

READERS' CHOICE Products Of The Year page 24

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Pushing Boundaries

BrewSmart
BEVERAGE

SUCCESS IN ILLINOIS

Second generation OCS operator profits by
looking for opportunities outside the norm page 42

Scott Unter,
Owner and operator
of BrewSmart

Kurt Unter,
Founder

VENDING

How To Know
When To Grow

page 18

MICRO MARKETS
Protect Your Micro
Market Profits

page 32

March 2018

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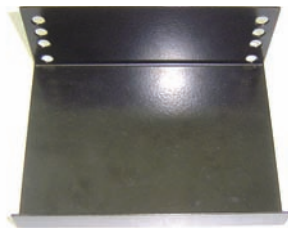
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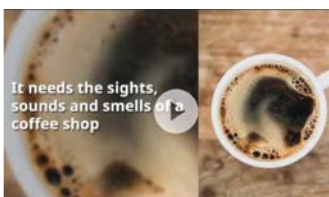
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SPECIAL REPORT



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The New Networking

Younger decision makers mean social media is becoming more relevant for networking and marketing.

In some ways, business hasn't changed. Gaining new customers and learning new solutions requires talking to others. Customers are still your best selling tool. Candid conversations and roundtables are still some of the best opportunities to ask other operators how they handle specific challenges and obstacles. However, it's no longer the only way.



**ADAPTING
to today's
business
means
blurring
lines.**

Enter social media

Social media sites may have started with college students, but they have morphed into much more. Social media can turn business and networking on its head. There are now more ways than ever to talk to people, more content to read, more posts upon which to comment, and more videos to watch. Arguably not all of this is good, but the point is that for today, it is reality.

In fact, I would argue that social media melds networking and lead generation together in

many ways, because it's harder to control who is seeing your posts. Social media by its very nature is online for anyone to view, and operators have long struggled with how best to use it. Some use it to reach out to each other reading and commenting on the latest industry news, discussing how best to upgrade control boards, etc. Others focus on decision makers with information about improving workplace culture and the return on investment of convenience services. Still others focus on building a company personality on social media, posting

interesting tidbits meant for building a network of people that like/follow/join them.

Scott Unter, president of BrewSmart Beverage, this month's success story, fits into this last group. He heavily uses Facebook and other social media sites to engage with people, whether those people are decision makers, consumers of his coffee service or just people wishing to connect with a great Chicago company. It fits with his business model of moving beyond norms and making everyone a potential customer. Read the profile of BrewSmart on page 42 to find out more about pushing boundaries.

Meeting in the middle

Unter points out that the decision makers in his area are increasingly of the Millennial generation, around age 30. They use social media, are comfortable navigating the internet and use both to research potential companies. They form judgments about potential service providers based on what they see, from the emotional connections formed from positive or funny social media posts to the informative, solution-based details on a website. This group of people can no longer be ignored in favor of catering to the solutions that worked for the generation before. Those who prefer to stick with word-of-mouth marketing need to consider these trends and move a littler farther along the digital networking spectrum.

In the end, to keep business moving forward requires adaptation. In this case, it means more use of social media than in previous years. It means adapting to a new idea of networking which blurs the lines of colleagues and customers. It means a mix of in-person events and pre-arranged Twitter chats (yes, these do exist). It's all about creating a new normal with the tools at our disposal, which include the wide open world wide web. | ◀

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See what others in the industry are
posting on social media on page 22.



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NAMA Announces 2018 Industry Award Honorees

NAMA has announced the 2018 Industry Award winners. The awards will be presented at the NAMA Show in Las Vegas, NV, on Wednesday, March 21. These awards recognize the most widely respected leaders in the industry as nominated by their peers.

"The Industry Awards are a treasured NAMA tradition, recognizing individuals who have served the industry and NAMA as leaders and advocates," said Carla Balakgie, NAMA CEO.

2018 NAMA Industry Award Winners Include:

- Joe Hessling, Founder & CEO, 365 Markets - Industry Person of the Year
- Jeff Smith, Chairman & CEO, All Star Vending - Operator of the Year
- Mike Lawler, Chief Services Officer, USA Technologies Systems - Allied Member of the Year



Hessling



Smith



Lawler

About the awards

NAMA presents the Industry Awards to individuals that show their commitment to the convenience services industry through a history of service and leadership within the industry and their community. They must follow ethical business practices in accordance with the NAMA code of ethics, be creative and innovative.



to discuss the convenience services industry, its economic impact in Maryland, and to seek support for pending legislation regarding micro markets. Over 22 meetings were held regarding micro market legislation.



Hostess Reboots Suzy Q's®

► Hostess Brands, LLC listened to consumers, who candidly voiced their opinions, announcing the re-launch of the fan-favorite Hostess® Suzy Q's®, which features a new and improved recipe.

The new Suzy Q's more closely resemble the original — debuted in 1961 — in both taste and design.



One Step Vend

One Step Vending Corp. Defines Strategy For Acquisition

► One Step Vending Corp., a holdings company in the convenience service industry, announced its strategic direction of growing aggressively through acquisition. According to the CEO, the company is looking to purchase operators that have a significant footprint of stores, that are looking to exit entirely or partially in order to achieve further growth.



Five Star Makes 9 Acquisitions In 2017

► Five Star experienced 40 percent growth in micro markets — 250 markets in the past 12 months. Its formation of 501 (c)(3) charity, "Feeding the Future, Inc" donated over \$30,000 to Chattanooga's local food bank.

All nine acquisitions were considered "tuck-ins" or inside Five Star's existing Canteen franchise service

area. Five Star begins its 25th year of operation in 2018.

CRANE

Crane Gives Year End Report

► Crane Co. reported full year and fourth quarter 2017 results and updated 2018 outlook. President and CEO Max Mitchell described three new records reached in 2017: adjusted EPS of \$4.53, adjusted operating margins of 15.2 percent,

and free cash flow of \$269 million.

Mitchell also discussed the "relentless focus on continuously improving our operations," ending on a high note.

Maryland-DC Vending Hosts "Convenience Services Day"

► On February 8th, the Maryland-DC Vending Association hosted its "Convenience Services Day" at the state capitol in Annapolis. Its members from around the state met with legislators



AR Systems Develops Mobile App

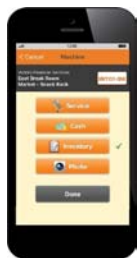
▶ AR Systems created a new app for comprehensive mobile management of kiosks and automated retailing systems that allows owners and operators of ARS machines to have full control of their systems from their smart phone.

The app, called the ARS Kiosk Manager, provides features that give insight into all system functions such as inventory levels and internal environment, and also control of system parameters including service lock and unlock.

USAT Announces Expansion Of Seed Markets

▶ USA Technologies, Inc. announced broad availability of its newly acquired micro market optimization solution, Seed Markets. Introduced in March 2016 as a limited-test deployment, there have since been dozens of customers signed on to use Seed Markets.

"We found, through the success of the pilot program, that offering the same tools for micro markets that operators use on their vending and OCS business gives them the ability to better manage operational costs and increase efficiencies," said Michael Lawlor, chief services officer, USA Technologies.



Smucker's Previews Premium Coffee

▶ J.M. Smucker Company unveiled a new line of premium coffees at the Consumer Analyst Group of New York (CAGNY) conference. The new line, "1850" depicts the history of The Folger Coffee Company, which was founded during the 1850's Gold Rush in California. It is scheduled to be available in early April.



PFG Reports 2018 Fiscal Results

▶ Performance Food Group Co. announced its second-quarter and first-half fiscal 2018 business results. Net income for the second quarter grew 240.6 percent year-over-year to \$78.0 million. The net income increase was a result of the \$59.2 million decrease in income tax expense; decrease in income tax was primarily driven by Tax Cuts and Jobs Act. Total case volume increased 3.9 percent in the first half of fiscal 2018. Gross profit increased 9.1 percent to \$1.1 billion.



Cott To Acquire Crystal Rock Holdings, Inc.

▶ Crystal Rock Holdings, Inc. announced its agreement to be acquired by Cott Corp. for \$0.97 per share in cash. This values Crystal Rock at \$35 million. The transaction is expected to close in March.

People in the News

Ocean Spray Cranberries Promotes Bobby Chacko To President, COO

Bobby Chacko, previously the senior vice president and chief growth officer since 2017, was promoted to president and chief operating officer.



Chacko

MZB Appoints New Manager

Massimo Zanetti Beverage Group appointed Leonardo Rossi, formerly finance director of the company, as manager in charge of the company's financial report. He will replace Massimo Zuffi.



Rossi

Ronnoco Coffee Hires New CEO

Ronnoco Coffee LLC hired Terry McDaniel as its new CEO. McDaniel previously served as president/CEO of Inventure Foods Inc. for the past 11 years.



McDaniel

Generation NEXT Hires Andrew Beach

Generation NEXT Franchise Brands, Inc., parent company to subsidiary brand Reis & Irvy's, hired Andrew Beach as director of international licensing for the company's flagship frozen yogurt franchise concept.

Minute Maid Gets New President

John Hackett was appointed to the position of president of the Minute Maid business unit of Coca-Cola North America. Hackett was most recently senior vice president of Global Juice, Dairy & Plant-Based Beverages.



Hackett

ICO Hires Head Of Operations

The International Coffee Organization (ICO) heralds in Gerardo Pataconi as their new head of operations. Pataconi previously held the position of director of the Department of Agri-Business Development at the United Nations Industrial Development Organization (UNIDO).



Pataconi

Nestlé USA Names Steve Presley Market Head And CEO

Nestlé announced that Steve Presley, currently chief finance and strategic transformation officer for Nestlé USA, will succeed Paul Grimwood as market head and CEO of Nestlé USA.



Presley

Sysco Acquires Doerle Food Services

Sysco Corp. acquired Doerle Food Services, a Louisiana broadline distributor with \$250 million in annual food-service distribution sales.

Doerle Food Services services parts of a six state area, including Oklahoma, Texas, Arkansas, Louisiana, Mississippi, and Alabama. Its headquarters in Broussard, LA, Doerle was founded in 1950 as a produce distributor and has been family-owned since the start.

"We are excited to welcome Doerle and its rich, long history to the Sysco family," stated Tom Bené, Sysco's president and chief executive officer.

Foodservice division only

Sysco is acquiring the foodservice distribution business of Doerle Food Services. Doerle Energy & Marine is not part of the transaction. Sysco expects to retain the executive management team of the foodservice distribution business.



Group, and Craig Kushner, president of Monumental Markets, both offered individual testimony. They also spoke of how the legislation is a proactive measure to ensure that Maryland operators can continue to expand their business endeavors in the micro market space.



Lavit And Alpine Start Partner To Offer Iced Coffee In Water Cooler

► Beverage technology company Lavit, LLC and premium instant coffee brand Alpine Start Foods have partnered to offer eco-friendly iced coffee options from office water coolers. Alpine Start's premium instant coffee will work with Lavit's patented, single-serve cold beverage water coolers to create iced coffee.

The iced coffee will be available in Lavit EcoCaps™, which are 100-percent recyclable aluminum capsules used to craft custom cold beverages with still and/or sparkling water. Alpine Start's premium iced coffee is brewed black, unsweetened, is preservative-free, and made from a blend of Arabica beans sourced from Colombia.

Arnold Vending Standardizes With TriTeq

► TriTeq Lock & Security, LLC, announced an agreement with Arnold Vending in which Arnold committed to standardize on the TriTeq Health Timer Locks across their micro-market based fresh food coolers and freezers. TriTeq's Series 2000 FreshIQ lock monitors the temperature and power source

to the cooler, automatically locking the cooler/freezer in the case of a power outage.

Maryland-DC Leaders Testify Before Maryland Legislature

► Leaders from the Maryland/DC Vending Associations testified before the Maryland Legislature's House Economic Matters Committee in support of H.B. 1087, the "Micro Market Licen-



sure Bill." This Bill would establish a uniform definition and licensing requirements for micro market operators across the state.

Steve Boucher, MD/DC Vending Association president and regional director with Canteen/Compass

CALENDAR OF EVENTS

MAR 4-6
China Int'l Vending Machines & Self-Service Facilities Fair 2018
China Import & Export Fair Complex,
Guangzhous, Guangdong.
www.chinavmf.com/en/

MAR 15-17
NCA Annual Convention
New Orleans, LA.
www.ncausa.org/convention2018

MAR 21-23
The NAMA Show
Las Vegas Convention Center,
Las Vegas, NV.
www.thenamashow.org

APR 26-28
15th China Int'l CVS
Shanghai New Int'l Expo Center,
Shanghai, CN.
www.chinavending.com.cn/en-us/home

SEPT 26-28
TMVA Annual Meeting 2018
Moody Gardens,
Galveston, TX.
www.tmva.org

OCT 11-13
ACE 2018 - Margaritaville in Myrtle Beach
Embassy Suites Hotel at Kingston Plantation,
Myrtle Beach, SC.
www.AtlanticCoastExpo.com

Sally The Salad Robot Is Food Certified

► Chowbotics announced that Sally the Salad Robot passed the Underwriters Laboratories (UL) and NSF-25 safety and sanitation standards. The certifications obtained indicate that Sally meets health and safety standards for use in commercial establishments.



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Familiar brands taste better to consumers.

The Consumer's Proclivity For Branded Coffee

Research shows coffee consumers choose brands over taste.

By Hillary Ashley, Assistant Editor

coffee are greatly influenced by their brand expectations and assumptions, according to a study done by the Specialty Coffee Association (SCA). This means consumers choose the brand they prefer, regardless of quality, because of presumed expectations and assumptions about that brand. This connection between the consumer and the brand is very strong, and it guides not only their personal preferences but also their buying decisions.

Branding has an impact on sensory perception from a neuro-scientific perspective, and therefore on buying preferences. In order to learn more about the role of the brand effect, neuro-marketing researcher Imane Bouzidi of Copenhagen Business School created a behavioral study of consumers' preference towards four coffee-chain brands with the Specialty Coffee Association (SCA). Bouzidi examined the correlation between brand and consumer motivation to choose one particular brand over another. The study featured a well-known international coffee brand and three national coffee brands, and was conducted with a representative sample of 122 ran-

There is a considerable distinction between coffee and branded coffee. What is the importance of branded coffee? Does branded coffee taste better? According to those drinking coffee, it does. Consumer research also shows that coffee packaged, or labeled, with familiar, popular brands does better in the marketplace against unlabeled, generic or lower value coffee. Packaging acts as the "silent salesman" because its purpose is to attract consumers to purchase the product. A brand is a product's identifying mark

and/or name, signifying it was made by a particular company under a particular name. The brand's packaging conveys to consumers the purpose of what the brand stands for and what it means for them (the consumer). Because of this, the product's package — the brand that represents the product inside — is almost as important as the product itself.

How branding makes a difference

Consumers' motivations, responses and taste experiences in regards to

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Away From Home

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*NPD Crest Feb. 2015 Total Foodservice (AFH) Per Capita Consumption Brewed Coffee vs. Specialty Coffee



domly chosen participants aged 20 to 40 years, equally distributed between male and female living in Denmark.

This is the way the study was presented, or “branded,” to the respondents. In reality, the four branded samples contained only two different types of coffee — high and low quality — roasted by a local coffee roaster. Low quality coffee was signified as such because it was significantly cheaper. High quality coffee was a medium roast. The respondents were presented in chronological order with two high quality coffees and two low quality coffees which were then reversed in order to optimize the gathering of statistical results. Through sensory and statistical analysis, research found that motivation and taste experiences were greatly influenced by brand.

The science behind it: Motivation

The neuro-science comes into play with a consumer’s motivation to choose branded coffee. Motivation can be conscious and also unconscious. The conscious part of motivation is “liking.” The unconscious part is “wanting.” The study was broken down into three measurements based on conscious and unconscious motivation: 1) brand pre-assumptions and associations — measured liking, 2) amount of coffee consumed from the samples — measured wanting, and 3) the final measurement of sample coffee consumed and preference: relationship of wanting versus liking. The third step assumed that the consumers’ pre-assumptions would be connected to their final brand of choice, and that they would prefer the taste (“liking”) and consume more (“wanting”) of the high quality than the low quality coffee.

The study showed a clear connection between the level of brand equity and consumer preference. In other words, consumers preferred the coffee that was labeled with the brand



Consumers are motivated to choose coffee based on brands.

they preferred, regardless of the taste. This showed that motivations, responses and taste experiences are largely influenced by brand expectations and assumptions. The study also showed a strong connection between liking and pre-assumptions of a particular brand that guided the respondents’ preferences.

Brand perception

What was surprising in this study was that low quality coffee was preferred over high quality because of the brand equity. People’s brand perception and the equity of that brand completely influenced their perception of the quality of the flavors of what they were perceiving. People actually had a preference for low quality because it was branded, familiar and comfortable. It’s important to note that quality doesn’t sell itself. Brand perception is a key element of sales. There’s only so far you can take someone as far as complexity in coffee.

The research results illustrate the importance of investing in brand perception. Developing trust in the brand is very important for the consumer. How is the brand connected to quality? Connect the brand to the consumer, and align the brand to what the consumer wants and needs. The biggest factor that consumers use to choose their coffee is still flavor, but after that is social media. Getting a

brand out there and knowing what people want is crucial. Consumers also want good feelings around their coffee. People want to feel comfortable with their coffee.

What this means for micro markets and OCS is that it is beneficial to show the branding along with the coffee. The quality of the coffee won’t stand alone, especially among the employees who don’t see the frac pack label and are just refilling their cup out of a pot or thermal. Therefore, to take advantage of the premium product being offered, it’s important to add branding back into the space. One easy way to do this is to upsell the location on branded cups. This is due to consumer recognition of branding. Consumers will be more likely to drink a certain brand of coffee simply because the label on the cup assures them that they are indeed consuming the promised quality drink. What helps consumers trust products are reassuring and familiar brand labels.

Move from being instinctual about coffee to being thoughtful. Measuring behavior is a fundamental aspect. The reassurance of familiar branded coffee with signs, cups and displays is the kind of brand equity that consumers respond to. Brand awareness and perceived quality reflect the neural mechanisms that stimulate the conscious liking and unconscious wanting systems that influence consumer preference. Consumers like and want more coffee with better branding. | ◀

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Is Your Vending Company Ready For The Big Leagues

Before going after large vending locations, consider how to prepare your company, from equipment to staff.

By Gary Joyner, Contributing Editor



A few years ago my grandson and I were watching an exhibition baseball game at Jet Blue Park also known as Fenway South in Fort Myers, FL. The Boston Red Sox and the Minnesota Twins were doing battle with a number of promising minor league players all hoping to make it to the big leagues.

My grandson looked at me and said, “Papa, when do the teams know if these ball players are ready to play in the majors?”

I told him that there was no pat answer, but some of the things the

“*...perks to offer the location can make or break your chances of landing big league locations.*”

managers and coaches look for are, can they hit a curve ball, can they hit with power, what kind of offensive and defensive skills do they have and numerous other qualities it takes to make it to the big leagues.

Over the last 24 years of my vending career I have been asked that same question by numerous small and medium-sized vending business owners all over the country as to when are they ready to pursue big league locations. My standard answer is, “Are you sure you are ready to jump in the water with the sharks?” There are numerous things to give careful consideration to before you make that decision. Here are some questions you need to very carefully answer before you take the plunge. Please remember that if you are not ready, you can drown very quickly when going in deep water.

Financial considerations

Do you have the financial wherewithal to do battle against the big leaguers who have hundreds of new or like new vending machines to install in very large locations? If you have a bunch of old, used machines in your inventory and you inform the very large location that your equipment is a conglomeration of several brands and models, your chances are diminished greatly.

If you plan on using bottler machines for cold drinks, remember the big leaguers are using the same bottlers. Since they already have a proven track record with the bottlers, in most cases you may not be getting the latest beverage vending machines the bottlers have in their inventory, big leaguers will.

Other financial considerations to be aware of could include perks to offer the location that can make or break your chances of landing big league locations. Vending companies I have worked with have offered to upgrade the breakroom or cafeterias by painting the walls, covering the cost of new tables and chairs, brand new condiment stands, flat screen televisions mounted on the wall, etc.

Location dollar amount

I have been asked what annual sales dollar amount do I believe constitutes a big league location. While there is no right nor wrong answer to that question, my experience reveals that a location that has yearly sales of at least \$100,000 is a good number at which to start.

You must be able to offer other services including either vend coffee or office coffee service as part of your overall services package. There are many types of hot beverage brewers including bean grinders, fresh brew, single-cup brewers that offer premium flavored hot beverages including café lattes, cappuccinos, espressos, hot tea, soup, etc. Big league locations usually like to deal with one vendor when possible rather than one for vending, one for coffee and one for water coolers.

Cold and frozen

Cold food and frozen food offerings are a must when pursuing big league locations. Ice cream is something those locations are being offered by your competition. I know of a major blue collar manufacturing location that was being serviced by a vending industry multi-national corporation that provided the location with free

Large locations can be financially rewarding.

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ice cream once per month between 2 and 4 pm. Can you and are you willing to compete with offerings like that?

Do you currently have a vending management software system that will help you keep very accurate records of everything happening in your vending business? There are several excellent software programs exclusively designed for the vending industry. An important benefit that you will need to be able to share with big league locations is the fact that you are high tech in your day-to-day operations. There is an old management truism “you cannot manage what you cannot measure.”

Proper service staff

It is not uncommon for big league locations to need six, eight, ten or more vending machines to service the location. Do you have service technicians that can be ready to spring into action when your machines need service and repair? Having an inventory of parts that may be needed to keep your machines operating is crucial. Keep this in mind, a big league location may have 200, 300, 500 or more employees all going on break or lunch very close together. If multiple machines are out of service, you are not only losing sales but can also be in jeopardy of losing the location. Big league locations generate huge amounts of revenue but they also can have multiple service problems. You must be prepared to address the service issues quickly.

Prepare a plan B

We have all heard the old saying “do not put all of your eggs in one basket.” In my opinion, if you have a big league location that accounts for more than 20 percent of your total sales, you can be skating very close to the edge of a potential big league problem. Many vending operators have faced major league problems when they suddenly lose a big league location that

Tips For Landing A Large Client

- Provide new machines
- Offer to upgrade the break-room experience
- Be a one-source, multi-service provider
- Offer cold and frozen foods
- Use inventory management software
- Give the route to a knowledgeable employee

is responsible for such a large portion of their gross sales. It can and does happen on a regular basis.

I recently had a conversation with Jack Brown (a business associate and personal friend of mine) who is the CEO of Refresh Facility Services located in Chesterton, IN, a full service company that offers vending, micro markets, office coffee service and water coolers. Brown was a *Automatic Merchandiser* magazine “Pro To Know” in 2015. He and his company were also featured on the front cover of the magazine in the February/March 2017 edition.

Brown shared with me that when he suddenly lost his largest vending location last year, it was a shock to his company. He did not lose the big league location for service issues. Instead, the location was purchased by a very large company that has a national vending contract.

Regardless of the reason, the loss meant Brown and his management team had to begin implementing a plan to regain the lost sales revenue from that big league location. They devised a strategy of increasing sales from the remaining locations by doing various promotions including putting certain products on sale, having free tastings, using point-of-sale visuals, etc.

While it took a tremendous amount of hard work and planning, they were able to overcome the curve ball that had been thrown at them when they lost a big league location. Are you ready to face a problem like that head on if you lose a big league location?

Right fit employees

Key employees are a serious consideration to look at when servicing a big league location. If you manage to land a big league location you would not want to have a brand new person calling on the location to refill, stock and merchandise your vending machines. Always remember that when hundreds and hundreds of customers are stepping up to the plate to purchase some of your products, you want your best employee taking care of them.

I hope that after reading this column you are not discouraged about your plans to grow your vending business by going after big league locations. It is an effort to make you aware of some things you may not have considered in your enthusiasm to go after big league locations.

While adding big league locations to your customer list can be rewarding financially, remember that you will be going up against big league competition and you can count on the fact that they will come at you and your big league locations every chance they get.

Good luck when you step up to the plate going after big league locations and I hope you hit a grand slam. | ◀



ABOUT THE AUTHOR

Gary Joyner started in the vending business in Orlando in 1994. Since then he has owned, operated and sold three vending

companies in Florida. Joyner is currently the factory authorized distributor for Federal Machine Corp. in the state of Florida. He can be reached at fgwj45@aol.com.

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Paul Woody

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Technology: Not a Replacement for Empathy



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Roni Moore
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Jim Carbone joins the cast of NAMA's new industry video on set **@Tradecraftme @NAMA vending @CarlaBalakgie @ericdell**



365 Retail Markets

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Our AirVend unit was seen in the @Visa commercial during the Winter Olympics!

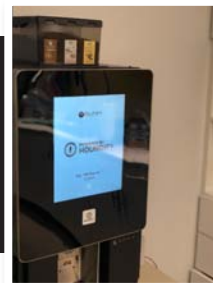
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Royal Cup Coffee&Tea @RoyalCup

Members of our marketing team are off running a relay this morning for the Mercedes-Benz Marathon Weekend!! We're ecstatic to sponsor and participate in this event year after year!

in VIEW



C. J. Recher

Came across this gem today, it's perfect! "Do what needs to be done, when it needs to be done, the best way it can be done, and do it like that every time."



Canteen, NA

Let's get things moving! How are you going to stay active at work this year? Comment with your favorite option. <http://bit.ly/2B7SwSV>



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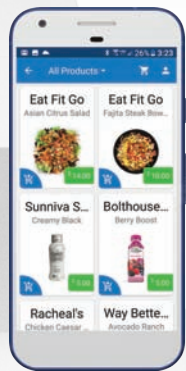
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The Pioneers Of Innovation Readers' Choice Awards

It is our pleasure to introduce the eight products that have been voted the 2018 Products of the Year by nearly 500 voters.

By Hillary Ashley, Assistant Editor

Every year *Automatic Merchandiser* asks its readers to identify their favorite, most-requested or best-selling products in the convenience service industry. The items submitted to this competition range from the newest technology to consumers' favorite new snacks and beverages.

There were nearly 500 readers who voted in this year's survey in only a two-week period for their favorites in eight categories. The 2018 Reader's Choice Products of the Year Award winners are a good representation of what's trending, what are the favorites and the best new technologies. These products represent the most liked, creative and innovative of 2017. *Well done!*

Products of the Year

**READERS'
CHOICE
AWARDS**
— 2018 —

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Brownies Made With
OREO Cookie Pieces
Flower Foods' Mrs. Freshley's



M&M's Caramel
Chocolate Candies
MARS Chocolate North America



Healthy Grains Double Dark
Chocolate Chunk Bar
Kind

Favorites with a new twist

The indulgent favorites this year consist of well-known brands that have creatively made their products stand out among other contenders. **Flower Foods' Mrs. Freshley's** has long been a fan-favorite among readers and consumers alike, and this year it earned the gold in the cookie and pastry category for its **Brownies Made With OREO Cookie Pieces**. Another multiple time winner of the Readers' Choice Products of the Year Awards in this indulgent category is **MARS Chocolate North America**. **MARS** hit it out of the park again this year with a trendy ingredient: caramel. The **MARS M&M's** brand, a much-loved favorite, crafted a new candy by adding delicious caramel inside its chocolate candy shell. Two scrumptious treats served up by the industries' best indulgent creators of the year.

Cookie and Pastry Winner

Flower Foods' Mrs. Freshley's brand has a wide array of delicious sweet treats for the micro market and vending industry. From Emoji Cupcakes to Mini Donuts, you can't go wrong with a product that stands by its name. Now the newest addition to the collection, **Brownies Made With OREO Cookie Pieces**, adds a classic twist to the brownie that won hearts with another consumer favorite, OREOs. In the release of the product in August 2017, Meredith Butler, Flower Foods' brand manager, said: "OREO® cookies are the perfect complement to Mrs. Freshley's Brownies. For more than 100 years, OREO® Cookies have been a beloved snack time favorite, and Mrs. Freshley's is thrilled to collaborate with the OREO® brand on this new offering."

Candy Winner

MARS Chocolate North America surprised everyone with the new addition to its M&M's brand. Simple and delightful and luscious all at the same time, caramel was the perfect choice to create the amazing new **M&M's Caramel Chocolate Candies**. "Caramel is such a nostalgic and comforting flavor and its popularity is on the rise with pairings like coffees and other specialty foods..." reported MARS Chocolate North America in a prepared statement. "It took years to develop the technology and machines required to get the delicious soft caramel ingredient into our signature hard candy shell. And, we think it was worth the wait!"

What's trending

According to the Products of the Year survey, what's been trending has been indulgent products with a healthy angle. The best example of this is the winner of the food category, **Healthy Grains Double Dark Chocolate Bar by KIND**. This KIND bar is the perfect mix between healthy, with 100 percent whole grains, and indulgent with the dark chocolate. Another trending item with a fit-focus is **Planters' P3 by Kraft Heinz**. Many health conscious consumers have been very happy with the emergence of this product by Planters, which focuses on protein. In



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Planters P3
Kraft Heinz



**Purple Edition Sugarfree,
Lime Edition Sugarfree**
Red Bull



**Artisan Collection
Cold Brew Filter Packs**
Farmer Brothers

the cold beverage category, **Red Bull** slides in with a new **sugarfree line extension**. Already part of the trendy energy-infused coffee-alternative, Red Bull appeals to consumers looking for a healthier option in this category by offering an alternative sweetened energy drink with the Purple Edition Sugarfree and Lime Edition Sugarfree. Another ever increasing popular beverage, cold brew, also made an appearance in the Products of the Year. **Farmer Brothers Company** released its **Artisan Collection Cold Brew Filter Packs** which took top spot for best new office coffee service (OCS) product.

Food Winner

The new KIND bar is both a healthy-for-you option and a tasty one. Stephanie Perruzza, MS, RD, health and wellness specialist at KIND Snacks said, “Our **KIND Healthy Grains Double Dark Chocolate Chunk bar** is unique as it contains a blend of five super grains (oats, millet, buckwheat, amaranth and quinoa) to create a chewy and crunchy texture. Each bar provides at least one full serving of 100 percent whole grains, contains 5 grams of sugar and like all of our KIND snacks, is gluten-free and does not contain any genetically engineered ingredients. We know consumers are looking for snack options that provide a balance of health and taste, which is where we feel this product and all of our KIND snacks stands out.”

Salted Snack Winner

The winner of the salted snack category this year went to **Planters P3 by Kraft Heinz**. This innovative product combines three sections of different types of protein — a great grab n’ go for those on the run, or for anyone trying to satisfy a grumbling stomach. Complying with many trending lifestyle eating habits, the P3 pack contains only protein, which makes it easy to feel good about eating. Consumers enjoyed the combo of nuts, cheese and meat, in any order. Planters P3 did it right!

Cold Beverage Winner

The cold beverage category winner went to the **Red Bull** line extension, which included the new Red Bull **Purple Edition Sugarfree** and Red Bull **Lime Edition Sugarfree**, released in January of 2017. Creating a sugarfree version of an already delicious drink was smart thinking on Red Bull’s part. Any consumer who is looking for an energy pick-me-up and wants something other than coffee can feel good about drinking the new Red Bull line extension.

OCS Winner

For the OCS category this year, the **Artisan Collection Cold Brew Filter Packs** by **Farmer Brothers** came in number one. Not only is it easy to prepare, this trendy beverage takes the cake in taste, too. “As the popularity of cold brew has grown, we have heard customers voice concerns about the effort and time to prepare this on-trend beverage,” said Gerard Bastiaanse, senior vice president of marketing in a prepared statement. “We wanted to offer our customers an innovative solution to the standard method of preparing cold brew that would reduce labor costs while providing



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WINS AUTOMATIC MERCHANDISER'S
"NEW PRODUCT OF THE YEAR"
AWARD!

Products of the Year

**READERS'
CHOICE
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NEW PRODUCT of the YEAR

In the Cookies and Pastry Category

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the smooth, consistent flavor their consumers crave.” It was released in May of 2017.

Technologies that enable more transactions

Technologies today are trying to make it easier for consumers. One of the ways they attempt to do that is by enabling more transactions. Sure enough, that has been the source of many contentions as well as innovations lately. One company that created technology last year that has been the next generation of micro markets is **Vagabond**, with the release of **vlv** in April 2017. This commerce platform has made transactions easier for both consumers and operators. Another key player in the category, **365 Retail Markets**, launched **nanomarket™**, also in April 2017. By creating a specific micro market for those areas where micro markets weren’t possible previously, 365 has opened up a whole new world of possibilities.

Technology Winner

The winner of the technology category was well won this year by **Vagabond’s vlv** (pronounced like five). Juan Jorquera, CRO of Vagabond, and Michael Lovett, CEO, described vlv in many ways, because it can do so much. They said, “vlv is the next generation of micro-markets — powering a hybrid catering/market concept that eliminates the cost of spoiled fresh food by enabling consumers to pre-order (and pre-pay) for it instead!” Jorquera also described a goal that he wanted to see vlv achieve, which was a partnership between Vagabond and the operator.



Equipment Winner

The winner of the equipment category this year was the **nanomarket™**, by **365 Retail Markets**. The nanomarket™ opened up a vast amount of opportunities for operators to create “mini micro markets” at locations where micro markets previously would not have been possible. A simply genius idea, the nanomarket™ solves the issue of a location not having enough space or employee count for a traditional micro market. “The nanomarket™ provides a glimpse into where we’re headed at 365. While so much of the nanomarket™ will be familiar to our operators, there are several underlying benefits that will only begin to reveal themselves over time.” said Ryan McWhirter, director of product. “Our vision of a connected campus, allowing one consumer account to traverse markets, vending and dining starts with nanomarket™. Where it ends, we’ll see.”

There were a lot of great products to choose from this year, as it seems that each year there are even better creations for consumers and operators alike. From snacks and beverages to technologies, this has been a phenomenal year. Congratulations to the winners of the Readers’ Choice Products of the Year Awards! | ◀

Methodology

Readers’ Choice Products of the Year were voted on by about 500 *Automatic Merchandiser* and *VendingMarketWatch.com* readers in a period between January and February 2018 via a survey promoted through email, print and social media. All products nominated were released and submitted to the editorial staff in 2017.

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Protect Your Micro Market Profits


The growing micro market segment brings challenges such as shrinkage, spoils and staff.

By Emily Refermat, Editor

Micro markets continue to gain a presence in the convenience services industry. This means operators are taking a closer look at the segment and what could be improved. We asked some highly successful operators from various parts of the country what aspects of their micro market businesses were at the top of the to do list in 2018. Theft, reducing spoilage and employing the proper personnel topped the list.

The reality of theft

Theft has always been a dark cloud over micro markets. The concerns about theft kept some operators from trying the concept and with inventory hassles, real theft numbers can be hard to calculate. Jeff Snyder, CEO of Snyder Food Services, Inc. in Ken-



“We are finding a lot less theft where the population is a stable population versus one that has a lot of people coming and going.”

Steve Murphy, division vending manager, Southern Foodservice Management, Inc.

designated timeframe, the products are inventoried once again and compared to sales recorded by the kiosk. The difference in what is actually missing and what the kiosk says was sold is then divided by the initial total and multiplied by 100 to get a percentage of shrink.

“We are aggressively pursuing ways to get that shrink rate down,” continued Snyder. “We work closely with the decision makers and management at locations to help them understand that if employees are taking things from us without paying for them, they are probably taking things from your company too — goods and services or time and wages.”

Steve Murphy, division vending manager at Southern Foodservice Management, Inc. in Birmingham, AL, works with sub contractors on micro market service throughout the Southeast. “Normally, our sub-contractors report a 2 percent theft rate,” said Murphy, but he has reservations about that number. “Some keep better track than others,” he admitted. While the basic inventory system of micro markets seems easy, he has found that because it is so different from the controlled environment of vending machines, it is more complicated and requires attention from the operator.

Jeff Leider, president of Tri-R Coffee & Vending, in San Marcos, CA, decided to start focusing more on shrinkage when he looked at his cost of goods. “We took the NAMA cost of goods average, which is

48.4819, and compared ours,” he said. “We were drastically over. That sent up a red flag.”

Leider knows that part of the high goods cost comes from pantry service, which Tri-R favors when providing service to companies due to the smaller staff sizes in his area. However, that doesn’t account for all of it. A large portion has to be micro market theft. Leider and two other employees are taking on the challenge of determining the shrink rate with weekly inventories and updated inventory technology. “We ordered some blue tooth scanners versus inventorying at the market using the kiosks,” said Leider. In the past, the company had drivers inventory the micro markets and enter numbers directly into the kiosk, but it was taking an extremely long time due to interference by customers. “Our drivers, or customer service representatives, were unable to finish the market inventory at the kiosk before a customer wanted to make a purchase,” explained Leider. “It was extending their time at the market and the kiosk dramatically.”

Employee type trumps location

Murphy makes the argument that when micro markets were introduced, they were meant for “controlled environments,” which was to minimize theft. However, he finds it is less about the environment and more about the employees using it that impacts the theft rate. “We deal with blue collar, industrial locations and white collar, office building type

dallville, IN, keeps a close eye on his micro market theft numbers. “Our shrink rate is somewhere in the 4 to 5 percent range,” said Snyder, who has over 100 micro markets in the field.

The shrink rate is calculated by taking a physical inventory of the micro market products. After a

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locations, but there is a difference in the type of people that you deal with at both, even though it's still considered a controlled environment," said Murphy. "We are finding a lot less theft where the population is a stable population versus one that has a lot of people coming and going."

In Indiana, Snyder has a similar experience. "Where we get into trouble dealing with issues is the fulfillment centers where they have seasonal help," he said. "Literally right at Thanksgiving, or shortly after, the enrollment of personnel can double or triple the population. When you get that with the broad amount of temporary help, it's almost a constant sitting there and monitoring film. They are firing them for theft as fast as they are hiring them," he added.

Leider finds that it isn't just transient types of workers, but certain professional jobs too that can increase shrinkage, especially when the employees feel the location should be picking up the tab. "We had some doctors who felt entitled to the items," he said. "We had to work with the location on picking up that lost revenue." He reminds customers that the open environment is for their convenience, so they can shop and compare. It's a benefit that shouldn't be abused. When Leider wasn't able to get the support to stop the theft, he closed accounts, a sentiment echoed by all the operators.

"We had to close three markets due to high theft," said Gianpaolo "GP" Macerola, of Rome Refreshments, located in Houston, TX. "We were catching it, but the location wasn't supporting us when it came time to identify individuals." Not only would the location not help stop the perpetrators, but complained that the market was always empty. Macerola tried to explain that the theft was permanently going to throw off the restocking numbers, but it didn't seem to make a difference. "It just didn't work," he said.

"If your inventories and the prekits are off — if you don't have the right product — there's a good chance someone is stealing from you."

Jeff Snyder, CEO, Snyder Food Services, Inc.

Perfect personnel a plus

Eliminating theft also requires having the right drivers. Macerola has gone through a number of drivers looking for the right personality. "We settled on two and ingrained in them that every market needs to be spot checked," he said. He expects the drivers to check at least 50 percent of all the items in the market once a week. "I don't think it's necessary to do 100 percent of the items," said Macerola. "Some of my markets have between 400 and 500 items. I can't ask them to do that in a week." All Macerola's drivers use mobile iPads or touchscreen laptops along with mobile hot spots so they don't tie up the kiosks.

While Macerola has tried to use vending drivers for micro markets, he finds it doesn't often work. "There's a certain type of person that does it well," he said. "If you come from a vending background, you come from speed. That is what we teach them. Get in and get out." In a market on the other hand, Macerola wants more attention to the customers and appearance of the market itself. "You have to be nice, you have to be neat, you have to notice there's only one of these items, but the system didn't ask me to bring it, etc."

His average theft rate is between 4 and 6 percent for micro markets. At 5 percent, Macerola starts working with his drivers, asking them to visit the location more often to hone in on a time. "I tell them, I need you to go a few days in a row and you tell me when there is an item change," said Macerola. Once that happens,

he can narrow down the theft to a particular day and usually a 6 to 8-hour timeframe. Macerola will watch the video, cross referencing it with the transactions report that he gets from the micro market software. "I literally see who is first, who is next, and what not," said Macerola. "Once I identify individuals, I download that video clip and the report and email that to HR."

His biggest issue with the whole process was actually the cameras. He had been told about the DVR cameras, but didn't want to be required to go to the site to pick up the DVR and then use multiple connections and monitors to view it. "You can't watch the high definition (HD) records on the DVR, and have to plug it into its own monitor and search for days. I just thought it was so complicated," said Macerola. "I have switched to all cloud based and it's saved my sanity."

Getting drivers to care

"We work really hard with our route drivers," said Snyder. "We tell them that when you walk into a market, and even at a vending machine, if your inventories and the prekits are off — if you don't have the right product — there's a good chance someone is stealing from you." It helps that Snyder pays his drivers on commission. "If it's being stolen, it's not being bought. So you are losing money when someone steals from you," Snyder tells his drivers. This gives them more ownership over the micro market and more incentive to notice when product numbers don't match up or to report when a client is constantly complaining about



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the market being out of product. This is important for Snyder, because his drivers are the first step in the company's loss prevention process.

"We will get a call from a route driver that we are out of product, the numbers don't match or the client is complaining. That starts the whole process," said Snyder. He has the driver fill the affected product or products to the par level to establish a baseline. Then, within a day or two, he goes in and audits, or takes a physical count of the product as well as dollars put into the kiosk compared to the money that should be there for the products. Using this data, he tries to narrow the theft down to a shift or time period before reviewing the camera footage. "The loss prevention person then watches the hours of footage to discover what is happening. He then cuts and pastes evidence from the video and kiosk reports until there is enough evidence to take to the location," said Snyder.

He has heard operators talk about not having the money for loss prevention, but for him it made financial sense. "If they are stealing 10 percent of your market, depending on how many you have, and you pay a loss prevention person \$50,000 a year to drop that rate down to 5 percent, you've paid for them and put money back in your pocket," he finished.

Drivers can really customize a route

Leider gives special credit to micro market drivers. They can give the micro market the organization and attention it needs, which is a different skill set than the vending's "clean, filled, and working," motto. Leider would like to have dedicated micro market drivers with dedicated vehicles and is working towards that goal. "We are aiming for one route, one vehicle, due to spoilage and customization of the market," he said.

The ideal micro market driver fronts product with the label front

out, fluffs snack bags and overall puts a good face on the micro market. It is still about speed, but also about attention to everything. "It needs to be a little of a more detail orientated person," said Leider.

A quality driver can not only handle the merchandising, but also the micro market issues. The right driver notices when product is short and delves deeper into whether it was prepicked incorrectly or is due to shrinkage, reports Leider. The driver is at the front line of looking over expiration dates and transferring food items before they are expired.

Eliminating micro market food spoilage is something Snyder feels very strongly about. "We are on the hunt to reduce spoilage and/or throw-aways," he said. "That is our target for 2018." He estimates his sales are in the triple digits and wants that

number reduced. He is working with a technology company on fresh food tracking and automatic par adjustments. Along with loss prevention, it's an important aspect of improving his micro market business.

Macerola tracks spoilage as well, having his drivers pull fresh food when it is close to coding out and moving it to a higher selling location. "For example," he said, "the driver pulls two salads at micro market X. Subtracts two from inventory, and then goes to micro market Y and adds two to the inventory there."

Operators continue to evolve their processes to create more profitable operations. Micro markets are no different, and with additional investment into loss prevention, better inventory management and retaining detail-orientated drivers, operators are profiting even more. | ◀

Expert Tips

#1: LET THEM KNOW IT'S REAL

Snyder has an interesting idea about how to prove to a location the camera on the kiosk isn't just for show. Ask the human resource department to bring some of the most outspoken employees to the micro market. A volunteer then goes up to the kiosk and displays a paper with his or her phone number on it. Have someone watching the live micro market video and then call the number – telling the person who answers what color shirt he or she is wearing. "It works," said Snyder. "The information that the camera is real and we know what's going on goes through the location fast."

#2: USE CLOUD-BASED CAMERAS

Instead of using DVR cameras that require someone to collect the video, Macerola likes cloud-based video. He uses a specific company that requires a good internet connection, but will store video on an SD card or the cloud for viewing right from the office. "Whenever you need to review footage, it pulls it from the SD card," he said. "If you have bad internet, pay the \$5 to \$10 subscription fee and it will send it to the cloud."

#3: MOVE TO DEDICATED MICRO MARKET ROUTES

Leider calls his micro market drivers customer service representatives because a good driver can give the micro market the organization and attention it needs. It involves speedily fronting product in the micro market, fluffing packages, organizing the products, reviewing expiration dates, talking to customers, inventorying product and noticing when product numbers aren't matching which indicates theft. "You have to be a little more multi-faceted when dealing with the micro markets," said Leider.



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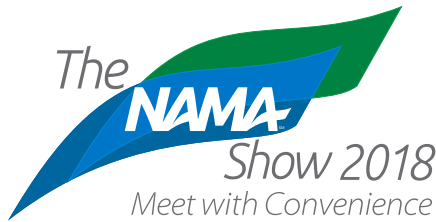
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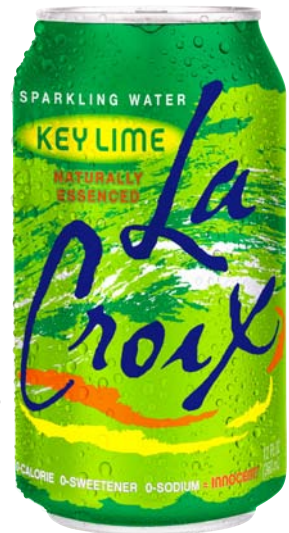


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Pushing Boundaries

Scott Unter, second generation office coffee service operator in Illinois, profits by looking for opportunities outside the norm.

By Emily Reformat, Editor



Delivery vehicles show the new logo.

Rebranding can be problematic for a long-time operator with an established brand.

However, Scott Unter, an office coffee service operator in Elk Grove Village, IL, knew it was time. The multi-million dollar business he is running is different than the one his father started 48 years before. It needed to push beyond the perception people got from its name, Antique Coffee, in order to showcase all the services now offered in a new, modern package that appealed to today's decision makers. Unter wanted to feature the company's focus on premium beverages, sophisticated single-cup brewers and partnerships with other service businesses to drive demand. The diversification of business types helped the company weather the Great Recession and has been a leading source of growth. Unter knew it was time to put them front and center

by relaunching as BrewSmart Beverage in 2017.

Spirit inspired beginning

Unter's father, Kurt, started the family coffee business in 1970. Kurt had worked for his brother-in-law at K&K Coffee, but a falling out had left him without a means of support. He contemplated the future with a bottle of Antique Bourbon, and eventually inspiration hit. He would open his own coffee service business with the name Antique Coffee.

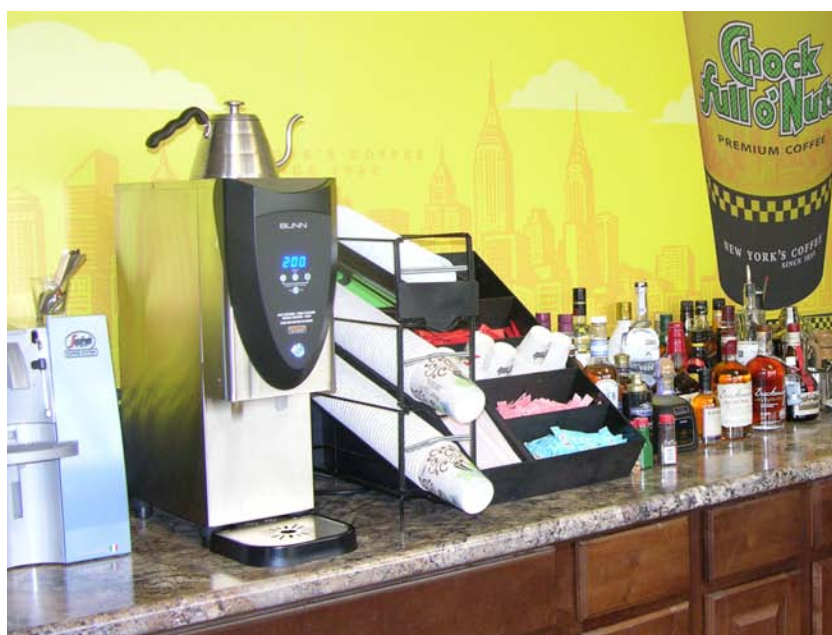
The company grew steadily with Kurt's careful attention, from the family's garage to 20,000-square-feet of warehouse space in Elk Grove Village, IL. Unter was born into the family business, working in nearly every position of the company from 2000 when he was just 16 years old until being named President in 2016, as Kurt decided to semi-retire. Kurt

is still active in the business, supporting Unter with his experience and business acumen.

BrewSmart crafts coffee-based cocktails for restaurants.

Unter appreciates having his father's feedback on new service ideas and brands. The two don't always agree, but Unter wouldn't have the business any other way. In fact, he tracked down a bottle of Antique Bourbon, despite the brewery being closed since the 80's, as a keepsake of Antique Coffee's inspiration. "I found the only unopened bottle that existed," said Unter, proudly. "I keep it locked up in my wine cellar."

While Antique Coffee would always have a special place in Unter's heart, the necessity to rebrand





Scott Unter took the family business over from his father in 2016 when he became president.

became clear as the company's services changed to better serve customers. "People were overlooking us," said Unter. "I asked a few I knew, and they told me it was because they thought all we did was coffee."

Rebranding becomes necessary

In reality, the business had grown into many different services, including catering, vending and micro markets, OCS and a growing share in on-premise beverages. Unter felt that part of the issue was the age of today's decision makers. "We studied the average age of the gatekeepers in OCS," said Unter. "It was 32 years old." The target customers for the service are 25 to 40. "Antique Coffee just wasn't hip," he said.

Unter launched on a mission to rebrand the company to better appeal to the Millennials. He hired market-



Kurt Unter started Antique Coffee in 1970. He brought his son, Scott, into the business early on. Scott grew up in the industry and enjoys it to this day.

ing consultants and graphic designers. "Actually, it was my father who came up with the new name," said Unter. "It's based on the idea that

Due to the former name, clients assumed all the company handled was coffee.

we are a smarter way to brew — BrewSmart. "We like to say that we handle anything brewed — coffee, tea, espresso, etc."

It took five months and a substantial investment to update the logo, website, marketing materials, vehicles and more, but now Unter feels the company is projecting the image it needs to succeed. "It completely changed the business and its outlook," added Unter.

Birth of on-premise

When Unter started to take an active role in growing the company in 2002, he focused on the convenience store business. The company had an exclusive distribution deal with Eight O'Clock Coffee and Massimo Zanetti Beverage, which meant that

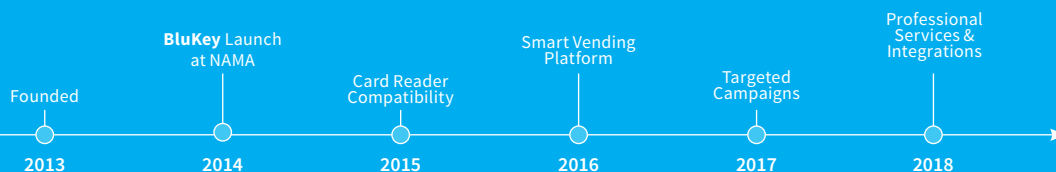


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Unter was the only person the gas stations could go to for that specific brand of coffee in the Midwest.

"It saved us in 2007 to 2008," remembered Unter, "because people still had to get gas and wanted coffee but didn't have the money for expensive artisan coffee."

During that time, the company's vending business was suffering as facilities closed and layoffs were prevalent. Unter took a hard look at the margins of the vending segment and saw that they were significantly lower than the margins the company was getting on coffee. This led to his decision to scale down the vending side. The company went from 10 vending routes to only 2 in 2017.

Around the same time that Unter was assessing vending, he took on-premise under his wing. He added other coffee brands and offered

signage and branded options. The segment grew from providing service and coffee to gas stations and convenience stores in two states to serving 14 out of 4 centrally located warehouses. The brands Unter brings to the other states offer a chance for a distinctive coffee that may not be popular in that area. "We carry brands to new markets such as Chock full o'Nuts, Eight O'clock, Seattle's Best, Arthur Ave, Torke, etc.," said Unter. Plus, the company also offers signage for convenience stores to advertise the coffee brand to customers.

Unlikely partnerships

Revenues from on-premise have grown to represent 60 percent of the company's overall revenue. Part of that growth has been a new partnership with Legacy Spirits, a large liquor supplier to the area with 2,000 accounts

in the Chicago market. While coffee and booze might seem an unlikely pairing for an operator, Unter saw the potential. In his own life, he enjoys a nice Breckenridge Bourbon after dinner, and his wife, who opts out of dessert still wants a post-dinner coffee cocktail. "Restaurants want \$20 to \$30 at the end of a meal," said Unter. "They are losing that from customers no longer ordering dessert. That has given us the opportunity to work with Legacy Spirits on offering craft coffee cocktails."

Restaurants were already a customer for Unter, because many wanted the artisan roasts and specialty coffee he offered. "A customer won't spend \$60 for a steak and be happy with a luke warm cup of coffee," said Unter. However, pairing with the spirits company made the restaurant business much more fun

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and lucrative. Unter shows locations how to use capsule espresso machines that don't need a dedicated water line in the bar area. Then he works on developing unique coffee cocktails for each customer. He is currently up to 180 coffee-based cocktails, including a variety of espresso martinis, "The Bob" which is a white Russian with espresso and a "Wake The Dead" shot with espresso and tequila. "It is our mission to show people that there are easier, less expensive and yet reliable ways to make espresso, coffee and specialty drinks," said Unter.

Weekly Warehouse Turnover

Scott Unter, president of BrewSmart Beverage, owns a 20,000-square-foot warehouse in Elk Grove Village, IL. While he is looking to expand into a larger facility, he likes that at the current size, all perishable products turn over in a week. "It helps us guarantee freshness," said Unter. "We never code out."



Technology woes

The unusual business path of BrewSmart Beverage does come with challenges. Unter currently runs three different routing systems: CompuVend, Parlevel and Quickbooks.

While Unter would love to be using one system, they each have features he values. "75 percent of our customers are cash on delivery (COD) which is not something most systems come with," said Unter. The COD

business runs on his server-based version of CompuVend, but he's looking at Parlevel Systems for a cloud-based solution. "It is important to be able to remotely access equipment as we grow out of state," he said. "I foresee



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that in 6 to 12 months everything will be on Parlevel.”

He also uses GPS tracking software Fleetmatics on the company’s delivery vehicles. “We deal with Chicago traffic which is tough so it’s great to get a report on accidents and reroute drivers before they leave,” said Unter. The GPS is in real-time, so it shows how fast the driver is going and sends alerts for sporadic driving, stopping too quickly, riding the break, when the vehicle is outside the territory longer than 15 minutes, or even when the vehicle needs an oil change.

“It probably added 5 percent to our bottom line,” explained Unter. Part of the savings was on hourly wages. Some drivers were turning 4 hours worth of work into 8 hours of deliveries. “Plus, now when a customer calls asking when the delivery will arrive, we can actively look and



Customized loose leaf tea displays are an idea BrewSmart is offering clients.



Branded cups advertise the premium coffee served at BrewSmart locations.

see where the driver is and give a realistic ETA,” added Unter. “It’s the best piece of technology we’ve put in over the last couple years. It’s paid for itself 10 fold.”

OCS trends

In traditional OCS, Unter has seen a significant change in regards to coffee. Locations want special equipment and better coffee to attract top talent. “It’s not about pay, that is the same,” said Unter. “It about the amenities.”

Bean-to-cup machines, in particular, have been a huge growth area for BrewSmart Beverage, and Unter believes this is all due to the younger decision maker. “Millennials have the lowest percentage of home ownership and the highest percentage of expendable income. My 16-year-old niece will pay \$7 for a latte. That is the new normal.”



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This has made it easier for Unter to go in and get the price he needs for bean-to-cup coffee. "When we say the coffee they want is \$18 to \$30 per pound, they are like 'OK.' Five years ago they would have kicked us out for that price," Unter added.

BrewSmart Beverage has several brands and a private label coffee, but it can basically be parceled into three levels: super premium or artisan, premium and private label coffee. Most offices in Unter's area aim for premium brands. Part of opting for the premium brands is also using the branded cups that Unter keeps in the warehouse for local customers. "An office will spend the money on Starbucks coffee, but not the extra nickel for a Starbucks cup advertising what's inside," said Unter. Instead, he explains to locations that it is worth the few cents more for a branded cup

than a plain cup, because it advertises the better quality coffee they are paying to offer employees.

Space challenges markets

BrewSmart Beverage has some vending accounts and has placed three micro markets. Micro markets are getting bigger as a segment of con-

venience services and Unter sees it as a profitable opportunity. The biggest challenge is that in the Chicago area, space is at a premium and many of the coolers and racks are just too large. "Currently, the minimum is 20 feet for current coolers," said Unter, "but we often don't have that much wall space."

Beginning in pantry service

BrewSmart Beverage launched its pantry service business in 2017. So far, Unter has seen most of the growth from locations with 100 employees who are dealing with multiple vendors. "We ask for all the invoices and say we'll match or beat it, guaranteed!" He said.

Normally, BrewSmart Beverage can save them on coffee, as they get that direct, and are competitive with price on everything else. Really the locations just like having one provider to work with. "It means no charges for deliveries, one shopping cart, one invoice and one vendor," added Unter.

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“My outlook is, we will service anyone who requires it — offices, restaurants, hotels, gas stations — anyone who requires equipment and needs a quality beverage program, who needs more than a throw away solution,” said Unter. That is why BrewSmart Beverage offers a true 24/7 service department with a dedicated service staff there every holiday and night and weekend. They stock parts and replacement equipment that can be placed at a location within 24 hours. In addition, each brewer has a label with QR code that allows BrewSmart Beverage to track the asset from where it is placed to how many times it’s been in need of service. Having great equipment partners such as Bunn is a key component in providing such great service, Unter adds.



Each brewer has a unique QR code on the company label for tracking purposes.

“OCS is so much broader now than it used to be,” Unter said. He pushes past the traditional lines of service to keep his company relevant and growing. Unter is willing to invest and still enjoys the family business each and every day. | ◀

Operation Profile: BrewSmart Beverage

Owner: Scott E. Unter

Headquarters: Elk Grove Village, IL

Technology provider: Parlevel Systems, Computend

Routes: 10 OCS, 2 vending, 3 micro market

OCS equipment: Bunn, Mazzimo Zanetti, Wilbur Curtis, Bravilor Bonamat, Cafection

OCS Lines: Eight O’Clock, Torke, White Bear, Chock full o’Nuts, Seattle’s Best, Starbucks

Annual Revenue: Undisclosed

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Micro Markets – Front and Center In NAMA's Advocacy Work

By Eric Dell, Contributing Editor

The growth of micro markets has more than doubled over the past two years and the number of regulatory and legislative issues impacting the industry has multiplied. NAMA's 2016 Census of the Industry found that the micro market channel grew by 154 percent over a two year period to include nearly 20,000 locations representing \$1 billion in revenue generation.

Due to this increase it is crucial that micro market operators and consumers be protected on issues ranging from food safety to plan review processes, licensing fees and limitations on physical placement within America's businesses. To this end, NAMA is building on its years of positive work that helped create a national guidance document on micro markets (unattended food establishments) intended to assist regulatory authorities and the industry in the review, approval and operation of unattended food establishments by pro-actively leading efforts in states to introduce and pass legislation and regulations to define micro markets, formalize how they are taxed and licensed and protect them from over-regulation due to confusion over the concept.

States taking the lead

NAMA has already seen positive results. A few states of note:

Indiana — In 2017, the Indiana Refreshment Providers Association (IRPA) led the effort to define micro markets. The legislation passed and was signed by the governor with an effective date of July 1, 2017. It

has served as a model for other states to mirror. The importance of this law is that it will serve to protect operator's investments in micro markets by providing clarity to the definition of a micro market.

Georgia — NAMA has been actively working with the state council to have micro markets defined in regulation and fee structures formalized. This effort is in its final stages and NAMA anticipates having a final regulation or guidance document from the Georgia Department of Agriculture in 2018.

Pennsylvania — Partnering with the Tri-State Council, NAMA anticipated leading an effort to introduce legislation to formalize micro markets in state law in Pennsylvania prior to their "Convenience Services Day" at the state capital in May. Research is still underway to determine whether regulatory work will be needed as well as passing legislation to formalize the definition of micro markets to protect operators from over-regulation.

Maryland — The state council recently held its annual "Convenience Services Day" to lobby its state-level elected officials on legislation to define micro markets in state law. A hearing has been set in both the House and Senate to take the next step in adopting the legislation. All indications are that this legislation will pass during the 2018 legislative session paving the way for micro markets to be defined and solidification of how items sold

Micro Markets By The Numbers

154%
growth
20,000
locations
\$1 billion
revenue

in the channel are taxed. This will assist operators in knowing how to properly pay sales tax on products sold from micro markets.

Virginia — NAMA has been working in a partnership effort with the Virginia Automatic Merchandising Association (VAMA) to have micro market defining legislation passed at the state level. Legislation has been introduced and hearings have been set. This is positive for passage of this legislation to define micro markets and formalize a licensing structure.

Partners in the effort

NAMA and the government affairs team are excited to lead the effort in partnering with state councils to pro-actively protect operators and consumers of micro markets. This focus will continue to expand to other states across the country as well as at the federal level in the Food and Drug Administration's (FDA) Food Code which is adopted by every state. | ◀



ABOUT THE AUTHOR

Eric Dell is senior vice president, external affairs at the National Automatic Merchandising Association (NAMA).

He has been developing and implementing successful advocacy programs for NAMA since 2013 including the inaugural, nationwide DC Fly-In. He can be reached at edell@namanow.org.

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