

2016 Industry Forecast
A look at vending, micro markets & OCS page 18



Pros To Know
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Coffee Service Industry Resource

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VISION OF THE FUTURE

» President of Evergreen Vending and Avanti Markets NW Jim Brinton has seen his operation change more in the last 5 years than in the previous 35. page 12



SUCCESSFUL INDUSTRY LEADERS

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The second annual *Automatic Merchandiser* and VendingMarketWatch.com Pros to Know Award recognizes vending, micro market and office coffee service industry professionals who are proven leaders in the industry.

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» Jim Brinton has seen his operation change more in the last 5 years than in the previous 35.



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BLOGS, PODCASTS & VIDEOS



▶ VIDEO: Vending Confidence Slips, Micro Markets Keep Operators Inspired

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▶ EDITOR'S BLOG: Take The Best Marketing Cues From Your Competitor

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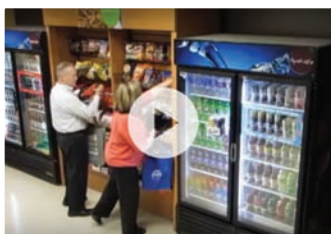
▶ GUEST BLOG: What Does The Stumptown Acquisition Mean For OCS?

www.vendingmarketwatch.com/12130686



▶ BLOG: Are Consumers Taking Office Coffee Into Their Own Hands?

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▶ VIDEO: Stereotypes Of Micro Market Thieves

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Technology Trends In 2015

Technology providers continue to push vending forward, helping operators run more efficient businesses and engage with consumers.

Technology is a small word for such a large range of topics. For instance, it is used to describe everything from enhanced promotional capabilities of micro markets, vending management systems, digital marketing and cashless payment options. This year we have seen technology adoption increase even more sharply in the vending industry than in the past with new/expanded partnerships, equipment launches and slow but consistent integration.

Here is a look back at some top technology-focused news items that came out in 2015. So far, 2016 is looking just as innovative and exciting.

Micro markets go big with mobile push

In January, big news broke about two industry companies – the purchase of BYNDL by Avanti Markets. Jim Brinton, CEO of micro market supplier Avanti Markets, told VendingMarketWatch.com that consumers wanted to use more mobile payments. He believed the merger would help make that a reality while also developing the tools to

promote loyalty. Sure enough, this fall the Avanti Markets App, Powered by BYNDL was released and does both.

In April, we looked at trends reflected at the NAMA OneShow in Las Vegas, NV. Among new products to sample was an influx of technology innovations, including more mobile payment and promotions options available for vending machines. It's not just customer facing tech-

nologies that have been steadily increasing all year, but the use of systems to enhance product offerings and delivery schedules, too. Vending management systems (VMS) are no longer 'nice-to-haves', but instead have become 'need-to-haves.' The ability to both visit a machine only when necessary and prekit products for the route driver, are allowing tremendous growth and unparalleled control over the business by the operator.

Technology integrations have also been happening at a greater pace, which makes transitions more seamless and saves time transferring data and looking at metrics in two different systems. In early December LightSpeed announced a new integration with Vagabond; an integration which should be available to those customers in early 2016. It's one more positive step in the right direction for vending.

Vending equipment gets a boost

While there has been much talk about micro markets and office coffee service, the vending industry is still a strong core segment – it's just evolving. This October it was reported that the Wittern Group in Clive, IA, was planning a \$17.75 million expansion that includes bringing controlled dispensing solutions to industries like healthcare and maintenance repair. The next month vending equipment was again in the spotlight when AMS announced its MicroVend, a countertop vending machine that would start production in 2016. While previewed at a few trade shows, the announcement gained a lot of industry attention for the compact vender.

Technology will continue to be a major trend in 2016. It is driving some operators to higher profits and frustrating others, but we have reached a tipping point where technology is no longer in a testing phase, but has proven its worth. Look for more of it in the year ahead. | ◀

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Investor Group Buys Keurig Green Mountain For \$13.9 Billion

Keurig Green Mountain, Inc., a personal beverage system company that has revolutionized the way consumers create and enjoy beverages, and JAB Holding Company (“JAB”) have announced that the companies have entered into a definitive merger agreement under which a JAB-led investor group will acquire Keurig Green Mountain for \$92.00 per share in cash, or a total equity value of approximately \$13.9 billion. The agreement, which has been unanimously approved by Keurig Green Mountain’s board of directors, represents a premium of approximately 77.9 percent over Keurig Green Mountain’s closing stock price on Dec. 4, 2015.

JAB is acquiring Keurig Green Mountain in partnership with strategic minority investors who are already shareholders in Jacobs Douwe Egberts B.V., including Mondelez International and entities affiliated with BDT Capital Partners. At the close of the transaction, Keurig Green Mountain will be privately owned and will continue to be operated independently by the company’s management team and employees. Keurig Green Mountain will remain headquartered in Waterbury, VT.

The transaction is not subject to a financing condition and is expected to close during the first calendar quarter of 2016, subject to customary closing conditions.



The purchase of Keurig Green Mountain is expected to close during the first calendar quarter of 2016.

billion. The transaction expands Snyder's-Lance's footprint in "better-for-you" snacking and increases the company's existing natural food channel presence.

AVT Shareholder Leads Capital Raise To Help Company Exit Chapter 11

► AVT, Inc. announced that a prominent shareholder in the company and a distinguished businessman, is leading an effort to raise capital to help the company exit Chapter 11. "I am a huge fan and an ardent supporter of AVT because I have an understanding of the market and of the company's potential," said John Knipf. "I have always been proactive in my approach to business, and I am looking forward to helping fund AVT's exit strategy to get out of Chapter 11, and get back to the business of executing on its business plan, current opportunities, and future goals."

NAMA Foundation Announces 2015 Undergraduate Scholarship Winners

► The NAMA Foundation recently announced the recipients for its 2015 undergraduate scholarship program. The program awarded post-high school non-renewable scholarships of \$2,500 to three recipients who were chosen at random. The three winners are: James C. Daniels, Warren, OH, sponsored by AVI Foodsystems; Melissa McCann, Fontana, CA, sponsored by Betson Enterprises; Thomas Porath, Lexington, NE, sponsored by VVS, Inc.



Liberty Enterprises, LightSpeed Partner On New Blind Initiative

► Aurora, CO-based vending operation Liberty Enterprises and LightSpeed Automation have joined forces in an effort to modify LightSpeed's warehouse picking solution for blind and visually impaired operators. "Blind operators want to run successful

businesses and would love to compete for vending opportunities outside of the government contracts," stated Gary Nelson, president and CEO of Liberty Enterprises. "We want to grow our business just as much as other operators and if technology gives us the chance to compete for that, then I'm excited to be a part of this project." In addition to LightSpeed's warehouse picking solution, Liberty Enterprises will be working closely with LightSpeed in development of Level – their advanced inventory solution.



Snyder's-Lance, Inc. To Acquire Diamond Foods, Inc.

► Snyder's-Lance, Inc. and Diamond Foods, Inc. announced that they have entered into a definitive agreement under which Snyder's-Lance will acquire all outstanding shares of Diamond Foods in a cash and stock merger transaction for approximately \$1.91



ConAgra Foods Plans To Separate Into Two Public Companies

▶ ConAgra Foods, Inc. announced plans to pursue the separation of the company into two independent public companies: one comprising its consumer portfolio and the other comprising its foodservice portfolio of frozen potato products. The consumer brands business will be renamed Conagra Brands, Inc. and the frozen potato business will operate under the Lamb Weston name. Immediately following the transaction, which is expected to be completed in the fall of 2016, ConAgra Foods shareholders will own shares of both independent companies. The transaction is expected to be structured as a spin-off of the Lamb Weston business, tax-free to the company and its shareholder.

Conagra Brands will consist of brands such as Marie Callender's, Hunt's, RO*TEL, Reddi-wip, Slim Jim, PAM, Chef Boyardee, Orville Redenbacher's, P.F. Chang's and Healthy Choice.

Six Convicted On Business Opportunity Fraud Charges

▶ A jury in Central Islip, NY, convicted six men on felony charges of conspiracy and fraud in the sale of candy vending machine business opportunities, the Department of Justice announced. According to evidence presented at trial, manag-

ers, sales representatives and operators of "locating companies" associated with Multivend LLC, d/b/a Vendstar, made material misrepresentations about the profits customers would make from bulk candy vending machines. During the telemarketing calls, Vendstar's sales representatives falsely claimed to operate their own profitable vending machine businesses.



ACE 2015 Oktoberfest Operator Attendance Up Five Years In A Row

▶ Participants from 20 states and Canada took part in this year's three-day Atlantic Coast Exposition (ACE) that was held in Myrtle Beach, SC. ACE reported that operator attendance has grown for five consecutive years and booth sales grew 10 percent over last year. Awards were presented to NCVA Vendor of the Year Allen Hester of Canteen Vending; NCVA Supplier of the Year Rob Shumake of G&J Sales and Marketing; VAMA Vendor of the Year Karen Harlow of Canteen Vending; and VAMA Supplier of the Year Lou Pace of Quality Brokerage. A plaque was presented to Scott Denhard of Canteen Vending to honor his year-long commitment and valued leadership as the 2015 ACE Planning Committee Chair. The Lifetime Achievement Award was presented to Zed Bradley of Piedmont Vending Services.

People in the News

Jeff Yoder Promoted To Vice President/GM Of AVS

American Vending Sales (AVS) has announced that they have promoted Jeff Yoder to the position of vice president/general manager. He joined the company in 2006 as general manager and has overseen all aspects of operations. Yoder has also had a leading role in the gaming division at AVS by heading up the gaming compliance initiatives and acting as liaison to the Illinois Gaming Board.



Yoder

Glenn Butler Named New GM Of Nayax

Industry veteran Glenn Butler has joined Nayax as the general manager of Nayax North America to accelerate its growth across the U.S. and Canada. Butler started his career just out of college by co-founding Streamware in 1991. He later spent time as president of Cantaloupe Systems, VP and CTO of Crane Merchandising Systems, and co-founder of VendScreen. His consulting company CTO Services has done several integration projects for clients within the vending industry.



Butler

Accent Foods Hires Canteen Division President John Christian

Accent Foods, a vending, micro market and office coffee service company in Austin, TX, has hired John Christian for the position of chief marketing officer. Christian was formerly the central division president of Canteen. Christian graduated from the University of Wisconsin with Bachelor of Science degrees in Economics and Business. He has been involved in the vending industry for more than 25 years.



Christian

365 Retail Markets Welcomes New Director Of Sales

365 Retail Markets is pleased to announce the recent appointment of John Veit as its new director of sales. As the director of sales, Veit is responsible for continuing the expansion of the company's vending, micro market and foodservice technologies across the globe. He is also responsible for developing new markets and optimizing routes to market; to provide the best customer solutions and experience in the marketplace.



Veit

30 Participants Complete NAMA's Executive Program

NAMA announced that 30 participants successfully completed its Executive Development Program at Michigan State University. The EDP Class of 2015 joins the ranks of more than 450 other industry executives to graduate from the program since its inception in 2000.

"On behalf of NAMA, I'd like to congratulate our 2015 EDP graduates on their tremendous performance in the program this past week," said Dan Mathews, NAMA executive vice president and chief operating officer. "This fall marks the 15th year of the NAMA Executive Development Program and it gets better and better each year. Our participants came from a variety of professional backgrounds within the industry, but they were united by passion and a strong desire to learn and grow."

New additions this year included EDP faculty member, Dr. Cheri Speier-Pero, who led Business Analytics and Leveraging Customer Data, giving participants a look at how predictive analytics can be used to create value within organizations. The 2015 curriculum also incorporated new content, including an updated case study and a customer pricing component, helping participants strategize and tackle pressing industry challenges while preparing them for the future.



NAMA held its Executive Development Program at Michigan State University Oct. 18-22, 2015.

of its merger in July and in August it laid off 700 employees at its corporate headquarters in Northfield, IL. This latest round of cuts continues the Kraft Heinz Co. plan to be more globally competitive and modernize plant equipment.

The company intends to close production plants in California, Maryland, New York, Pennsylvania and Wisconsin. Production in those facilities will move to other factories.



Carvana Opens World's First, Fully-Automated, Coin-Operated Car Vending Machine

► Carvana launched the world's first, fully-automated, coin-operated car vending machine in Nashville, TN. Carvana customers can now purchase a car entirely online and choose to receive their car through a proprietary and fully-automated pick-up experience, similar to how a can of soda is dispensed from a traditional vending machine.

Carvana's car vending machine in Nashville is a glass building that contains a welcome center, a five story glass tower storing up to 20 cars, three customer delivery bays and an automated delivery system that moves a customer's vehicle from the tower and into each bay.



Gourmet Coffee Service Signs Long Term Distribution Deal With Nespresso

► Gourmet Coffee Service has partnered with Nespresso to bring the brand's single-

serve espresso and coffee machines to Los Angeles County and Orange County office environments. "We are very excited to join forces with Nespresso," said Bob Tullio, VP of business development for Gourmet Coffee Service. "For some time, our clients have been asking for Nespresso, brewed on professional equipment, managed through our refreshment services program. It's another opportunity to spoil our terrific client base."

Kraft Heinz Co. To Close Seven Manufacturing Plants

► Kraft Heinz Co. will be closing seven of its manufacturing plants and eliminating 6 percent of its workforce, The Wall Street Journal reports. As part of a plan to "reduce overlap and excess capacity" the newly merged company is eliminating 2,500 jobs. Previously, the Kraft Heinz Co. announced the completion



Pinnacle Foods To Acquire Boulder Brands

▶ Pinnacle Foods Inc. and Boulder Brands, Inc. announced that they have entered into a definitive agreement for the acquisition of Boulder Brands by Pinnacle Foods, in a transaction that expands Pinnacle's presence in growing and complementary health and wellness categories. The transaction also expands Pinnacle's presence in the natural and organic retail channel and provides Pinnacle with a new growth platform in refrigerated foods.



The Coca-Cola Co. Announces Letters Of Intent With Three U.S. Bottlers

▶ The Coca-Cola Company announced it has signed letters of intent with three U.S. bottlers to grant expanded distribution territories in seven states as part of its ongoing efforts to rebrand half of company-owned U.S. bottler-delivered volume by the end of 2017.

In each territory, The Coca-Cola Company will grant exclusive rights to these bottlers for the sale and distribution of bottler-delivered Coca-Cola beverages. In addition, Coca-Cola Refreshments, the company-owned U.S. bottler, will sell its sales and distribution assets to the expanding local bottling

partner. New letters of intent provide that:

- Coca-Cola Beverages Florida, based in Tampa, will assume additional territory in north Florida including Brevard, Daytona, Jacksonville, Gainesville and Orlando.
- Great Lakes Coca-Cola Distribution, L.L.C., based in Chicago, will assume additional territory including the state of Michigan, the majority of Wisconsin including Milwaukee, southern Minnesota including Minneapolis and portions of northeast Iowa and northern Illinois adjacent to its Chicago territory.
- Atlantic Coca-Cola Bottling Company, based in Atlantic, Iowa, will assume new territory in southeastern Iowa, including Cedar Rapids and the Quad Cities, western Illinois and northeastern Missouri.



My Fit Foods™ Looks To Vending & Micro Markets

▶ My Fit Foods™, a producer and retailer of handcrafted, fresh, grab-and-go meals, announced the opening and U.S. Department of Agriculture (USDA) certification of its new, 30,000-square-foot central kitchen. The opening of the handcrafted production kitchen allows My Fit Foods to expand and sell its products through new, strategic distribution channels, including corporate cafeterias, vending and micro markets, as well as third party retailers. The central kitchen is expected

to create over 150 new job opportunities in the Dallas-Fort Worth area.

LightSpeed Automation Announces Integration With Vagabond Vending

▶ LightSpeed Automation announces a new integration with Vagabond Vending, the mobile-first Vending Management Solution (VMS). The integration is in development and should be available to Vagabond and LightSpeed customers in early 2016. "We are very excited to bring LightSpeed to Vagabond's customers," stated David Marler, LightSpeed's VP of sales and marketing. "Their customer base matches up well with both our Xpress and Foundation systems. We look forward to bringing them the same efficiencies and profitability that our larger operators enjoy."

Seven Industry Companies Join The American Business Act On Climate Pledge

▶ Seven companies in the vending industry have taken part in the American Business Act on Climate Pledge, joining more than 140 companies.

NAMA member companies to participate thus far include:

- 365 Retail Markets
- All Star Services
- Cantaloupe Systems
- Compass Group and Canteen
- Gourmet Coffee Service
- Royal Vending
- The Wittern Group

"Sustainability is an important focus for businesses looking to grow and adapt amid a changing environmental landscape," said Eric Dell, NAMA senior vice president of government affairs.

Massimo Zanetti Beverage USA Acquires Minority Stake In Club Coffee

▶ Massimo Zanetti Beverage USA has announced plans to acquire a 25.1 percent minority equity position in Club Coffee of Toronto, Canada, for \$25.1 million (CDN). The parties anticipate their agreement will enable MZB to expand its reach in Canada and Club Coffee to enhance its U.S. presence. The equity investment is expected to be finalized before the end of this calendar year and is subject to the parties' successful conclusion of due diligence and other pre-closing conditions.

CALENDAR OF EVENTS

JAN. 27-28

TMVA Board Meeting
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San Antonio, TX
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www.tmva.org

JAN. 17-19

Winter Fancy Food Show
Moscone Center
San Francisco, CA
Phone: 646-878-0301
www.specialtyfood.com

MAR. 17-19

NCA Annual Convention
Hotel del Coronado
San Diego, CA
Phone: 212-766-4007
www.ncausa.org

APR. 13-15

NAMA OneShow
McCormick Convention Center
Chicago, IL
Phone: 312-346-0370
www.namaoneshow.org

From Coffee To Cola: Single Serve In The OCS Industry

By Adrienne Zimmer, Managing Editor

Single serve coffee changed the OCS industry; is single-cup cola poised to do the same?



Single-cup coffee has revolutionized the OCS industry. Now with the emergence of single serve cold beverage systems, many operators are waiting to see if the demand for these cold beverage units will hit the OCS industry with the same fervor as the hot beverage units.

A high cost option

Single-cup hot brewers have allowed consumers to enjoy the personalization and customization of single-cup options from gourmet coffees and teas to hot chocolate, mochas, lattes and even soups. For single-cup cold beverage machines, that customization could come in the form of cola, energy drinks, sparkling water, juices, iced teas and more.

"The consumer loves options and I do think this type of machine would be well-received by employees," said Charles Brunson, CEO of NC-based Capitol Coffee Systems. "The removal of the water from all our canned and bottled products would allow us to carry a lot more on our trucks and deliver to more locations in the same amount of time."

The issue, he says, is cost per serving. "Single serve coffee changed the world from \$.15 and \$.20 cent per cup to \$.50 cents per cup of coffee," he said. "The issue would be getting this new single serve cold beverage item in the marketplace and accepted [by the employer] at a profitable price point."

Before operators jump on board, there has to be consumer interest and the right price. "We would love to offer [single serve cold beverage options]," said Sandy Thornton, co-owner of GA-based VendEdge. "But only if the demand is there," she added. "We are taking a 'wait and see' approach," she explained. Thornton believes the price may hold some consumers back from embracing the cold beverage machine in the office right away. "We think that having multiple flavors readily available is a positive, however, early indications are that the price points may be cost prohibitive. We are hearing \$1.25 for a 12-ounce drink," said Thornton.

Some systems also require CO₂ tanks, which raise more issues of transportation, storage and tank replacement. Despite these concerns, Pete Tullio is keeping an open mind about the machines. "We would definitely consider adding a single serve cold beverage machine to our OCS offerings," said the CFO of CA-based Gourmet Coffee Service. "A track record would be helpful, however, to gauge the required maintenance and service responsibilities. I can certainly see this as a viable offering in the OCS environment and I do believe it would be readily accepted by the consumer in the office," he said. "In the right setting and with a sufficient office population, we would be interested in offering the product," Tullio said.

Not an option for some

For some operators, single serve cold beverage machines do not have much allure. Jim Carbone, COO of IL-based Workwell and Truebrew Coffee & Tea Outfitters, revealed that his company has no interest in the machines, as more consumers are turning away from soda. "With the water system we offer, we try selling natural flavors for handcrafted sodas, like root beer, cream soda, etc. and get very little requests. We will get whatever a customer wants but I do not expect to offer [single cup cold beverage machines] in our portfolio," he said.

WI-based Joel Sather, CEO of Capital Coffee, agrees. "The cost is too high and the technology is unreliable right now," he said.

Jeff Lieder, president of CA-based Tri-R Coffee and Vending, prefers to see where the demand is headed. "Drinks are so expensive that these 'make your own soda on demand' machines are surfacing," he said. "The idea is cool...as an operator I haven't seen the value yet. I'm not sure how this is going to play out but we're open to any possibilities that come available."

There is certainly potential for the single-cup cold beverage system in the OCS business, but only if consumers drive demand to a point where employers are willing to pay the higher price per cup. For now, it is a waiting game. | ◀



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Seattle Visionary Ushers In New Vending Era With Micro Markets

By Emily Reformat, Editor

» From one soda machine to a full-service operator of over 3,000 vending machines and 600 micro markets, Jim Brinton has seen his operation change more in the last 5 years than in the previous 35.

When Jim Brinton, president of Evergreen Vending, felt the impact of the 2008-2009 Great Recession, he was concerned. His 34-year-old vending operation based in Seattle, WA, was weathering the turbulent economic times, but the future didn't look as bright as the past. His concern deepened as he visited other vending operators around the U.S. in the capacity of NAMA Chairman. "I was feeling the same pain as the operators I was seeing across the country," he said. With businesses closing or reducing employees, vending locations were disappearing. Wage freezes or reductions were leading to significant decreases in revenue. With no major changes to the vending industry since glass front vending machines and the bill validator, operators found it hard to highlight their service versus their competitor and drive the higher prices they needed to maintain profitability. Many saw a bleak future. However, visionaries

see things differently. That is why, despite this time of uncertainty, Brinton decided to launch into a new enterprise that would not only reinvigorate his operation, but the entire industry — micro markets.

Micro markets were a much needed solution to Brinton's concerns thanks to their ability to attract customers willing to pay higher prices for a greater variety of food as well as meet demands of an increased number of larger locations. In addition, the recovering post-recession economy made it an even more promising time to launch a new workplace refreshment segment.

"I often say the stars aligned," joked Brinton about how he got into the micro market business. And he also credits it for keeping him in the industry. "I might not be here — my company that is — without micro markets," Brinton added seriously.

The job he always returned to

Brinton began his vending career in 1976, at age 17. He installed a vending



machine in his father's auto supply store because employees kept enjoying his soda without paying him for it. Once he had one machine, he started looking for other places he could install the venders. When Brinton left for college he turned the business over to his younger brother to run for him. "It wasn't his passion," explained Brinton, who had to return to run the company. He grew his business by 250 percent in the next year, organically and by buying a few routes from other operators.



At the tail end of the recession in 2009, Jim Brinton, president of Evergreen Vending, decided to launch into a new enterprise that would not only reinvigorate his operation, but the entire industry — micro markets.

Then in 1985, still young and full of too much energy, Brinton decided to also pursue a career in law enforcement with the City of Seattle after the encouragement of some friends. After 10 years, the unpredictability of the job led him back to vending full time. Since then, Evergreen Vending has grown to include 54 routes and 165 employees operating from four different locations throughout Western Washington and Oregon.

An industry is born

After the challenges of the recession, Brinton knew his company's future had to be different. Probably the biggest change he made, both for his company and the industry, was going into business with another operator on a self-checkout system that did not use RFID tags, but allowed users to scan the existing bar codes on products. Up until that point, the systems marketed to the industry had needed RFID tags

affixed to each product which added labor and physical label costs. Brinton thought there had to be another way and placed a few kiosks in locations for testing in 2009.

"I looked at the results of the base test and thought 'this might be the savior of my business'," said Brinton. In 2010, Brinton hired sales people for his micro market division and started adding two to three markets per week. He now has 600 markets

over his service area from greater Seattle, WA to central Oregon and in between operating the same as other operations. “There are no back doors here,” he joked about his employees using the same systems, reports and technical support number as the rest of the country including paying the same service fees as everyone else.

As time went on, the revenue numbers truly put in perspective for Brinton the importance of diversifying his operation. “It took me 35 years to develop 30 percent of my business revenue [vending, OCS and used equipment] and only 5 years to develop 70 percent — micro market sales,” explained Brinton. Despite being a smaller percentage, he hasn’t seen vending shrink that much. There is some attrition when adding micro markets, but most of his micro markets were and continue to be new workplaces that did not have vending or transitioned from operators who did not endorse the micro market concept early on.

“In the past, work environments have shut out vending, but were not big enough for a cafeteria,” said Brinton. Evergreen Vending was able to meet the needs of these customers by offering micro markets under Avanti Markets Northwest. Brinton continues to add about 150 micro markets a year.

Location land grab

Brinton first went after locations he felt were low hanging fruit. They either weren’t being serviced at all or adequately served by vending. The type of workers, blue collar versus white collar, was not one of his main considerations as he had seen the micro market concept work with multiple types of locations. The number of employees and existing service were the main drivers.

Brinton believes that right now is an important time for the micro market division of his company, and



Brinton's micro markets carry both branded food and private label.



The fee tradeoff

While Brinton is also the president of Avanti Markets Corporate, the nationwide supplier of Avanti micro markets, the micro market side of his operation has the same profitability model as any operator. “My staff call the same support line number and I still pay service fees,” said Brinton.

Ongoing service fees are a hurdle Brinton hears from many operators. He believes that they are comparable to some of the fees in vending that get overlooked because operators are so used to them.

“First, vending machine credit card fees are higher than micro markets,” indicated Brinton. Also, taxes are more transparent for the customer, saving some money per transaction. For example, in Washington there is a high sales tax, which needs to be added into the price of vending items while balancing the price point customers will actually pay. In Oregon there is a bottle deposit that must be paid. In micro markets, both those taxes are added in at the kiosk, just like other retail environments, so the price of the product doesn’t have to be adjusted. Add to this the cost of vending management systems, service calls, as well as cash shortages or product spoilage for vending machines compared to micro markets, and the money is pretty comparable in Brinton’s estimation. Commissions are another large cost area for vending that is eliminated (or should be eliminated) with micro markets, according to Brinton.



Warehouse staff pick cold food orders at an ambient temperature due to glassfront coolers.

likely the industry. “It’s a real estate grab,” he said, “in any area of the country.” He believes it’s important for the vending industry to establish itself as the leader in this segment so outside competition does not enter the marketplace. He is getting workplaces ideal for micro markets under contract, even if it means routes that are less dense than they could be. He feels he can back fill, or add more micro market locations to existing routes in the future. He has also been converting some of his vending customers to micro markets. It offers them a different experience, the potential to increase his sales, but also to reestablish his relationship with the location.

The commission reset

Converting an existing Evergreen Vending account to an Avanti North-

west micro market served to reset customers used to shopping for break-room services based on price or getting commissions. “We used it as an opportunity to set different expectations for the customer and profit model,” explained Brinton. His team focuses on how micro markets bring a service to the location — better refreshing staff on site. Sales is able to explain that micro markets run differently, aren’t vending, and do not pay commissions. Products are different, with more variety than vending. This keeps customers from trying to make a price comparison. Usually, the micro market concept is so inviting they don’t mind giving up commissions.

A redesigned warehouse

The warehouse in the headquarters of Evergreen Vending and Avanti Markets Northwest looks more like a

members-only warehouse club. There are large, glass fronted coolers so warehouse staff can pick food while being at a normal temperature. This is especially important for Brinton’s growing micro market operation as 32 percent of his product is food — refrigerated or frozen. In fact, his food demand has gotten so high, he has started an unconventional process. He uses the Seattle warehouse for food and his Olympia, WA, warehouse 65 miles away for dry goods, which constitute about 70 percent of the micro market product volume. Each night, prekit- ted food is driven down to Olympia and prekit- ted dry goods are sent back on the truck to Seattle to be loaded onto vehicles and ultimately distributed to micro markets.

Having to reestablish the logistics of product delivery has also caused Brinton to consider how he uses vehicles. He has a fleet of hybrid vehicles for sales and service technicians to use. For micro market deliveries, he has begun switching to the RAM Pro-Master with a custom interior. Food is arranged on top above beverages as food is lighter. There is also a refrigerated compartment that runs on 12 volts so there is no extra compressor needed. “This is the easiest and best layout,” said Brinton. He still has more traditional delivery vehicles, but is moving away from them in favor of the gas savings of the newer vans. With such an extensive fleet of over 80 vehicles total, Brinton employs vehicle maintenance staff to service them onsite. He also has outdoor outlets for the vehicles to be plugged in to power the refrigerator.

The new vehicles work because Brinton is no longer operating a warehouse on wheels where vehicles would hold 60 to 80 items per truck. Micro markets offer 350 items. “There is no way to be a rolling warehouse and serve micro markets,” explained Brinton. “You can’t effectively run markets without prekit-

ting,” he added, glad it was a system that already existed in the industry.

The value proposition of food

With micro markets, food has become a central and profitable aspect to the business. That wasn’t the case with vending food. “We weren’t making money on fresh food,” he said about the days he just served food from vending machines. Micro markets are different, so the food has to be different, too. “What I realized was that vending food was a last resort. But micro markets have created a meal stop,” said Brinton. Why? Because now employees aren’t burning gas, losing their parking spot, fighting traffic or wasting breaks commuting for food and beverages. That includes the time it takes to get focused once again on the work the employee was doing. “That is the value proposition that has replaced commissions,” added Brinton.

With this value proposition comes some responsibility for the operator. The micro market food program must



In the RAM ProMaster van, a 12-volt refrigerated compartment needs to be powered while the vehicle is off.

stay fresh and new. “A successful micro market food program means offering unique items and having the control to change the menu and increase the quality of the ingredients so the food remains unique,” said Brinton. He changes his food often, but does not run his own commissary.

Promotions are a key driver

Brinton has also noticed that merchandising and marketing in micro mar-

kets is necessary. A new market might boost sales initially, but to keep the momentum up, the operator must run promotions and new products. Avanti Northwest bundles products together for deals or runs ‘buy X number of the item and get one free’ deals. It pushes advertising and promotions via the kiosk and mobile. Micro market coolers are refaced to look new and market layouts are rearranged so users need to “hunt” to find the products they want. New products are introduced regularly, either by customer request or because of manufacturer promotions. “It’s much more like retail,” said Brinton. “And very different than in vending.” The company is even experimenting with take home options, like holiday cookie tins, as last minute gift options for a neighbor.

One of the indispensable tools Brinton uses in micro market merchandising is food tasting. He partners with manufacturers for free or discounted product as well as collecting a fee to pay for the event. He then has a dedicated staff member visit different markets Tuesday, Wednesday and Thursday each week to hand out samples of that product. Brinton says it works to increase sales of the sampled item, but also to reenergize the market. It’s a technique he believes any operator could do. “Brokers and manufacturers have a budget for this and love it,” Brinton said. It’s a scalable idea for any number of markets. For example, he suggests that if an operator had 26 markets, they could do one every other week.

Other branches of service

Brinton does offer coffee service, called NW Coffee Service, but it’s a small revenue segment for his company. “OCS is not a huge push because this is a very competitive market with lots of quality coffee and strong brand names,” said Brinton. In micro markets, Brinton usually offers a single-cup brewer to meet the gourmet tastes

How a changing world accelerated the growth of micro markets

Jim Brinton, president of Evergreen Vending and Avanti Markets Northwest as well as one of the founders of Avanti Markets, saw the potential of a self-checkout system early on. However, he was also aware that if the world had not evolved, the idea would not have worked.

In 2004, there were very few self-checkout systems the average person saw and used on a regular basis “If that had continued to be the case, introducing one at the workplace would have been foreign to customers,” Brinton said, and he suggests that micro markets might not have even worked. Luckily now there are self checkout systems everywhere from airports to big box stores.

Another push towards micro markets came with consumers. At the same time that self-checkout systems became more mainstream, there was a generational shift in consumers and how they preferred to shop. “Millennials prefer a non-human touch transaction,” said Brinton. “It has made micro markets a much easier sell.” Even the move to a better-for-you product selection including fresh food, diet drinks or gluten-free products has contributed to the success of the micro market segment. “I think we’ve made a lasting impression on our customers,” said Brinton. He doesn’t see micro markets going anywhere but up.

Operation Profile: Evergreen Vending, Avanti Markets Northwest, NW Coffee

Founded: 1976

Owner: Jim Brinton

Headquarters: Seattle, WA

Routes: 24 vending,
4 coffee, 26 micro market

Single cup lines: iCups,
Total 1, Wolfgang Puck

VMS: Crane Streamware

Cashless provider:
Crane Navigator

Warehouse system:
Lightspeed mobile

Micro market provider: Avanti



Avanti Markets Northwest services over 600 micro markets in the Seattle, WA area.

of his clientele. In locations where time is an issue, Avanti Northwest installs multiple brewers rather than liquid coffee or a vended coffee. “If it’s coming from a vending machine [or pre-made], it has a connotation for the client,” said Brinton. “It’s all about perception, especially in the Northwest where there’s a focus on healthy, organic and fresh.”

In addition to OCS, Brinton has also opened a distribution company for used vending equipment. “It was something I started 15 years ago under the name Vending Equipment Center as an outlet to dispose of used equipment that still operated,” he said. It is located in Kent, WA. It also offers installation service and repair services to both Evergreen and other area operators.

While these other segments make up a substantial portion of Brinton’s operations, micro market service has become his lead. He considers vending a mature industry. “If they want to talk to you about vending, they’ve heard it all. Micro markets spark

their interest,” said Brinton. And it has been doing very well for the veteran operator. In locations that he has converted from vending, he sees two times the sales, on average. “I look at that and think ‘long term that means I can do half as many locations for the same amount of money,’” said Brinton. He has had sales people return to his company because they want to be a part of this new, invigorating industry. The increase in products sold in micro markets more than makes up for incidentals like shrinkage according to Brinton. “My shrinkage is at 1.5 percent,” he said. “Besides, I’m in the business to sell product, so how do I get a higher sale volume in a location? With a micro market.”

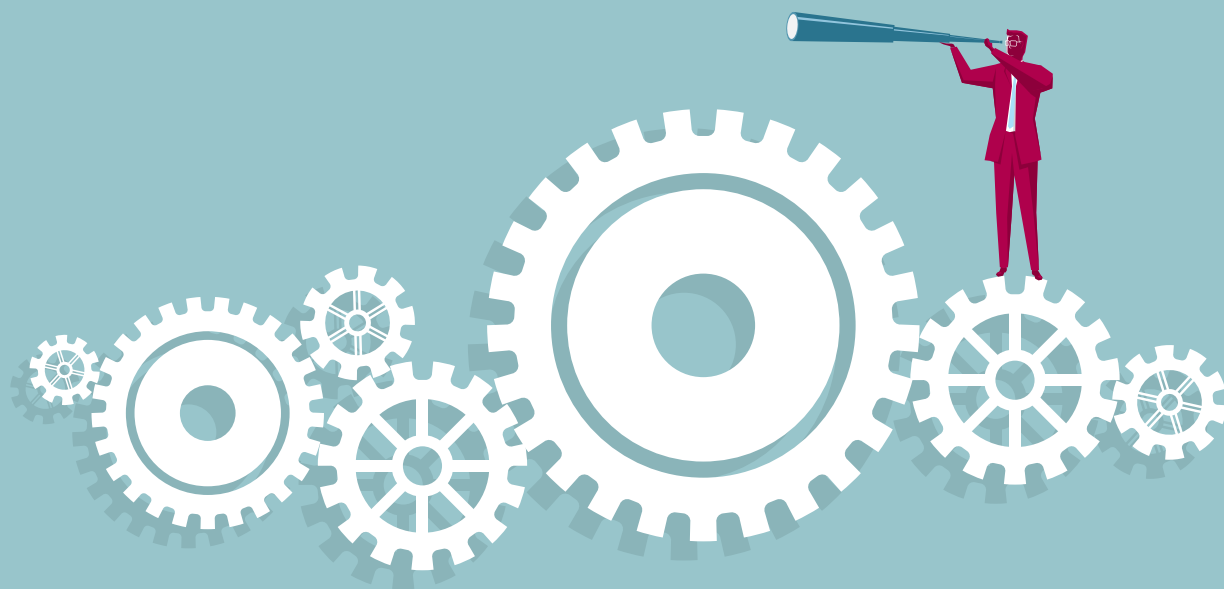
Vending has strong future

Despite the growth in other areas, Brinton believes vending will be important in the short and long term future of breakroom refreshment service. “Certain locations will never have a micro market — and

vending is perfect,” he said. In fact, he has used knowledge gained from micro markets to improve his vending operations. Evergreen Vending is now headed to a cashless future.

In 2009, Brinton didn’t have many credit and debit card readers on his vending machines. As he began using micro markets, he noticed that 70 percent of the transactions were cashless and that number opened his eyes. “How could I not have debit/credit cards on vending?” he asked. This year 55 percent of his machines accept cashless payment and he’s still deploying. “We plan to go 100 percent,” he said. “Cashless payment acceptance on vending has probably been the most valuable lesson I’ve learned so far.” From his experience, Brinton also believes promotions available at vending machines, like the USConnect program, will give that segment a boost.

The future is bright for Brinton’s vending, micro market and office coffee operation. “I have a reason to come to work again,” he joked. Brinton believes micro markets will contribute the most to his operation’s overall sales growth in the coming years. | ◀



Customers will drive changes in 2016

By Emily Refermat, Editor

Diversification in coffee related products, micro market fresh food and technology will all accelerate sales in the next year by offering the consumer a better experience in the breakroom.

As this year comes to a close, vending has experienced modest, yet solid growth. All segments, vending, OCS and micro markets, contributed to the overall industry revenue which increased 2 percent from last year, according to our State of the Industry research. The largest contributor to the increase was micro market adoption and

technology, which balanced challenges from rising product costs and stricter healthy vending requirements. Operators, as well as other industry professionals, will continue to find solutions to these ongoing challenges, but there are a great many opportunities for growth. In the upcoming year, consumers will play an even more important role in

iStock

increasing revenues, as long as the industry can respond to demands for item diversification and a 21st century experience in the breakroom.

Increase the OCS ticket

One area of opportunity for operators in 2016 will be in OCS and the operator's ability to provide a plethora of products to consumers with ever-changing beverage preferences. "Diversification looms large as we think about products and services that we will be offering in 2016," said Jeff Deitchler, general manager of PrairieFire Coffee Roasters in Wichita, KS. "I can't remember a time when we've seen so many new products, coffee brewing equipment and methods of delivery in recent history." Despite already being extensive, the number of OCS SKUs PrairieFire offers continues to increase. Deitchler is always looking for the next item PrairieFire should add to its inventory that will inspire customers to increase their purchase "ticket." One of those items is alternative cold beverage options.

"At PrairieFire Coffee, we have been exploring some of the best options in delivering non-traditional OCS beverages," Deitchler said. He is aware that carbonated soft drinks are less in demand, and yet consumers still want a similar drink experience. "Now, OCS providers have options that are easily manageable from inventory and space requirements with soft drinks that can be made by the serving right in the breakroom, and are very user-friendly," he said. These units use cartridges or can be part of redesigned equipment. In fact, PrairieFire offers a combination coffee and tea brewer that brews iced tea right into a decanter under the brewer and can then be stored in the refrigerator. "This allows us to provide a gallon of iced tea for less than the cost of a single serve cup or pod," he said.

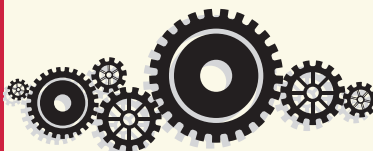
Challenges to the industry

While the forecast for 2016 is growth, there are some factors challenging the industry beyond product costs and healthy vending restrictions.

Government/Advocacy. The uncertain outcome of the next presidential election has some operators less inclined to make major investments as they are unsure how politics will affect businesses that they rely on in their local economy. Fighting against bills that will burden the industry as well as for those that will assist vending operators is also an important consideration in the next year and one all industry members need to lend their voices towards.

Equipment costs. Both micro markets and newer office coffee service equipment offer a superior consumer experience. With that comes a price tag that is challenging for new entrants. This will likely create even more of a legacy industry that is difficult for startups and the addition of new operators.

Competitors for the food dollar. If operators don't innovate food programs to rival local quick service restaurants or food-focused convenience stores, micro markets might not reach the potential many people are anticipating. Industry competitors are recognizing the consumer eating trends and acting to increase their take of the consumer's food dollar as well.



Consumer demand is driving a lot of ingenuity and non-coffee sales, too, especially in places where companies must offer competitive benefits to keep top employees. This will cause an acceleration of the OCS sales represented by pantry sales. Pantry service includes delivery of a variety of different products to a location which can include soda, snacks, food, paper products, etc. that are offered to employees, but paid for by the employer.

"Office coffee is changing its face," said Pete Tullio, CFO of World Wide Vending and Gourmet Coffee Services in Van Nuys, CA. "It's really become more of a pantry supply offering." Businesses in Tullio's area incentivize their employees with everything from fresh coffee to free snacks in the office. They are constantly paying for new products and services to be offered to their employees. "Our SKUs have doubled," said Tullio about the OCS business. As the economy is recovering, companies are again beginning to value good employees and contracting services that will keep them in the office. Tullio sees more of this happening in his area than even three years ago.

While coffee is still experiencing growth, vending has flattened. "If you're maintaining in vending, you're doing well," joked Tullio. It has been a hard area to grow especially as micro markets have transformed the better vending locations.

Better micro market food

Micro markets are certainly a growth area that will continue in 2016. Customers love them, and with additional efforts being put into fresh food, a driving factor, and consumer-focused technology, they are prime to continue. Paul Schlossberg, president of D/FW Consulting is most optimistic about the potential of food in micro markets. "We are entering an entirely new generation of food," he said.

Schlossberg sees more food options available to consumers than ever before. It's not just the quick service restaurants, but food selections inside drug stores, convenience stores and now even online retailers delivering food to offices in certain cities (i.e. Amazon's Prime Now). "We have to steal someone else's lunch business," stated Schlossberg. "That is ultimately what next year is about." Schlossberg sees industry pioneers working on unique food offerings and believes this is the answer to compete for the consumer's food dollar. "We have to find resources to make unique offerings so we become the best in our town." That means not copying the same standard sandwiches and foods as the area c-stores and fast food restaurants. It's deploying new foods every two weeks or less, and including items that are only available for a limited time. It's about using data to see what is selling and what is not. And finally, it means getting consumers used to prices that allow for profit and opting for the micro market option more often.

Schlossberg also recommends leveraging the all-day breakfast trend as well as converting your vending food locations to micro markets, when possible. "You get more money per transaction and there is more sales data available with a micro market," he added.

Meeting tech expectations

More mobile engagement is certainly another area that many industry insiders are betting on for 2016, such as Paresh Patel, founder and CEO of PayRange. "The iPhone was introduced in 2007. This means those that were entering high school that year will now be graduating from college next year," he said. "This is the first truly mobile generation that will be entering the workforce." Patel argues that not only has this coming generation grown up with the smartphone,

but they don't know any other way to bank and buy items thanks to mobile banking and large Internet retailers. "As this generation enters the workforce, they will put pressure on operators because they aren't the generation used to dollars bills," said Patel.

Anant Agrawal, president and CEO of Cantaloupe Systems also thinks the generational shift will push vending operators more quickly into advancing cashless and mobile technology. "Older generations grew up on Coke and Pepsi and will continue to do so, but as we age, not as frequently," said Agrawal. "On the other end of the spectrum is the huge wave of Millennials who grew up with \$5 double shot lattes from Starbucks and go to vending machines for \$2 bottled water and \$3 energy drinks." While the previous generation fed in quarters, the Millennials will expect to 'flash' their smartphone and 'gift' a friend or use a mobile wallet. Agrawal also believes this group will drive merchandising. "It will be consumers' cell phones and companies that can leverage simple user experiences through smartphones who will win the consumer."

Have micro markets plateaued?

Some operators are wondering how long micro markets can continue to grow at their current rate. "The vast evolution of the micro market must reach a plateau at some point," said Carl Moser, sales manager of Cardinal Canteen Food Service. "I think this time is getting very close."

Gregory McCall, senior vice president of sales and marketing for Five Star Food Service, Chattanooga, TN, on the other hand, believes micro markets have not yet reached their potential. "Even with over 450 markets, Five Star is still seeing annual growth rates in excess of 45 percent," he has said. McCall sees a saturation point far in the future, and even then there will be opportunities to morph the idea for hotels, upscale apartments and other venues.



A positive aspect of the changing way consumers engage with vending and micro markets is the valuable data it can provide to manufacturers. That has spurred more promotional programs being offered by the major consumer packaged goods (CPG) companies, according to Agrawal. Vending operators can leverage these specials to improve their bottom lines.

"I think we are getting closer and closer to a retail-esque environment with more tools being released to vending operators each week to help them connect with their customers," said Joe Hessling, CEO of 365 Retail Markets. The technologies are in all aspects of the industry, not just micro markets. Hessling mentions examples like PayRange, Sprout, USConnect and Canteen's vending app. "All of these are bringing the consumer closer to an experience they are used to in everyday life."

Chuck Reed, senior director – sales & marketing, Vending Americas with CPI, believes in the power of technology to better address the changing consumer. "Providing excellent customer service becomes a much easier effort when an operator has real-time information and can

deliver product and other services in a timely and efficient manner,” he said. Telemetry has proven invaluable in leveraging this type of information due to its real-time and item level tracking. Early adopters have proven that connectivity across their vending machine assets can increase their return on investment, according to Reed. Vending sales and data will only become more valuable to operators in order to meet consumer demands in the next 12 months.

Part of the evolving consumer demand will be the ability to pay by any means. The newer cashless readers allow many different forms of payment, which will be crucial for vending. “Notes, coins, cashless including mobile wallet, and payback in notes and coins will enable operators to fully compete with alternate refreshment outlets,” said Reed.

“Anything less potentially forces a vend patron to decide against vending as their preferred option.” However there is also the increasing prevalence of EMV (Europay, MasterCard, and Visa) cards, or chip cards. “Operators will be faced with investment decisions regarding the timing of moving towards the newer EMV plunge capable readers,” said Reed.

Glenn Butler, a long-time industry veteran and now general manager, North America for Nayax, sees technology, and specifically EMV adoption, as the top consideration for operators in 2016. Many of the card readers in the past were not EMV compliant in the U.S. “When a fraudulent card is used, whoever didn’t comply the most eats the charge,” said Butler — a simple explanation for the liability of covering fraudulent transactions with the new EMV cards. The person to “eat the

charge” may be the vending operator if they are the “merchant of record” or it may be a cashless provider or bank. It will be different based on a number of factors. But the real issue for the industry is that when an EMV credit card used at a vending machine is reported stolen, operators have to eat the transaction cost, and also get charged a “chargeback” fee by the cashless processor. And the fee is per transaction, not per card or customer. “One company [has] received \$11,000 in chargebacks in one month already,” warned Butler. “It will be a huge issue for other operators in 2016,” he said.

The future does bring challenges to meet the needs of the consumer who likes unique food and cashless payment options. However, these challenges can translate to opportunities to increase revenue. That is why many are optimistic about 2016. | ◀



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2015 PROS TO KNOW

By Adrienne Zimmer, Managing Editor

The second annual *Automatic Merchandiser* and *VendingMarketWatch.com* Pros to Know Award recognizes vending, micro market and office coffee service professionals who are proven leaders in the industry. These teams and individuals have worked hard all year to move their company, organization and the industry forward and have faced this year's challenges head on. The 2015 Pros to Know innovators, made up of vending operators, marketers, manufacturer representatives, brokers, micro market teams, techies and entrepreneurs, were selected from a nomination pool of more than 115 applicants.

2015 Individual Pros to Know

(Listed alphabetically by company)

Ryan McWhirter, Director of Product, 365 Retail Markets

McWhirter, a graduate from Michigan State University with a degree in Telecommunications, has a decade of experience in the interactive self-service technology field. At 365 Retail Markets, McWhirter finds his best ideas in the field with the customers, brainstorming solutions to any issues and proceeding on to build a prototype. This year McWhirter was an integral part of expanding the 365 software, releasing two service packs full of new features including security improvements, inventory controls and promotional tools.



McWhirter

Josh Rosenberg, President, Accent Food Service

In January 2015 Rosenberg was named president and CEO of Austin, TX-based Accent Food Services. Rosenberg credits much of his success in the industry to the diverse background experience he gained from the operator community as well as his many early years working for the Coca-Cola Co. This year he has successfully implemented fresh food, lean processes and sales disciplines supported by focused, dedicated channel support in his more than 250 micro market locations which earn an average of \$40,000 minimum sales. Rosenberg believes in advocacy to move the industry forward and sits on NAMA's board of director and is a USConnect advisory board member.



Rosenberg

Chris Allahyar, Director of Vending Sales, AdvancePierre Foods, Inc.

Allahyar has been involved in the vending industry for nearly four decades, over half of that spent as an operator. In his current role as director of vending sales, Allahyar manages AdvancePierre's vending sales on a national level through G & J sales and national accounts. Allahyar played a significant role in forming AdvancePierre's sales, marketing and product strategies, which have led to its growth and leading position in the vending sandwich and foodservice segment. In his sales position with AdvancePierre, Allahyar has challenged operators to understand their price points and waste costs, often guaranteeing product to secure trials. He has become a trusted source of information on product mix as well as new product introductions.



Allahyar

Paul DeRosse, Vice President of Business Development, Canada, Apriva

In his role with Apriva, DeRosse is highly involved in the cashless payment movement in the vending industry in Canada. DeRosse sees a great need to encourage the vending industry to establish a local networking base and has taken an active role in educating the vending industry through his many presentations at trade shows. DeRosse works with the local regulatory agencies and associations to ensure the specific requirements of the vending industry are addressed. For example, Paul lobbied with Interac so that expensive PIN ENTRY devices and separate receipt printers would not be required on a vending machine which would accept Interac FLASH, greatly impacting the industry.



DeRosse

Tom Steuber, President, Associated Coffee

Steuber began in the OCS industry in 1972 when his family started Associated Services. Steuber took over leadership of the company in 2007 and led both the company and his employees through a recession. Steuber's philosophy to growing a successful company is learning how he can add value to the customers, the company and the employees. He has invested in both technology and micro markets, as well as his own employees' training so they are better equipped to evolve with the changing marketplace. Steuber will continue to look towards consumer trends and evaluate investments that work for his company, his customers and his employees.



Steuber

Scott Meskin, President, Black Tie Services

Meskin has been involved in the vending industry for more than 35 years and currently serves as the president for Baltimore, MD-based Black Tie Services. Meskin has witnessed the growing imbalance between free market demands and government regulation surrounding the industry, but works with NAMA and industry partners like USConnect to better respond to and overcome challenges. An industry advocate, Meskin participated in NAMA's Fly-In event in Washington, D.C. and is heavily involved in the Maryland DC Vending Association. This year Meskin led his team to integrate healthy vending throughout the city of Baltimore and added 500 machines to locations. Find out more about the Black Tie Services team on page 28.



Meskin

Frank Baron, President, Cafection Enterprises

After taking over ownership of Cafection three years ago, Frank (Francois) Baron has watched the company grow 300 percent over the same time period. Baron focuses growth on creating OCS equipment and technology that is based on secure networking and user interaction. This year Baron has led the company to launch private networked OCS solutions that allow field monitoring of an operator's entire fleet of equipment.



Baron

Robert Fidler, Vice President of Equipment and Service, Coffee Distributing Corp/Compass Group NA

With more than 30 years in the OCS industry, Fidler understands the challenges the industry faces. In response to growing competition and smaller margins, Fidler emphasizes his top-notch customer service, focuses on other sources of revenue—such as a scheduled maintenance program for bean-to-cup equipment—and ensures that his team of more than 50 bench and field technicians is properly trained. Fidler maintains a high record of client retention through impeccable service and great products. He is a strong advocate for green initiatives and recycling from his company and the OCS industry.



Fidler

Steve Williams, Manager of Professional Services, Crane Merchandising Systems

After 22 years in the industry, Williams finds that no matter the size of the vending company, the issues can be the same – cash accountability, inventory control, shrinking profits, increased theft and retaining drivers. For the last three years Williams has been conducting three to four seminars in various parts of the country for his customers to come together and learn best practices and techniques to improve in these areas and resolve industry problems. As a NCE5 Williams has encouraged others in his organization to participate in the NAMA Certified Executive (NCE) program and stresses to customers and employees the importance of continued education of industry matters.



Williams

Patrick Richards, Cashless Product Manager, Crane Payment Innovations

Richards joined CPI (formerly MEI) in the fall of 2011, as the company's cashless product manager. Leveraging his experience creating EMV vending solutions throughout the globe, Richards played an integral part in advancing



Richards

CPI's efforts to develop a user-friendly chip card reader for the U.S. vending market. Today Richards has helped CPI deploy more than 50,000 EMV solutions worldwide, with expectations to grow this number substantially when its newest EMV bezel is ready for the U.S. market in mid-2016. As a rising industry professional, Richards attends payment conferences throughout the year and possesses his certification in project management.

Cherri Newbury, President & Co-Founder, DiscountCoffee.com

Newbury pioneered the ICS industry (Internet Coffee Service) back in 1998 and is still growing that industry concept today under the philosophy that 'doing the same thing the same way is not how to write a company success story.' Newbury works to adapt her company to meet changing consumer shopping habits, constantly evolving how the company markets, serves and ships to its customers.



Newbury

Jack Brown, CEO, EAGLE USA, Inc.

Brown started EAGLE USA, Inc. in 1994 as a janitorial company and launched the company's refreshment services side in September 2012. With the help of his entire team Brown has grown his company to over 80 employees and \$2.5 million in revenue this year. Although customer buying habits, rising costs and compliance with new laws and programs have been a challenge, Brown has focused on partnering with other companies in the industry to launch a private label coffee program, expand into micro markets and offer mobile payment options at vending machines. Brown focuses on training his staff to provide the best support and products to the company's customers.



Brown

Mark Stephanos, Vice President of Micro Markets, Five Star Food Service

Stephanos has been a leader in the contract food and vending service business for more than 35 years. In 2013, a decade after joining the Five Star team, Stephanos was promoted to Corporate Vice President of Micro Markets. In 2015 Stephanos led Five Star to open 475 micro markets and grew same store sales in its micro market segment. Stephanos believes that the best recipe for success is providing the very best in quality service to customers with a great sense of urgency; integrity in business; and creating a team of confident and quality people that will execute a strong business plan. Stephanos can also be found on page 30 as part of the Five Star Food Service Micro Market division team.



Stephanos

Congratulations



The Coca-Cola Company congratulates our very own Coca-Cola Vending Strategy Team for receiving the 2015 Automatic Merchandiser/VendingMarketWatch.com Pros to Know award.

Coca-Cola open happiness®

David Barrientos, Broker, G & J Marketing and Sales

Barrientos is a NAMA/MSU Executive Development Program graduate who began his career in the food industry in 1990. Since 2010 he has been with G & J Marketing helping his customer base thrive despite increasing cost challenges. In order to help his customers increase sales and grow their overall business, Barrientos helps in the implementation of marketing ideas based around the end user and the vend/micro market trends. For example, Barrientos identifies new products that will drive value to the industry and helps his customers create value added promotions in order to increase profits.



Barrientos

Mark Kelley, Region Manager, General Mills

Over the years, Kelley has led change including pioneering different packs and price points, identifying product concepts/trends and embracing proven marketing concepts that can propel the vending industry forward. One of Kelley's most notable accomplishments has been working to bring to market a protein bar creation that operators could sell for a dollar. Kelley has taken on many roles in the industry and serves as the current chair for the NAMA Public Relations and Affairs committee, Millennial Advisory – Vice Chair and Research and Information board member. He is currently the Committee Chair for Membership and Public Relations with the CAVC.



Kelley

Randall Huft, President, Innovation Agency

Huft has a 25-year career in marketing and advertising, is a well-known speaker and author on business and marketing topics and has developed programs and contributed to the growth of many successful companies, with the largest focus on the vending industry. Huft's focus on the vending and automated retailing industry helps him understand the everyday challenges of manufacturers, operators and entrepreneurs looking to start in the vending space. In 2016, Huft's company plans on expanding its Social Marketing Division, which helps connect companies with causes in new, engaging and mutually-beneficial ways.



Huft

John Rego, VP of Emerging Technologies, On Track Innovations (OTI) America

With more than 25 years in the NFC industry, Rego brought his expertise to the vending industry when he joined OTI America in 2005. Since then he has focused on building



Rego

partnerships to deliver the best technology solutions to the markets and improving telemetry in the industry. In 2015 he was a speaker at the NFC Solutions Summit in Phoenix, AZ and in 2016 he will be a speaker at Payments Summit Smart Card Alliance in Orlando, FL.

Alan Munson, CCO, Parlevel Systems

With over 15 years in the vending industry, Munson has used his experience as a vending operator to help other operators stay competitive by adopting revolutionary technology in their own companies. Munson, co-founder and CCO of Parlevel Systems, believes that in the coming year operators need to look towards technology to maintain and grow in the vending space. Munson is active on the board of the Texas Merchandise Vending Association and focuses on educating operators of all sizes on the benefits of using technology to track and gain control of their inventory.



Munson

Dan Ragan, National Sales Manager, Pod Pack Int.

Ragan is a coffee service industry veteran with 39 years of experience who has been instrumental in helping operators throughout the U.S. establish and enhance their customized single serve programs. Ragan believes the industry challenges in the year ahead include increased big box competition, a need for higher quality, a requirement to have more environmentally friendly products and a continual need to improve technology. He has implemented The Balanced Scorecard, Lean, and Six Sigma techniques to improve process controls, and reduce errors to create higher efficiencies.



Ragan

Marc Rosset, President, Professional Vending Consultants, Inc.

Rosset has represented more than 300 sellers throughout his 22 years as a consultant and intermediary and has been instrumental in establishing industry-recognized guidelines for the value of vending/OCS and food service companies. Rosset treats every partnership with the utmost confidentiality and works to smoothly combine two competitors by listening to each company's needs. Rosset believes that in the future more resources need to go towards the study of the balance between micro markets and vending so operators are aware of where to best allocate their future capital expenditures. He suggests that operators look at new technologies and advancements in credit/debit and mobile payment options, as well as streamlined warehouse inventory controls.



Rosset



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AdvancePierre Foods is proud to Congratulate Chris Allahyar, Vice President of Vending Sales, as one of Automatic Merchandiser's 2015 Pros to Know.

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2015 PROS TO KNOW

Heather Bailey, Attorney & Partner, SmithAmundsen LLC

For more than 14 years, Heather Bailey, Esq., a partner with SmithAmundsen LLC law firm, has concentrated her practice in employment and labor litigation, including discrimination and trade secret / non-compete lawsuits, FLSA wage & hour class actions, labor negotiations and arbitrations, affirmative action, and OFCCP/DOL audits. She counsels on day-to-day operations, human resources, and management decisions regarding employees, practices and policies. Bailey has been a NAMA Knowledge Source Partner for over a decade and presents at NAMA trade shows. In 2015, Bailey was named one of Chicago Business Journal's Women of Influence, the President of the Professional Women's



Bailey

Club of Chicago and was selected to the Illinois Super Lawyers list 2014, 2015.

Bryan Real, President, United Food Group

Bryan Real believes that one of the biggest challenges an operator faces is finding ways to make all aspects of business more successful. Real credits his success to listening to his employees and operators in order to find the best ways to fit their needs. The president of United Food Group, based in Elgin, IL, Real continues to lead the company in the development of its own proprietary brands with a focus on packing and designing new and innovative equipment for the beverage industry. Real was named NAMA's 2014 Allied Member of the Year — Coffee award winner.



Real



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2015 Team Pros to Know

(Listed alphabetically by company)

Black Tie Services



Team Leader: Scott Meskin, President/Owner

Team Members: David Mandella, Vice President and General Manager; Hugh Oneill, Vice President of Client Relations; Brian Traub, Vice President Business Development OCS; Michael Allan, Vice President Business Development; Robert Feldstein, Vice President Business

Development; John Finch, Service Manager; Mark Osborne, Operations Manager; Adriane Emenhauser, Customer Service Manager; Robert Hemmig, Customer Service Manager; Christo Massaquoi, Customer Service Manager; Lynn Mensch, Scheduling Coordinator; Barbara Touchette, Service Dispatcher; Lisa Burke, Accounts Receivable Manager; Angie Paul, Office Manager; Brenda Brown, Commissary Manager; Van Carol, Warehouse Manager; Joseph Hybdzinski, Fleet Manager; and the entire Black Tie staff.

Black Tie Services saw a growth spurt in 2015. The company witnessed an upswing in sales due to offering new items not vended in the past. Those items along with the USConnect prepay card, loyalty program and promotions have created a new customer that did not use the machines previously. Additionally, after 19 years in the same location, the company moved its entire operation including its commissary, pre-kit line, computer servers, online ordering system and contents of the entire warehouse and office space. In 2016, the Black Tie team, led by Scott Meskin (see page 23) will look to large growth in both OCS and healthy vending placements.



NAYAX

NEW YEAR'S RESOLUTIONS 2016

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- ☒ Offer flexible payment options
- ☒ Increase sales with cashless
- ☒ Utilize real-time data
- ☒ Manage and monitor machines



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The Coca-Cola Company



Team Leader: Derek Myers, Group Director, Channel Strategy & Development

Team Members: Tyler Torti, DeAnna Coffield, Lindsey Aitken, Kelly Iacobelli, Derek Myers, Amanda Wagner, Ashley Kearns, Scott Corley, Sal Shaikh, Jason Aurelia, Son Van Tran, Rick Kanemasu, Danny Toland, Heather Stage, Jeff Cummins, Dan Ashcraft, Orson Brumbaugh, Stephen Merwarth, Tom Daly

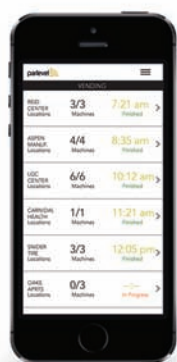
At The Coca-Cola Company, the vending team has focused on finding solutions and best practices related to three primary challenges: driving availability of cashless vending (including mobile payment technology), harnessing value from big data and accelerating micro markets. The team works to bring the industry forward in its challenge areas by sharing its knowledge and working collaboratively with its customers. As a retailer, the Coca-Cola Company has the most locations enabled for mobile payments around the world and will have more than 100,000 mobile-capable machines in North America by the end of the year. As a result, the company is in a unique position to drive the industry forward and help find innovative solutions.

Five Star Food Service – Micro Market Division



Team Leader: Mark Stephanos, Vice President of Micro Markets

Team Members: Danelle Layton, Marketing Manager; C J Recher, Senior Marketing Manager; Joseph Aguado, Corporate Operations Micro Markets; Devin Ingram, Micro Market Loss Prevention; Tiffany Hawkins, Micro Market Loss Prevention; Rusty Lawson, Area Micro Market Manager; Jeff Veres, Area Micro Market Manager; Kevin Clark, Regional Micro Market Manager; Jessie Brown, Micro Market Support Manager; Brady Dillard, Team Leader Micro Market Loss Prevention



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In 2015 the Five Star Micro Market team has focused on growing same store sales, expanding its healthy category, improving client retention and remaining a leader in technology. To boost same store sales and improve costs of doing business, Five Star has implemented an inventory tracking system, warehouse kit picking system, and specific planograms for its micro markets. To further drive sales in the healthy category, the company created an attractive point-of-sale that calls out its healthy set of products. To maintain customers, in 2015 the Micro Market team ramped up its efforts and expectations of managers to include more frequent market visits and evaluations providing a higher level of communication with its clients.

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Parlevel Systems



Team Leader: Luis Gonzalez, Chief Executive Officer

Team Members: Alan Munson, CCO; Rafael Barroso, CIO; Alfonso Garcia, Sr. SW Engineer; Gabriel Senior, CCO; Cassie Constanzo, Dir. of Marketing; Margaret Elbert, Dir. of Operations; Felix Gutierrez, VP of HW Engineer; Richard Jimenez, Dir. of Implementation; Frank Quintero, Support Manager; Corey Kepple, SW Developer; Jeremy Brice, C. Success Manager; Joey Gutierrez, Imp. Specialist; John Wolff, Imp. Specialist; Ashley Reno, SW Developer; Alexander Rendon, C. Success Specialist; Ethan Waleson, Imp. Specialist; Josh Leone, Onboarding

Specialist; Jason Loehman, Sales Representative; Alejandra Madera, Support Specialist; Jacey Spargo, Client Outreach; Lisa Araiza, Client Outreach; Thomas DePaola, Sales Manager; Zachary Mueller, Support Specialist; Chris Blomquist, MKT Content Manager; Chris Jenkins, HW Engineer; Julian Fernandez, Implementation and Training Specialist; Andrew Miner, Sr. SW Developer; Omar Vergara, Support Specialist.

Parlevel System's innovative approach to technology gives operators the ability to grow their companies using powerful tools within their Vending Management System & Coffee on Demand Management platform. These tools give vendors real-time visibility into their operations from the office or in the field on any device. This rapidly growing company invests valuable time & resources to ensure that operators receive the highest level of support to guarantee complete comfort leveraging the cloud-based technology in their day-to-day operations. Operators using the system have been able to swiftly grow their companies, sell more products, while spending less. Parlevel's expert technicians provide onsite assistance to help operators configure and manage the management systems beyond the 24/7 customer support.



CONGRATULATIONS

Heather Bailey 2015 Pro to Know

Heather has provided advice and counsel to businesses large and small across the U.S. for more than **14 years** in:



- Employment Law
- Wage & Hour Litigation & Counseling
- Government Regulation, Audit & Compliance
- Staffing Agency
- Independent Contractor & Contingent Workforce
- Traditional Labor & Union Relations
- Unfair Competition Counseling & Litigation

Heather has also been a NAMA Knowledge Source Partner for over a decade.

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Southern Refreshment Services



Team Leader: Dan Hart, Owner/CEO

Team Members: Jeff Parks, Greg Sams, Terry Todriff, Stewart Moss, Chris Hart, Scott Plaisted, Tom Beals, Nancy Siegman

In the year ahead, major challenges for the industry and Southern Refreshment Services (SRS) include the increasing demand for micro markets, healthy snacks and updated technology. Optimization of roles within the business is a huge focus in order to take on these challenges. As SRS looks to use technology to add competitive differentiation and exploit new cost savings, the roles of existing personnel are expanding to include new proficiencies in new processes and technologies. So far, SRS has been able to deploy tens of new micro markets in the span of a few weeks. It has also increased deployments with the new data collection system, Gimme Vending, giving them the ability to receive real-time data from the field.

Tech 2 Success



Team Members: John Hickey, Don Bates, Darryl Perkins, Morgan Frazier

Tech 2 Success helps companies achieve results in Inventory Accountability, Merchandising, Same Store Sales Improvement, System Selection, Dynamic Scheduling, Remote Monitoring, Web Technologies and more. The Tech 2 Success team has developed the Team Improvement Project (T.I.P.) management system to help companies achieve goals by reducing defects in their services and delays in achieving results. T.I.P. uses features of popular process improvement programs to identify and execute on opportunities inside of a business. The Tech 2 Success team gives companies access to enterprise level IT, Operations and Vending Technology resources with objective advice.

Three Square Market



McMullan



Lardinois



Stegeman



Melstrom

Team Leader: Patrick McMullan, Chief Operating Officer

Team Members: Matt Lardinois, Vice President of Operations; Brenda Stegeman, Director of Sales and Product Development; Katy Melstrom, Director of Marketing

Three Square Market (32M) seeks to create success at every opportunity. This includes providing significant operational efficiency through technology and expertise that allows operators to focus more on their customers, outsourcing their “busy admin and product management work” to 32M. The company believes that by paying more attention to the product and having a back end run by experts, operators should see stronger top line revenue, as well as more efficient and less expensive operations and overhead, thus improving cash flow and bottom line profit. This quarter 32M partnered with Vistar and its own institutional supply company to launch a one stop fulfillment initiative. It also instituted a complete “we run your back end” program.

Nayax Embedded Software Group



Team Leader: Philippe Berrebi, Embedded Software Group Manager

Team Members: Ilan Graidy, Team Leader, Devices; Idan Blech, Software Engineer; Noam Ashual, Software Engineer; Yair Ackerman, Software Engineer; Daniel Perry, Team Leader, Card Reader; Lotan Ganot, Software Engineer; Idan Rubin, Team Leader, QA; Oded Frenkel, QA Engineer; Tal Goldstine, QA Engineer; Moshe Relles, Hardware Manager

The Nayax Embedded Software Group knows firsthand that no one wants to have it take more than a second to make a purchase, especially at a vending machine. The Nayax team is working to make its cashless payment solu-

tions fully compatible and easy to use with the mobile device that never leaves the consumer's hand or pocket, regardless of what device or app they choose to use. The company's goal is to improve security by migrating to support PIN entry, as multiple markets require this step, even for micro transactions. The Nayax group leader, Berrebi, has been with the company for two years and has grown the team to its current size of 11. The team works on projects ranging from pure hardware integration to sophisticated logics implemented in Nayax's line of products.

Unified Strategies Group

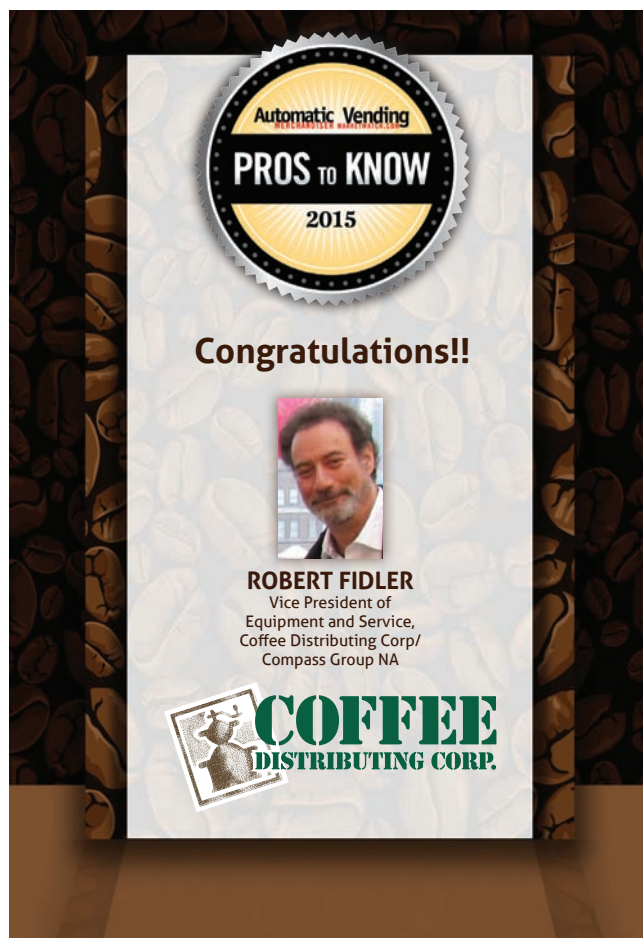
Team Leader: Brian Faley, CEO

Team Members: Ed Cunningham, Chris Stave, Matt Warner

Unified Strategies Group (USG) is a member owned Group Purchasing Organization representing about 2,000 independent vending, micro market, food service and OCS operators in the U.S. USG provides member services that help independent vend operators face the challenges of today's changing business climate. Some initiatives include a more competitive cost of goods structure via industry leading rebate programs;



a focus on the emerging micro market segment providing incremental rebates, end consumer promotions and a merchandising roadmap; Web-based business intelligence services to help operators navigate the complexity of rebate programs; and leadership in the deployment of telemetry and cashless services to provide business optimization as well as consumer satisfaction, among many other initiatives. | ◀



Digital And Social Marketing: It's Time To Make Your Debut

By John Healy, Contributing Editor

Digital and social media marketing was a topic of high interest at this year's NAMA CTW Show. There I was able to discuss a variety of B2B (business to business) social media platforms while placing a primary focus on the value of creating a strong and business-building LinkedIn profile. In case you missed the event, this article features the basics of dedicating your resources to create the best online marketing program for your company.

As I told the OCS operators in attendance at CTW, my premise in counseling any B2B marketer is that potential clients and customers typically do two things when they receive a sales pitch or a business card: they go back to their offices and check the company's Website first, and then the LinkedIn profiles.

Why? Because a business's Website and its executives' LinkedIn profiles have become the primary and *necessary* online marketing credentials of the 21st century.

As Figure 1 shows, you don't have to "dive into the deep end of the pool" to be successful in the digi-

tal/social world; you can wade into the shallow end at your own pace.

The linchpin is a robust database of online contacts built using three primary tools: your Website, LinkedIn and Twitter. Once built, you can use a customer relationship management (CRM) tool such as Salesforce or Infusionsoft (which offers lead capture, CRM and email marketing). It is critical to keep your firm top-of-mind by using outbound email marketing to feature your products/services, to make special offers, a free consultation, or other actions that convert contacts into active prospects.

Websites need to be clean, useful

The most important elements of your Website are a clean and easily navigable homepage and a prominent, value-added Call-to-Action (CTA). They are essential for collecting information on new contacts that can ultimately become viable sales leads.

To create an effective CTA, you should offer something of value in exchange for the Website visitor's name and email address. (*Note: It's best not to ask for any other information, such as a phone number, because*



John Healy is CEO of Healy Consulting & Communications Inc., a traditional, digital and social media marketing firm that strives to ensure its clients'

relevance while fueling their growth and success. He can be reached at jhealy@healyco.com.

you don't need it at this stage and you'll see lower click-through rates on your CTA.)

Examples of valuable CTA offers include:

- "Grab this discount now by...."
- "Our popular newsletter can be yours today if you...."
- "This limited time offer begins now; simply fill out...."
- "We have a special deal for you today if you...."

And by making your CTA dynamic — flying in from the right side of the homepage, the left side, the top or the bottom — you will instantly capture attention. But make it easy for Website visitors to opt out by ensuring that there's a visible "X" for them to close the CTA if they're not interested.

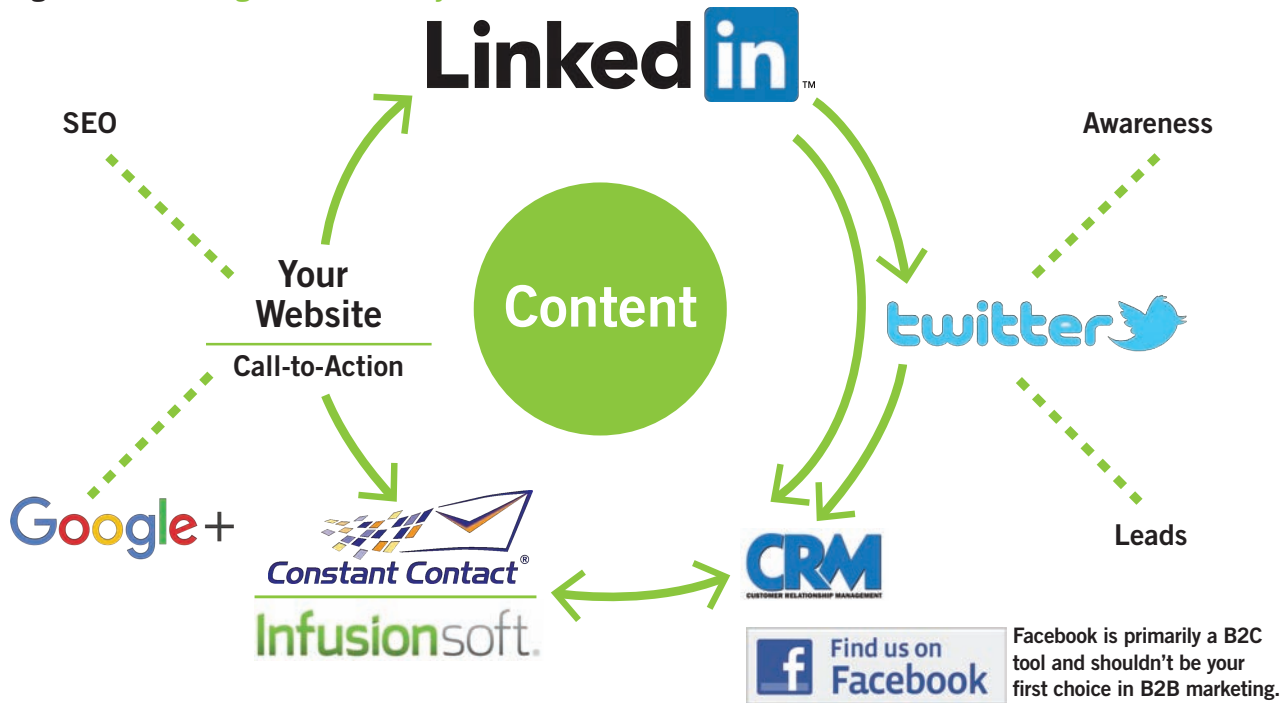
Two other important aspects of maximizing your Website as a lead generation tool are search engine optimization (SEO) and Google +. Both can drive more visitors to your homepage, where they will find your CTA and ideally opt into your valuable offer.

SEO should require little explanation since it's so ubiquitous in online marketing today, but, simply stated, SEO is focused on growing a business's online visibility through paid or organic (non-paid) search engine results. For a great (free) online tutorial on SEO, go to: <https://moz.com/beginners-guide-to-seo>.

Another option to boost your Website traffic is Google +, which just relaunched on November 17.

“The linchpin is a robust database of online contacts built using three primary tools: your Website, LinkedIn and Twitter.”

Figure 1: Social/Digital Lead Gen System



Google said the new version will make it easier for users to connect with others through Google + groups and find content through its “collections” and “communities.” The bottom line is that maintaining a company profile on Google + can help with SEO because Google continues to capture 80 to 90 percent of all online searches. And when potential customers search for operators like you, you’ll want to be on the first page of those search results.

The most powerful business social media tool is LinkedIn

With 118 million members in the U.S. alone, LinkedIn has become the most powerful social media platform among business people from all industries. While Facebook for Business is trying to compete, nothing comes close in terms of credibility and sheer popularity. LinkedIn boasts that two new members sign up somewhere in the world every second of every day.

While future columns will explore its business-building power

in greater detail, the fundamental keys to success on LinkedIn are a detailed personal profile and making solid “connections.”

Your profile should include fully completed sections, such as the professional headline (and photograph), the summary, experience, skills & endorsements, recommendations and groups. Make sure the written portions are honest, genuine and reflect what you can offer to those with whom you wish to connect.

To build a robust group of connections, there are two essentials. First, use LinkedIn’s automated connection requests function, but delete the pre-written, impersonal message, “I’d like to add you to my professional network on LinkedIn,” substituting it for a personal message that uses the person’s first name and reflects how you know that person.

Second are LinkedIn’s groups, which enable you to connect to other members with whom you share a common interest. For instance, LinkedIn has a “Vending

Industry” group (10,000 + members) and a “Coffee Connections” group (19,000 + members), as well as other groups in our industry.

Most importantly where LinkedIn groups are concerned, forgo lots of groups that include your peers in favor of joining those where your prospects can be found. LinkedIn members are allowed to join up to 50 groups and 50 sub-groups, so make sure to join popular business groups in your city or town, or groups in industries that you have targeted as great customers for your business.

Finally, through LinkedIn’s groups and long-form posts, you can push content out that positions you as an expert in vending, coffee service and/or micro markets. Doing so doesn’t have to be a chore because LinkedIn allows you to re-post articles and existing material that you believe will be relevant to your connections and your fellow group members. You can even “share” another LinkedIn member’s content with your own connections!

Twitter can generate leads or awareness

With more than 500 million Tweets being sent each day, Twitter is becoming a stronger and stronger tool for businesses. You first have to decide if you want to use Twitter to simply generate awareness for your business or generate leads.

To do either, you can exploit the connection between Twitter and LinkedIn very successfully. For instance, every long-form post you publish on LinkedIn can be Tweeted by checking the Twitter box provided before you submit the post. Similarly, you can drive your Twitter followers to your LinkedIn profile by writing thought-provoking Tweets that include your LinkedIn profile link.

The best way to build a robust following on Twitter is to follow others, including existing custom-

“500 million Tweets [are] sent each day.”

ers and prospects, in hopes that they will reciprocate. Since a single Tweet only allows 140 characters, to gain any traction on this particular social media platform, you have to be consistently active. So finding an online “dashboard” tool, such as Hootsuite or Buffer, that allows you to pre-schedule Tweets in batches can save you time and ensure your followers receive your Tweets regularly.

Creating a profile for your business can pay off. A 2014 study conducted by DB5 + Twitter revealed that 50 percent of Twitter followers visited or shopped at the Websites of small- and mid-sized businesses (SMB) they follow, 60 percent purchased from a SMB because of something they read on Twitter, and

43 percent said they intended to make a future purchase from a SMB.

Finally, a word about content, which sits in the middle of Figure 1. To be successful with any social media platform or digital marketing tool, you have to “push content.” In fact, online content expert Hubspot’s 2015 State of Inbound Marketing report revealed that those who regularly published social or digital content were 13 times more likely to generate positive inbound responses from their sales and marketing targets.

So, whether you’re a social/digital pro or just a beginner, determine whether you need to dive in or wade in. But either way, it’s time to get your feet wet! ◀

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How The Sunset Of 2G Could Affect You

By Emily Reformat, Editor

iStock

Without action, the cashless and telemetry aspects of many vending machines will simply stop working as AT&T and eventually Verizon shut down their 2G networks.



The vending industry has steadily been adding cashless readers and remote monitoring devices to machines nationwide. It's been a slow progression that has taken a much-needed steep increase in the last few years. However, right when it appears we've turned the corner, one of the pillars that enables vending machine telemetry is going away potentially causing loss of sales and efficiencies if operators aren't proactive about it.

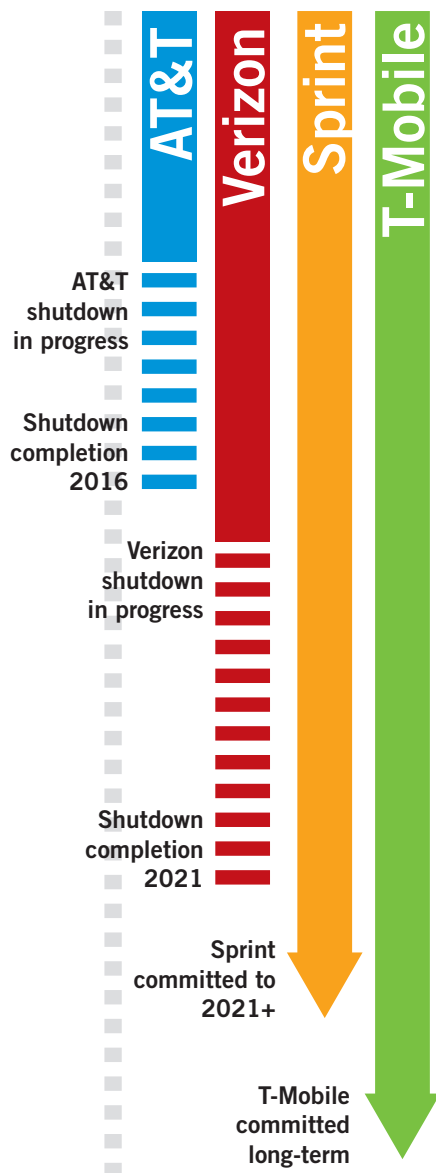
Industry experts suggest as many as 200,000 vending machines will be affected by this decommissioning of the 2G network by two prominent cellular communication providers. AT&T has already begun shutting down its 2G network with complete abandonment scheduled for December 2016. Verizon is also shuttering its 2G and 3G networks, with a cutoff date sometime in 2021.

What is 2G?

The term 2G represents digital communication technology that allows data to be sent from a vending machine with a credit card processor and remote monitoring system, often called telemetry. You may be familiar with cellular commercials that claim 'the best' 4G LTE network. This is an example of a newer wireless communication technology. The number refers to the generation, so 2G is second-generation technology. The latest generations are better able to transfer high speed data. It allows for better streaming and communication. LTE stands for Long-Term Evolution and also enables high speed data communication.

Because venders don't relay a high volume of data, they rarely have a 4G LTE connection. Instead, M2M, or machine to machine

The Sunset Of 2G



Source: RacoWireless, The Sunset Of 2G White Paper

communication, has commonly been using the 2G and 3G technologies. With the deadline approaching for the first major provider to completely shut down its 2G network, operators must ensure their telemetry devices can either switch to using 3G or another 2G provider.

"The 2G sunset is a big deal as most vending telemeters were issued with a 2G radio," explained Chuck Reed, senior director of sales and marketing for vending at CPI.

Brendan Kehoe, vice president and general manager of Streamware, Crane Merchandising Systems also believes the decommissioning of these 2G networks could affect a substantial number of connected vending machines, as many as 200,000. "We have a total of 10,000 units which

will be affected by the shutdown," said Kehoe, who uses the example of analogue to digital TV to explain what will happen. "Each generation is a new technology. When TV stations switched to digital, analogue no longer worked. That is what will happen with devices connected to the 2G networks that are turning off."

Kehoe encourages operators to check with their cashless provider. "For example, our device knows what kind of service it is connected to," he said. Once it is confirmed the unit is using a 2G network that is going away, the operator can work with the cashless provider on a solution. For Crane users, that might be a simple fix like switching to the T-Mobile network by changing the SIM card or swapping out the modular radio. Kehoe says both are simple tasks that can be performed by the route driver. "Crane used a modular design for the Navigator platform specifically because of these kinds of technology changes. The ability to change or add modules and features over time gives us tremendous flexibility and extends the useful life of the device," he said.

Years in the making

This isn't the first the industry has heard of the sunset of 2G, however. Rinaldo (Ron) Spinella, executive vice president and general manager of unattended payments solutions of Apriva, and Mike Gron, CEO of PayLab Networks, both brought up the topic years ago.

In 2013, Spinella talked about the ongoing evolution of wireless networks to newer 3G and 4G technology, and how this transition would affect cashless vending. "The old wireless cellular technology is gone. 2G is now fading to make room for 4G," said Spinella. Since many telemetry units use cellular technology, Spinella suggested operators start educating themselves about whether their hardware was able to use 3G and 4G.

In the next year, Gron warned the industry of the impact an ever-increasing mobile society would have on vending. He said that 2G had been the go-to choice for manufacturers of connected devices with 90 percent of all North American M2M connections operating on the 2G spectrum. Technology has continued to evolve and demand for connectivity has grown exponentially. The original 2G spectrum rolled out by carriers 20 years ago can no longer support the current and future demands placed on their networks by voice and increasing data connections. "M2M solutions, and vending in particular, will be disproportionately affected by 2G's end-of-life transition because of the significant number of currently deployed devices operating with embedded 2G modems," said Gron.

Gron believes 3G will be around for a long while, however. "The lifespan of the new 3G spectrum will outlast any device you invest in," he tells operators now. However, other

Be Proactive In Protecting Your Vending Telemetry Investment

Already 2G networks in some areas of the country are dead as AT&T shut down its support of this technology. Since most cashless and telemetry devices in the vending industry used 2G, operators must proactively ensure their machines will continue to operate correctly.

- **Call your cashless or telemetry provider.** They will be able to determine if your cashless units are running 2G on AT&T or another provider.
- **If you do have units using 2G, discuss solutions.** Options include switching to a carrier like T-Mobile or upgrading the radio or entire telemetry unit.
- **Consider a long-term solution.** While most 3G is currently supported, newer technologies will continue to replace old ones. Consider jumping ahead to a unit that can use 4G LTE or one with a modular radio that can be replaced easily.



telemetry providers warn 3G may not be a permanent solution. “Verizon is shutting down its 3G network at the same time as their 2G network, or sooner, and AT&T will sunset their 3G network as well,” said Kehoe.

CPI’s Reed agrees. “Mobile bandwidth requirements will keep the pressure on the carriers to increase bandwidth regularly,” he said. This means that older networks will continue to be eliminated.

The 2G sunset solutions

The solutions to the shutting down of 2G are fairly straight forward. Either an operator must switch digital communication providers (AT&T to T-Mobile, for example) or technology generations (2G to 3G). For the percentage with a telemetry device that does not allow for either option, the operator will need to update to newer hardware.

Unfortunately, operators cannot implement the solutions on their own. It is the cashless or telemetry service provider that ensures the ability to utilize the network and at what technology generation. “We have about 80,000 devices in the field that utilize 2G GSM technology,” said Anant Agrawal, president of Cantaloupe Systems. “They were all on the AT&T network, but to protect our customers from technology changes like this, we had ensured every device was able to utilize different networks if AT&T wasn’t available. We have proactively switched over everything to T-Mobile in the past year, so very few of our devices will actually get impacted from AT&T shutting down 2G.” There were less than 5 percent of devices that were unable to get a T-Mobile signal and Cantaloupe is working on replacing those with customers.

Determining what generation of technology a device is using may be possible by the look of the device. “Operators know if our device is the 2G device by the look. Our CDMA technology devices look different,” Agrawal said.

It is recommended that operators with credit card readers or remote machine monitoring call their provider to ascertain if their units are using one of the 2G networks that are being shut down. And if they are, what solutions are available in their area. Not all the 2G networks are being eliminated, just AT&T and in five years Verizon. With some action now, operators can guarantee uninterrupted service for years to come. | ◀

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CTW 2015 Reflects Diversified OCS Market

By Emily Refermat, Editor

The eighth annual CoffeeTea&Water (CTW) event held this past Nov. 2 to 4 in Washington, D.C. was a showcase of office coffee service (OCS) and how it is evolving. Both the opening and closing remarks were made not by coffee experts, but by executives of major tea corporations. Seth Goldman, TeaEO of Honest Tea, talked about his journey of bringing organic, lightly sweetened single serve iced tea to market in a positive and creative way.

Stephen Twining, director of public relations for Twinings Tea, closed CTW with how tea is trending. He presented numbers showing that the ever-increasing workplace consumer group known as Millennials are most likely to drink tea, especially as K-Cups bring good quality tea to the U.S. market in a simplified and convenient format.

Coffee, however, certainly wasn't ignored. It was featured prominently with research about its popularity and also new brewing equipment and trends. It continues to grow and expand with consumers opting for unique coffee products such as cold brew as well as enhanced single-cup options like bean-to-cup brewers.

An interesting expansion for CTW was the large focus on the business aspect of an OCS operation. Many of the sessions dealt with digital and social marketing; labor issues; customer relations;



▲ Thomas V. Schultz, ICF, left, Adam Spitz, ICF and Kirsten Hesla, EPA, met with industry members to hear comments on the new Energy Star standards proposed for commercial coffee brewers. Learn more about the EPA standards at VendingMarketWatch.com/12137910



▲ Carla Balakgie, CEO of NAMA, welcomed attendees to the eighth annual CTW event and called it the year of "firsts."

and beating the competition with service and experience.

NAMA called this year a 'record breaker' with the most exhibitors, key decision makers and industry leaders in attendance. There were 13 educational sessions, along with other high-value events like Tech Talks and the WIN Fun Run organized by NAMA's Women of the Industry group.

CTW 2016 is planned for Nashville, TN, Nov. 8 to 10.



▲ The inaugural Women of the Industry (WIN) Fun Run drew 130 runners, walkers and volunteers.

Download CTW Presentations Online

If you missed a presentation at CTW, NAMA is offering the session presentations online at www.coffeeteaandwater.org/downloads



▲ Costa Rican Ambassador to the U.S., His Excellency Mr. Román Macaya, center, talked to industry members about his country's coffee history and its relationship with the U.S. coffee business.



▲ Tea was a popular topic of discussion and sampling at the 2015 CTW.



▲ Seth Goldman, TeaEO of Honest Tea, inspired CTW attendees with his mission to bring organic and slightly sweetened iced tea to consumers.



▲ Stephen Twining of Twinings Tea taught the audience the proper way to make tea as he discussed overall tea trends.

▶ Howard Chapman, left, NAMA chairman, awarded the Coffee Legend award, posthumously, to Lowell Shindler, co-founder of U.S. Coffee, for his 44-year career in the business. His son, Douglas Shindler, right, accepted the award on Lowell's behalf.



▲ Another rousing success, the 2015 CTW provided a baseline of education on topics that are relevant today and also new evolving opportunities to meet an emerging demand. The record-breaking attendance of more than 800 people is a sign of how the channel is growing. www.vendingmarketwatch.com/12145622



PRODUCT ROUNDUP



MicroVend

**AUTOMATED MERCHANDISING
SYSTEMS INC. (AMS)**

Automated Merchandising Systems Inc. (AMS) announces MicroVend, the latest addition to their line of vendors. MicroVend was developed to meet the customer demand for a compact countertop merchandising solution. MicroVend's dimensions are 22-1/4" w x 40-1/2" h x 25" d. The sleek countertop vendor has six trays and will accommodate any small item the market may offer, such as single-serve coffee containers, individual creams, other condiments, small energy drinks, and more. MicroVend is scheduled to be in production in January 2016.

VendingMarketWatch.com/12145707

For more products

Visit www.VendingMarket-Watch.com/directory

ALTERRA® Donut Shop Dark Coffee

MARS DRINKS NORTH AMERICA

Mars Drinks announced the launch of ALTERRA® Donut Shop Dark coffee, the latest addition to the company's workplace beverage solution. ALTERRA Donut Shop Dark coffee offers a rich, dark twist on the traditional ALTERRA Donut Shop blend and uncovers apricot flavors with undertones of caramel and a rich, chocolatey finish. ALTERRA Donut Shop Dark coffee can be brewed using any of Mars Drinks' single-serve FLAVIA® brewers.

VendingMarketWatch.com/12145697



Biena Chickpea Snacks Line

BIENA FOODS

Biena Foods introduces its Biena Chickpea Snacks Line available in vending. Flavors include Barbeque, Honey Roasted, Habanero, Sea Salt and Cinnamon Crunch. The flavorful Biena Chickpea Snacks line is Non-GMO Project verified, gluten-free and packed with protein and fiber.

VendingMarketWatch.com/12126028

ecoStick Zero Calorie Sweeteners

SUGAR FOODS CORP.

New ecoStick zero calorie sweeteners from Sugar Foods Corp. cost less than the other brands of packet sweeteners and deliver the same sweet taste your customers crave. Packed in space-saving, mini-sticks they provide a greatly reduced carbon footprint that's better for you, your customers and the environment. Same taste, less waste, much better!

VendingMarketWatch.com/12145686





Mrs. Freshley's Icers Snack Cakes

FLOWERS FOODS

Mrs. Freshley's recently launched new Icers snack cakes nationwide. Mrs. Freshley's Icers feature two layers of creme-filled cake topped with velvety icing. Available in both vanilla and chocolate flavors, Mrs. Freshley's Icers provide a new spin on these classic flavors. Icers are available in 4.5-ounce three-count, single serve packages, with 36 packs per case. The standard retail price for Mrs. Freshley's Icers range from \$0.99 - \$1.39 for single serve packages.



VendingMarketWatch.com/12145692



Trophy

VE GLOBAL SOLUTIONS

VE Global Solutions in a partnership with SGL introduces Trophy, a single serve cup solution, to the U.S. The machine uses capsules, and is compatible with RealCup™ and K-Cup® capsules designed specifically to deliver American style beverages, containing 9 to 11 grams of coffee. Capsule ejection is automatic. Trophy is designed to fulfill the needs of offices of more than 10 people and comes in two models: plumbed-in and pour-over (with an internal water tank). Trophy boasts a 3.5 inch touchscreen, which can be customized via USB.

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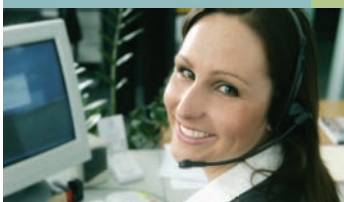
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2015 ROUTE DRIVER OF THE YEAR QUARTERLY WINNER

Chris Perret

Refreshment Solutions, Norco, LA

Perret puts his company and customers first.

By Adrienne Zimmer, Managing Editor

Perret, a 13-year route driver, travels between 2,000–2,500 miles per week as a swing driver.

CHRIS PERRET goes the extra mile for his customers and his company. When the 13-year veteran route driver for Refreshment Solutions was recently running a route, another driver become ill in the field so after finishing his route, Perret went and completed the other driver's route, too. "This to me just demonstrates his dedication to Refreshment Solutions as well as dedication to customer service," said Chris Necaise, route driver manager for the Norco, LA-based vending company.

“Any challenge he encounters he overcomes.”

Perret, the 2015 Fourth Quarter Route Driver of the Year award winner, puts his customers and company first by ensuring that his machines are stocked, clean and working. He fills in for other route drivers and even learned all of the company's routes. He embraces changes such as technology innovations and micro markets without hesitation or complaint. "He just does it all and he does it well," said

Necaise. "Chris is an all around top notch route driver."

Many roles

Perret understands the importance of customer satisfaction and is determined to never let a client down. This past summer the company had a large turnaround at one of its biggest accounts. "Chris worked tirelessly to provide service to customers, and this included servicing some machines twice in one day," recalled Necaise.

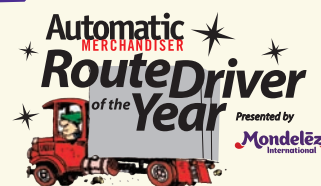
But it's not just vending that Perret handles. In fact, he services office coffee and micro market accounts in addition to vending, which Necaise notes, takes a large amount of flexibility and different skill sets. Perret learned all 25 routes the company operates so that he could fill in as a swing driver, oftentimes traveling between 2,000 and 2,500 miles each week to ensure that his customers don't encounter empty shelves or spirals.

No matter what, Necaise says, Perret's machines are always cleaned, filled and working. "He is continuously at the top of our boards for machines filled daily/weekly. Also in field inspections of his machines we never find any issues with cleanliness. Products are always tucked properly in spindles and we don't encounter any route driver caused issues."

A company man

What Necaise appreciates most about his best route driver is the fact that he can rely on Perret to get the job done. "He has never missed work and he doesn't complain. Any challenge he encounters he overcomes," said Necaise. Perret is a great role model for other drivers, too. "I wish I had 10 more like him."

When it came to nominating a route driver for this award, Necaise knew no one more deserving. "Chris deserves this award because of his constant drive to satisfy the customer," concluded Necaise. "He has a great work ethic and is loved by his customers. He goes above and beyond on a daily basis to provide our customers with the best service." ◀



Route Driver of the Year quarterly winners receive \$250 and are entered for the final Route Driver of the Year award presented at the NAMA OneShow. Nominees are rated based on experience, miles traveled, comments, etc. The award is sponsored by Mondelez International and Automatic Merchandiser.

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VIDEO: Vending Confidence Slips, Micro Markets Keep Operators Inspired

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