



The Importance of Integrating P.O.S.

Prepared by: Janet Dorenkott
Relational Solutions, Inc.
24601 Center Ridge Road, Suite #110
Westlake, OH 44145
www.relationalsolutions.com

What is POS data?

Some companies get confused when talking about POS data. They often think of their shipment data or order data as POS. When we refer to POS, we are not talking about internal reports and we are not referring to shipment or order data. In addition, we are not talking about the format of the data. POS can come in many formats, EDI, flat file, txt, csv, AS2, etc.

Regardless of the format of data or the products you sell, POS data, is the data that comes from the retailers regarding your products' sales. It has a transaction associated with it when the product was purchased. The type of product can vary. It can be cosmetics, healthcare, vitamins, OTC, RX, home improvement products, clothing, general merchandise, consumables, personal care, etc. Some companies think that just because they are RX that POS solutions will not work for them. This is not the case. RX is handled differently, but it still has to be purchased and there are still transactions associated with that purchase.

Other companies think that because they have a broker or distributor that POS does not apply to them. Again, POS does apply. Whether you sell through food, drug, mass, big box, department, c-stores, military, etc. POS data is available. Understanding it and using it strategically will provide huge value to your company.

Any product that people buy at any cash register will have a transaction record that is considered POS data. Sometimes that data comes to manufacturers and/or distributors. Sometimes that data is in flat files, EDI, txt files, csv, etc. POS data can also come to you through third party vendors, VAN's, data providers, syndicated data providers, etc. It can also come to you in formats that you have to access from the retailers own web site like Retail Link and Partners.

The above paragraphs describe the data dilemma that companies have with integrating POS data. We will discuss how to handle this dilemma in the section titled "How do we handle the POS data dilemma?" But first, let's explain why using POS should be on your radar.

Why should we care about POS?

POS data is quickly becoming a strategic advantage for many consumer goods manufacturers. In the past, many companies used their shipment or order information to identify how much they were selling. Today it is critical to know when products are selling, which products are selling and where they are selling. Any company hoping to achieve a competitive advantage must be using POS to it's full extent. Over the next few years, any company hoping to sustain their competitive advantage will have to have the ability to analyze their POS data. This ability is quickly becoming a necessity where once it was considered a luxury.

Why is POS data so important? Because it gives precise information on your consumer's actions. It helps improve retailer relationships as well as maximize internal business efficiencies.

It improves retailer relationships by providing you with the ammunition to help them understand your sales. You are now able to tell exactly when products were purchased and from what stores at various levels of granularity.

More and more retailers understand the value of providing POS data to their vendors. In the past, they didn't want to share this information. That philosophy has been changing rapidly. The more the manufacturers and distributors know about their product movement, their customer's actions, the effectiveness of promotions, overall sales, etc., the more value they can bring to the retailers. The whole philosophy of category captains revolves around this concept of providing so much value to the retailer, that they trust you to manage shelf space. This is a great status for a manufacturer to have with their retailer.

Understanding and streamlining the POS data integration process also improves your internal business efficiencies. No longer do companies have to worry about going to dozens of different sources to create reports. Now they can access a single, integrated area of information. They are freed up to actually analyze data rather than spend their day gathering data and pulling together the same reports over and over. In addition, it makes you smarter about your business. An integrated solution provides you with faster, more accurate access to information. It can be integrated to help you better manage your supply chain, measure effectiveness of promotions, determine effectiveness of sales territories, identify exceptions quickly, etc.

How to handle the POS data dilemma

The POS data dilemma is infamous. Every manufacturer knows that data arrives at different times from different retailers and third party sources in different formats. Data comes at sporadic times of the month, in a multitude of different formats with varying information. Retailers restate data all the time, products change categories, etc. All of these things can be viewed as difficult and cumbersome to manage.

Many companies simply take the POS data that comes in and they store it in a database somewhere in case they need to get information out of it some day. This is without a doubt the reason that most companies still do not have a POS solution in house today. Companies do not use POS data proactively. It is used reactively in case there is a problem. Because they are not using their POS, a lot of companies have a hard time understanding the value in it. The problem these companies will soon run into, is that their competition is starting to see the value and they are taking action to use it.

Historically, instead of dealing with the data issues, those companies that do use POS data efficiently have been relying on outside consulting companies to clean data and prepare reports for them. This option has been popular in the past, but is quickly becoming obsolete. Why is this option falling out of favor? Several reasons...

- First, the costs associated with paying these outsourced companies another fee every time you want a new report is becoming astronomical to many companies, especially when they are already paying a monthly fee.
- Second, reports that are being sent are not interactive and do not allow users to save their own views, drill into detail, filter, trend, etc.
- Third, reports are static and do not allow sales people to easily take them off-line and manipulate them when working with buyers to understand their sales. They do not typically export to other applications.
- Fourth, many retailers do not allow their data to be housed off site, especially Wal-Mart.
- Fifth, as companies gain knowledge about their sales, they want more information. This leads to new reports which leads to more money. If a company can't afford it, they have to tell their users "no." This results in a less informed sales team. Limiting their competitive advantage can be catastrophic in many cases.
- Sixth, companies want to integrate data with internal information so that they can look at sales versus forecast or shipments or promotions, etc. They are becoming smarter about their business and they want more options to enhance applications themselves.
- Seventh, companies want to empower their business users and have an easy to use, collaborative mechanism for sharing reports and information,

often within their own internal web site or intranet. Off site companies do not accommodate this need.

How do you go about integrating POS data, turning it into strategic information?

In most cases, if you are integrating sensitive data, internal data or Wal-Mart data, we recommend that you go with an easy to manage, in-house solution. There are not many options available that offer a solid in-house solution.

When comparing applications make sure you choose a solution that has a truly open architecture. Ask the vendor to share their documentation. You will want to see the data model and their cleansing and validation processes. Make sure that your internal users are empowered to enhance the application themselves, add sources themselves, create new business rules, alter the hierarchies, set up users with security, create their own new reports if they desire, etc. Make sure that the vendor has worked with other business intelligence tools so that any tool can access the database and you can leverage technologies that may already exist in your environment.

Involve both analysts and business users to ensure that they like the application and find it easy to use. Understand that no single tool can do everything, but if the architecture is open, you can leverage other products so that the business users are using tools they are familiar with to help them accomplish their jobs. We don't all have the same job or responsibilities, so it makes no sense for everyone to always use just one tool. Understanding that up front and making sure the integrated POS data can be accessed by other products is important.

Involve IT so that they feel comfortable with the database, the structure, their ability to enhance the application and the integration and cleansing processes. If the database only resides on one platform, it is not open. Also involve others that may work with POS data (including EDI).

Many vendors try to sell their solution based on nice reports that they have preformatted. The business users love this. The problem with this is that anyone can show reports and create reports with enough time. Don't get distracted by pre-defined reports. With the right architecture, any reports can be created. The hard part is streamlining the data integration and validation processes and making sure the data is reliable, manageable and automated. Automating report creation and making information easily accessible to business users who want to get in, get their reports, and then get back to their job, is critical to the project's success.

Conclusion

POS data integration and utilization is fast becoming a necessity for consumer goods manufacturers hoping to maintain their competitive advantage. Companies striving to improve their retailer relationships and internal business efficiencies are quickly seeing the benefit and realizing the strategic value POS data has in improving the bottom line. Ensuring your POS solution has the right architecture to accommodate your existing and growing company and user needs is critical to success. Make sure not to lock your users and your company into a “throw away” solution that does not have an open architecture.

Relational Solutions offers an end to end solution called POSmart. POSmart imbeds our open data integration tool called “BlueSky Integration Studio” (BIS), our POS validation and cleansing processes and our browser based portal called BlueSky Portal. BIS can access any data source and target any database. Our background is in data warehousing and business intelligence. Because of this background we understand the users constant need for more information and thus the applications need for an open architecture. We also understand that the company has often invested in existing technologies, thus POSmart co-exists with other solutions and allows you to leverage technologies and skill sets that currently exist.

For more information on POSmart and our services to help you integrate POS data with the option to integrate any other data, please visit our web site at www.relationalsolutions.com

To contact Janet Dorenkott directly, call 440-899-3296 x25 or by email to janetd@relationalsolutions.com