**CHAPTER 2: LITERATURE REVIEW**

A Point of Sale (POS) system is an essential tool for managing retail and food service operations. It allows businesses to process transactions, automate billing and gain insights through sales reporting. This chapter reviews relevant literature on POS systems, their functionalities, and their impact on small business efficiency, particularly in café settings.

**2.1 Overview of Point of Sale Systems**

A POS system is more than just a payment processor; it is an integrated system that helps track sales, inventory, and customer preferences. According to Laudon and Laudon (2020), POS systems form a part of the broader Management Information Systems (MIS) that help businesses make strategic decisions by collecting, processing, and storing data. They play a vital role in enhancing operational efficiency and ensuring accuracy in sales records.

**2.2 Importance of POS Systems in Small Businesses**

Small businesses like cafés benefit from using POS systems due to their ability to streamline operations. As stated by Turban et al. (2018), POS systems reduce the complexity of daily transactions and inventory management by automating manual tasks. This is particularly important in small food establishments where quick service and accuracy are essential. Furthermore, a study by Smith and Chang (2019) showed that businesses that adopted digital POS systems reported a 25% increase in order accuracy and a 30% reduction in processing time. A study by Kızılırmak and Ergun (2022) found that staff in restaurants using such technology perceived improvements in sales, operational management, and standardization of service production. Moreover, chain restaurants experienced more substantial benefits than smaller establishments, suggesting that the size and complexity of a business influence the perceived usefulness of such systems.The impact of POS systems on business performance has also been quantified. The Operational Competitiveness Rating Analysis (OCRA) has also been applied to assess the effect of POS deployment in Hong Kong drugstores. Their findings confirmed a statistically significant improvement in performance metrics such as sales and operational efficiency after implementing POS systems (Parkan, 2003).A case study by Wijaya (2021) on coffee shop POS implementation reported improvements in inventory tracking, demand prediction, and transaction speed. Despite challenges like training and initial costs, the long-term benefits included higher profitability and better customer service. These findings are consistent with broader trends in POS deployment across foodservice sectors.

**2.3 Features of an Effective POS System**

An effective POS system should include user-friendly interfaces, inventory tracking, billing modules, and reporting tools. According to Rouse (2021), POS systems should also offer real-time data tracking and customizable interfaces to meet the specific needs of different businesses. In café operations, where menu items and prices change frequently, flexibility and ease of use are critical features.

**2.4 Challenges in POS System Implementation**

Despite their benefits, POS systems can present challenges, especially in terms of cost, user training, and system integration. Kumar and Srinivas (2020) highlight that small businesses may struggle with the initial investment and technical skills required to operate complex POS software. Moreover, issues such as system downtime or lack of internet connectivity can affect business continuity, especially for cloud-based systems.

**2.5 Recent Trends and Developments**

The POS industry has seen major advancements with the introduction of cloud-based and mobile POS systems. These systems offer portability, scalability, and remote access, which are particularly beneficial for small cafés. According to a report by Statista (2023), cloud-based POS adoption has increased significantly, with 58% of small food businesses in urban areas adopting such systems due to their low upfront cost and ease of maintenance.Recent innovations in AI and automation have extended the capabilities of POS systems. According to Rachinger et al. (2023), AI-driven tools like chatbots, mobile kiosks, and robotic servers are being explored to revolutionize customer service in high-contact industries such as hospitality. These technologies can augment human labor and bring process innovations, although full implementation remains limited due to emotional and interpersonal service needs.