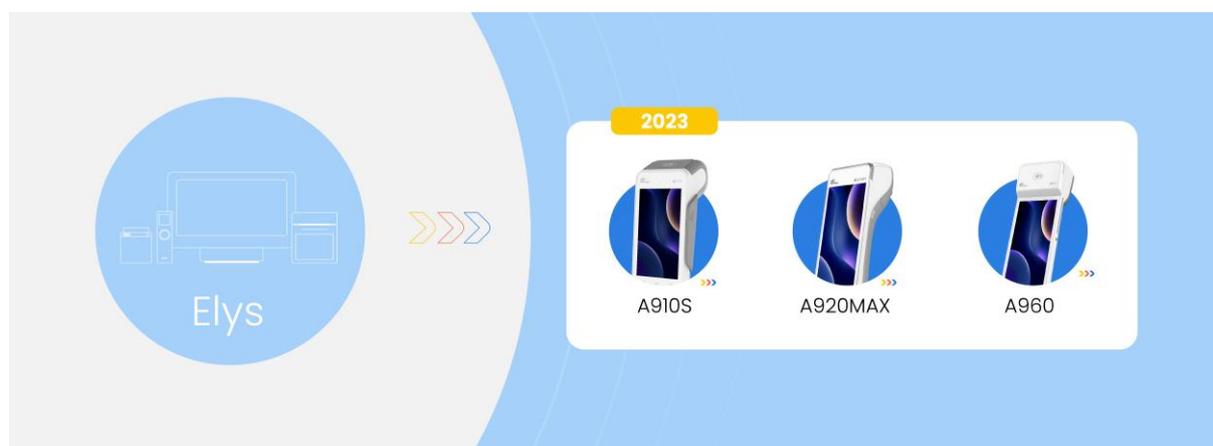


In addition to our popular Android SmartPOS devices, since 2018 we have marketed a range of SmartECRs specifically aimed at SME retailers, hospitality providers and transportation operators. These are our E-Series EPOS models and they run an Android powered EPOS app. The initial E500, E700 and E800 models all incorporated large colour touch screen 'tablet style' displays, integral

thermal printers and a rechargeable lithium-ion battery to offer portability. Each model includes a camera to read product barcodes and QR codes. This removes the need for a separate barcode reader to be purchased and to clutter up the counter. An integrated payments processing capability was delivered using the PAX EasyLink app providing connectivity to a separate PAX payment terminal.

PAX subsequently launched the E700 Mini and E600 Mini models that have an improved ergonomics design (making them look better within a modern store), take up less counter space, are lighter (therefore cheaper to ship), have larger customer facing displays, enhanced communication options (delivering greater flexibility and resilience), faster printing and support new features only available from later versions of Android. These models also deliver improved integrated payments acceptance, as connection to an additional PAX model is no longer required, as the payment software app can now be co-located on the terminal.
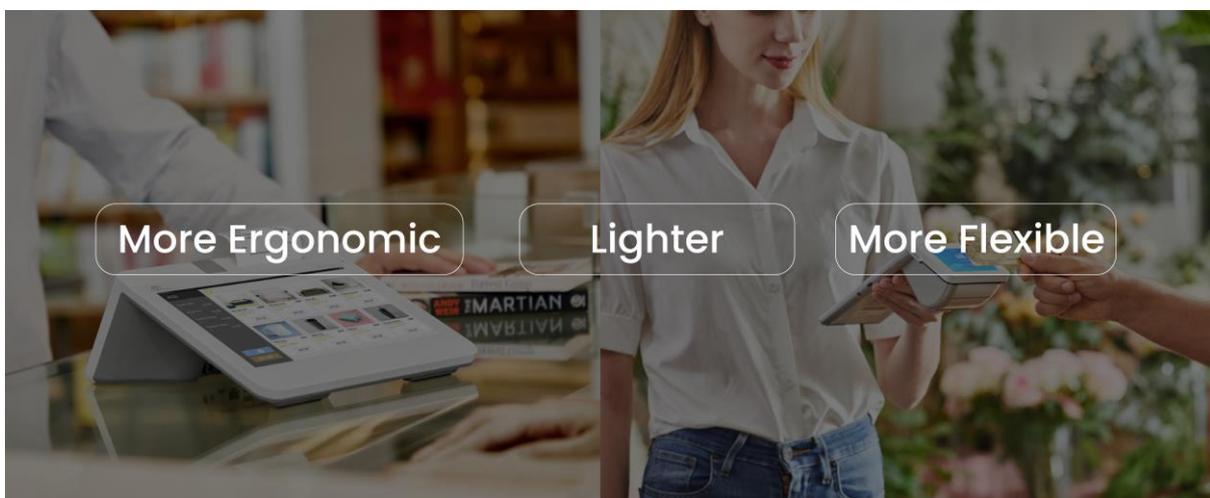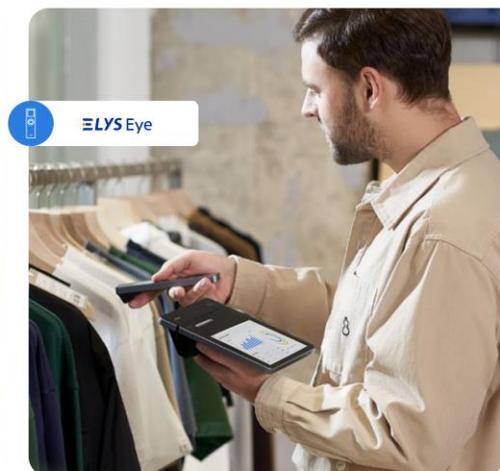


The growth in digital payment adoption and options is acting as a further catalyst for SMEs to invest in PAX SmartECR solutions. Each model is driven by a powerful processor ensuring transactions are performed extremely quickly and that multiple apps can work seamlessly and simultaneously.

Our route to market for these innovative product is through an extensive partnership programme with ISVs, merchant acquirers and independent sales organisations (ISOs). Working together we are enabling SMEs to gain the many benefits available from a next generation EPOS terminal. Acquirers and ISOs can expand their product range, delivering new revenue streams, providing upselling opportunities and improving merchant retention rates.

With an increasing number of ISVs choosing Android as their preferred application operating system, there will be even more apps for SMEs to choose from. This will further narrow the gap between the capabilities previously only available to large retailers. The most widely deployed value added service (VAS) include: customer loyalty and engagement programmes, digital receipts, business reporting, staff scheduling, sales reporting, gratuity management, plus CRM and accountancy integration. Our MAXSTORE platform allows apps to be managed efficiently without adding to the workload of store staff.

PAX Technology is committed to delivering hardware excellence and innovation. Android powered EPOS devices are a key part of our strategy. If you are an acquirer or ISO we would be pleased to

discuss how you can add SmartECR models to your product portfolio. If you are an ISV we would love to include your EPOS and value added service apps on MAXSTORE, creating a new distribution route and revenue stream for you. Please do get in touch to schedule a convenient time.



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