Dividing And Conquering The Hospitality Market

By Matt Pillar, senior executive editor, Innovative Retail Technologies

With a redesigned sales strategy and an eye to the cloud, the ISV behind 2TouchPOS is achieving steady double-digit growth.

Xenios LLC, makers of 2TouchPOS

**2014 Revenue Growth Rate:**
20%

**2015 Projected Revenue Growth Rate:**
30%

**Employees:**
20

**Phone:**
(888) 756 7994

**Website:**
www.2TouchPOS.com

**Verticals:**
Hospitality; bars, bar and grill restaurants, nightclubs

**Vendor Partners:**
APG Cash Drawer, Epson, LogMeIn, Mercury, Midnite Express, Posiflex, SmartPower

**Distributor Partners:**
Metropolitan Sales, ScanSource

**Hassle-Free Payment Processing Secures Sales**

“EMV is a big deal because the credit card companies and media are talking a lot about it, and that’s motivated a number of our customers to ask a lot about it,” so says Kevin Bolton, VP of independent sales at Xenios LLC, makers of 2TouchPOS. “For companies like ours, which serve the bar and nightclub industry, it’s created a bit of a sticky wicket. There’s been some relatively longstanding demand, but the solution to EMV in this environment came to fruition just as the October 1st liability shift deadline was upon us.”

Kevin Bolton, VP of independent sales at Xenios LLC, makers of 2TouchPOS, believes that the operational core of restaurant POS software needs to remain on premises because “an Internet outage at midnight when an establishment is serving 100 open tabs could be devastating in a cloud environment.”

Photo By Matt Wittmeyer

Fittingly, Rochester, NY-based Xenios, LLC got its start in a bar. Back in 2002, software developer Steve Zigmund was having a beer in a local bar when he struck up a conversation with a beverage inventory management software representative. Shop talk soon turned to a lamentation over the state of the POS solutions available to the bar and nightclub industry, which planted a seed in Zigmund’s head. A few months later, Xenios LLC launched Bar Touch, a then state-of-the-art touchscreen-based POS system built exclusively for bars and nightclubs.

A decade-and-a-half and an acquisition or two later, Bar Touch has evolved into 2TouchPOS, a bar-focused hospitality POS software package that’s gained a lot of attention — including that of businessman and author Jon Taffer, host and executive producer of Spike TV’s popular program Bar Rescue — who has featured the 2TouchPOS system extensively on his program.
Kevin Bolton of Xenios LLC/2TouchPOS says the company’s strict focus on building POS solutions for bars, nightclubs, and bar and grill establishments is what fuels its success. Bolton is the VP of independent sales at the company and he also has a direct hand in product development there, and he exerts that influence to combat the notion that all POS products are the same. “That perception exists, and it creates challenges for ISVs and resellers to differentiate their products. It’s incumbent upon us to distinguish our offering, and that effort starts with development.” As a case in point, 2Touch allows managers to make changes, such as the addition of menu items or the implementation of specials, in real time and from any station via the company’s Posiflex touch interface of choice. “This is an important feature for busy bar owners and managers because it eliminates the need to go to a back office machine, shut the system down, make changes, compile, and redeploy. It allows these changes to happen without interfering with the sales effort.”

Bolton points to another unique feature of 2Touch software that helps his sales team close deals. “We often lead with our cash tax discount feature, which enables both speed of service improvements and immediate topline sales gains,” he says. The cash tax discount feature allows 2Touch customers to encourage cash transactions by rounding drink prices to whole dollar amounts that include tax, thus speeding service by reducing the necessity for servers to make change or handle card transactions. On the back end, the system manages tax calculations for end of day balancing and reporting. “For card transactions, we invert the pricing scheme. A beer that costs $4 including tax in a cash transaction costs $4 plus tax in a credit transaction, which drives more revenue for the establishment. Over the course of months, that pricing strategy effectively increases revenue corollary to the tax rate,” he explains. Between the resulting throughput improvement and increased revenue, his sales team demonstrates that this simple feature can effectively pay for the system in a short time, after which the additional revenue is pure profit.

“Since the inception of our first software offering, we’ve been focused on ease of use that’s specific to strategic bar and nightclub operations,” he says. “These features are what differentiate us in the sales process, and they really resonate among customers who have experience with less-capable POS systems.”

**Hospitality Sales Strategy: Divide And Conquer**

While the core features of its software offering are central to success at 2Touch, Bolton attributes some of the company’s sales growth to a tactical change it recently made to its sales structure. “Historically speaking, independent operators have been our bread and butter,” he says. “These are local business owners who operate a bar or two, and once they’re up-and-running on the software, they’re often self-sufficient. Most of them work in their own establishments, their businesses support their lifestyles, and they’re happy with level to moderate growth,” he explains. When 2Touch approaches these sales opportunities, it’s features like those previously mentioned that lead the pitch.

But, as 2Touch software gained national exposure, the company began entertaining interest from larger bar and nightclub management groups that often comprised a dozen or more establishments. Those sales calls, Bolton says, were an entirely different animal. “Management groups are singularly focused on continuous profit growth because they have stakeholders. That focus requires a considerably different sales approach from selling to independents, and it also requires a significantly different approach to ongoing service.” Group managers, says Bolton, tend to want more automated back office accounting and inventory management functionality. Their systems are obviously bigger, so scalability is a requirement. They want a more formal sales and contract experience, and they want consistent and frequent post-sale “touches.”
To accommodate the variances between independent operator sales and management group sales, 2Touch split its sales staff into two teams, one dedicated to each type of customer. “Group sales efforts are much more laborious and time consuming, but they’re an excellent source of revenue once we’ve earned the first sale,” says Bolton. Because management groups are typically aggressive about their growth, he says it’s not uncommon to take orders for multiterminal installations on a regular basis once the initial system is up and running. “Our divide and conquer strategy is paying dividends, as group sales is a growth area for us,” says Bolton. But, 2Touch sales representatives must go through the independent sales ranks before making the move to group sales. “That’s where you learn the front-of-the-house features that remain the core of our value proposition,” says Bolton.

The Cloud: Data Access, Development Enabler
To accommodate the deep back-office inventory and accounting management functions demanded by management groups, 2Touch had to make a tough choice. On the one hand, it could develop those features in-house and package the features along with its core POS offering. On the other, it could outsource them to best-of-breed third parties. In the end, it chose to outsource, leveraging rapidly advancing cloud technologies as a means to do so efficiently. “We’re very invested in creating the world’s best POS software for our market, and we didn’t want to waste down the resources we allocate to that effort,” says Bolton.

The company is also committed to the necessity of on premises software systems in the market it serves, particularly in the context of mission-critical POS and payment processing systems. “We feel that the operational core always needs to remain on premises because an Internet outage at midnight when an establishment is serving 100 open tabs could be devastating in a cloud environment,” says Bolton. “Most of our customers have either forgotten how to do dupe tickets, or in many cases, never did them in the first place.” To prove his point, Bolton points to cases where club owners have experimented with cloud-based POS, only to revert to on premises systems after suffering the pain of lost sales due to lost connectivity.

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Kevin Bolton, VP of Independent Sales at Xenios LLC, makers of 2TouchPOS

However, to the earlier point about third-party integration for back-office integration, none of this is to say that 2Touch has dismissed the cloud. In fact, the company has embraced it as the means of making historical and real-time inventory and sales data available to customers and third parties. Through its DataKey service, credentialed managers and owners can access detailed, graphical, ticket-level reports that include menu items, modifiers, and transaction amounts and tender, as well as table number, server, and register data. The same service offers detailed inventory, accounting, and time clock/payroll data to third-party integrators. “The service offers a full spectrum from historical to near-realtime information,” explains Bolton. “Every five minutes, we have systems uploading information including detailed sales and labor data, cash and credit reporting, and top selling items to our cloud-based portal,” he says. At a minimum, most 2Touch customers are accessing these reports to drive agile business improvement. From any Internet-connected device, they can assess add-on sales performance, monitor comp sales, manage labor efficiency, and more.

Cloud-Based API Drives Business
Beyond management reporting, DataKey is enabling the integration of any number of third-party accounting, inventory, and labor analytics packages of the customer’s choosing — and allowing 2Touch to continue its laser-focus on the POS. “Historically, if a customer wanted to integrate with another piece of software, it required a direct integration with the POS. That often impacted performance, and it potentially jeopardized security,” says Bolton. Allowing third parties to write directly to the POS database could break other integrations, but with DataKey, approved third parties can pull data into their own systems without directly engaging the POS. “That opens up a lot of opportunities for customers to safely acquire the reporting they need through third parties,” he says. “It’s open integration; we simply charge a monthly fee to the customer to access that data, and we’ll work with their third parties of choice to leverage our API [application program interface].”

The fee, however, is not where 2Touch gains its value. “This strategy was borne of our desire to give customers what they need, particularly those served by group sales. It’s not plausible for management groups with establishments up and down the coast to gain near real-time visibility and reporting in a physical sense. They need cloud services, and we’re finding that demand is now trickling down to smaller businesses and independents.” The enablement of third-party data mining and analysis packages is also proving the advantages of reciprocity. “When bar owners and managers engage third-party applications with which we’ve integrated, our POS product is often recommended by the third-party ISV,” says Bolton.

Consistent double-digit annual growth doesn’t happen by chance. Xenios LLC, the makers of 2TouchPOS, achieves it by building on its commitment to its core POS application, dividing and conquering the bar and nightclub market, and taking to the cloud for the extended back-office functionality its customers seek.