

THE COMPLETE GUIDE FOR SMALL BUSINESS OWNERS

# How To Not Get Burned By Your POS System

Everything a restaurant or retail owner needs to know before signing any POS contract — contracts, pricing, cash discount traps, hidden fees, and the questions every vendor hopes you never ask.

No jargon

Real numbers

Free POS comparison at [inspivo.com](https://inspivo.com)

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# Why Your POS Choice Matters

## INTRODUCTION

### THE STAKES ARE HIGHER THAN YOU THINK

Choosing a point-of-sale system feels like a technology decision. It is not. It is a financial and operational commitment that can lock your business into years of inflated software fees, hardware leases, and payment processing rates you cannot escape without paying thousands in cancellation fees.

**Most business owners learn this the hard way – after signing.**

## 3–5 Years

Average contract length  
for restaurant POS systems

## Thousands– Tens of Thousands

Typical early termination fee  
if you want out early

## 40%+

Of businesses overpay on  
processing under POS bundles

## Varies Widely

Software + processing cost  
depends on setup and volume

This guide gives you the plain-English education that POS vendors hope you never get. Read it before you sign anything.

## WHO THIS GUIDE IS FOR

Restaurants & cafes: Opening a new location or re-evaluating an existing POS contract.

Retail & boutiques: Comparing systems for the first time or switching from a legacy platform.

Any business owner: Who has been told "our POS is free" or "we'll give you the equipment at no cost."

## THE FIVE QUESTIONS YOU MUST ASK BEFORE SIGNING ANYTHING

- 1 **What is the total monthly cost – software AND processing combined?**
- 2 **What is the cancellation fee, and how long is the contract?**
- 3 **Do I own the hardware on day one, or is this a lease?**
- 4 **Are my rates guaranteed for life, or can they change?**
- 5 **Does your cash discount program apply to debit cards?**

## PRICING MODELS

### THE FIVE WAYS POS COMPANIES CHARGE YOU

#### Flat Monthly SaaS Fee

A fixed monthly software fee regardless of sales volume. This is the cleanest model – you know exactly what you pay. Watch for tiers that quietly increase when you add terminals, staff logins, or menu items.

**What to look for: One transparent flat fee. Everything included.**

#### Bundled Processing + Software

The POS software fee is waived or heavily discounted – but only if you use their built-in payment processing. Processing rates are typically 2.6–3.5%+, far above market rate. You are subsidizing "free" software with inflated payment fees on every single transaction, every single day.

#### Tiered / "Qualified" Pricing

Transactions are sorted into tiers (qualified, mid-qualified, non-qualified) with different rates. Non-qualified transactions – often the majority of card volume – carry rates of 3–4%+. This model maximizes vendor margin and gives you zero visibility into what you actually pay.

#### Interchange-Plus Pricing

You pay the true interchange cost set by Visa/Mastercard plus a fixed markup (e.g., 0.1% + \$0.10/transaction). This is the only model that gives you full transparency. Any POS provider worth working with will offer this on their payment processing.

**What to look for: Ask specifically for interchange-plus pricing in writing.**

#### Cash Discount & Surcharge Programs

Many POS companies bundle payment processing through a cash discount or surcharge program. Under a cash discount, your menu price is the card price and cash customers pay less – legal with no registration required. Under a surcharge, a fee is added at checkout for card-paying customers. Surcharging requires Visa/Mastercard registration, is capped at 3%, and is prohibited on debit cards. Always ask: does this fee apply to debit cards? If yes, that is a network violation.

**What to look for: Does the fee apply to debit cards? If yes, walk away.**

## CONTRACTS & HIDDEN FEES

### WHAT TO READ BEFORE YOU SIGN

#### Contract Length

Most POS contracts run 3–5 years. Month-to-month options do exist — always ask for them. A vendor confident in their product and service does not need to lock you in for years.

#### Early Termination / Cancellation Fee

These fees are common but rarely disclosed upfront. Many contracts calculate the cancellation fee as the sum of all remaining monthly payments — meaning if you cancel early in a multi-year deal, you could owe tens of thousands of dollars. This clause is often buried in an appendix and is one of the most financially damaging surprises a business owner can face after signing.

#### Auto-Renewal Clause

Most contracts auto-renew for another full term unless you notify the vendor in writing 30–90 days before expiration. Miss the window and you are locked in again — often for another full 1–3 years.

#### Rate Increase Clause

Language like "rates subject to change with 30 days notice" means the vendor can raise your processing rates at any time without your consent. Always ask: "Are my rates guaranteed for the life of our agreement?" If not guaranteed, that is a red flag.

#### PCI Compliance Fee

A monthly fee of \$49–\$149 or more charged by some processors for "maintaining PCI compliance." This is largely a junk fee — PCI compliance is a standard industry requirement, not a paid add-on service. Non-compliance fees can be even higher and are sometimes assessed retroactively.

#### Monthly Minimum Fee

If your processing volume falls below a set threshold, you are charged a minimum fee. Common for seasonal or new businesses. There is no legitimate reason to agree to one.

**Should be: \$0.**

# Own vs. Lease — Do the Math

## HARDWARE

### THE MOST PREDATORY PRACTICE IN THE POS INDUSTRY

Terminal and hardware leasing is one of the most financially damaging decisions a business owner can make. A hardware bundle that costs \$600–\$1,200 to purchase outright can cost \$3,000–\$8,000 under a non-cancellable 48-month lease.

### REAL NUMBERS: BUY VS. LEASE

	Purchase Outright	48-Month Lease
Hardware cost	\$800	\$150/month
Total over 4 years	\$800	\$7,200
Cancellation fee	\$0	Sum of all remaining payments (potentially tens of thousands if cancelled early)
You own the hardware?	Yes	No

## HARDWARE RULES TO LIVE BY

### Always Purchase, Never Lease

Leases are non-cancellable and the total cost far exceeds the hardware value. Always insist on purchasing equipment outright. If a vendor only offers leasing, walk away — it is not in your interest.

### Verify Hardware Ownership at Contract Signing

Confirm in writing that all hardware transfers to your business on day one — not at the end of a lease term. Ask for a bill of sale at signing.

**What to look for: Bill of sale showing ownership transferred at signing.**

### Check Compatibility Before Switching

Some POS hardware is proprietary and will not work with another vendor's software. Before signing, ask whether the hardware is unlocked and can be reprogrammed if you decide to switch.

## KEY FEATURES

### WHAT A MODERN POS SYSTEM SHOULD INCLUDE

#### Payment Processing Integration

Does the system support multiple processors, or are you locked into their in-house processing? A system that lets you choose your processor gives you the most pricing leverage and protects you from rate increases.

#### Offline Mode

What happens when your internet goes down? A system with offline mode continues taking payments and syncing when connectivity returns. This is non-negotiable for restaurants and busy retail.

#### Integrated Online Ordering

Commission-free online ordering integrated directly into your POS eliminates third-party delivery platform fees which run 15–30% per order. Ask specifically if online ordering is included in the base plan or sold as an add-on.

#### Inventory Management

Real-time inventory tracking, low-stock alerts, and vendor management should be included in the base plan — not sold as a premium add-on.

#### Reporting & Analytics

Daily sales summaries, labor cost tracking, menu item performance, and hourly sales data tell you exactly where your money is going. Ask for a live demo with real-looking data — not a curated walkthrough.

#### Kitchen Display System (KDS)

For restaurants, a KDS routes orders directly to kitchen screens, eliminating ticket printers and reducing errors. Should be included or available at a flat add-on fee with no per-transaction cost.

#### Loyalty & Gift Cards

Built-in loyalty and gift card processing drive repeat business. Watch for per-transaction fees on gift card redemptions — those add up fast at volume.

# The "Free Equipment" Trap

## CASH DISCOUNT & SURCHARGE

### WHAT PROCESSORS HIDE BEHIND "FREE" EQUIPMENT OFFERS

One of the most common pitches in the POS industry goes like this: "We'll give you all the equipment for free — terminals, printers, everything — if you sign up for our cash discount program." It sounds like a great deal. It is not.

### Here is what is actually happening:

- 1 The processor sets your rate at 3.5–4%+ under a "cash discount" program.**  
 This is far above the true cost of processing. At 4% on \$100K/month in volume, your customers are paying \$4,000/month in fees — passed to them at checkout.
- 2 The processor recoups the cost of the hardware in 2–3 months.**  
 Equipment worth \$600–\$1,200 is recovered almost immediately from the inflated margin. After that, the overpayment is pure profit for the processor — month after month, year after year.
- 3 You are locked in by contract, so the overcharge continues indefinitely.**  
 Once the equipment is installed and the contract is signed, switching requires paying cancellation fees. The "free" equipment becomes the most expensive thing you ever accepted.

## REAL MONEY: THE TRUE COST OF "FREE" EQUIPMENT

	Option A: Buy Equipment + 2% All-in	Option B: "Free" Equipment + 4% Cash Discount
Equipment cost	<b>\$800 (purchased once)</b>	\$0 (appears free)
Processing rate	<b>2.0% all-in</b>	4.0% (passed to customers)
Monthly processing cost	<b>\$2,000</b>	<b>\$4,000</b>
<b>Monthly difference</b>		<b>\$2,000 more per month</b>
Year 1 cost	<b>\$800 + \$24,000 = \$24,800</b>	\$48,000
Year 3 total cost	<b>\$800 + \$72,000 = \$72,800</b>	\$144,000
Processor recoups hardware	N/A	Month 1–2
<b>Net position at year 3</b>	<b>You own equip. + fair rate</b>	<b>\$71,200 overpaid</b>

### The bottom line:

"Free" equipment at 4% costs the same business \$71,200 more over 3 years than buying the equipment outright at 2%. The equipment was never free — you pay for it every month, forever.

## CASH DISCOUNT & QUESTIONS

### WHAT VISA AND MASTERCARD ACTUALLY ALLOW

#### True Cash Discount (Legal – No Registration Required)

A cash discount means the menu price represents the card price, and cash customers receive a reduction. This is legal on all card types including debit, requires no registration with Visa or Mastercard, and carries zero fine risk when set up correctly.

**What to look for: Your menu price is your card price. Cash customers pay less.**

#### Surcharging Credit Cards (Legal with Strict Conditions)

Visa and Mastercard allow surcharging credit cards only – never debit or prepaid cards. You must register with Visa and Mastercard 30 days in advance, disclose the fee clearly at the entrance and at the register, and cap the surcharge at your actual cost of acceptance (max 3%). Several states prohibit surcharging entirely.

#### Surcharging Debit Cards (Always Illegal)

This is the most common violation in the industry. Most terminals set up for "cash discount programs" apply the fee to all card types, including debit cards. This violates Visa and Mastercard network rules and can result in significant per-transaction fines assessed retroactively.

**Ask your processor: "Does this fee apply to debit cards?" If yes, that is a violation.**

#### "Cash Discount" Programs That Are Actually Surcharges

Many processors market surcharge programs as "cash discount programs" to make them sound more palatable. The test: is a fee being added at checkout on top of your menu price? If yes, it is a surcharge – regardless of what the sales rep calls it.

## QUESTIONS TO ASK EVERY POS VENDOR

- What is your monthly software fee, and what does it include?
- What are your payment processing rates? Is that interchange-plus or tiered pricing?
- What is the contract length, and what is the cancellation fee?
- Are my rates guaranteed for life, or can they increase?
- Do you offer month-to-month pricing?
- Do I own the hardware outright on day one, or is this a lease?
- Does your cash discount or surcharge program apply to debit cards?
- Are you registered with Visa and Mastercard as a surcharge merchant?

**10 PITFALLS TO AVOID**

1

**Signing a multi-year contract without reading the cancellation clause**

The exit fee is often buried in an appendix. Read it before you sign — not after.

2

**Accepting "free" hardware in exchange for a processing commitment**

"Free" equipment means you are committed to inflated rates for years. The hardware cost is recovered in the first 1–2 months; the overcharge continues forever.

3

**Never comparing total cost: software + processing combined**

A \$99/month software fee at 3.2% processing costs far more than \$150/month software at 2% all-in on any meaningful volume. Always model the true all-in cost over 3 years.

4

**Assuming a "cash discount program" is set up correctly**

Ask directly: does this fee apply to debit cards? If yes, that is an illegal surcharge. The fine lands on you — not the sales rep who set it up.

5

**Assuming the demo environment reflects real-world performance**

Demos run on curated test data over wired connections. Ask to see the system live in a similar business, or speak to a current customer before signing.

6

**Ignoring the training and onboarding timeline**

Staff training, menu build-out, and hardware installation can take days or weeks. Poor onboarding costs you in lost sales, errors, and staff frustration.

7

**Not verifying who owns your customer data**

Some POS contracts give the vendor rights to aggregate or sell your transaction data. Confirm in writing that you own all customer and sales data before signing.

8

**Skipping the support test**

Call their support line before signing. Time how long you wait. Ask a technical question. This is what you get at 11pm on a Saturday when your system goes down.

9

**Letting the vendor auto-renew your contract**

Set a calendar reminder 90 days before your contract end date. Missing the cancellation window locks you in for another full term.

10

**Not getting all promises in writing**

If a sales rep verbally promises a rate, a feature, or a fee waiver — it means nothing unless it is in the signed contract. Verbal commitments are worthless.

## POS SELECTION CHECKLIST

Use this checklist with every vendor before you sign anything.

### PRICING & FEES

- Monthly software fee is flat and all-inclusive
- Processing pricing model is interchange-plus
- No monthly minimums or PCI junk fees
- Rate is guaranteed – no increase clauses
- Total cost modeled across 3 years (software + processing)

### CONTRACT TERMS

- Contract is month-to-month OR cancellation fee is \$0
- No auto-renewal clause (or cancellation window is clearly defined)
- No bundled processing requirement
- All verbal promises confirmed in writing in the contract

### HARDWARE

- Hardware is purchased outright – not leased
- Bill of sale confirms ownership transferred at signing
- Hardware can be reprogrammed if you switch vendors

### CASH DISCOUNT / SURCHARGE

- If a cash discount program: fee does NOT apply to debit cards
- Vendor is registered with Visa/MC as a surcharge merchant (if surcharging)
- Total processing cost (including any customer-paid fee) compared against alternatives

### FEATURES

- Offline mode included in base plan
- Integrated commission-free online ordering available
- Real-time inventory and low-stock alerts included
- Kitchen display system available
- Loyalty program included in base plan

### SUPPORT & ONBOARDING

## Instructions for POS Vendors

Please complete every field accurately and in full. Your signature on page 2 certifies all information is accurate and all fees have been disclosed.

ITEM / CATEGORY	Provider Response
<b>SETUP &amp; INSTALLATION</b>	
Time to setup & install from order	_____
Average setup time	_____
Time to build menu	_____
Installation fees	_____
<b>HARDWARE &amp; PRICING</b>	
Monthly SaaS fee per device	_____
Terminal price per device	_____
Handheld price per device	_____
Handheld SaaS fee per device	_____
Total hardware costs	_____
<b>SUPPORT &amp; SERVICE</b>	
Annual support contract	_____
Average response time on support	_____
Payment processing required?	_____
Monthly fee for using another processor	_____
Transaction fee for using another processor	_____
<b>PAYMENT PROCESSING (INTERCHANGE-PLUS ONLY)</b>	
Basis point markup (over interchange)	_____
Transaction fee markup	_____
Monthly statement fee	_____
Total annual fees	_____
Non-PCI compliant fee	_____
American Express basis points	_____
American Express transaction fee	_____
PIN debit basis points	_____
PIN debit transaction fee	_____

# POS & Payments Comparison Form

ITEM / CATEGORY	Provider Response
<b>SETUP FEES</b>	
Application fee <small>should be \$0</small>	_____
Account setup fee <small>should be \$0</small>	_____
Reprogramming fee <small>should be \$0</small>	_____
Other setup fees <small>should be \$0</small>	_____
<b>CONTRACT TERMS</b>	
Early termination fee <small>should be \$0</small>	_____
Contract term <small>should be month-to-month</small>	_____
Are rates guaranteed?	_____
How long are rates guaranteed?	_____
<b>COMPANY INFORMATION</b>	
Company name	_____
Address	_____
Phone	_____
Years in business	_____
BBB rating	_____
BBB accredited?	_____
<b>SALES REP INFORMATION</b>	
Rep name	_____
Email	_____
Cell phone	_____
Years with company	_____

## REPRESENTATIVE CERTIFICATION

My signature below confirms that I have disclosed all fees associated with this proposal and guarantee the accuracy of every item listed above. I am authorized to sign and submit this form on behalf of my organization.

**Printed Name:** \_\_\_\_\_ **Title:** \_\_\_\_\_

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_