



Positive Feedback Software, LLC

Company address:

10 Walnut Ave.

Vinton, VA 24179

Phone: (540) 243-0300

Fax: (540) 526-9371

e-mail: sales@positive-feedback.net

Website: www.positive-feedback.net

ISO/MLS Contact:

Todd Norvell

President and Senior Software Designer

Phone: (540) 243-0300

Fax (540) 526-9371

e-mail: todd@positive-feedback.net

ISO/MLS Benefits

- Sales training at ISO's location
- Sales lead generation and referrals
- Tech support and financing available
- Referral fees paid every 45 days
- Trade show and cooperative advertising programs
- Reduced account attrition

Positive Feedback: A Low Cost Solution with High Profit Potential

Positive Feedback Software, LLC makes freeware restaurant POS software. The company has been in business since 2001 but it took more than two years to bring their restaurant software solution, FreePOS, to market. Part of the reason it took almost three years to debut their product is because the software was written almost entirely by Todd Norvell, the company's President and Founder. Did we mention it includes more than a million lines of code?

Competitive Price Point

Norvell pointed out that research and development costs generally determine a product's net price to the end user. Since he wrote the FreePOS program himself, he is able to offer something his competitors cannot: very inexpensive products. He said, "If we used a team of programmers, we would have millions of dollars in R & D already. That is one of the things that make our product untouchable. Functions that FreePOS offers for \$99, other vendors are selling for \$1000 per station.

Norvell pointed out that many of his competitors use a team programming model during the initial product development. When the programmers quit or advance to a new position, the time and money spent on programming up to that point is often lost. When a new programmer enters an existing project, the code often has to be recreated, sometimes from scratch, as one programmer may have a difficult time picking up where another programmer left off.

Norvell said, "If you can have software developed by an individual versus a group, a lot of times it is more efficient and the design decisions are made decisively." However, Norvell understands that no scenario is perfect and running a lean software team can pose challenges as well. He said, "It cuts both ways. What might take a group of developers a week could take us three to four months. But in the final analysis, what sells a product is price and performance. Sure, you can get a product to market faster by implementing a team programming infrastructure, but if no can afford the resultant product it was all for nothing in the end."

Robust solution

Don't be fooled into thinking that since FreePOS is affordable, it is also basic or bare boned. FreePOS is robust, and can provide powerful features to just about any restaurant model. For example, FreePOS can remind servers to check back with tables. Picture based menu ordering screens can automatically change depending on whether the restaurant is serving breakfast, lunch or dinner. FreePOS can even run on wireless tableside devices for order at the table functionality. It can also run a wireless messaging center that includes up to 1000 wireless pagers, guest coasters and staff pagers.

No Attitude

The idea of launching a software company without the typical loans and venture capital proved to be a difficult obstacle to overcome, but Norvell knew what he was getting into. Before launching Positive Feedback, he spent much of his time installing other brands of POS software. "If you go into the POS business without an understanding of what your competition is able to accomplish, it is difficult to justify the financial risk that the R&D cycle requires," he said.

One thing that Norvell came to understand about his competition was their attitudes. He explained, “When I was installing restaurants using other leading POS software packages, I noticed a weakness, not in the software I was installing, but in the attitude of the support staff. I think many POS software companies hire arrogant technical support that doesn’t care about their customers at the emotional level.” He explained why this attitude can be detrimental to companies. “Support is a huge issue in an industry driven by referrals. If you are snobby and look down on your customers, you aren’t going to succeed in the POS business. I developed FreePOS but I’m not ‘too good’ to run a load of dishes for one of my customers on a busy night.”

Norvell understands the skills restaurant operators have, and he respects them. He said, “It takes a lot of skills to run a restaurant: street smarts, thinking on your feet and handling lots of tasks simultaneously. Very few technical people are willing to be on the same level. Norvell also understands his customers. He said, ”All a restaurant owner wants is for any problems to get solved without attitude. Until you’ve worked behind a bar on a busy Friday night, you can’t really appreciate what a restaurant owner does.”

Sales Channel: Thinking outside the box

Positive Feedback has a diversified revenue stream, including lead distribution, financing, hardware and software, as well as service plans. They also refer out credit card processing. Norvell said, “We collect sales leads for a variety of industries as a function of selling low cost restaurant POS systems.”

Norvell said, “There are a lot of business people that are stuck in a ‘yesterday it worked’ business model. That’s not us.” Referring to a compensation structure based on buy rates and residuals, Norvell said, “This approach to compensation is tired and insecure. We have built a program which allows an MLS to earn large lump sums to supplement their existing residual portfolio.”

Sales Channels

Positive Feedback uses three sales channels to get their software to their merchants: Resellers, Alliance Partners and Agents.

Reseller

Positive Feedback’s resellers are technically trained individuals and organizations. They understand how restaurants work and they handle all their own support. Norvell explained that most of his resellers have established relationships with restaurants and many have worked for cash register or POS product companies previously. “Often a reseller for another POS company will come to us after losing a price war.”

One factor that makes Positive Feedback resellers different from another company's reseller is the required education and experience. Norvell pointed out that while his competitors may mandate that resellers have college degrees or formal education, he does not. "The one thing we look for is restaurant experience and an incredible work ethic. Lazy 'book smart' computer people are a dime a dozen. I'll take the guy who wants a chance to make a better life for his family over the established reseller who will massage an existing sales channel until it dries up."

Alliance Partner program.

The second level of sales channel is an alliance partner. Typically, Positive Feedback's alliance partners are ISOs with agents, usually at least a dozen. Alliance partners identify clients who would potentially need a POS system and determine what they need in general terms. They then pass that information on to Norvell and his team. The corporate office then contacts the potential customer and works with them to identify specific solutions that will work for them.

Another way Positive Feedback gathers sales leads is through their websites, which attract 10,000 visitors a month. They take those leads and match the customer with a local provider. When they send the lead to an alliance partner, they try to get them together with a payment processor. Norvell said, "The agreement is we earn 50% of the residual collected by the ISO if we referred the sales lead. Most deals are just signing them up. It's not making a sale, it's taking an order."

That said, Norvell and his company are looking for people who are much more than order takers. In fact, they have processes in place to help identify those professionals who will work best with Positive Feedback, and they test new relationships before giving out their best sales leads.

"We have our new partners call hard-leads first that are seeded with a couple of established contacts. We find out how professionally the lead was handled. We have to do this for quality control... we can't have great leads going to under-motivated unprofessional sales reps. Many times, we learn about the work ethic during this process too."

The alliance partner has the freedom to negotiate contracts with the end user and keep the negotiated margin as profit. Norvell said, "We give our alliance partner a buy price for an entire project; anything over the buy price they may keep. We do put a limit of 50% on the negotiation." Alliance Partners have no ongoing obligation to service the accounts they sell. Positive Feedback handles all follow-up service issues. This, as any ISO or agents can attest, allows more time for selling. Customers can finance the system, through Positive Feedback, or purchase it outright. "We try to emphasize the financing solution since it generates a larger sale size for the agent and higher profits for Positive Feedback Software," explained Norvell.

While alliance partners do not receive ongoing profits from service and support, they are encouraged to sell integrated credit card processing, which increases the partner's bottom line. "We give the MLS a tool that makes their customers dependent upon them. When the MLS sells a merchant credit cards, gift cards, POS, remote support, equipment loaner programs and a financing solution, he owns the account. Attrition occurs when replacement is painless." Norvell explained that FreePOS has been designed so that if a merchant wishes to switch processors, they must call Positive Feedback and request a change. This gives the alliance partner the time and opportunity to save the account.

When asked if this upsets merchants, Norvell explained that they appreciate the opportunity to save money. They let the agent know of the merchant's desire to switch. "More times than not, it's for something that agent didn't know about. We hold up the account switch for 36 hours at most. After that, we always honor the merchant's request," said Norvell.

Training

An added benefit to alliance partners is Positive Feedback's Shark School. This is a two hour high energy, motivational class that teaches agents how to go out and make money. The class costs \$1500 but, Positive Feedback offers a \$125 discount for every person who attends. So, if a training class includes 12 people, it is free. Norvell's company will fly a trainer to the location.

Independent Agents

The third type of sales channel is the independent agent. This is the easiest way to earn revenue with Positive Feedback, as it does not require POS system knowledge and agents need only refer a client. Agents earn bonuses of \$500 or more each time they refer a client who closes an account with Positive Feedback. If it is a multi location account, they receive \$500 for each system installed. Typically each location uses one system. The best part about referring a restaurant account to FreePOS is that we will be your partner. Every restaurant is going to get a POS system someday, but the other POS companies don't 'play nice' with the credit card industry."

While some ISOs opt for the Alliance Partner program, Norvell explained that many times, ISOs would do better to use the referral program option. He said, "All they have to do is tell us the name and telephone number of the contact. They may think that will make more money as an Alliance Partner but, they don't take into account that without POS knowledge, it can be difficult to sell." Not only do agents receive the referral fee, they receive sales leads from Positive Feedback. And, they are able to add an additional product to their arsenal of solutions. Norvell said, "Often, our FreePOS product converts a cold-call into an appointment. Our products are that powerful."

Target market

Norvell explained that many agents promote the added features of a product, when in reality, the customer doesn't need all the bells and whistles. He said, "Many customers just want to print checks and run credit cards. It's great fun to watch a fingerprint scan but does that make the restaurant any extra money? The people who are successful selling POS get to the level of the restaurant owner: they want basics that are easy to use and a low price."

Positive Feedback Software backs up their products with service options. They offer 24/7 hardware and operating system support if the merchant purchases a service contract. They also offer per-incident support seven days a week from 9 AM to 8 PM EST for anyone who uses FreePOS.

Long Term Goal: IPO

"Positive Feedback Software has become successful for one very simple reason: we leave a lot of value on the table for our customers," said Norvell. FreePOS is sold worldwide and supported by a network of twenty reseller corporations. "Over 240 businesses trade sales data with us, and that number is growing fast. Our projected profits for 2007-2008 are expected to be sufficient to begin consolidating partner companies." Norvell's ultimate goal is to take the merged entity public. He said, "The money spent nationally on POS products is nothing short of staggering."

If agents and ISOs wish to cash in on some of the profit potential, Norvell invites them to check out Positive Feedback Software's website. "We really care about the people who make up our sales channel. We are probably the only POS company in North America that will come to your office, show you how the POS business works and get you started selling with no initial cost. We couldn't do that if we didn't make a lot of sales as a result."