

VENDING ANNUAL REPORT State of the Industry
Operators punch through last year's revenue **page 24**

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Coffee Service Industry Resource

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*Tom Murn, CEO of
The Answer Group,
leads his team of
115 employees.*

ANSWERING THE CALL

OPERATION SUCCESS STORY

The Answer Group has grown to more than \$50 million in annual revenue by offering technology innovations and keeping its doors open to new ideas.

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The Answer Group has grown to more than \$50 million in annual revenue by offering technology innovations and keeping its doors open to new ideas.

ANNUAL REPORT STATE OF THE INDUSTRY

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Vending revenues grew by more than 2 percent in 2014, driven largely by growth opportunities such as micro markets and technology, which outweighed the challenges of rising product costs and school vending regulation.



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Dean Lott

Five Star Food Service, Oxford, AL



MICRO MARKETS
CANDY SALES



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CANDY SALES IN
MICRO MARKETS
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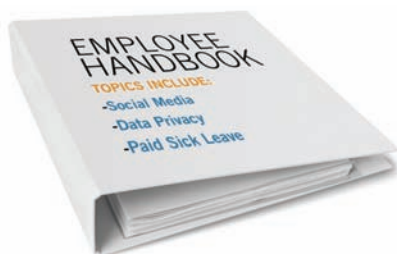
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The Overflowing Bandwagon

There are more technology companies in vending than ever before. Is that a good thing for the operator?

Recently, I had a thought-provoking conversation with a reader. The owner of a large, urban vending company, he had been at the NAMA OneShow and keeps apprised of the latest products and services. It struck him that more and more companies offering vending management service solutions were entering the marketplace. I had to agree.

In fact, I looked back and four years ago at the 2011 NAMA OneShow there were arguably only eight companies offering the service. At the 2015 show, there were 13. The vending operator I spoke with wanted to know *why* when very few small operations (which start up frequently) opt to invest in systems like a VMS and when there is continued consolidation of vending companies.

While consolidation among operators has slowed, it is still happening. Our 2015 report shows a decrease in the number of small operators while medium operators have stayed the same.



TECH
companies appear to love vending.

Focus is on the small vendor

Many of the new VMS entrants focus on the smaller operations, trying to entice them with a smaller financial burden and good benefits. Perhaps technology companies view the low penetration of technology, including VMS sys-

tems, adopted by our industry and see potential. Our own State of the Vending Industry data supports this idea that adoption of everything from VMS to credit card readers have room to increase.

However, there is a downside to many new entrants to a market. What if they fail, and the investors pull their financial support? Will the operators who chose to take a chance on these companies be left with no support and hardware that doesn't work? I suppose that is always a danger with the new and untried solutions — probably one of the reasons vending has been historically slow to adapt technology. Many operators are worried about making a financial error and choosing the wrong technology for their operation.

Silver lining

One nice thing about all the new players in the technology realm is that prices of the service will surely go down. There is more competition among providers — more companies competing for the same dollar. Of course, will lower prices actually cause technology companies to drop out of the industry at a higher rate? How are the current technology providers doing in terms of revenues? There continues to be the worry hardware or software providers will be here today and gone tomorrow.

Still, it's clear that a technology such as VMS can help operators reap many benefits in their operations. It's worth the research. It is also a commitment, and part of the due diligence in making that commitment is getting to know and trust the provider as you'll be partners in a long-term vending relationship. | ◀

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Concession Services Inc. Shuts Its Doors To Vending

Concession Services Inc. (CSI), a Chicago-area vending and OCS product distributor, is no longer serving the vending industry, the company confirmed Wednesday, May 27, 2015. In May the operating assets of CSI's concessions division were acquired by Food and Paper Supply Company (FPS) of Chicago, including the vending customer list. "When we purchased certain assets of Concession Services, it was our intention to service the CSI customer base," said Danny Friedman, vice president and co-owner of FPS. "We have found that there were challenges in processing orders properly that we weren't anticipating. As a result we have suspended our CSI deliveries while we manage our original foodservice operations."

Friedman did say he believes the company will find a way to service the vending channel in the future, however, could not give a timeframe.

Started by Paul Rosenbaum in the 1970s, CSI was a well-known vending and OCS distributor in the Midwest. FPS is a foodservice distributor owned by Danny Friedman and Bruce Goldberg. It has been serving the Chicagoland area since 1977.



IL-based Concession Services Inc. will no longer be serving the vending industry.



CONCESSION
SERVICES INC



Absolute Vending Service Inc. Acquires Rainbow Refreshments Inc.

► John Dee Ltd, a broker of mergers/acquisitions and refurbisher of vending machines in Arlington Heights, IL, announced that Absolute Vending Services

Inc., a provider of vending, water, and office coffee supplies in Roselle, IL, has entered into a definitive agreement to acquire the business of Rainbow Refreshments Inc., in Wheeling, IL. Under the terms of the agreement, Absolute will acquire Rainbow's existing vending, OCS and water business. "We're excited about the future of our company and we obtained good value for the business, which is a tribute to our new colleagues," said David Campbell, vice president of

Absolute Vending Service. "We have an outstanding business at Absolute with a talented team."



Avanti Markets, BYNDL Launch Customer Relationship Management Platform

► Avanti Markets and BYNDL LLC have launched an advanced Customer Relationship Management

(CRM) platform that will enhance licensed operators' customer support experience. Operators will benefit from enterprise-class support utilizing Centralized Case Management tools that enable end-to-end support management, faster resolution times and improved communications.

KEURIG KOLD



Keurig Reveals New Details About Its Cold Beverage Machine

► Keurig Green Mountain revealed additional details to the launch of its "Keurig Kold" system on May 14 during an investor presentation. Among the new details, the company revealed the system will retail between \$299 and \$369. "Consumers see it very differently from a coffee machine," said Keurig CEO Brian Kelley, addressing the concern of the high price.

Keurig Kold is expected to launch this fall on Keurig.com, followed by an expanded retail launch before the 2016 holiday season. The company will launch its own brand of pods including beverage cocktail mixers, filtered water, sports drinks, teas and craft sodas. Coca-Cola and Dr Pepper Snapple Group will also launch select beverage pods in partnership with Keurig Kold. Prices will range from \$.99 to \$1.29 per pod. Each beverage will be 39 degrees and created in 60 seconds. Each drink will come in 8-ounce servings and will be 100 calories per serving or less. The pods will be no. 7 plastic recycling.



AVT Awarded Contract With Marine Corps

▶ AVT, Inc. announced that a contract has been signed to provide coffee kiosks at U.S. Marine Corp bases throughout the country, featuring the company's premium Jamaican coffee brand. The contract includes installations at 29 Palms, Miramar, San Diego, Parris Island and Camp Allen.

USAT Announces Exclusive Market Agreement With M&M Sales Co.

▶ USA Technologies, Inc. announced an exclusive market agreement with M&M Sales Company, a Canteen franchise with locations in Lafayette, Houma and the Lake Charles area of Louisiana. Through the agreement, USAT would connect 100 percent of all of M&M's vending, self-service, single cup coffee and rapidly growing micro market locations that are not already connected to USAT's ePort Connect service. The service provides cashless and telemetry services that enable and track the acceptance of

cash, credit/debit card, and mobile wallet payments such as Google Wallet and Apple Pay through its NFC-capable ePort Connect cashless payment system. The companies said in a press release that they believe the goal of achieving a 100 percent connected machine base will give M&M a clear advantage over its competition.

The Coca-Cola Co. Announces Closing Of Transaction With Two New Bottling Partners

▶ The Coca-Cola Co. announced it has closed on previously disclosed agreements with two new bottling partners for the granting of new distribution territory.

Great Lakes Coca-Cola Distribution, L.L.C., a wholly-owned subsidiary of Reyes Holdings, L.L.C., has officially been granted and formally transitioned territories in the greater Chicago area and Northwest Indiana.

Coca-Cola Beverages Florida, a newly formed independent Coca-Cola bottling company, has officially been granted and formally transitioned territories in Central Florida including Tampa/St. Petersburg, Ft. Myers, Ft. Pierce, Lakeland and Sarasota.

People in the News

General Mills Announces Broker Of The Year Awards

General Mills, Inc. awarded two broker regions with the fiscal 2015 "Broker of the Year" award. In the West, Advantage Sales & Marketing took the award, represented by Harold Gold and Kevin Hawkins. In the East, Grabbe Leonard was awarded, represented by Jeff Grabbe and Shannon Barr.

Mike Marett Joins Cantaloupe Systems

Cantaloupe Systems announced that Mike Marett, a former COO and division president of a leading provider of M2M solutions, has joined its executive team as senior vice president, business development, effective immediately. Marett brings more than 25 years of industry experience to Cantaloupe where he will focus on new business opportunities and partnerships.



Marett

New Jersey Congressman Tom MacArthur Visits Midlantic Vending

New Jersey Congressman Tom MacArthur (NJ-3) visited Jack & Jill, D.S.D. and Midlantic Vending in Moorestown, N.J. During his visit, Congressman MacArthur received a briefing and tour to meet employees and get a first-hand view of a vending operation facility. The Congressman addressed industry questions related to calorie disclosure, the EPA's proposed changes to refrigeration standards in vending machines, coolers and freezers and the industry's upcoming D.C. Fly-In taking place this July.



MacArthur

Bud Burke Joins The CoffeeMatt Corp.

The CoffeeMatt Corporation Inc. announced the recent hiring of Bud Burke, vice president of operations. Burke brings more than 40 years of industry knowledge and operations/sales experience to the rapidly growing team at The CoffeeMatt Corp.

Greg McCall Joins Nutrition Leadership Committee

NAMA announced that Greg McCall, senior vice president of sales and marketing for Five Star Food Service, has been named to the NAMA Nutrition Leadership Committee. McCall is a 27-year industry veteran.



McCall

CALENDAR OF EVENTS

JULY 21-22

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AUG. 4-6

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AUG. 20-21

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www.nwvending.org

NOV. 2-4

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An updated breakroom can help keep consumers engaged and returning.

It's Time To Offer Breakroom Design Services

By Adrienne Zimmer, Managing Editor

A Q&A on why (and how) one of the most successful vending companies offers breakroom design as part of its portfolio.

The workplace breakroom is an important aspect of the industry today. Employees use breakrooms to spark conversation, mentally step away from the office, reenergize and refresh. For employers focusing on employee health and wellness, a customized food and beverage program, as well as a customized food and beverage breakroom, is a highlight and key motivator. Offering new vending equipment or a micro market at the location, however, might not be enough. In order to give employees a workday highlight, perhaps it's time



Jenny Hendrix, Pepi Companies' chief sales and marketing director, and Vic Pemberton, CEO, know breakrooms.

to examine the opportunities in offering breakroom design.

For more than 25 years, Pepi Companies has offered a design service as part of its portfolio. Breakroom design sets the company apart by providing a solution to its customers that makes the breakroom become an employee destination. Today the company designs approximately ten breakrooms per year. Vic Pemberton, Pepi Companies' CEO, and Jenny Hendrix, chief sales and marketing director, discuss how they got into breakroom design — and why it is an important business offering.

Q1: How did you get started?

Vic: We began doing breakroom designs back in 1987. At that time, many machines were placed outside, in rough environments. A temperature-controlled area is an integral part of creating a great destination, so we would build breakrooms to put the machines in a better environment.

We were put on the map in 1992 when a large poultry processing plant came to us. We were doing their vending and catering in an old building and they were creating a new, state-of-the-art processing plant and asked us to create the design work for the breakroom and lay it all out and put it together, so that's what helped us see the value of this service.

Q2: Is a background in design necessary?

Vic: No. When people ask me to do something I say "yes" and then go figure out how to do it! We know what our customers want in terms of food, seating, looks and lights because we spend every day in breakrooms. We focus on each individual location because each one is different. We have also been blessed to have Jenny working with us. She has a passion and talent for breakroom design.

And even though we don't have degrees in design, we have done more

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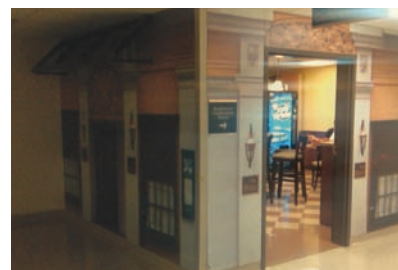
Renovating the exterior of the breakroom



Before



Computer rendering of breakroom



After

than one hundred breakroom re-dos. We also want to help other operators make breakroom design part of their portfolio, which is why we created a service called Breakrooms by Design as part of our WITY Solutions program.

Q3: What is your first step in creating a breakroom?

Jenny: In terms of getting ideas for designs, we usually have a focus group or initial conversation to determine the client's vision and needs. They tell me the types of images they'd like me to incorporate or the type of lighting they're looking for. We take the space and we imagine what it could be. We make it a retreat, a place employees can go and refresh and be out of their normal work environment. It's important to make the breakroom a destination.

Q4: Do you design the entire breakroom space?

Jenny: It varies from location to location. It ranges from just designing the seating concept or the enclosures for the market or the machines to full-scale re-dos that require a redesign of the floors, the walls and the lighting. Most clients do full-scale re-dos.

We had one location call us two years after we redesigned their breakroom, wanting us to redesign their bathrooms, too.

Vic: In some locations — especially when buildings are being designed from scratch — we give the layouts,

the concepts and the flows of the breakroom to the architecture firm to put in their drawings.

Q5: Who pays for this work?

Jenny: It varies and we work with clients to determine a solution for how to pay for the redesign. If it provides value, there is a way to pay for it. We bundle services and basically become a general contractor.

Renovating the interior of the breakroom



Before



After

Q6: Why do you continue to offer design services?

Vic: Businesses continue to ask for this service, so we continue to provide it.

Jenny: And there is a lot of satisfaction in hearing people come back and say that their employee morale is so much stronger because we've created a highlight for them.

Vic: That's right. We had a client come to us, they were going through significant changes in their company, and they mentioned that the breakroom was one thing that was holding the employee morale together. When people see what we've done with breakrooms, they say, "I want that."

The benefits

Breakroom design has been an important aspect of account retention for Pepi Companies. It has also made the company more valuable to its locations. Pemberton warns, however, that it's not enough just to offer upgraded equipment; the entire space must be addressed. "Even if you install new vending machines or new micro markets in an old breakroom, it's still an old breakroom; it's not a destination and people still aren't going to go," said Pemberton. "Breakroom redesign is a profitable and viable option for vending operators." | ◀

For more information

For questions or to learn more about WITY Solutions and Breakrooms by Design, contact Vic Pemberton at vicp@pepifoods.com or 334-596-6321.

You can also visit www.wityolutions.com.

Digital Signage, Market Design and Merchandising All Impact Sales and Experiences



The convenience, modernization, and product variety are the obvious selling points of a Micro Market, but the behind the scenes market space strategy is what can really impact your bottom line. A Micro Market that incorporates design ideas that are typical in retail environments, compels people to actually shop the market and the likelihood of them making a purchase is much greater. It is estimated that around 50% of all in-store purchases are made spontaneously, due to the information available to shoppers at the time of purchase and how they perceive the store itself.

In-store advertising, such as digital signage, promotes items on sale and educates consumers on other products in the market. Persuasive language, captivating content and imagery, and dynamic promotions strongly influence consumers' buying behavior and can turn an otherwise ordinary item into a must-have. Loyalty programs are another valuable tool for driving purchases, as they make customers feel they are getting more for what they're paying and the exclusive discounts will encourage them to make a future purchase.

Customizing a market is just as important as digital signage and loyalty programs. When a customer crosses the threshold into a market, it only

takes a few moments for them to decide whether the environment meets their expectations. The overall design, quality of equipment, and lighting has a significant impact on the customer's perceived value of the products and the market.

When a customer crosses the threshold into a market, it only takes a few moments for them to decide whether the environment meets their expectations.

For example, a gourmet sandwich in an old cooler with fluorescent lights decreases the perceived value of that sandwich, but merchandising the same sandwich in a new cooler with LED lighting raises the perceived value and therefore the sandwich can be marked at a higher price point.

Implementing design ideas is an effective and proven way to increase store traffic and sales volume. Contact Breakroom Provisions today to learn about our market customization options, loyalty programs and digital signage. |



How To Sell More Than Coffee In OCS

By Emily Refermat, Editor

In order to boost OCS sales, operators must be willing to experiment.

OCS is a lucrative business in most regions. That is especially true when upselling locations to specialty hot beverages. This was the focus at a 2015 NAMA OneShow OCS-focused panel, which centered on a few ways to give users coffee service they love while maintaining good margins. The key is to look to coffee shops for inspiration, experiment, highlight the SKUs and services already offered and charge service fees.

Offer many options, see what sticks



Panelist moderator Mike Tompkins of Coffee Products Associates, noted that to increase sales, operators must always be on the lookout for new products. “If you see it at a coffee shop, investigate it,” he said. “This is how you will be able to figure out how to deliver it to boost sales.” One example is the increasingly popular cold brew coffee. Large OCS operators are addressing how to bring this into workplaces on a large scale.

Ancillary specialty beverage items are also important. “Don’t forget, milk and sugar are a big component of what the consumer wants,” said Tompkins.

To see what the new OCS trend might be, look to Millennials, said panelist Tom Steuber of Associated Services. He finds that Millennials are driving a different type of coffee experience in the workplace than the previous generation. They like bean-

“If you see it in a coffee shop, investigate it.”

Mike Tompkins,
Coffee Products Associates

to-cup machines, which they feel make a fresher cup of coffee. Many of the units also have touchscreens which give the brewer a modern, state-of-the-art feel. “We’re trying out different things,” said Steuber, who feels it’s important to understand the customer. “Sometimes things work and sometimes they don’t.” In these cases, the brewer or coffee is eliminated, but Steuber doesn’t treat it as a failure, just a learning experience.

Promote what makes you different



Panelist Ken Shea of DS Services of America talked about retention and incremental OCS sales by promoting what is already in the warehouse. There might be a number of items in the warehouse that could be considered specialty beverages that could be offered to a location. Shea cites cocoa as an example. If a product is an existing SKU, but hasn’t reached 100 percent penetration of accounts, operators should consider it for spe-

cialty beverage expansion. Hot tea is another example. “We’re seeing really good teas in these coffee shops today,” said Shea. “That will help operators sell these items for a higher price.” Other items include sparkling and flavored waters.

“Make sure you are promoting the special aspects of what you are already offering,” explained Shea. He recommends talking to the account about upselling, especially with specialty coffee blends. “A price of 60 or 70 cents per cup is not uncommon in the coffee shop — use that,” he said. If the location wants specialty equipment, get a service fee and make sure to offer, and get, the pantry service. “You can’t leave anything on the table,” Shea stressed to audience members.



Equipment isn’t cheap

“It’s one thing to delight the customer, but equipment is expensive...you have to make money,” panelist Steve Brehm of Berry Coffee Co. warned. He gets a commitment upfront to accept a service fee that will increase if the account doesn’t maintain a minimum volume order. The location also has to designate someone to clean and maintain the brewer, in the case of a bean-to-cup machine. “With this model, any size operation can be a potential customer,” added Brehm. He’s careful to ensure the water going into the brewer is filtered to keep the machine working properly, the coffee tasting good and because it provides another revenue stream.

Brehm finds offering specialty equipment really does delight a location. For one foodservice account he even agreed to place a frozen coffee machine. He has a partnership with a coffee roaster for a special recipe to be used. “Even with the extra maintenance [done with a laminated cleaning checklist] it’s worth it,” said Brehm. | ◀



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Answering The Call

By Adrienne Zimmer, Managing Editor

The Answer Group has grown to more than \$50 million in annual revenue by offering technology innovations and keeping its doors open to new ideas.

Tom Murn, CEO of The Answer Group, is a self-proclaimed “techie.” He ensures that the NY-based vending company is not only up-to-date on technology trends, but is also leading the industry with cutting-edge technology solutions. The company has always worked closely with equipment manufacturers to respond to consumer purchasing behavior trends and it prides itself on being the first in the U.S. to remotely monitor vending machines and implement DEX technology in all equipment.

Today the company operates state-of-the-art equipment that offers the latest in technology including cashless vending, Google Wallet, energy efficiency, interactive touchscreens, digital media and advertising as well as DEX capabilities. “Our willingness to embrace and apply cutting-edge

“I wanted to offer my customers the same experience I desired at the machine.”

Tom Murn, CEO of The Answer Group



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technology is what sets us apart from other vending companies,” said Murn.

In twenty-four years, The Answer Group has grown from two to 115 employees and \$50 million in annual revenue by answering the call of consumer needs and responding with innovative solutions.

Technology guru

The Answer Group grew from Murn’s desire to provide a solution to customers’ needs. In the 1980s, Murn and his father were Pepsi distributors who also serviced Pepsi vending machines. While servicing drink machines, customers would continuously ask for snacks. In response to this request, Murn decided in 1991 to leave Pepsi distribution and form Answer Vending — renamed The Answer Group in 2005 — with five machines and two employees.

Murn recognized early on that the vending industry was far behind other retail segments when it came to technology, so he sought to ensure his company would be different. “I grew up with a passion for technology and



The Answer Group operates state-of-the-art equipment with upgraded technology.

figuring out how things work,” said Murn. “I wanted to offer my customers the same experience I desired at the machine.”

In the beginning, Murn knew there had to be an easy way to find out what items were selling in his machines and what was not. He started implementing DEX on all of his machines and built a radio frequency network in order to track machines in New

York City. “We were prekitting before anyone was prekitting,” he said. “But when cellular came out, we realized it was cheaper so we began migrating to that solution.”

The Answer Group was one of the first companies to remotely monitor vending equipment and install credit card readers with EZ Pass technology. It installed guaranteed product delivery sensors and ensured that the equipment could change with the consumer. “I worked early on to create a refrigerated machine because it could be a solution to products my customers wanted,” said Murn. “To this day I continue to work with all equipment manufacturers on ways to adapt to changing consumer trends.” Murn will oftentimes approach manufacturers directly when he needs to address vending solutions for his customers. “We always find the answer,” he said.

Murn placed his bet on cashless payments and then near field technology when it was introduced. In fact, The Answer Group’s vending machines were enabled to accept credit cards and Google Wallet years before that technology became widely accepted. He believes machines need to be able to vend items at any amount, from \$1.00 purchases to \$200.00 pur-

The diji-touch® experience

Technology is an integral part of business for The Answer Group. So when an opportunity came up to partner with Mondelez International and diji-touch®, Murn didn’t hesitate. Beginning in June, The Answer Group will be installing 40 diji-touch® machines in Simon Malls, with plans to install 600 machines by September. “It’s the largest rollout of its kind,” Murn continued.

The Answer Group and Mondelez International tested five machines in five separate locations for three weeks. “We ran a soccer promotion on the large touchscreen. When the user walked by the machine, the machine prompted the consumer to interact with it and play a game. The user was challenged to block three of five soccer goals and if they did that, they would win a free prize. Meanwhile, the machines gathered data from the consumer, such as their gender and age. They also scanned the crowd and could determine the statistics of viewers,” said Murn.

In three weeks 15,000 games were played on the five machines and 10,000 free products were dispensed. Nearly 150,000 impressions were gained. “We estimated that when we deploy 300 machines, we will gain nearly 250 million impressions,” he continued.

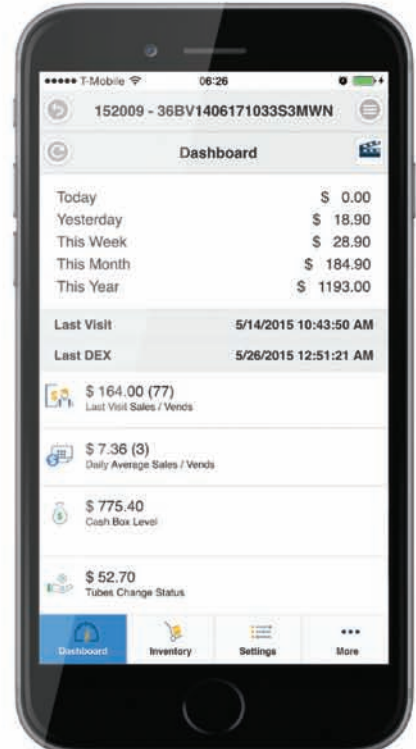
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chases or more. “Machines should be an integrated experience for the consumer,” said Murn.

Murn’s love for technology and belief in an integrated consumer experience led him to automated retail. Now, he says he is trying to change the face of vending for his consumers by offering them an integrated experience, including not only cashless and multiple payment options, but also digital signage and advertising on machines. “Technology is underutilized in this industry,” he said. “Vending should be able to dispense more than just food and I really see the entire experience expanding to the point where videos are on all machines and ads can be on there, too.”

In fact, Murn doesn’t even like to call it “vending” anymore. To him, it’s automated retail. He has expanded his traditional vending offerings and looked for new sources of revenue in non-perishable items such as umbrellas, iPhone chargers and headphones. And he sees a better profit margin from those items.

But that doesn’t mean he has abandoned traditional vending. “We are a convenience factor and we want to compete with convenience and pop-up stores,” he said. “It doesn’t mean we stop offering traditional service, it’s that we just make it better, with more offerings in a way that’s engaging to the user.”

Cutting-edge technology offerings has helped The Answer Group become a powerhouse in New York City and surrounding areas. The company provides office refreshment for thousands of locations including The New York Police Department, The Metropolitan Transportation Authority, Grand Central Station, 30 hospitals and 26 YMCAs. The Answer Group has one major client, however, that provides the biggest rewards: The New York City Department of Education.



Advertising on vending machines adds to the consumer experience.

Embrace better-for-you products

When it was announced that vending operators would need to change their offerings at schools, Murn wasn’t worried, he just looked at it as another challenge to overcome. “Sales in some schools outside of New York City dropped 40 percent

because we could no longer sell tea or Gatorade,” he said. “But in the New York City School District, healthy vending has been doing really well.” The Answer Group provides services for nearly 200 schools and 1.1 million children in the New York City area. Today, it is the largest healthy vending operation in New York City.

String cheese, squeezable fruit, and carrots with dip have been big sellers, says Murn, who also reports that technology has helped keep the stakes to a minimum.

In order to answer the consumer call for healthy items, Murn had to think outside the box on some products. “We have a large Hispanic population in one school and there was no healthy salted snack item that really appealed to the students, so we created our own solution,” he said. Murn traveled to Ecuador and began working with a manufacturer to create his own brand of snacks called Go Natif, which is now run by Jea Edman and Leslie Murn. Nearly 60,000 Go Natif healthy plantains were sold in just over 30 days.

He did the same thing for sparkling juice. “I worked with a company in Vietnam to create a beverage that the kids would like, that was fresh and fruitful,” he said. The beverage is being tested at 70 schools.

Sustainability and philanthropy

Despite its success, The Answer Group remains grounded in giving back. The company has paired with Paradigm Group and The Emerald Brand to offer sustainable paper, disposable serving and cleaning products and offers 165 products produced from alternative materials such as sugar cane, plant starch, PLA, clay based materials and bamboo fiber.

The company also believes in philanthropy at the local level, too. It annually donates \$265,000 towards wellness; over the last five years The Answer Group has donated \$1.4 million to the Public School Athletic League, an organization that provides opportunities for educating students in fitness, health and wellness.

Despite these successes, Murn admits that the industry has a long way to go. “A big challenge we have now, as an industry, is getting our message out there,” he said. “We are offering healthy options and better products but our consumers don’t know that.” Murn is a big proponent of healthy vending and supports the industry’s effort to join, rather than fight the cause. “We want to encourage consumers to turn to vending, not away from it.”

A ‘Group’ effort

Murn is constantly encouraging people — including his own employees — to look at vending in a different light. Last year The Answer Group held a contest for its employees. Whoever came up with the best idea of how to sell more items in the machine won \$1,000. The winner of the con-

Operation Profile:
The Answer Group

Year Founded: 1991

Headquarters: Farmingdale, New York

Owner: Tom Murn

Number of employees: 115

Annual sales: \$50 million

test came up with the idea of selling umbrellas in machines at places like Grand Central Station.

Murn says he wouldn’t be successful if it weren’t for those working with and around him. “Mike Olszewski, our operations manager, has been with us for 20 years and Howard Goldstein, our vice president, has

been with the company even longer,” he said. “I would also like to recognize my longest and best route driver, Dennis Intzeyiannis. The Answer Group is a great incubator and I am proud of all of them,” he said of his employees. Former employees who have gone on to create their own companies include John Murn with the buying group RSA and John Hickey with Tech 2 Success.

Striving for tomorrow

The Answer Group’s focus on technology innovation, healthy items and non-traditional vending has helped it grow and gain loyal customers. “You’ve got to put your best self forward and usually that comes back to you,” he said. To keep up the momentum, the company will continue to answer consumer demands and keep its doors open to new ideas. ◀

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VENDING OPERATORS PUNCH THROUGH LAST YEAR'S REVENUE

Vending revenues grew by more than 2 percent in 2014, driven largely by growth opportunities such as micro markets and technology, which outweighed the challenges of rising product costs and school vending regulation.

By Emily Refermat, Editor

Vending has experienced another growth year. The aggregate industry revenue rose 2.4 percent in 2014 to \$20.2 billion, exceeding the revenues for the past 5 years.

Consumers are more confident in the economy and therefore spending more on snacks and onsite foodservice, driving up sales numbers. In addition, locations are hiring and expanding onsite food and drink benefits.

Aggressive adoption of micro markets among some operations has added upward revenues. While this year's *Automatic Merchandiser* State of the Vending Industry report shows less than half of vendors operate a micro market, the number is increasing. Significantly increased revenues were linked to micro market adoption.

Technology is another area that is pushing vending operators farther into the black. It's allowing operators to eliminate under-performing products, identify growth areas and run their businesses more efficiently. Technology at the point-of-sale has flattened, but its adoption is still higher than in any previous year.

CHART 1: INDUSTRY REVENUE IN BILLIONS, 10-YEAR REVIEW

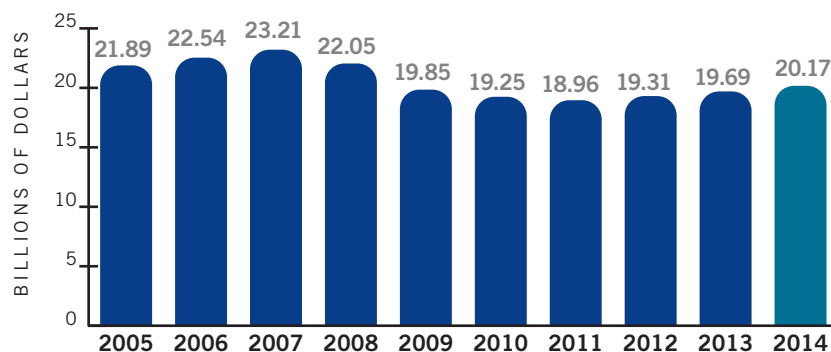


CHART 2: OPERATOR SALES

SIZE	REVENUE RANGE	% OF 2014 OPERATORS	PROJECTED 2014 SALES	% OF 2014 SALES
Small	under \$1M	51%	\$1.82B	9%
Medium	\$1M - \$4.9M	23%	4.24B	21%
Large	\$5M - \$9.9M	8%	4.44B	22%
Extra large	\$10M +	18%	9.68B	48%

Challenges continue as well

Operators struggle with increasing product costs from manufacturers, a trend reported last year. Fewer operators chose to raise prices this past year than in the previous two years, although it was still the most used strategy for handling higher costs (chart 6). Vending operators cited pressure from consumers as a major reason they did not raise prices despite increasing product costs. Competitive pressures from surrounding businesses, vending and non-vending, were also cited.

Operators found other ways to recoup revenue lost to higher product costs. Many eliminated unprofitable accounts and rearranged routes to produce higher returns (chart 6).

Adding a vending management system or VMS is a primary way

CHART 3A: MACHINES BY LOCATION

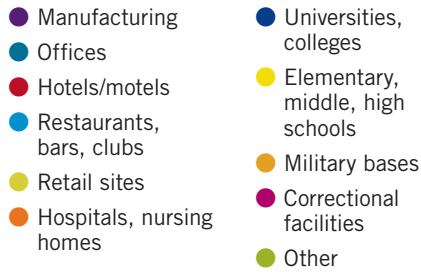
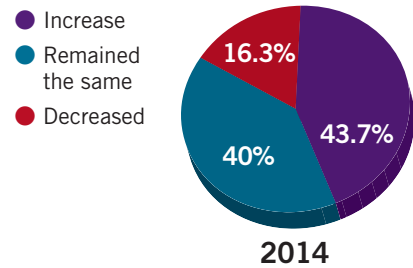


CHART 3B: NUMBER OF LOCATIONS SERVED IN 2014 COMPARED TO 2013



Methodology

The *Automatic Merchandiser* State of the Vending Industry Report is compiled from a survey sent to vending operators in Spring as well as operator interviews. The 2015 report is based on a 3.5 percent response rate to the survey and includes full-service as well as small-size snack and soda operators.

for operators to make educated decisions in route management as well as product variety management. A small yet substantial percentage of operators, 5.8 percent, added a VMS this past year. While no comparative data exists from previous years, based on comments, this appears to be a number that is growing. For the industry as a whole, 58 percent of the operators report using a VMS.

For the roughly 6 percent of operators who chose to reduce product variety, it affected the candy/snack/confection category the most — 83.3 percent of operators chose to reduce these types of products due to cost increases (chart 8). Cold beverages were the second most reduced product category with 40 percent.

USDA rule takes a toll

One of the most significant challenges felt by the industry in 2014 was the

CHART 4: STAFFING CHANGES, 4-YEAR REVIEW

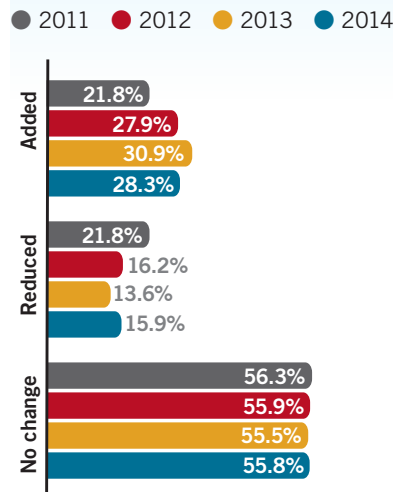


CHART 5: ACQUIRED OR DIVESTED BUSINESS, 4-YEAR REVIEW

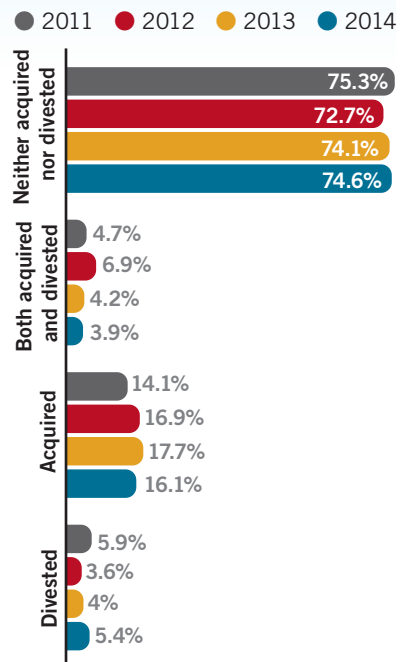


CHART 6: STRATEGIES FOR HANDLING HIGHER COSTS, 3-YEAR REVIEW

PRODUCT	2012*	2013*	2014*
Raised prices	83.10%	80.6%	61.6%
Absorbed extra cost	62.3	58.8	38.8
Eliminated unprofitable account	47.3	45.7	28.2
Rearranged routes	46.2	39.4	24.8
Reduced service frequency	42.1	35.4	22.6
Lowered commissions	33.1	29.7	20.0
Rearranged job responsibilities	22.4	15.7	13.6
Reduced equipment in accounts	22.4	14.7	10.2
Switched to using more cost-efficient vehicles	14.5	14.2	9.4
Postponed parts or equipment buys	19.7	12.1	7.6
Reduced product variety	10.7	7.6	6.8
Reduced company travel	12.8	7.3	5.6
Adjusted compensation/benefits	7.7	5.8	4.6
Postponed equipment repairs	4.9	3.1	3.8

* Includes multiple mentions

» STATE OF THE INDUSTRY

CHART 7: SEGMENTS WHERE PRICES WERE RAISED

PRODUCT	2015*
Candy/snacks/confections	30.2%
OCS	8.8
Ice cream	5.6
Sundries/toiletries	1.9
Milk	5.1
Vended food	13.4
Bulk vending	1.1
Hot beverages	5.3
Condoms	0.2
Bottled water (not single-serve)	3.3
Music	0.1
Cooperative service vending	0.1
Cigarettes	0.7
Cold drinks	21.2
Manual foodservice	2.9
Other	1.6

* Includes multiple mentions

CHART 8A: ADJUSTED PRODUCT MIX TO REDUCE DELIVERIES, 4-YEAR REVIEW

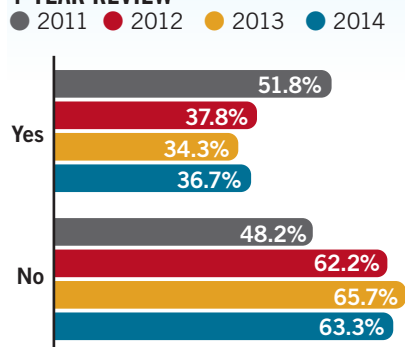


CHART 8B: THOSE WHO REDUCED PRODUCT VARIETY, REDUCED IN THE FOLLOWING AREAS:

PRODUCT	2014
Candy/snacks/confections	83.3%
OCS	11.3
Ice cream	10.4
Vended food	28.7
Hot beverage	4.4
Cold drinks	40
Sundries/toiletries	2.6
Bottled water (not single serve)	7.8
Milk	6
Other	5.3

* Includes multiple mentions

CHART 9A: EXPANDED INTO NEW SERVICES, 3-YEAR REVIEW

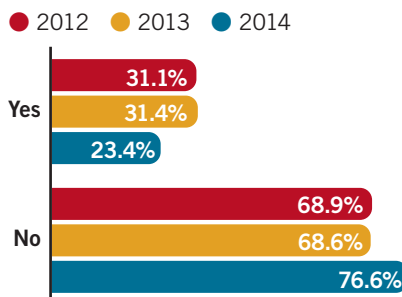
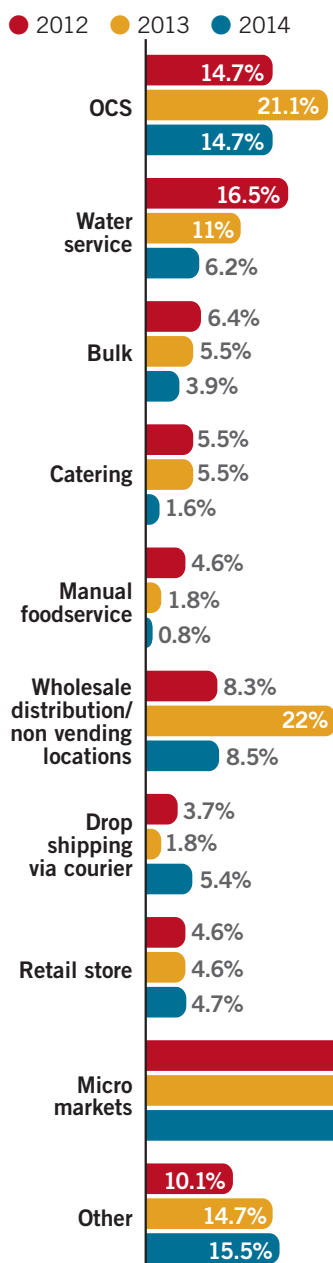


CHART 9B: IF YES, WHICH SERVICES?



required change in products allowed in vending equipment located in public schools. The Healthy, Hunger-Free Kids Act of 2010 required the U.S. Department of Agriculture (USDA) to establish nutrition standards for all foods sold in schools – beyond the federally-supported school meals programs. The requirement gives a limit for sodium, total sugar and calories in all snack items. All school vending machines had to be stocked with products meeting the requirements for the 2014-2015 school year. Operators with a large quantity of school accounts reported revenue losses between 30 to 40 percent from that segment.

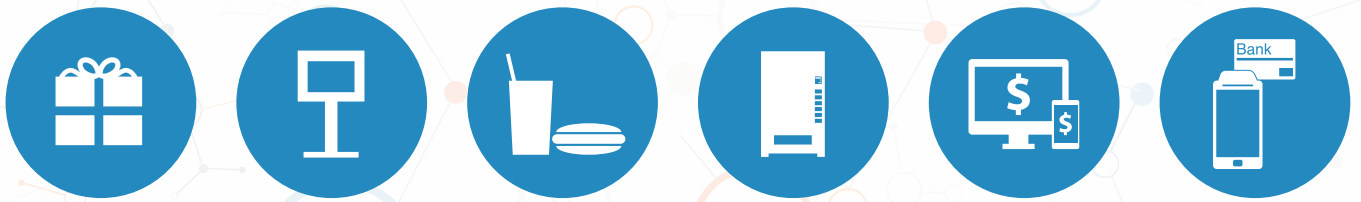
Finding healthy product options that sell well is an issue the industry will continue to struggle with as more and more vending operators are asked to place healthy items in machines even at non-school accounts. A majority, 82.7 percent of operators, report having locations request healthier products be placed in the machines. This is a trend that is not receding.

Consolidation among vending operations appears to be slowing, but continues. In 2014, 16.1 percent of operators report making an acquisition, compared to 17.7 percent the year before (chart 5). However, there was a small increase, 1.4 percent, to the number of vendors who sold off parts of their businesses. The number of smaller operations, as defined by revenue, has also contracted in the past year, dropping by 4 percent. The mid-sized companies remained fairly consistent, while some large operations grew even larger, adding

to the increase in the number of vending operations making over \$10 million in annual sales. These extra-large operations represent nearly half of the industry's sales (chart 2).

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Increasing services was practiced by 23.4 percent of operators in 2014 (chart 9A), a number that has been dropping since 2011. Operators are either open to adding services or hesitant. Those who believe new services mean opportunity have added them in the years since the Great Recession in an attempt to rebuild revenues. Other operators are hesitant to invest in additional lines, opting to instead sustain a traditional vending business model.

For those operators exploring new lines, a record percentage moved into drop shipping. Traditionally, this allows customers to order products from the operator by phone, email or via Website. Instead of running a route, the operator arranges the product to be delivered by courier to the customer (chart 9).

More locations served

While the makeup of locations stayed fairly steady, over 40 percent of operators reported an increase in the number of locations serviced (chart 3B). In many areas companies are investing in breakrooms and providing food and beverages to employees and guests. It has become an affordable way to provide desired benefits and win new talent. Other businesses are expanding and inquiring about vending and office coffee service for the first time. Operators are using a combination of marketing and a strong sales force to gain this new business and grow organically.

For operators that said they were serving fewer accounts than last year, they reported a combination of reasons. Many operators eliminated unprofitable accounts.

Others explained locations were closing or reducing staff due to an economy that has not recovered in their area.

Technology

Technology adoption has been accelerating in the vending industry for the past few years. However, for payment

CHART 10A: TECHNOLOGY UPGRADES

	2014
Installed at least one bill recycler	33.4%
% of machines equipped with bill recyclers	7
Added technology for remote monitoring (wireless)	27.6
% of machines equipped with remote monitoring	4.2
Installed at least one Credit/Debit card reader	57.6
% of machines equipped with cashless readers	11
Added at least one video screen	11
% of machines equipped with video screens	2.6
Added at least one mobile payment solution*	10.1
% of machines with mobile payment	7
Added at least one micro market	79.3

*Meant to represent mobile-only, but there was some cross over with card readers

CHART 10B: CASHLESS PROJECTIONS, 3-YEAR REVIEW

	2012	2013	2014
Projected with cashless	374,472	485,000	564,548
Closed cashless	44,936 (12%)	16,490 (3.4%)	67,181 (11.9%)
Open cashless	329,536	468,510	497,367

Total machine base estimates: 5,132,250 for 2014

CHART 11A: SHARE OF SALES BY CATEGORY, 2-YEAR REVIEW

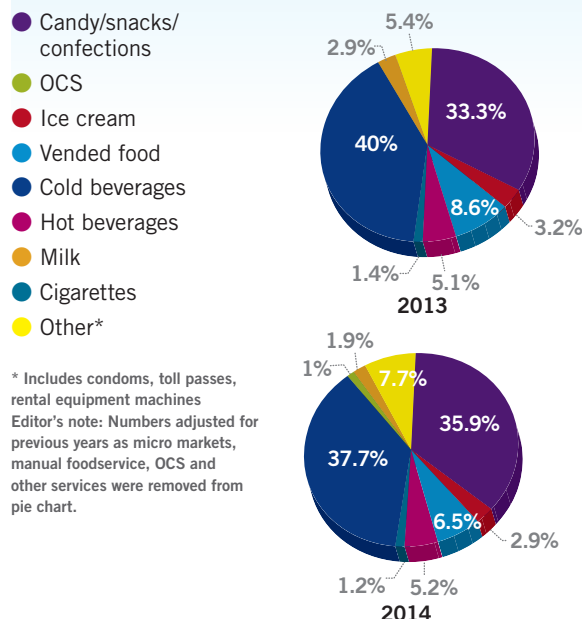


CHART 11B: SHARE OF SALES BY CATEGORY, 5-YEAR REVIEW

	2010	2011	2012	2013	2014
Micro markets	N/A	N/A	1.8%	5.11%	8.9%
Manual foodservice	28%	28.4%	17.2	11.8	7.6
OCS	6.3	6.4	9	12.8	13.3
Water service	N/A	N/A	N/A	N/A	1.9
Bulk vending	N/A	N/A	N/A	N/A	2.0
Music	N/A	N/A	N/A	N/A	1.1
Games	N/A	N/A	N/A	N/A	0.8
Janitorial Supplies	N/A	N/A	N/A	N/A	0.1
Other	N/A	N/A	N/A	N/A	4.2
Vending	N/A	N/A	N/A	N/A	60.1

* Includes cooperative service vending, repair services, wholesaler, etc.

NON-VENDING services
contributed 40% to revenues



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acceptance technologies, overall percentages remain low (chart 10). In 2014, the percentage of vending machines that would accept a credit or debit card was relatively flat, increasing only a single percent from 2013. Of the projected 5.1 million vending machines in the field, only 564,548 machines accept a cashless form of payment. Large and extra-large-sized operators are 30 percent more likely to have high numbers of cashless payment acceptors installed on vending machines.

Mobile payments was added this year. While intended to calculate the number of machines that took mobile-only cashless payments, some operators answered *yes* when they had a standard cashless reader as this also allows payment via mobile device. This has likely skewed the percentage of mobile payment enabled machines.

Remote machine monitoring saw another modest increase in 2014. A technology that works in conjunction with many VMS, remote machine monitoring produces more efficiency in route management. Even with the lift, the percentage of machines online remains less than 5 percent. There are more than twice as many vending machines accepting cashless payment than are reporting

CHART 12: PROJECTED SALES BY CATEGORY, 4-YEAR REVIEW IN BILLIONS

	2011	2012	2013*	2014	% CHANGE
Candy/snacks/confections	\$5.57B	\$5.22B	\$6.56B	\$7.24B	10%
Ice cream/frozen	0.42	0.59	0.63	0.59	-7
Sundries/Toiletries	NA	NA	NA	0.20	NA
Milk	0.34	0.49	0.57	0.39	-33
Vend food	1.14	1.38	1.69	1.30	-23
Hot beverages	0.98	0.89	1.00	1.05	4
Cigarettes	0.11	0.33	0.28	0.25	-10
Cold beverages	8.23	7.34	7.88	7.61	-3
Other	0.47	0.94	0.91	1.55	70
OCS	1.70	2.14	2.52	2.68	6
Manual foodservice	5.38	3.33	2.32	1.53	-34
Micro Markets	N/A	0.35	1.01	1.79	78

* Numbers adjusted based on revised Chart 11

CHART 13A: COLD BEVERAGE MACHINE ESTIMATES BY TYPE

TYPE	2014
Bottle and can closed front	2,129,566
Glassfront	1,028,435
Cup	107,956
TOTAL	3.3M

49.4% of beverage machines are owned by bottlers

CHART 13B: COLD BEVERAGE SALES, 5-YEAR REVIEW

% OF SALES					
TYPE	2010	2011	2012	2013	2014
Can	29%	29%	42.2%	42%	44%
Bottle	70.8	70.7	55.1	55.5	55.8
Cup	0.2	0.3	3.4	2.4	0.2

PROJECTED TOTALS IN BILLIONS					
TYPE	2010	2011	2012	2013	2014
Can	\$1.7B	\$1.7B	\$2.4B	\$2.6B	\$3.3B
Bottle	4.1	4.2	3.1	3.8	4.2
Cup	0.02	0.02	0.2	0.3	0.02

Editor's Note: These totals only apply to the volume sold by vending operators, not bottlers.

CHART 13C: AVERAGE COLD BEVERAGE PRICES, 5-YEAR REVIEW

TYPE	2010	2011	2012	2013	2014
Can	73¢	76¢	76¢	81¢	79¢
Bottle	\$1.30	\$1.32	\$1.33	\$1.33	\$1.35
Cup	70¢	70¢	71¢	85¢	85¢



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data via remote machine monitoring despite both systems requiring Internet service.

Markets may indicate success

Micro markets continue to be a fast growing segment for the vending operator. The number of operators who installed at least one micro market in 2014 was up substantially compared to 2013 jumping to 80 percent from 24 percent, respectively (chart 10). Operators report the micro market segment is driving 8.9 percent of their revenues, second only to office coffee service (for non-vending services).

An interesting trend occurred when respondent operators were sliced into those that had a revenue increase in 2014, and those that did not. Those operators who increased sales (the majority) overwhelmingly added micro markets in 2014, 83.3 percent. While this doesn't prove that micro markets automatically lead to higher revenues, it strongly implies that micro markets are a revenue generator.

For many, micro markets continue to be an exciting growth opportunity despite the challenges of inventory management and theft. Several operators indicated they were moving their businesses towards more micro markets, rather than more vending as the sales generation of a market is much higher than a bank of vending machines at the same location. In addition, locations are more aware of micro markets and are asking for these systems, driving up placements.

Product segment review

Product categories versus services were broken out further this year to illustrate more clearly how products contribute to vending revenue as a whole (chart 11A & 11B). The candy and snack category saw an increase in its share of revenue in 2014, while cold beverage's share actually decreased. Vending food also saw a decrease.

CHART 13D: TOTALS BY CATEGORY AND SUBCATEGORY

	2014 REVENUE	% SALES OF TOTAL	SHARE CHANGE FROM 2013	% SALES CHANGES 2014	
				REVENUE CHANGE	UNIT CHANGE
DRINKS	\$68.6 M	48.9%	-2.1%	16%	12%
Energy Drinks	0.8M	0.6	0	31	29
Non-Carbonated, 12oz	4.6M	3.3	-0.1	17	13
Soda, 12oz	15.5M	11.1	-1	11	8
Energy Drinks, 16-20oz	2.2M	1.6	0.3	47	46
Non-Carbonated, 16-20oz	9.1M	6.5	0.3	27	25
Soda, 16-20oz	36.3M	25.9	-1.7	15	11

CHART 13E: TOP 10 VENDED BEVERAGES IN UNITS SOLD

Dr Pepper, 20oz	Dr Pepper/Snapple	Mountain Dew, 12oz	Pepsi-Cola
Coke, 12oz	Coca-Cola	Diet Coke, 20oz	Coca-Cola
Coke, 20oz	Coca-Cola	Pepsi, 20oz	Pepsi-Cola
Dr Pepper, 12oz	Dr Pepper/Snapple	Pepsi, 12oz	Pepsi-Cola
Mountain Dew, 20oz	Pepsi-Cola	Diet Coke, 12oz	Coca-Cola

Source: Cantaloupe Systems, Inc.

CHART 14A: CANDY/SNACK/CONFECTION MACHINE ESTIMATES, 5-YEAR REVIEW

	2010	2011	2012	2013	2014
Projected Total	1.3M	1.3M	1.3M	1.4M	1.4M

CHART 14B: TOTALS BY CATEGORY AND SUBCATEGORY

	2014 REVENUE	% SALES OF TOTAL	SHARE CHANGE FROM 2013	% SALES CHANGES 2014	
				REVENUE CHANGE	UNIT CHANGE
CANDY	\$15.9M	11.3%	0.6%	28%	23%
Chocolate	10.8	7.7	-0.4	27	22
Non-chocolate	3.4	2.4	0.1	28	24
Bag Candies	0.4	0.3	0.1	101	97
Gum & Mints	1.2	0.9	0.0	23	18
SNACKS	\$55.8M	39.8%	1.5%	26%	22%
Bagged Snacks	1.0	0.7	0.1	47	42
wafers, cookies, nuts, brownies, pretzels, fruit clusters, bagged gum, yogurt bites					
Chips	29.3	20.9	1	27	24
Cookies & Crackers	4.7	3	6	23	17
Food snacks	1.1	0.8	0.2	61	39
Cheese sticks, meat sticks, meat bites,					
Nutritious snacks	2.9	2	0.4	53	48
Bean chips, granola, fruit snacks, organic items, specialty crackers/pastries/cookies, dark chocolate, bars, dried fruit, hummus					
Nuts and seeds	0.5	0.3	0	8	11
Pastry	16.4	11.7	-0.2	19	14
Cupcakes, coffee cake, pies, honey buns, brownies, doughnut, muffins, danish, pastries					

Source: Cantaloupe Systems, Inc.

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Services other than vending made up roughly 40 percent of revenues in 2014, with the top contributor being OCS with 13.3 percent. Micro markets are a quickly growing second, increasing from 5.11 percent to 8.9 percent of revenues in just one year.

Digging deeper

Candy/snacks/confections enjoyed a nearly 3 percent increase, reaching \$7.24 billion in revenue for the vending channel. According to product sales data provided by Cantaloupe Systems Inc., chocolate lost the most share in the candy/snack/confection category although the change was less than a percent (chart 14B). Chocolate-based items have seen price increases over the past few years as cocoa prices have steadily increased since March 2013, according to the International Cocoa Organization (ICCO). The price of cocoa per tonne is \$3,096.00 as of May 2015, up from \$3,030.00 from May 2014, reports the ICCO.

Snacks saw a strong increase of 1.5 percent attributed to chips, cookies and cracker sales, shows Cantaloupe Systems data. The top three products in this category by unit volume were Mars Chocolate North America's M&M peanuts, Frito-Lay's Ruffles Cheddar & Sour Cream large single serve bag (LSS) and Frito-Lay's Doritos Nachos LSS.

Healthy snacks, noted as nutritious snacks in chart 14B, constitute two percent of sales by dollar revenue. However, that is a higher percentage than some of the other categories like food snacks and nuts/seeds, according to the Cantaloupe Systems data.

The most substantial decreases among product categories recorded in the *Automatic Merchandiser* State of the Vending Industry report were vended food and cold beverage. Traditionally, consumers have been reluctant to purchase food from vending machines, especially with the increase in quick meals from competi-

CHART 14C: TOP 10 CANDY/SNACK/PASTRY IN UNITS SOLD

M&M Peanut	Mars Inc.	Cheez-It LSS	Kellogg
Ruffles Cheddar & Sour Cream LSS	Frito-Lay	Twix Bar	Mars Inc.
Doritos Nacho LSS	Frito-Lay	Frito Lay Chili Cheese LSS	Frito-Lay
Lays Plain LSS	Frito-Lay	Famous Amos Chocolate Cookies	Kellogg
Cheeto Crunchy LSS	Frito-Lay	Snickers	Mars Inc.

Source: Cantaloupe Systems, Inc.

CHART 15A: HOT BEVERAGE MACHINE ESTIMATES, 5-YEAR REVIEW

2010	2011	2012	2013	2014
315,000	309,000	318,270	318,000	317,774

CHART 15B: HOT BEVERAGE SALES, 5-YEAR REVIEW

	2010	2011	2012	2013	2014
Fresh-brew regular	54.9%	58.3%	38.3%	38.9%	35.0%
Fresh-brew decaf	5.4	3.9	6.4	5.5	5.9
Fresh-brew specialty/ flavored	7.9	5.7	11.8	11.9	10.1
Freeze-dried regular	3.1	4.5	8.6	7.	8.5
Freeze-dried specialty	7.9	5.8	8.8	9.7	11.1
Tea	1.7	2.5	5	3.6	4.1
Hot chocolate	11.7	12.8	10.9	12.9	11.7
Soup	0.5	1.4	1.9	1.3	3.3
Other	6.8	5.1	8.4	9.3	10.8

CHART 15C: HOT BEVERAGE PROJECTED TOTALS, IN MILLIONS

	2010	2011	2012	2013	2014
Fresh-brew regular	\$411.8M	\$408.3M	\$281.1M	\$334.7M	\$366.9M
Fresh-brew decaf	40.5	27.2	47	47.6	61.7
Fresh-brew specialty/ flavored	59	40	86.2	101.9	106.6
Freeze-dried regular	23.3	31.8	62.9	60.3	89.4
Freeze-dried specialty	58.5	40.3	64.5	83.3	116.2
Tea	12.9	17.8	36.7	31.1	43
Hot chocolate	87.5	89.3	79.9	110.6	122.9
Soup	4	10	14.1	11.0	34.7
Other	50.6	35.4	61.4	80	113.5

CHART 15D: HOT BEVERAGE PRICES, 5-YEAR REVIEW

	2010	2011	2012	2013	2014
Fresh-brew regular	59¢	59¢	64¢	62¢	70¢
Fresh-brew decaf	58	58	60	54	46
Fresh-brew specialty/ flavored	65	65	69	66	45
Freeze-dried regular	59	57	49	37	27
Freeze-dried specialty	59	59	56	43	30
Tea	55	55	53	45	24
Hot chocolate	59	59	66	64	57
Soup	57	55	50	24	17



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tion such as convenience stores and quick service restaurants, therefore the decline is not surprising. Also, the introduction and proliferation of micro markets is having an effect as a micro market replaces a bank of vending machines at a location that usually includes at least one food vender.

The **cold beverage** category saw a decrease in share of sales in 2014 of 2.3 percent. In looking at Cantaloupe Systems data in chart 13D, large and small sized soda has lost the most share of sales. This trend is found in many retail segments. The *Beverage Marketing Corporation* (BMC) reported that while carbonated soft drinks claim the largest share of the beverage category, they lost both volume and market share in 2014. Volume slipped by 1 percent from 12.9 billion gallons in 2013 to less than 12.8 billion gallons in 2014, which lowered their

market share from slightly less than 43 percent to just above 41 percent. Bottled water growth accelerated, reports the BMC, in addition to ready-to-drink coffee and other premium beverages such as energy and sports drinks. Cantaloupe Systems data also shows a strong year for energy drinks and large, non-carbonated beverages.

In 2014, vending operators report a drop in sales for milk, a trend

echoed in many retail segments. The International Dairy Foods Association (IDFA) reported earlier this year that the total U.S. per capita consumption of milk has reached a record low based on its measurement in 2013. Sales of milk fell by 2.8 percent, the fourth largest year-to-year decline since 1955, wrote the IDFA. In vending the decline was 1 percent.

CHART 16A: FOOD MACHINE ESTIMATES, 5-YEAR REVIEW

TYPE	2010	2011	2012	2013	2014
Refrigerated	131,000	129,000	128,700	124,000	129,000
Frozen*	52,600	53,000	53,000	53,000	52,860
Ambient	2,000	2,000	2,000	2,000	1,994
Food systems (pizza, french fries)	1,500	1,100	1,000	1,000	665
Total	187,100	185,000	184,700	180,000	184,519

* Most were also used for ice cream.



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Evive Station's **Thomas Petrini**, Founder and President (shown left) along with **Dave Flanders**, CEO and former vending operator (right) spoke with the staff of *Automatic Merchandiser* at the **NAMA OneShow** sharing the history of Evive Station and their vision as a game changer in the market.

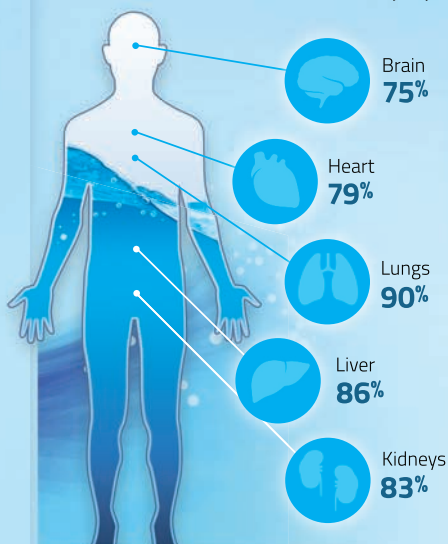
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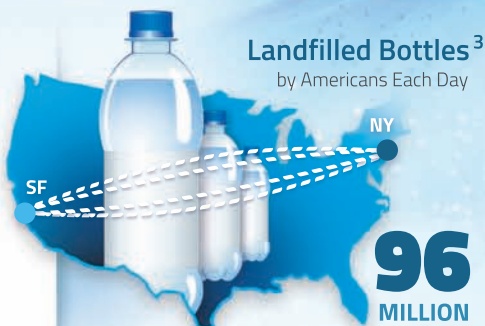
What is Evive Station?

The concept of Evive Station emerged while attending a Sustainability Conference in 2007 where *reusable water bottles* was a topic of focus when the thought provoking question arose, “**what is hindering consumers from using reusable bottles?**” Tom and Dave recognized that while the concept of a reusable bottle may assist in reducing economical issues, there remained the issue of conveniently cleaning the bottle in a sanitary way for its reuse — and so came the concept of Evive Station — the world’s first and only energy-efficient beverage kiosk to clean using NSF chlorine sanitizers and to refill a *reusable bottle* with filtered, all-natural, fruit-flavored infused waters.

What makes Evive Station a “game changer”?

As a former operator, Dave understands the challenges today’s operators face — keeping up with competitor services and consumer demand for healthy, convenient, eco-friendly, economical choices, along with product variety and ease of payment. Evive Station offers the diversification required to meet these demands while providing a competitive and profitable distributor opportunity in ideal major metro and high-traffic markets and for those already servicing an established client base. Evive Station distributors have the unique opportunity to dial in on one of three revenue sharing tiers (25%, 50%, 75%) based on a one-time upfront investment.

Evive’s unique vending model has no reoccurring product cost or cash collection and the service cycle is 1/10 of traditional vending — (an average of only 7 service calls per year) delivering a 99.5% network up-time. Best of all, Evive offers a real-time service dashboard with distributor alerts, member monitoring and survey options — making Evive Station a proven game changer.



Laid end-to-end, the empty bottles would span from New York to San Francisco and back, twice!

Evive is also a subscription-based model, which means operators can more accurately project reoccurring profitability on a long-term basis.

What’s the latest innovation for Evive Station?

Capitalizing on the trend of flavor waters, Evive Station is the first to introduce new fruit-flavored infused water in an earth-friendly manner.



Who’s Using Evive Station?

People of all ages use their beverage break to refresh, recharge and re-energize. They want convenience yet they also want great taste, at affordable prices. Our new Efused all-natural fruit flavored waters give them a flavor boost in a healthful way. By 2020, 50% of the workforce will be Millennials who want healthy, customized beverages delivered with surprise and excitement. Evive meets those demands through its unique vending experience. During the one minute it takes to sanitize and refill the bottle with clean, flavored water of choice, each Evive user can get his or her green score card showing daily water intake, cost savings, landfill savings and more. They can even take surveys or play interactive games.

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Conclusion

There are five factors really pulling at today's vending operation. Those factors are: rising product costs from manufacturers; technology adoption in operations management and at the vending machine; regulations that changed the face of school vending; changing consumer preferences; and, most importantly, taking advantage of new product and service opportunities.

Many of the operators experiencing a lift in revenues are managing to balance the change in product variety needed by schools and changing consumer preferences as well as benefiting from adding VMS, remote monitoring and additional credit and debit card readers, which also take mobile payments. They are looking at

CHART 16B: FOOD MACHINE SALES, 5-YEAR REVIEW % OF SALES

Type	2010	2011	2012	2013	2014
Freshly-prepared	23.76%	27.40%	29.32%	28.53%	29.7%
Frozen-prepared	54.56	55.27	44.76	41.56	41.6
Shelf stable	13.79	15.6	15.91	20.66	21.0
Other*	7.87	1.6	10.26	9.25	7.7

* Non-food items in food machines

CHART 16C: VEND FOOD PRICES, 5-YEAR REVIEW

Type	2010	2011	2012	2013	2014
Freshly-prepared	\$2.35	\$2.40	\$2.40	\$1.87	\$2.26
Frozen-prepared	2.27	2.30	2.35	2.09	\$2.21
Shelf stable	1.95	2.00	2.00	1.75	\$1.86

services outside the typical, whether that is micro markets, becoming a wholesaler for the consumer or offering their repair services for hire. It's this ability to adapt and give the locations what they need and want that will help grow the vending industry in the future. The core concept of

automated retail is as strong as it has ever been and with the economy promising to strengthen further, operators will be able to take advantage of the changing times. There will always be challenges, but keeping up with them and adapting is what will drive the industry forward. | ◀

Marketplace

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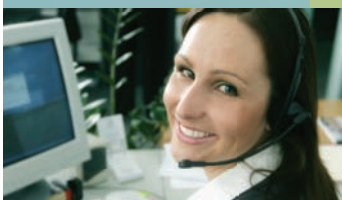
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Lott puts an emphasis on customer service.

2015 ROUTE DRIVER OF THE YEAR QUARTERLY WINNER

Dean Lott

Five Star Food Service, Oxford, AL

By Adrienne Zimmer, Managing Editor

Lott takes ownership of his routes and even creates a detailed spreadsheet on how to service each account.

DEAN LOTT surpasses the standard definition of a traditional route driver. In fact, Lott, a route driver for Five Star Food Service, does everything that is required of him and more.

For Five Star Food Service, Lott constantly looks for ways to improve the business such as helping to cut back on stales and increasing safety improvements.

For his locations, Lott puts an emphasis on customer service by making a point to get to know each location's staff and cater to his clients' requests.

"Dean knows that he is in the service industry," said Cathy Hamby, district manager at Five Star Food Service-Oxford, AL branch. "He not only makes a point to know the contact person, plant manager and the people at his locations, but he takes ownership and pride in his route." Lott's dedication to his company and his clients has made him the 2015 Second Quarter Route Driver of the Year Winner.

Part of the team

Lott sets the bar high for others at Five Star. He makes up his own route book to keep up with his schedules. In addition, he puts all of his stops on an Excel form and keeps detailed notes about each account and how they should be

"His motto is, 'How can I make your day better?'"

handled. Lott continuously looks for ways in which he can increase safety improvements for himself, the company and other drivers. He also pays attention to stales. "He probably saves the company about \$3,000 a year with the suggestions he makes," said Hamby, his boss and nominator of this award.

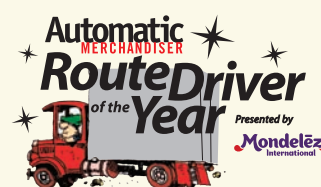
He knows customer service

Besides being a star employee for his company, Lott also works hard at being someone locations can count on. "He just has great customer skills and knows the business," Hamby reiterated. "Dean knows what the term 'customer service' is all about."

Lott gives his contact people his cell phone number so they can reach him in an instant instead of having to go through the company. Although, sometimes they feel so strongly about the hard work Lott does that they contact Five Star anyway. "We receive emails and thank you letters about Dean all the time," said Hamby. "He is part of the customer's team as well as ours." In fact, many of Lott's clients invite him to their company functions.

Say it with a smile

Above all else, Lott takes pride in his work. He makes sure that his customers know him; he keeps his machines clean and takes each complaint seriously. Not only that, but he addresses each concern in a positive way. "His motto is, 'How can I make your day better?'" said Hamby. "Dean always comes to work with a smile. He cares about his company and his customers." ◀



Route Driver of the Year quarterly winners are awarded \$250 and will be entrants for the final Route Driver of the Year award presented at the NAMA One-Show in April 2016. Nominees are given a score based on experience, miles traveled, customer satisfaction and nominator comments. The award is sponsored by Mondelez International and Automatic Merchandiser.

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Every route driver nominee will receive a baseball cap embroidered with the *Automatic Merchandiser* logo and the words: Route Driver of the Year nominee.

Quarterfinalists will be featured in a one-page profile in ***Automatic Merchandiser*** magazine in 2015. They will also receive a \$250 cash prize.

The grand prize winner will receive a trip for two to Chicago, Ill., to attend the NAMA OneShow and receive their award. The grand prize winner will also get a TV. The 2016 Route Driver of the Year winner will be profiled, along with the winner's company, in the April 2016 issue of *Automatic Merchandiser*.

To nominate a driver or view complete contest rules, visit vendingmarketwatch.com/awards/route-driver-of-the-year



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Nominations must include route driver name, company name, address and telephone of the nominee, as well as the name, company name, address and telephone number of the person submitting the nomination. Nominees must be employed as a route driver of a vending operation on April 30, 2016. Entries will be reviewed by *Automatic Merchandiser* personnel ("the judges"). Determination of the winners shall be made by the judges in their sole and absolute discretion, and such determination shall be final and binding.

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1. Technomic, The Snacking Occasion Consumer Trend Report, 2014

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