The ultimate guide to POS rates and POS hardware

Understanding Your Statement

Choosing the optimal POS system is one of the most important—and daunting—decisions that merchants face. What kind of hardware do I need? How do I know I'm getting the best rates? What about hidden fees?

When it comes to understanding POS rates and pricing models, several aspects must be considered to gain a complete picture of total costs:

- **POS software costs**
- **Payment processing fees**
- **POS hardware costs**

Other factors can affect the pricing of POS systems, including add-on features, the business size, and the number of terminal locations. We'll explore these factors later in our guide.

A note on rates vs. fees

One distinction worth making is the difference between rates and fees. By understanding each, you'll get a clearer picture of the total costs to accept payments and make an informed decision when choosing a POS provider.

Rates are amounts that are charged regularly for a given service. They are ongoing, fixed, and usually predictable. This could mean the monthly subscription rates that merchants pay for POS software or the interchange rate in the payments world.

On the other hand, fees are one-time charges levied each time a service is provided. For example, each time you make a credit card sale, the amounts paid to the payment processor, the card issuer, and the issuing bank are considered fees.

POS software costs

Software has become a key feature of today's POS systems, enabling merchants to perform advanced business functions like inventory management, loyalty programs, and business analytics. However, these advanced functionalities aren't free and can quickly add up.

Most POS software comes with a monthly or annual fee, which varies depending on the merchant size and required functionalities. Paying your fees annually may not be feasible for everyone, but you'll likely drop the overall cost. Indeed, with all the operational costs associated with running a business, coming up with another $1,000 can be challenging.

In terms of costs, merchants with lower sales volumes that need only a bare-bones offering might pay $30 a month for software, while higher-volume merchants with advanced plans boasting more features could pay upwards of $90 a month. Larger merchants that require additional terminals and features can spend up to $300 a month.

A few factors that can dictate your software and POS system rates:

- **Number of physical locations**
  Many POS companies charge per location. This can be a cost-effective option if you plan on having more than one terminal at each location.

- **Number of POS terminals**
  Some POS providers charge per terminal, which can escalate costs quickly.

- **Number of employees/users**
  Most software plans tier their offering based on the number of users. Costs can fluctuate significantly depending on how many employees require access or even on how many employees your business has.

- **Transaction fees**
  A few providers (Square, for example) require merchants to use their own payment gateway. Others allow you to use a third-party processor but will charge an extra fee.

- **Add-ons**
  The majority of POS software features native apps. That said, your monthly costs can increase if you require additional third-party apps or add-ons.

Payment processing fees

As a merchant, you pay a fee every time you accept payment by debit or credit card. That's just the reality of doing business. Some of these fees are set by the payment processor, while others are levied by the card issuers and the banks that issue these credit cards (issuing banks). Here's a primer.

A term you'll hear tossed around frequently is interchange fee. These transaction fees, which are deducted from customer payments, are paid by the merchant's bank (acquiring bank) to the cardholder's bank (issuing bank) to cover things like handling costs, fraud costs, and risks associated with approving the payment. Single interchange fees—which are actually composed of hundreds of individual fees—represent the single largest fee that merchants pay banks.

A few factors that can dictate your software and POS system rates:

1. **Flat-rate fees**

   Under flat-rate pricing models, merchants pay a flat rate for all transactions that include the interchange rate and the processor's markup. In other words, cards with low markup (i.e., debit cards) and high markup (credit cards) cost the same. While convenient and easy to understand, this option lacks transparency because processors don't disclose the interchange rate and the markup.

2. **Interchange plus**

   Another pricing model is interchange plus, which combines the above-mentioned interchange fee plus the processor's markup. Processors don't have any control over interchange rates, but they can determine their markup fees. The advantage of interchange plus pricing is that you'll see the fees you're paying for each transaction. Likewise, you'll pay a lower fee for certain transactions, including debit.

3. **Tiered or bundled**

   Tiered pricing categorizes transactions into three groups based on criteria determined by the card company. These groups are subdivided into three categories: qualified (debit cards and non-reward cards), mid-qualified (rewards cards and manually keyed-in transactions), and non-qualified (corporate and high-reward credit cards, card-not-present transactions). This model can be expensive because merchants are usually quoted at the lowest rate, and it's impossible to know how transactions will be categorized beforehand.

   The takeaway: Tiered pricing models should be avoided. Flat-rate or interchange plus pricing are more cost-effective and transparent. If you don't mind complex statements and appreciate transparency, interchange plus is a good option, while flat-rate models are more straightforward but will cost you a touch more.

Sekure's Edge program

Sekure's Edge program allows merchants to save 100% of credit card processing costs without passing the cost on to customers.

The Edge Program isn't a typical cash-discount program that gives a discount to customers who pay with cash. These incentive programs, while popular, affect your bottom line because you're selling at a discount. Rather, the Edge Program is a price increase at the item level. You just post a sign in your retail space notifying customers that they have two choices and prices for payment—one for cash and another for credit. The POS system does all the calculations for you when it's time to batch out.

POS hardware

Hardware is a critical component of any POS system. The proper hardware allows you to run the latest software, take advantage of business functionalities like inventory management, and accept all kinds of payments. With the right hardware, you can sell in-store, online, and over the phone.

The POS hardware you need depends on several factors, including your industry, the size of your business, and how and where you accept payments. There are many benefits to all kinds of POS systems, whether you're looking for a POS for retail, a POS for a restaurant, or online ecommerce that might be better suited to a virtual terminal. Either way, the hardware you'll require to connect to your POS system will vary depending on your needs. This guide looks at the various types of POS hardware and how they fit into your business's POS system.

Pricing

"So how much is my hardware going to cost?" is the first question that most merchants ask themselves, so let's start with this.

The easy answer: It depends.

The main factor is whether you opt for a cash register, a complete POS system, or a few hardware accessories added to your existing setup. Cash registers are cheaper than full POS systems but lack the broad business functionalities that the latter provide.

Cash registers will run you between **$100 and $800**. They are known for their reliability and simplicity and will meet your basic needs.

Meanwhile, you can expect to pay **over $1,000** for a POS system when you factor in hardware costs and fees. The benefits that accompany POS systems are usually worth the extra costs, however, since these setups scale with your business and have many more features and functionalities.

As for hardware accessories, a barcode scanner can cost **between $220 and $320**, while a simple iPad stand will set you back **over $200**.

POS Hardware Costs

Whereas POS software rates are usually based on a monthly or annual subscription, POS hardware pricing models feature several options for merchants, including buying, leasing, or financing. You can even rent POS hardware—for example, if you are running a pop-up or are selling on the road.

Businesses that don't have the money to buy POS hardware outright may be tempted to lease it to avoid the upfront cost. While enticing, leasing your equipment will cost you more in the long run due to the higher monthly fees and interest rates. Your best bet is to buy the equipment outright. Not possible? Consider taking out a business loan to do so.

Other factors that affect hardware costs include the kind of POS system you choose. Two examples: on-premise vs. cloud-based.

On-premise systems, also known as legacy or traditional POS systems, store data on local servers and run on proprietary hardware, which must be installed and configured by a technician. The data can be accessed only from the site. Many on-premise systems are built for specific industries. For instance, restaurant-centered systems are typically equipped with a customer-facing screen. All told, you could be looking at between $3,000 and $5,000 when you include yearly maintenance fees.

Cloud-based systems are cheaper than on-premise ones because you can purchase third-party hardware, such as an iPad, and then download apps and connect a credit card reader or accept card-not-present payments. You'll pay a monthly or yearly subscription for the software, but you'll be spared the added costs of buying, leasing, or renting hardware.

Another benefit of cloud-based systems: with an internet or cellular data connection, you can access all the features from anywhere.

In some cases, though, you can have the best of both worlds. Sekure offers merchants POS hardware at no cost, providing a flexible and affordable solution.

Cash Registers vs. POS Systems

Let's take a look at the advantages and disadvantages of registers and POS systems.

Cash Registers vs. POS Systems

Pros:
- More affordable
- Easy training for employees
- Simple to set up

Cons:
- Limited functionalities
- Slower payment processing
- Limited portability

POS Systems: Pros and Cons

Pros:

- Advanced business functionalities such as inventory management
- Ability to run analytics on customers, inventory, etc.
- Ability to collect customer data
- Integration with accounting software and ecommerce platforms
- Highly portable (tablet solutions for tableside ordering, for example)

Cons:

- Higher initial cost
- Steeper learning curve for staff
- Monthly software fees

Hardware Accessories

Whether your business is growing or you're simply looking to add additional functionalities, accessories allow you to build an optimized and customized POS solution. Here are some of the main hardware additions:

Credit card terminal: This is the piece of hardware that your customers tap, insert, or swipe their credit or debit card. POS vendors will often provide their own versions of these machines to merchants they support.

Mobile tap/reader: A mobile reader connects to your smartphone, computer or iPad via Bluetooth and allows you to accept EMV cards, magstripe cards and contactless payments on the go.

Cash drawer: As the name implies, this is where you will keep the cash payments your business receives and provide an accurate record of all transactions.

Receipt printer: Even with email receipts gaining in popularity among consumers and business owners alike, the printed receipt remains a mainstay and, therefore, a necessity for business owners. These devices, like your cash drawer, can be wireless or connected to your POS by a USB. Cash drawers connect to your POS terminal wirelessly or through a USB port so it can store traditional credit cards. Terminals also print receipts, but small mobile units, among others, will not.

Barcode scanner: This device lets you scan items at checkout. Like the other devices, these can be wireless or connected depending on the make, model, and needs of your business.

What POS Hardware Do I Need?

POS hardware generally includes four primary components: a screen, a card reader, a receipt printer, and the software. Merchants usually pay for the hardware upfront and then a monthly subscription for the software. Your hardware setup will depend on (1) the level of functionality you require and (2) the customer experience you're aiming to create.

Our Payment Experts are eager to talk with you to discuss your business needs and goals to help you select the perfect POS hardware. Everything you need, and nothing you don't.

Hardware: 3 Key Considerations

Price
Take some time to think about leasing or renting your POS equipment. We've already touched on this point, but it's worth repeating. The upfront cost of purchasing hardware can be a turnoff, but leasing will be costlier in the long run and can lock you into contracts that are difficult to terminate.

User Experience
If you and your employees struggle to use it with ease, that won't help you succeed. Consult your team and see what features would help them fulfill their work tasks.

Scaling Ability
You may not be planning on growing, but you never know what lies ahead. Opt for hardware that won't be outdated in a couple of years. If you end up growing, you'll have no issues scaling and will save time and money.

The Takeaway

Today's POS systems are much more than a simple cash register. It's best to have current hardware for a POS system that can run the latest software and improve and streamline your business processes.

Now you know the basics, but there's no doubt you still have questions. Don't rush the decision, whatever you do. Get in touch with different payment processors to find out their prices and offering. And remember—hidden costs are your enemy. The lowest quote may not be the best one.

Better yet, a company like Sekure—leaders and experts in the payments industry—can help build customized solutions for your unique needs. We won't onboard you and then forget about you. We build long-term relationships with our merchants and are invested in their success.

We understand that payment processing can be confusing and frustrating, which is why we strive to create worry-free payments and make sure you get the latest hardware and the best rates. Switching over from an existing POS system? We can help with that too.