

# Automatic MERCHANDISER

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Lincoln County Vending's  
ongoing commitment to  
innovation spells success  
page 34

Dan Holt,  
owner

Kevin Posey,  
operations manager

*Refreshing*

# ADVANCEMENTS

# CONTENTS

OCTOBER/NOVEMBER 2019



Operations manager Kevin Posey (from left), owner Dan Holt and human resources manager Jason Hambrick take a moment for a photo at Lincoln County Vending's warehouse in Fayetteville, Tenn.

## Success Story

34

### Refreshing Advancements

Lincoln County Vending's ongoing commitment to innovation spells success

## Features

16

### What's Trending In Micro Markets?

Seven trends operators need to know to plan for a successful 2020

24

### Rise And Shine

Breakfast in the workplace is growing more popular, presenting an opportunity for operators to increase revenue



30

### The Evolution Of OCS Equipment

From pourovers to cold brew, OCS equipment has changed how consumers enjoy coffee in the workplace

39

### Start Thinking Macro In Your Micro Markets

If you're not seeing gains in revenue in your micro market, it's time to think bigger



## Departments

### 6 Editor's Note

Changing Seasons, Changing Trends

### 8 Industry News

Top news and people in the industry

### 12 OCS Update

Cold Is Hot

### 40 Classifieds

### 42 Social Hubs

What's happening in the industry on social media

**On the cover:** Lincoln County Vending owner Dan Holt (left) and Kevin Posey, operations manager for Lincoln County Vending, value using technology to enhance both employees' and customers' experience with the company.



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## ONLINE EXCLUSIVES

Visit [vendingmarketwatch.com](http://vendingmarketwatch.com) for more on hot topics in vending, micro markets and office coffee service

### Interviews, Expert Insight & Tips



#### OCS Operator

## Five Questions With Blake Jones, Sales & Marketing At Pot O' Gold Coffee Service



Blake Jones

**BLAKE JONES, WHO WORKS IN SALES AND MARKETING** at Pot O' Gold Coffee Service in Bellevue, Wash., watched his father grow the family business to what is now the largest independent OCS provider in the state. Jones described how the company stands out.

[VendingMarketWatch.com/21106093](http://VendingMarketWatch.com/21106093)

#### Deeper Dive | Micro Markets Confidence Index Lessens Slightly But Remains High

Automatic Merchandiser staff report on the operator confidence index following Q2 of 2019.

[VendingMarketWatch.com/21107324](http://VendingMarketWatch.com/21107324)

#### Product Perspective | Mighty Spark Chicken Snack Sticks



Bob Tullio tells operators Mighty Spark Chicken Snack Sticks deserve a spot in their product inventory.

[VendingMarketWatch.com/21105837](http://VendingMarketWatch.com/21105837)



Bob Tullio

### Special Report



#### Micro Market

## Inside View: 365 Acquires Company Kitchen



#### MICRO MARKET NEWS

The Company Kitchen acquisition allows 365 Retail Markets to expand its Connected Campus while offering new products to existing customers.

[VendingMarketWatch.com/21106480](http://VendingMarketWatch.com/21106480)



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Russell Research, White Castle Purchase Journey, 2018 Research Findings

# Changing Seasons, Changing Trends



**Abby White**

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“

You may notice more people drinking those pumpkin spice lattes on ice this year...

**As we get closer to the end of 2019, we review impactful micro market trends to prepare for a successful year ahead**

## IT'S 99 DEGREES OUTSIDE AS I WRITE THIS – A RECORD-BREAKING

October temperature for Nashville — which feels really unfair since it's technically supposed to be autumn, the season of cool breezes, scarves, falling leaves and pumpkin spice everything.

We know consumers love seasonal flavors — and new flavors — and nearly every operator I've spoken with over the past few months feels the need to offer a wider variety of products in vending, office coffee service (OCS) and, especially, micro markets. This includes new products, new flavors of familiar products and better-for-you items along with traditional snack favorites. It's a lot, but it's just one of many things operators need to manage in order to run a successful business.

In this issue, we talked to industry experts and members of our Editorial Advisory Board to identify the trends that affected micro markets the most in 2019. Multiple respondents said that the consumer demand for greater product variety was one of the year's most impactful trends. Of course, this presents an opportunity for operators to gain larger revenues from customers who repeatedly visit micro markets to purchase different products throughout the workday, but it can also create challenges in managing a larger inventory.

One notable area of growth for the industry is the increased popularity of breakfast in the workplace. This trend is driven by employers who want to provide perks to their workforce while also encouraging them to come to the office earlier so they can enjoy a morning meal or snack.

We also chatted with Todd Carmichael, CEO and co-founder of La Colombe Coffee Roasters, who shared how he and his best friend JP Iberti started La Colombe 25 years ago. Carmichael explained why farm-to-table is as important in coffee as it is in food and why the migration from hot to cold coffee is the biggest “tectonic shift” to hit the coffee industry, including OCS. Carmichael will share more of his insight in his keynote address at the NAMA Coffee, Tea & Water (CTW) event in Anaheim on Nov. 18. (We hope to see you there!)

Speaking of cold, I hope that by the time this magazine reaches you, the weather has cooled and we can enjoy those pumpkin spice lattes and all the other seasonal treats that are available this time of year. Although, if the word on the street is true, you may notice more people drinking those lattes on ice this year, no matter what the outside temperature is.

*Abby White*

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## TOP NEWS

### Emerald Brand Partners With Foodbuy

[ SUSTAINABILITY ]



Emerald Brand has been an innovator in material technology since 1997.

**EMERALD BRAND HAS PARTNERED** with Foodbuy, which is part of Compass Group, to provide Foodbuy customers access to Emerald's disposable Tree Free™ and Plant to Plastic® products. Emerald Brand currently offers more than 300 sustainable finished products.

#### Partnership offers many resources

Through this partnership, Emerald Brand will also offer Foodbuy customers corporate solutions including educational forums, Emerald Eco-Squad® consulting services and measurable Environmental Impact Statements. Emerald's Eco-Squad® consulting division is on the cutting-edge of workplace trends in sustainability, wellness and health and is in compliance with state and municipal laws.

According to the company, Emerald Brand's mission of "Farm to Tissue®, Made in the USA" is poised to revolutionize the industry.



#### USAT Regains SEC Compliance

USA Technologies announced in a letter to shareholders on Oct. 9 that the company is now in compliance with the Securities and Exchange Commission after fulfilling its periodic reporting requirement.

USAT CEO Stephen P. Herbert stated that now that the company's financial disclosures are up-to-date, it will schedule an annual shareholders meeting.

**VendingMarketWatch.com/21109804**



#### Keurig Dr Pepper To Develop State-of-the-Art Facility

Keurig Dr Pepper has announced plans for a new production and warehouse facility in Allentown, Pa. KDP will invest approximately \$200 million in the project, which is expected to create roughly 400 jobs.

The large-scale warehouse operation will allow KDP to optimize its logistics footprint in the Northeast, building on the company's integrated manufacturing network. Additionally, the Allentown facility provides the company highly efficient capacity for new and existing brands.

**VendingMarketWatch.com/21105745**



#### Gimme Inks Seven-Figure DSD Deal

Atlanta-based Gimme announced a seven-figure deal for its wireless DEX adapter for direct store delivery (DSD), Gimme Key. This deal is in partnership with HighJump, a global supply chain solution provider and valued Gimme partner.

This deal increases Gimme's deployment presence to tens of thousands of driving routes in the DSD space. The Gimme Key uses Bluetooth Low Energy technology to seamlessly connect to any compatible iOS™, Zebra, Android or Windows device.

**VendingMarketWatch.com/21108683**



#### One Source Launches Healthy Source Vending

One Source Refreshment has launched Healthy Source Vending to provide better-for-you options for customers in the Philadelphia area.

The product menu will provide customers a wide variety of healthy snacks and beverages along with favorite sweet treats and indulgences. One Source will offer a customized assortment for each client to support their dietary goals.

**VendingMarketWatch.com/21107264**





### **Betson And Vagabond Offer viv Fixturelite Markets To Customers**

Betson Enterprises has partnered with Vagabond to distribute the viv mobile POS platform to Betson customers. This partnership features Fixturelite's exclusive production of fixtures powered by viv. The viv Fixturelite Market is a consumer-friendly solution resulting in significantly lower operating expenses for a market of any size.

This partnership adds to Betson's offerings of streamlined, kiosk-less

market solutions targeting workplace accounts with 40 to 250 employees.

**VendingMarketWatch.com/21109430**



### **Tyson Invests In New Wave Foods**

Tyson Ventures, the corporate venture subsidiary of Tyson Foods, has invested in San Francisco-based New Wave Foods.

New Wave Foods, which is working with the Culinary Institute of America to produce plant-based shellfish, plans to offer a shrimp alternative to foodservice operators in early 2020.

**VendingMarketWatch.com/21096290**



### **US Foods Receives Conditional Approval For SGA Acquisition**

US Foods received conditional approval from the FTC to acquire SGA's Food Group of Companies for \$1.8 billion. This acquisition includes Food Services of America, Inc., Systems Services of America, Inc., Amerifresh, Inc., Ameristar Meats, Inc. and GAMPAC Express, Inc.

US Foods chairman and CEO Pietro Satriano said that the company is excited to enhance its overall scale and footprint in the Northwest and West U.S. regions.

**VendingMarketWatch.com/21096999**

## **MORE ONLINE**



### **NAVA Recognizes Atnip Co.'s Steve Vargas With Award**

VendingMarketWatch.com/21095491

### **Costa Coffee Partners With Eseye**

VendingMarketWatch.com/21106186

### **PFG Intends To Offer \$1.06 Billion Of Senior Notes**

VendingMarketWatch.com/21106204

### **Campbell Completes Kelsen Group Sale**

VendingMarketWatch.com/21107088

## **PEOPLE IN THE NEWS**



Zillmer

### **Aramark Names John Zillmer As CEO**

Aramark announced that industry veteran John Zillmer will return to the company as CEO. Zillmer previously spent 18 years with Aramark as its president of global food and support services. He recently served as chairman and CEO of Allied Waste Industries. In his return to Aramark, he will also join the company's board of directors.



Zancolò

### **Marco Zancolò Becomes New Head of Franke Coffee Systems**

The Franke Group announced Marco Zancolò as the new head of the Franke Coffee Systems division and a member of Group Management. He succeeds Thomas P. Meier, who left the company in March. Zancolò held various key management positions at Nespresso, where he most recently was responsible as Head of Zone Europe.



Antonello

### **Jones Soda Names Maisie Antonello As Vice President, Marketing**

Jones Soda Co. appointed Maisie Antonello as vice president of marketing. Antonello recently was senior brand manager at Starbucks, leading a successful turnaround strategy for the company's Frappuccino® bottled beverages. Prior to Starbucks, Antonello held multiple marketing roles at Frito-Lay.



Maserang

### **Deverl Maserang Appointed Farmer Brothers President And CEO**

Deverl Maserang succeeds interim CEO Chris Mottern and brings more than 30 years of leadership in turnarounds and global supply-chain transformations to the company. He recently served as president and CEO of Earthbound Farm Organic and held previous roles at Starbucks, Chiquita Brands and Pepsi Bottling Group.

# Conagra Sells Delivery Snacks Business to Utz

## [ SALES & MERGERS ]



Conagra has entered a definitive agreement to sell its DSD snacks business to Utz.

**CONAGRA BRANDS WILL** sell its Direct Store Delivery (DSD) snacks division to Utz Quality Foods. The DSD snacks business includes Hawaiian® Snacks, Erin's® and Snyder® of Berlin brands. Conagra had gained the DSD snacks business as part of the Pinnacle Foods acquisition in October 2018.

### Utz Plans Expansion West

According to Dylan Lissette, CEO of Utz, the brand hopes to grow its portfolio further west with the addition of the DSD snacks business. Utz produces a full line of snack

products including Utz®, Golden Flake®, Zapp's®, Dirty® Potato Chips, Good Health®, which are distributed nationally and internationally through multiple channels. Utz is the largest privately-held, family-managed salty snack company in the country.

Conagra president and CEO Sean Connolly noted that while Conagra has a large and growing snacks business, the company does not currently operate with a DSD model, while Utz is an established DSD operator, giving this division a better opportunity for growth.




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# Cold Is *Hot*

**Todd Carmichael, CEO and co-founder of La Colombe Coffee Roasters talks cold brew, OCS and innovation**

*By Abby White, Editor*

## **TODD CARMICHAEL, CEO AND CO-FOUNDER OF LA**

Colombe Coffee Roasters, first learned about coffee through a college job back in 1982. Carmichael and his best friend, JP Iberti (president and co-founder), subsequently started envisioning what the perfect coffee company would look like, and they've spent decades building upon that vision. After opening their first café in Philadelphia in 1994, Carmichael and Iberti have grown La Colombe into a company with more than 800 employees and 30 cafes across the country.

More than 25 years later, Carmichael remains dedicated to responsibly sourcing the world's best coffee, and also to innovation. La Colombe's ready-to-drink Draft Latte, launched in 2016, features a patented InnoValve® can designed by Carmichael which, upon opening, creates a frothy, texturized beverage that has been flying off the shelves.

Carmichael will deliver the keynote address at the NAMA Coffee, Tea & Water (CTW) event on Nov. 18.

## **Q: CAN YOU SHARE A LITTLE ABOUT YOUR HISTORY AND THE FOUNDING OF LA COLOMBE?**

**A:** I'll start in 1982 — that's when I discovered coffee. I'm a farm boy from the eastern part of Washington, and I got the opportunity to go to university. I ran cross-country/track for the University of Washington. When I got to the big city, I needed a job, and I found one lugging grain sacks in a small warehouse. When I looked at the names on those sacks — Rwanda, Uganda, Tanzania — they weren't names I recognized. In another part of the building, I saw the roaster, and I went, "Wait a minute." It was coffee. It was for a really tiny company at the time — they had three cafes — called Starbucks. I was in the right place at the right time. So, I'm like the Forrest Gump of coffee. I was a runner, and I was a little bit thick-skulled [laughs].

While I was in Seattle I met my best friend Jean Philippe [Iberti], and we were concocting the philosophy of what the perfect coffee company would be. We were just kids and we were both broke. The idea was going all the way back to the farm, because I knew that if anyone took the time to get in the truck and come out to our farm, they'd always get the best food. So farm-to-table was really based on this concept, that we could get a higher grade of coffee if we would just take the time to go and get it and create a relationship with farmers.

I was studying business and learned about vertical integration, so I said, "OK, that's it — let's vertically integrate. We'll make everything we sell, and we'll source directly at the farms." And that philosophy has taken us pretty far. We know that nothing is ever finished — even coffee — and that you need to take that vertical integration concept and combine it with another idea. So, we opened up our first cafe at the beginning of 1994. We had \$200 in our bank account, and we really needed it to work, or we wouldn't be able to eat. And it did. Today I'm told that we're valued at somewhere around \$1 billion, and we're growing at about 60 percent.

## **Q: WHAT ROLE HAS PHILANTHROPY PLAYED IN THE COMPANY?**

**A:** It's not a strategy — it comes from the heart, and it comes from the team. We get involved in lots of different things that speak to us. There's a group of really talented people in [La Colombe] marketing who feel very passionately about school



Todd Carmichael, CEO and co-founder of La Colombe Coffee Roasters, with the popular RTD Draft Latte.

Alexander Mansour





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lunches for kids, so we lean into that. So, it's really just that. When I hear the word "philanthropist," I think it's self-serving because you're not exceptional ... it's just being normal. Why would you stand out for being normal?

Childhood is really important to me. All my kids come from Ethiopia [Carmichael and his wife Lauren Hart have four adopted children] where their early years were spent in a place where HIV/AIDS was ravaging villages. Before, you wouldn't see orphanages. They never needed them because family always took care of family, but family was so tattered and so stricken that they needed assistance.

If you try to help the world a little bit, it's an easier thing to do in coffee-growing places. The three areas I picked were Uganda — even though I don't do a ton of coffee out of Uganda — Ethiopia and Haiti. And then we do some agricultural projects. We have certain requirements; we pay a lot more than most people, and we'll help you with water. If you're not providing water to people around you, then we can't buy your coffee.

At the end of the day, we're a retailer, too, with 30 cafes. The total company is maybe 800 employees, and our turnover rate is at 1 percent. I have my original 100 employees because the company is decent, and they know it,

and because they can get engaged with projects and can say, "Look, we've changed the lives of people." And we have great coffee and we love growing. It creates this environment where you don't have to sit around all the time figuring out what your brand should be. You just exercise the best part of you, and the brand comes from that.



La Colombe Coffee Roasters has cafes as part of its brand.  
lacolombe.com

## **Q: HOW HAS LA COLOMBE ELEVATED THE COFFEE EXPERIENCE, ESPECIALLY AT THE OFFICE?**

**A:** Well, when I started 25 years ago with La Colombe, it was a space we couldn't go into. The office coffee was free, so people would drink sawdust. But the nature of coffee was changing on the street. The majority of people got coffee from carts or they got coffee in diners, so breaking it from those boundaries and into a brick-and-mortar was the first big step.

And then, obviously, a lot of those folks who are coming into the cafe are professionals. Within a couple of years, we had a couple of law firms come in and say, "We can't live without this," so we would do a special thing for them. And then Goldman Sachs in New York came and said, "We have to have the best," and then we just realized this incredible proliferation.

Then you start asking yourself the question, "What can I do to really put my thumbprint on this space?" Cold brew was a big one. Then RTD (ready-to-drink) became huge.

[OCS] is no longer perceived as just a dead cost; it's seen as a serious perk, and that's not going to go away. I think that the real glory days with coffee and what it can do in the workspace start right now — they're just beginning.

## **Q: WHAT ARE THE MOST SIGNIFICANT CHALLENGES FACING THE INDUSTRY RIGHT NOW?**

**A:** The huge tectonic shift that has happened here is that we've gone from hot to cold. I can't overstate that enough. I've been in coffee since 1982 and I've seen changes, but I've never seen anything like this.

I'll give you an example. It was maybe 1996, and someone came into our first cafe in Philadelphia and wanted an iced latte. I thought this man had been hit on the head with a shovel. It was like saying, "Can I have sardines in there?" I made him what I could, and he left, and I thought, "Well, that was weird." So that year, that was maybe .0001 percent of the coffee sold at the cafe that was cold. Today, it's 65 percent.

The shift to cold is outrageous and wild for such an ancient product like coffee. The workspace is only touching it slightly — maybe they have a box of it in the refrigerator — but this is going to change. This is changing in the RTD space.

On tap in that environment is the next thing. It's very simple; you can get 15 gallons of concentrate in a bag-in-box. You push it through a barometric pump, and it comes out delicious. You put it out in a tap that you maybe once used for beer, and you now have a beautiful cold version of coffee that you can't even touch with a hot machine. Silicon Valley tends to drive the new office concepts, and right now they're going out of their minds over the cold brew, and so are financial institutions in New York. They've got their fingers on the pulse.

## **Q: STRATEGICALLY, WHAT'S NEXT FOR LA COLOMBE?**

**A:** For us, what's next is a long future. I'd like to see what's at the end of this road. For me, I'd like to completely disrupt the K-cup space. I think it's all being done incorrectly, and I believe I have the technology to change everything. I would like to do with the K-cup space what we did with the RTD: make it genuine, make it unbelievably good, make it user-friendly, and make it something that when you drink it, you go, "Wow." And, you know, I don't purposely disrupt anything; I just look for innovation. I love change. I like to try to keep ahead.

I'm a bit of a hyperactive, non-sleeper. I have a lab in my basement, I'm constantly going at it, and for me, innovation isn't just, "Oh, I made a formula and it tastes slightly better than yours," it's like, "This is a whole new way of looking at this," and I like that. It makes me happy. ■



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# What's Trending In Micro Markets?

Seven trends operators need to know to plan for a successful 2020

By Abby White, Editor

We asked industry leaders and members of the *Automatic Merchandiser* Editorial Advisory Board to weigh in on which trends impacted micro markets in 2019 and what operators need to know in order to prepare for another year of success. Here are their remarks on micro markets across the industry.

### CUSTOMER LOYALTY PROGRAMS BENEFIT OPERATORS, SUPPLIERS

A recent Oracle study found that 72 percent of adults utilize at least one loyalty program and two-thirds of these programs are associated with high-frequency

businesses. Operators can capitalize upon the popularity of loyalty programs by offering them at micro market locations, rewarding customers who shop there regularly.

“Anything that affects consumer engagement, mobile engagement, loyalty and data-driven promotions is driving this [trend],” said Joe Hessling, founder and CEO of 365 Retail Markets.

Hessling noted that 365 recently launched its 365 Pay app, giving consumers a more streamlined shopping experience. He said that communicating with operators, managing loyalty, receiving promotions, making purchases and reviewing past purchases has never been easier for the end user. The app also helps operators run their business more efficiently, quickly attending to customers’ needs.

“The requests for features related to efficiency and consumer engagement are a daily occurrence,” Hessling said. “Operators are embracing the changes and running with them for longer contracts and better sales.”

Malcolm McAlpine, business manager, branded snacks and confections at Mondelez International, said that Mondelez sees value in marketing, promotions and loyalty programs for micro markets.

“This year and continuing into next year, we are focusing a lot more sales and marketing efforts on micro markets to keep up with the trends and the growth of the segment,” he said. “We will also promote aggressively to the micro market consumer, with bundling and loyalty programs.”

### **SMALLER LOCATIONS HAVE BIG POTENTIAL**

While micro markets were initially envisioned for larger office environments, compact point-of-sale systems and space-saving design solutions have allowed operators to expand into smaller locations, which can be surprisingly profitable.

“When we first started, we felt that the micro market ‘sweet spot’ had a certain threshold for sales and populations and locations,” explained Jim Brinton, CEO at Avanti Markets. “And now, operators are having to take a hard look and say, ‘Maybe those smaller locations actually make financial sense as well.’”

Hessling added that 365 recognized the demand for smaller point-of-sale systems, tablets and mobile-based options through the 2017 launch of their nanomarket™ kiosk and their forthcoming PicoMarket.

“Our nanomarket™ has gone from launching in 2017 to our second best-selling product in 2019,” he said. “We have been working diligently on the PicoMarket, which is the perfect fit for operators that want to be on one back-end system throughout all of their locations, big or small. The PicoMarket can be utilized as a standalone point-of-sale in a connected campus setting or simply placed on individual vending machines or coolers.”

Michael Kasavana, NAMA endowed professor emeritus and hospitality business consultant, concurred that the nanomarket™ helped operators effectively monitor and control “marketplaces geared to smaller populations.” He added that enabling consumers to scan and purchase items through a virtual shopping cart with their smartphones is not only ideal for smaller locations, but also provides a convenient “uninterrupted departure” for end users.

Steve Orlando, co-founder and chief business development officer at Fixturelite, advised that just because a location is small doesn’t mean that operators should forego retail design elements in these previously overlooked spaces.

“It’s as important to invest in the small spaces as it is the larger spaces, and that is why we designed solutions for spaces large and small,” Orlando said. “Increased sales revenue correlates to the experience an operator creates

in the retail space and that doesn’t typically change simply because the audience is smaller. We’ve seen where operators look at a small space with less than 100 people and say, ‘I’m not going to invest in that because it’s only 100 people.’ But if they design a destination that draws shoppers in — while using technology that makes sense — they might see that untapped location generates revenue equivalent to a 200-person location.”

### **CONSUMERS WANT VARIETY**

In addition to carrying the traditional food and beverage items consumers know and love, operators need to expand offerings with better-for-you products, fresh food and a larger selection of snack and meal options.

“Another trend in micro markets is the diversity of what’s being offered, whether that’s different variations and types of product, new and more flavors, or multiple packages and sizes,” McAlpine said. “It’s all about options and providing an assortment that consumers can choose from. While consumers do still enjoy that traditional sweet or salty snack, they are more health-conscious and also want snack options that they see as better-for-you.”

McAlpine said that Mondelez Foodservice has responded to this trend by making a large assortment of snacking options available to operators to meet their consumers’ demands. Mondelez also assists operators by identifying snacking trends and habits that impact their target markets.

“We ensure that we’re making operators aware of trends as well as the different snacking habits and preferences of the different demographic cohorts so that they can source and slot the appropriate products,” he said, adding that manufacturer competition for slots in micro markets has also become more intense.

“Because it’s such an attractive segment, this competition will continue

to grow at the same rate micro markets are,” he said.

Josh Rosenberg, advisor, Accent Food Services and CEO of PLNTSOP, said that product diversification is the No. 1 trend impacting micro markets.

“In order to get our share of the consumers’ wallet, we have to deliver what they want, when they want it, how they want it,” he said. “And that diversification of product has put pressure on the traditional supply chain and the big box suppliers that dominate our space. As we bring these new products to market — whether it’s fresh food, perishable cold brews, kombucha or perishable proteins — inventory, warehouse and trucking have become far more complex and expensive. You have to recapitalize your fleet in order to be able to support it.”

Managing inventory has grown more complex as micro market clients demand a wider variety of products. Offering a wider variety of products is only possible — and profitable — if the operator is equipped to effectively manage an increased number of SKUs.

“

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**Josh Rosenberg, advisor, Accent Food Services and CEO of PLNTSOP**

“Operators are being held more responsible for professional product management,” Hessling added. “Having product available is not enough anymore — effectively managing it is the client expectation.”

#### **INTEGRATING SYSTEMS IMPROVES MANAGEMENT**

When vending operators started expanding into micro markets, they quickly realized the need to integrate

their systems to ensure efficiency and manage inventory.

“I started in the micro market space back in 2010 and I have watched operators be hesitant to the concept, then buy into the concept and then want to make micro markets a part of their growth strategy in their business,” said Elyssa Steiner, director of marketing at USA Technologies. “In recent years, with growth has come new challenges for operators when their multiple technology platforms don’t transfer data from system to system.”

Steiner said that she’s seen a shift, especially over the past year, where operators aren’t talking about if they should integrate their market and vending systems, but rather how quickly they can do it, especially if they’re interested in scaling their business.

“I think it is making operators more efficient and provides peace of mind and control of their operations,” she said. “And, ultimately, it allows them to track profitability across all lines of their business in one place while streamlining processes for their people.”

In order to help operators achieve growth and overall success, USA Technologies developed a solution that integrates with most micro market providers.

“We learned quickly that we needed to integrate with all or as many major micro market providers as possible to support the business of the operator,” she said. “We worked to achieve that throughout the early part of 2019 and continue to look at ways to

optimize the workflows to help operators leverage the Seed platform for a central management platform.”

While operators certainly benefit from a streamlined operation, the true benefit is passed on to the end user.

“I think that the operator is truly able to provide a better customer experience ensuring the right product is there at the right time when the consumer wants it,” Steiner added.

#### **MICRO MARKETS DESIGN TAKES IT UP A NOTCH**

Continued low unemployment and a strong U.S. economy mean that employers are willing to go the extra mile to retain valuable workers. By creating inviting spaces for their employees to enjoy their snacks or meals, employers can increase the amount of time their workforce spends in the office. Orlando said his clients are interested in creating an elevated experience for their employees.

Orlando said he often asks operators, “If retail, coffee, and food establishments hire designers to create an experience for their customers around their brand that results in customer and brand loyalty, why would your micro market business be an exception?” The response is almost always, “I see your point; I hadn’t thought about it like that before.”

Orlando continued, “The micro market is not vending. It’s retail. Full stop. The business is about creating a new experience for the employee in their break room. The most successful micro markets are a destination, not a last resort. Creating an exceptional experience for customers creates a stronger relationship between the location’s decision-maker and the operator.

“I always say, ‘If you design it and it’s cool, you’ve rooted yourself there,’” Orlando added. “It’s harder for them to replace you. If you go bare-bones basic, you’re probably not going to sell as much and employees probably aren’t





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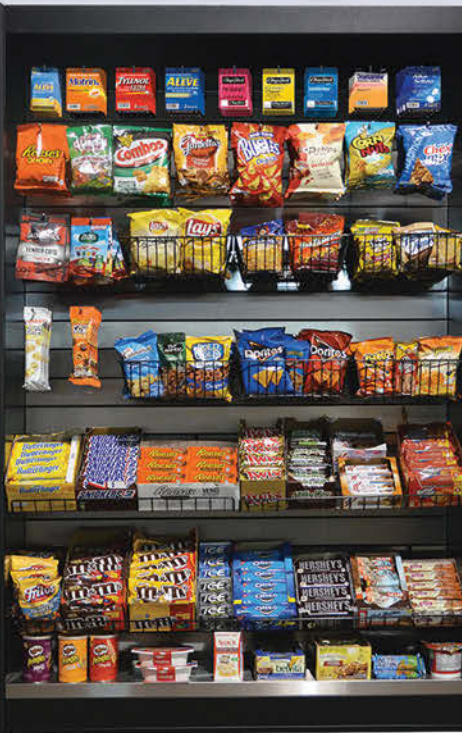
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going to be as happy or engaged with the end result. When you're willing to give it a little more effort — and offer something nicer than the bare minimum — it's a gateway to a conversation with the customer that your competition may not be having."

Kasavana noted that many convenience stores have elevated their locations to create a better customer experience, pushing micro market operators to up the game as well.

"Competition from convenience stores [is] forcing some micro market providers to reinvent the ambiance and décor of a break room or public access area into a more inviting and entertaining venue featuring fresh foods and local signature product promotions," he said.

However, the low unemployment and strong economy have a downside for micro market operators, Rosenberg cautioned.

"Shrink is a big problem," he said. "It's a very strong labor market. Clients are telling us that historically it helped to bring them data on theft, particularly employee trend theft where employees are walking up and stealing a [candy] bar a day. Now they're telling us, 'That's your issue to deal with,' because the labor market is so tight they don't want to have to deal with job replacement. So, I'm eating the cost."

#### **PANTRY SERVICE CONTINUES TO GROW**

Pantry service, or when an employer pays for food and/or beverages for employees, showed gains in multiple industry surveys this year. In our annual State of the Office Coffee Service Industry report, respondents said pantry service was the most popular new service added in 2018. The recent NAMA 2018 Industry Census also revealed that while pantry service is still the smallest segment of convenience services, it grew at a "healthy rate of 66 percent" last year.



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**Michael Kasavana, NAMA endowed professor emeritus and hospitality business consultant**

Pantry service is another benefit that employers offer to lure and retain talented workers during this period of low unemployment. Paying for employees' snacks also helps keep workers in the office, where they're more likely to do productive, uninterrupted work. Some operators offer pantry service with their office coffee service (OCS) routes, but as McAlpine noted, others converted their micro markets into pantries.

"One major trend has been the increase in companies transforming their micro markets into pantries offering free snacks for employees," McAlpine explained. "Companies have started to go this route as it's a free perk that provides employees the convenience and variety of snacking they're looking for at work, free, on-site and for all day parts."

McAlpine said that this isn't necessarily a bad thing for micro markets, as he predicted markets would continue to grow, even if they're essentially operating as pantries.

"I see the number of micro markets continuing to grow, particularly

company-sponsored pantries," he continued. "With pantries, companies offer a solution to meet the snacking and eating needs of employees without having to employ anyone to do it. This also has the advantage of keeping employees on-site."

But Brinton cautioned that, as history has indicated, the strong economy and low unemployment aren't likely to continue indefinitely.

"Pantry services have really flourished because of this booming economy ... I have some conservative cautions on the direction that's going to go, long-term," he said. "Right now, employers are competing for employees, so the at-work benefits have really risen to the top of some demands. But when the economy softens and employers start to look to areas where they're going to tighten their belt a little bit, is there a way to still maintain that pantry service, but have some controls around it?"

Brinton explained that just as micro markets gave operators the ability to bring control into an open environment, pantry service has the potential to do the same. Employers could still provide certain beverages or snacks for free (or at a reduced price), but they'd track the number of free or subsidized products each individual employee takes.

"The employer may still decide to give away certain items, but in a controlled environment instead of a total grab-and-go with no control," he added. "I think the pantry service is going to spill over into the micro market side, using a lot of hybrid locations."

Brinton suggested that this type of hybrid micro market/pantry environment would give employers the ability to scale appropriately if they're concerned about their bottom line, enabling the operator to retain the account even if the free pantry service is eliminated. This hybrid concept also deters employees who may be tempted to take more than their fair share of items.



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“For the employee, instead of just picking up a handful of these things and heading back to their desk or out the door, the items are under a controlled environment where they’re actually checking those items out,” he explained. “They may still be free to them, but they’re checking them out at a kiosk and it allows us to have better control over the products and know they’re not going out by the handfuls, and that they’re really being provided for employees’ use at work.”

#### **MICRO MARKETS MOVE OUT OF THE BREAK ROOM**

Some industry insiders believe that the greatest potential for micro markets doesn’t lie within the workplace, but outside of it. In order to capitalize on that, operators need to adjust their thinking.

“I’ve been in this industry 25 years and I’ve seen the consolidation and the lack of readiness for a succession plan with businesses,” Rosenberg said. “I’ve also seen what an economic downturn can do to an industry. We’re going to need to diversify. With Amazon Prime and Starbucks Delivery and everything else invading our space, we’ve got to diversify and plan in order to minimize short term risk associated with a change in the market.”

Patrick McMullan, co-founder and president of Three Square Market, has been expanding his company’s unattended retail stores into public areas such as shopping malls, hospitals, military bases and airports.

“Without question, in our world, we are looking to break down the break room wall,” McMullan explained. “We’re not just depending on employers to do business. This year, we’ll be north of 40 stores that are complete self-pay, self-service retail stores. You walk in and it’s like a mini Amazon Go. Anybody can walk into it; it’s open to the public.”

McMullan said he saw an opportunity to compete with convenience stores that are improving not only the range of products offered to consumers, but also the overall shopping experience.

“You can go anywhere in the country, and you’ll see locations that are improving what they offer consumers,” he explained. “You can make a customized sandwich, you can get ice cream, you can do so many different things than what your traditional convenience store used to do. So, we said, ‘Why are we lending ourselves to a single-serve experience?’ We’ve expanded, and our retail stores are true retail stores. People are buying products that they’re taking home with them.”

According to McMullan, competing in the public-facing, convenience retail space is a natural next step for this industry.

“The location needs to become a destination,” added McMullan. “Let’s face it, the business has evolved. It went from vending to markets, and if we’re going to continue to protect what we have as an industry, then we’re going to need to evolve to keep up. If all you’re going to do is sell sugars and salts and maybe a fresh sandwich or salad, you’re missing the boat. You

need to get in the game of becoming a destination literally for anything that somebody may need at any time.”

Brinton agreed that expanding into public markets is a great opportunity for operators who are willing to get outside of their known territory.

“Operators’ traditional micro markets have been in closed environments from the very beginning, serving a known set of people,” he said. “Operators have to start looking outside of our comfort zone — now we’re having to look at street locations. As we see convenience stores and others start to look more at our space, we’re beginning to look more at their space.”

Kasavana said that non-traditional products — and even services — will likely become more prevalent in markets as operators look for additional ways to increase revenue.

“For example, ‘As Seen on TV’ products, personal hygiene, over-the-counter pharmaceuticals, flowers and plants, and drop-off/pick-up dry cleaning as well as Amazon Prime package locker service are among the products and services operators are considering,” he said.

#### **LOOKING FORWARD**

While nobody can predict the future, operators can prepare for what’s ahead by staying on top of these micro market trends. Micro markets will continue to evolve — just as they have since their inception — and successful operators need to be open to change.

“My recommendation for operators is, always be curious,” Steiner said. “If you are open to new ideas, listen and learn from those ideas. Whether you decide to implement them or not is up to you, but being open and curious will only allow you to continue to look at the business in ways you didn’t before. This is how you can be proactive, because then you start to make informed decisions on what you should do next.” ■



We’re not just depending on employers to do business. This year, we’ll be north of 40 stores that are complete self-pay, self-service retail stores. You walk in and it’s like a mini Amazon Go.”

**Patrick McMullan, co-founder and president of Three Square Market**

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# Rise And Shine

Breakfast in the workplace is growing more popular, presenting an opportunity for operators to increase revenue.

*By Abby White, Editor*

**F**or years, consumers have been told that breakfast is the most important meal of the day. It's also a meal that people skip eating at home if they're running late. This gives operators an opportunity to better serve their clients with a variety of breakfast options in the workplace, eliminating the need for employees to make an additional stop on the way to the office.

"Consumers are busy and often don't take the time

to eat in the morning before leaving their home," explained Bethany Runyan Meadows, senior manager, channel marketing at Tyson Foods. "Once they have started their day, they want options that incorporate their favorite breakfast flavors and will keep them full until their next snack or meal. According to the 2017 Technomic Breakfast Consumer Report, 30 percent of consumers are purchasing breakfast fare outside of morning hours more often."

"Breakfast is one of the biggest opportunities to grow incrementally among [operators'] consumer base," added Andrew May, PepsiCo's director of sales strategy, foodservice. "People are rushing out of the house to work, and with breakfast options available to them, they can save time by grabbing something at work."

Operators interested in adding breakfast to their services or expanding their current offerings can choose from a variety of products that are available in traditional vending, micro markets and pantry service.

## THE RISE OF PANTRY SERVICE

Pantry service, which often accompanies office coffee service (OCS) routes and includes food and snacks that are paid for by the workplace employer, grew at a rate of 66 percent over the last two years, according to the NAMA 2018 Industry Census.





The census also noted that while pantry service is the smallest segment of convenience services, it's making gains along with micro markets and OCS, while traditional vending is expected to continue to decline.

Blake Jones, who is part of the second-generation leadership at Pot O' Gold Coffee in the Greater Seattle area, said that Pot O' Gold launched its pantry/snack service to a couple of its larger, 500-plus OCS accounts several years ago, making nightly snack deliveries. The graveyard-shift delivery didn't work for the company, so it now offers pantry and snack services through its regular OCS routes. Jones reports that they've seen increased interest from their customers.

"It's definitely grown," Jones said. "The reason why is that every office — especially the tech ones around Seattle — wants to offer their employees the best they can, because they're competing to have those employees." Jones said that business owners don't just want to keep these valuable employees in their workforce, they want to keep them in the office throughout the day. By offering premium coffee drinks and access to quality food, employers can eliminate the need for their employees to leave the office in search of food or beverages, increasing productivity and time spent working each day.

"They want to keep their employees happy, but they also want their employees to stay at the office," he continued. "They don't want them to have to leave the office and wait in line somewhere."

Providing breakfast food in the office can actually encourage workers to show up to work earlier since they know they can get coffee and food as soon as they arrive at the office.

"[Employers] want their employees to get to the office early, so they let them know they can have breakfast there," Jones continued. "People definitely want to have breakfast options. We're seeing a growing demand for

a lot of the breakfast items that we carry — bagels, cereals, breakfast bars, protein bars."

Jones says that if operators notice their customers are currently providing their own breakfast items to their employees, they can capture this extra meal by offering superior inventory control, lessening the burden on whomever is responsible for ordering food and supplies for the company.

"People will go with us because of our inventory control service," Jones explains. "If I have an account that gets snack items from us, we'll show up prior to the delivery to take inventory, ensuring that they're never over- or understocked. We take care of everything. There's a growing demand of people wanting OCS to take over everything for them, because office managers don't want to have to deal with snacks. We have accounts that we've had for 10 years who now want snack programs, so our warehouse is filling up with snacks."

### BREAKFAST IN MICRO MARKETS AND VENDING

Since pantry/snack services is still a relatively small segment of convenience services — and not every employer will cover this cost for its employees — operators should also consider offering breakfast through micro markets and vending.

"Our main focus for breakfast items is in micro markets," said May. "For some reason, breakfast items don't do very well in vending machines. People like to look and touch these items



Pop-Tarts is a top-seller for Kellogg's in vending.

Kellogg's

before buying. Grab-and-go items like Cap'n Crunch® and Aunt Jemima® Pancake On The Go are wonderful solutions."

Vending, however, still offers consumers quick, portable and inexpensive breakfast solutions. Suppliers aren't ignoring this part of the market segment, as snacks sell strongly in vending.

"For traditional vending, Kellogg's heavily leans towards the snack space," explained Melissa Ritthaler, channel marketing manager at Kellogg Company.

Ritthaler noted that Pop-Tarts is among the brand's "core four" products in vending, and Kellogg's cereals and bars do well in vending.

"We do play in the breakfast space in micro markets with our Cereal-in-a-Cup and our bars," she added.

"Bars are still big in the breakfast space because people are so on-the-go and looking for that quick breakfast solution."

The Cereal-in-a-Cup product features an adult-sized portion of cereal that can be consumed straight out of the no-spill container (milk is purchased or supplied separately). Ritthaler said that Kellogg has seen a lot of success with its Cereal-in-a-Cup Tree Merchandiser in micro markets, cafeterias and break rooms as the merchandiser can fit into a small space yet is highly visible and easily replenished.

Ritthaler said that Nutri-Grain Breakfast Bars, made with real fruit and offered in apple cinnamon,



Kellogg's Cereal-in-a-Cup can be eaten directly from the container — just add milk.

Kellogg's



Quaker's Cap'n Crunch dispenser offers a quick and easy breakfast solution for break rooms.

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blueberry and strawberry flavors, are big sellers in vending, micro markets and pantry service. Another top seller is the Kellogg's Special K® Protein Meal Bar, packed with 12 grams of protein and 5 grams of fiber and available in multiple flavors.

## HOT AND COLD ITEMS PROVE POPULAR

As consumers eat breakfast in the office more frequently, they'll want more options. Operators who have the ability to provide hot or cold items in their locations can lure customers from the fast food restaurants and convenience stores they pass on the way to work. Chris Allahyar, sales for Tyson Foods, advised that operators can "compete with restaurants or convenience stores for the consumer's business" by offering refrigerated and heated products.

"Refrigerated products that can be heated are definitely a great fit, but it needs to work for the operator's business as well," Allahyar explained, noting that operators should source products and packaging designed to offer simple merchandising, optimized shelf-life and performance.

Giving customers a variety of products to choose from encourages them to keep returning to the micro market or vending machine to purchase different items.

"We're seeing that consumers want to change up what they're



**Jimmy Dean® Simple Scrambles** are protein-forward breakfast options.

Tyson Foodservice

especially in micro markets and vending.

"Consumers want high-quality products that are quick and easy to eat on-the-go and don't require them to stop for very long during their busy day," Yoder said. "Offering a convenient breakfast at onsite locations is a great way to provide nourishment at their destination."

Johnsonville is seeing increasing interest in its Premium Handheld Sandwiches, Yoder said, which are made from high-quality ingredients and offered in a variety of unique builds and flavors. "The sandwiches are made with premium Johnsonville sausage, real eggs, cheeses and vegetables, and use on-trend bread carriers," he said. "We introduced the Premium Handhelds almost two years ago and the response has been unbelievable. We also have simpler solutions like Stuffed Biscuits and Smoked Sausages wrapped in soft baked dough that are great for snacking."

Operators who have the capability to serve hot breakfast foods provide maximum convenience for the consumer, yet Yoder reported strong sales on Johnsonville sandwiches, biscuits and sausages when they're sold straight from the cooler.

"We've had operators sell our products cold as well as hot and ready in warmers where consumers can grab what they want and move on with their day," Yoder said. "Our Premium Handheld Sandwiches are individually packaged and ready to heat from the refrigerator or freezer, taking less than two minutes in the microwave. The unique packaging delivers a superior product from the microwave or warmer and the bread carriers maintain their texture for up to two hours in the warmer."

eating for breakfast from day to day," explained Craig Yoder, senior associate brand manager at Johnsonville. "We found in our research that consumers desire variety for different days of the week, and part of that is having a hot offering."

Runyan Meadows added, "[Consumers] want the breakfast staples they love, like eggs and sausage, when it's convenient for their schedule. We are also getting requests for innovative forms outside of sandwiches that still provide that 'all-in-one,' easy to eat option — bowls are an example."

Portable, protein-forward breakfast fare like **Jimmy Dean® Delights Protein Breakfast Bowls** or **Jimmy Dean® Simple Scrambles** are easily transportable and microwavable. In addition to delivering the freshness of fast food, they can be easily incorporated into a consumer's busy lifestyle. **Jimmy Dean®** also offers a French Toast & Sausage Sandwich that provides a quick, easy and satisfying meal for consumers on-the-go.

Yoder said that he's seen an increase in operators interested in carrying Johnsonville breakfast products,



Johnsonville's sandwiches are made from high-quality ingredients and can be sold heated or cold.

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### BETTER-FOR-YOU AT BREAKFAST

The better-for-you trend is affecting all areas of foodservice, especially breakfast.

“People want healthy, gluten-free and plant-based options, especially when it comes to protein bars,” Jones said. “We carry so many different kinds of protein bars because people will have different health criteria for that.”

Ritthaler noted that Kellogg conducted a proprietary study called “Growing Your Business Through Occasion-Based Eating and On-Trend Nutrition,” which was presented at The 2019 NAMA Show. This study — which identified 14 different eating “occasions” throughout the day including mid-morning snack, lunch alternative and afternoon snack — revealed that most consumers start the day with the intention of eating healthy, gravitating toward what they perceive as

better-for-you options. Ritthaler said that popular better-for-you breakfast products noted in the study include fresh fruit, yogurt and bars.

“In this study, we found that in the mornings, people are eating healthier,” Ritthaler shared. “And then as they day goes on they are getting more indulgent in some of the choices that they’re making.”

Health-conscious consumers want to know the ingredients in the food they consume. Runyan Meadows added that consumers seek breakfast foods packed with ingredients that not only satisfy, but also energize so they feel prepared for a busy day at work.

“Consumers are looking to stay fueled throughout the entire day. Options that promise to be filling and energizing are top choice,” she said. “Consumers associate filling with high in protein, ‘meaty,’ so, better-for-you,

protein-rich options are also driving breakfast trends,” she added, citing information from the Datassential Consumer Planning Program, February 2019.

Yoder concurred that protein-packed breakfast items are very appealing to consumers.

“Our sandwiches are a good source of protein, which we know is important to breakfast consumers,” he said. “And our variety of flavors also has enough variety to satisfy every day of the week.”

For operators who aren’t sold on the amount or frequency of consumers eating breakfast in the workplace, Yoder said that people are purchasing breakfast items throughout the day.

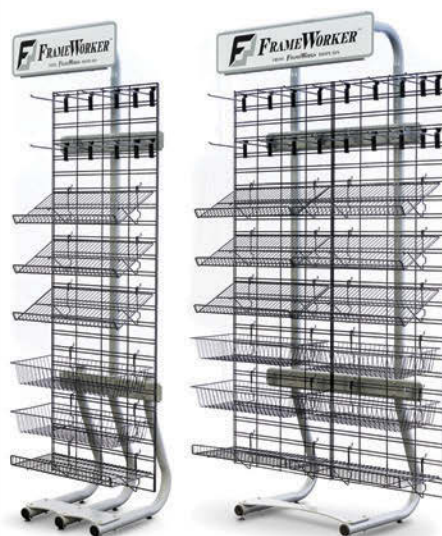
“We’re seeing all-day breakfast continuing to trend upward,” he said. “Offering high-quality breakfast solutions like our Premium Handhelds

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all day long in refrigerated vending or micro markets can bring in sales beyond the breakfast daypart.”

Runyan Meadows said consumers are looking for more snacks or mini meals throughout the day, and operators are asking for products that deliver a smaller portion size, such as protein-filled breakfast items.

“Many of these asks are tied to a change in focus on better-for-you, but not based on traditional definitions of healthy — it isn’t about low-calorie or fat-free but more about protein level and portion size,” she said.

As workforce demographics continue to shift, the younger workforce of millennials — and soon, Gen Z — will certainly continue to impact breakfast trends. Ritthaler noted that the Kellogg study revealed that younger adults are more likely to look for natural and organic options, and Allahyar said he

expects to see growth in products that offer better-for-you options.

May added that the changing workforce will only bring new changes to micro markets, vending, and office coffee and pantry services.

“We’re seeing the consumer change,” he said. “With boomers retiring, Millennials and Gen Z are greatly impacting the product selection.”

#### WHAT’S NEXT FOR BREAKFAST?

With the rapid expansion of pantry service and the increasing popularity of breakfast in the workplace, operators should prepare for more interest in breakfast items from their customers.

“Breakfast is ripe for continued growth for operators,” May said. “Innovation is important. Consumers are always looking for new items. With so many choices, products need to be differentiated and competitively priced.

We need to be creative and unique.”

With increased choices for consumers, operators need to be able to source the items their clients want.

“We have people contacting us all the time asking for snacks that we don’t have,” Jones said. “Just because we don’t have it in our product book doesn’t mean we can’t get it for them. If someone wants us to carry a new cereal or a new breakfast sandwich, we will absolutely look into it for them, and most of the time we can get it.”

For operators who haven’t yet committed time, energy and money to capturing the increasing workplace breakfast opportunity, it’s not too late to start. In convenience services, breakfast is not only the most important meal of the day, but it can also be a major revenue driver for operators. ■



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# The Evolution Of **OCS** Equipment

From pourovers to cold brew, OCS equipment has changed how consumers enjoy coffee in the workplace

*By Mike Ferguson, Contributor*

Office coffee service equipment trends tend to change about every 10 years or so. When I got my first job as an OCS sales representative back in 1989, I didn't even know what office coffee service was. I had no idea that there was a service to provide coffee brewers to companies that give free coffee to their employees as a fringe benefit. Little did I know that it would become my career.

## **FROM POUROVERS TO THERMOS**

Back in the '80s, most office accounts had pourovers. I literally carried a



pourover brewer in my vehicle as I went on cold calls because when I sold an account, I was able to unplug the competitor's pourover and install mine. It was that simple. Then came the automatics, or machines capable of connecting to the water source so the customer would no longer need to pour the water into the reservoir to make a pot of coffee. Automatics generally had two to four burners, or hot plates, to keep the coffee hot. I will never forget the smell of coffee that has been sitting on the burner for hours, only to eventually burn up and ruin the glass pot. This issue was resolved with the release of smart coffee machines that would automatically turn off the burner after a set amount of time.

Next came air pots, which most of the independent operators hated because they kept coffee fresh for hours. You have to remember, we were in the business of selling coffee, not preserving coffee and lowering sales. Since the nationwide OCS companies started providing air pots to customers, the independents had to as well. Similar thermos machines came later, and brewing coffee into a thermos of some sort became the trend in the latter '90s.

#### **SINGLE-CUP WAS BORN**

As coffee equipment trends changed, innovations started to happen. People started to ask, "Why should we make a whole pot of coffee when we only need one cup?" The idea of single-cup was born in the late '90s with the introduction of a plastic pod (with a filter inside and a sealed lid) known as the K-Cup®. The Keurig® machine started to gain traction even though operators were told they had to sign a contract to buy Keurig machines and use the licensed K-Cups to brew in the proprietary equipment. Naturally, most operators resisted signing these contracts.

But once the national operators started closing deals and taking away accounts, operators had a change of

heart. In order to stay competitive, they also signed contracts to get the machines, even though other forms of single-cup existed. One competitor was Flavia® and the other was the original pod. The pod was — and still is — a round filter pack of coffee built to brew one cup at a time. The problem with pods at the time was that there were no good machines to brew them in. Today, however, there are several manufacturers that build reliable pod brewing machines.

The consumer variety is what built the K-Cup business because the customers didn't have to have a "one size fits all" in coffee. Consumers could have as many different varieties as the client would allow, making everyone happy. The K-Cup cost more than the traditional coffee pot coffee per cup, but the end consumers didn't care. Nobody had to "make" coffee anymore.

As the K-Cup became very popular, the margins came down for OCS operators due to market saturation. While operators couldn't buy from a different provider because of contracts and the patented K-Cup, OCS customers could buy K-Cups from other retail outlets while using the machines operators provided. This resulted in lower revenues for operators. They were ready for a new product.

#### **FROM SINGLE-CUP TO BEAN-TO-CUP**

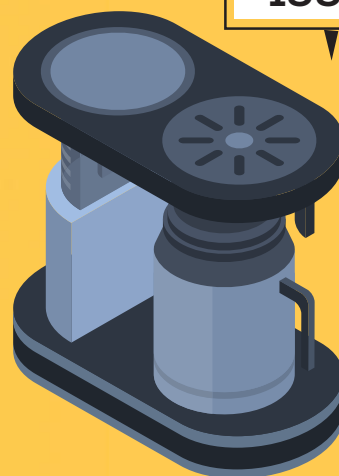
Using operator feedback, coffee equipment manufacturers started offering better commercial coffee machines capable of using ground and whole-bean coffees to brew one cup at a time. Operators didn't have to sign a contract to use these single-cup machines, and they could increase their profit margins to the levels they had before K-Cups saturated the market.

Today, operators can choose from a variety of single-cup capsule options such as the one offered by Massimo Zanetti Beverage Group. Massimo

**1980s**



**1990s**



**2000s**



does not sell directly to the public, protecting the sales margins for OCS operators since their customers cannot purchase the capsules or brewers.

“Massimo Zanetti Beverage is highly committed to the single-cup capsule space,” said John Fitzgerald, vice president, away from home division at Massimo Zanetti Beverage Group. “Our sister coffee equipment technology company La San Marco® created The OC System™, a proprietary single-cup solution that replicates a professional brewing environment to produce the highest quality coffee and teas in a recyclable capsule that is exclusively available through OCS operators.”

OCS suppliers and providers both noted the increasing trend of bean-to-cup.

“In addition to single-cup brewers, we are seeing bean-to-cup machines as a popular upgrade to coffee offerings in offices,” Fitzgerald said. “Bean-to-cup machines allow for the freshest, best bean extractions and a richer coffee experience.”

“At National Coffee, we strive to stay ahead of OCS trends,” said Tracy Clark, Southwest regional sales manager at National Coffee. “Bean-to-cup and ready-to-drink coffees are making the biggest waves in OCS at the moment. Our bean-to-cup solution has proven its dependability across Europe for the past 50 years and provides little or no downtime.”

With the birth of bean-to cup, operators could choose their preferred single-cup machines and coffee. Bean-to-cup machines allowed clients to make coffee and other specialty drinks like lattes, cappuccinos, espresso and hot cocoas. Instead of having one equipment provider company to choose from, OCS operators now have a large variety of bean-to-cup brewer manufacturers to buy the equipment from, elevating the experience for the end user in the office.

“

Bean-to-cup machines allow for the freshest, best bean extractions and a richer coffee experience.”

John Fitzgerald, vice president,  
Massimo Zanetti Beverage

2010s

“Our clients realize bean-to-cup solutions and the high quality of beverages it can bring to the table really brings the coffee shop experience into the office,” said Arjan de Groot, vice president of Bravilor Bonamat North America. “It’s a value and service only operators can bring to an office environment compared to Costco or Amazon selling cups, pods or other premium name coffee brands at low prices.”

There are many advantages to providing a bean-to-cup brewer to clients. Operators — and their customers — have the freedom to choose their favorite coffee products. Many OCS customers are asking operators to use local roasters’ coffee brands, as they value supporting the independent coffee roasters of the region.

“Over the past two years or so, we have seen a big increase in interest in our locally roasted coffees,” said Ragan Bond of Independence Coffee Co. in Brenham, TX. “The original interest was coming from the smaller mom-and-pop OCS operators. They

have the inherent logistical and marketing flexibility to incorporate locally roasted offerings easily and quickly. This is a win-win situation for both Independence Coffee Co. and operators. Operators of all sizes can easily link up with our fresh roasting program. Our costs are very close to national roasters and we check every box when it comes to our production and distribution capabilities.”

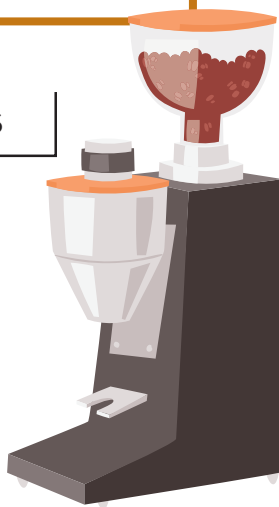
Some OCS operators add a lease or rental fee to offset the costs of the bean-to-cup machines, which can range from under \$1,000 to more than \$25,000. Equipment manufacturers recognize that offices have different needs — and different budgets — and are responding accordingly.

“Bravilor’s focus with its current line-up and future product releases is all about widening the opportunities for bean-to-cup from a 20-person office up to 200+

by providing targeted bean-to-cup solutions that make financial sense for smaller to bigger offices,” de Groot said.

Some of the smaller OCS firms have been hesitant to invest in the bean-to-cup machines.

“I hear reasons like they are too expensive, or they are a service nightmare,” explained Melissa Brown, founder of Well-Bean Coffee Company. “I have found the opposite to be true. Well-Bean’s growth has exploded over the past four years since bringing on our first De Jong Duke, Virtu 90. Our clients who used to average \$300 per month with air pot brewers now spend \$750! Bean-to-cup allows us to sell our clients three types of coffee beans and three solubles. Even with 65 percent margins on these products, our clients spend less per cup than on K-cups. It’s a win-win for us and our accounts.”



Brown said OCS operators should choose a roaster that has experience with matching their coffee profiles to the bean-to-cup recipe file to ensure that the coffee is extracted correctly.

“Grind-size, coffee-to-water ratio, and the bean’s roast profile all matter,” she added. “Since we are the roaster, we understand why this is so important.”

Brown said it’s also important to demo the machine for a week and teach the client the importance of the daily rinse, which cuts down on service calls and frustrated clients. Lastly, she said OCS operators need to ensure technicians are properly and frequently cleaning the equipment.

“The profit margin will more than make up for the increase in labor costs,” she said. “If a gunked-up machine goes down, everyone loses.”

#### **COLD BREW, NITRO BREW MAKE WAVES IN OCS**

Cold brew, which is brewed in room temperature or cold water over 12 to 24 hours, is growing increasingly popular in the ready-to drink category and among younger generations.

“Rise Nitro Coffee cans offer clients premium and on-trend beverages like their signature Oat Milk Latte, while giving our operators shelf stability and one-year shelf life, which is unheard of in RTD,” explained Clark.

No matter if it’s fresh brewed, pre-bottled or brewed on site, cold brew is on fire right now.

“Clients are asking operators to help them bring cold brew into their office,” said Karalynn McDermott, senior vice president of market development with BUNN. “The younger office worker has spoken, and the new coffee is cold.”

Some coffee roasters, including Independence Coffee Company, manufacture cold brew packs, or two-ounce pouches that the consumer can use to easily make cold brew coffee. The end user simply adds the pouch to 16

ounces of water, refrigerates the mixture for 12 to 16 hours, and then mixes one part of the brewed concentrate with two parts of water or milk over ice. Each pouch makes three servings of concentrate.

You may have seen the coffee “kegerator” at industry trade shows. It’s similar to beer

on tap, but it utilizes nitrogen instead of carbon dioxide to pump coffee through the keg tap and into a glass, creating nitro coffee. Nitro cold brew has a rich, silky taste with a creamy head like a stout

beer and is popular with younger coffee drinkers. McDermott pointed out that offering nitro coffee through OCS helps encourage employees to stay in the office — where they’re more likely to be productive — instead of venturing outside the building to get a morning or afternoon pick-me-up.

“It is especially effective at keeping office workers from leaving their offices in the mid-morning snack and afternoon snack times,” she explained.

For OCS companies that don’t want to use a kegerator, equipment manufacturers make cold brew machines, like BUNN’s Nitron.

“Our Nitron uses a cold brew concentrate,” McDermott explained. “The ability to have multiple types of cold brew in one machine is important for operators. The new trend to use a Nitron Gas Module instead of a Nitrogen Gas Tank means it is now even easier to bring this fast-growing product to the office.”

#### **STAYING AHEAD OF THE CURVE**

So, what will the next trend be?



Cold brew is on fire in OCS.

Dreamstime

“

It is especially effective at keeping office workers from leaving their offices in the mid-morning snack and afternoon snack times.”

**Karalynn McDermott,**  
senior vice president of market  
development, BUNN

Staying attuned to the ever-changing trends affecting OCS, which you can do by connecting with local roasters and other providers and learning as much as you can, will help you keep your accounts happy with your service instead of leaving you for OCS providers that are better-informed. After all, you have to assume this is what your competitors are doing.

“The OCS industry is changing,” Brown said. “Be a part of that change and watch your client satisfaction and profit margin climb.” ■





Refreshing

# ADVANCEMENTS

||| Lincoln County Vending's ongoing commitment to innovation spells success |||

By Mary Stroka, Associate Editor







Route driver Dale Warren stocks snacks in a micro market for a Lincoln County Vending customer.

Photos courtesy of Lincoln County Vending

With the multitude of decisions involved in convenience services, becoming successful is a remarkable, effort-filled task. Like other businesses, vending companies can capitalize on a central mission and vision to define themselves and motivate their employees.

Lincoln County Vending, located in Fayetteville, TN, prioritizes innovation in making business decisions for its serving of the southern Tennessee and northern Alabama area. Its operations include vending, office coffee service, micro markets, in-house commissary and filtered water service.

Husband and wife team Dan and Pattie Holt, who own the Canteen franchise company, strive to keep up with technology advances in the industry to ensure the company's employees can provide the best service possible to customers. Through a team effort, the company has enjoyed growth.



## USING TECHNOLOGY SUPPORTS EMPLOYEES, CUSTOMERS

"The one thing we didn't want to do was ever get behind on technology because we know that that's going to continue to help drive our business and help us provide a better service to our customers," Dan Holt said.

After more than 30 years in the business, Holt said he especially enjoys the people he works with and the challenges involved in the company.

"Basically we're selling snacks and drinks and foods. It's something everybody has to have. It's a service that our customers want to have and we want to make sure we're doing the very best job we can at it," Holt said. "It's a challenge. It's not for everybody, and it's not easy, but it's something that I've always enjoyed doing. And we've just been blessed to have really good people help us grow."

Holt elaborated on the challenges of the vending service, such as ensuring proper food safety protocol and making wise product selection decisions.

"It's not just taking a box of something to a location. It's a lot more than that," Holt said. "It's trying to make sure that we're putting in the items that customers want, making sure that they're fresh and that everything that we do is proper."

Therefore, having a good team and training them well is essential.

"You want to make sure you're following and executing 100 percent of the plan at all times because there's a lot of places you have a chance to make a mistake. It's the kind of business that has a lot to it," Holt said. "It takes a little time to train our drivers and our people to do it properly. And you've got to care enough to want to do it [properly]."

## BUILDING THE BUSINESS

Continuing to implement the latest technology has enabled the company to support its employees in their work. It has also helped the company retain

its staff at a time when there is limited unemployment, Holt said.

"They can perform their jobs better, more quickly – and in the grand scheme of things, they end up making more money per hour due to the fact that we're giving them those advantages," Holt said. "That helps us keep our people."

With the higher morale, staff have stayed the course in building the business, Holt noted. The company's workforce in vending is now at 85 employees, up from 45 in 2015 and a two-man vending operation beginning.

"I'm so proud of all that they've done. I'm proud to see what they're accomplishing out there," Holt said.

Lincoln County Vending has made its vending 100 percent cashless and is continuing to grow its business through expanding its deployment of micro markets and pantry service.

## MICRO MARKET SUCCESS

Lincoln County Vending installed its first micro market in 2012, and that location – along with many others – has enjoyed success. Now over 60 percent of its automatic retail business is in micro markets, with 40 percent in vending, Holt said.



Kevin Posey, operations manager at Lincoln County Vending, helps employees create accounts after an installation of a micro market.



"The micro market segment of our industry has kind of flipped [the vending industry] on its head," Kevin Posey, operations manager for Lincoln County Vending, said. "It's probably the most exciting thing that's happened since putting bill validators on vending machines. It's changed the way we market our products and the variety of products we can offer. There's only so much stuff that you can make fit inside a slot in the vending machine. The market's really opened up a whole new world of products and the way that we can sell to our customers."

Posey said the micro markets have enabled them to sell premium healthy drinks like high-end juices and smoothies that were a challenge to sell in vending machines.

Holt said his favorite product that they're able to sell through micro markets that didn't do well in vending machines is protein bars.

"We have high-end protein bars that will sell for \$3 or more per unit that we can sell daily in a micro market as opposed to vending. We just could never get the \$3 or \$3.50 out of some of these protein bars that we can easily do within a micro market," Holt said. "The micro market's just a whole different world for us. As Kevin said, it's the biggest change to come along in our industry. And I can sit here and tell you that we were probably a little





Lincoln County Vending has about a dozen walk-in coolers that it uses in micro markets and cafeteria foodservice, including this one, which is at Tepro.

slow to the market compared to some others because I was hesitant to do it. After we put out the first one, we knew this was the direction we were going to go.”

Although the company has replaced several vending machines with micro markets, Lincoln County Vending continues to use vending machines.

“We’re not sitting on a ton of vending machines,” Holt said. “We try to get them right back out in other locations. But the micro markets have been a very refreshing change for our industry.”

Posey added that micro markets enable operators to remove the physical barrier to customers that is inherent in vending machines that can act like a mental barrier.

“When customers can pick a product up and touch it, they’re more likely to buy it than they are when it’s behind a glass,” he said. “I think they feel more comfortable about the products that they’re getting.”

Holt said micro markets remove the “price barrier” that he’s noticed in vending machines.

“[Customers] aren’t looking at a vending machine and concerned about



Lincoln County Vending route driver Dale Warren and route supervisor Clint Key inventory a micro market using Gimme Field.

the price as much with the micro market,” Holt said.

#### WALK-IN COOLERS

Lincoln County Vending began using a new type of equipment in its operations around 2015: walk-in coolers.

“On our larger micro markets, we will actually put in a walk-in cooler similar to what you would find in a convenience store,” Holt said.

vice. Drivers are able to enter through a back door to access the coolers, which are about 24 feet deep and 7 feet wide. They can even build up an inventory at a location so they can bring in more product on days when their workload is lighter.

“It just helps us to provide a better overall customer experience and a better opportunity for our route drivers, too,” Holt said.

Posey said this makes the company stand out in terms of customer service.

“You’re in the very back of the cooler and not taking up space in the employees’ break room during their breaks and lunches,” he said. “The drivers are able to roll their dolly in and work the drinks from the back and not get in the customers’ way.”

#### GIMME VMS BETA TESTING

Another exciting change for Lincoln County Vending is participating in the beta testing of technology company Gimme’s VMS apps. The apps enable vending operators to develop more efficient routes.

Lincoln County Vending and the other companies that are now using the

“

[Micro markets are] probably the most exciting thing that’s happened since putting bill validators on vending machines. It’s changed the way that we market our products and changed the variety of products that we can offer.”

Kevin Posey, operations manager for Lincoln County Vending

Route drivers are able to load inventory from the back of house toward the front, enabling them to fill the market more quickly, stock more drinks and keep the drinks colder. Lincoln County Vending has about a dozen walk-in coolers that it uses in micro markets and cafeteria foodser-

apps’ beta versions are making strides in perfecting the products prior to full implementation, he said. As of the Sept. 17 interview with *Automatic Merchandiser*, Lincoln County Vending was currently testing the field portion of the apps’ use parallel to the company’s current route platform, Gimme Drive,

by having route drivers compare the two systems' data analysis of filling and servicing markets on their routes.

"The speed in the devices at which drivers are able to run their routes has definitely improved," Posey said.

He said this will be a big change for the company, as drivers may be able to use cellphones instead of iPads in running their routes. He anticipates that this will increase the speed of reporting, helping drivers with their routes.

The company has previously used vending management systems from other companies. Holt found that Gimme was what his company needed.

"We're looking for a system that will make it better for our route drivers and warehouse people so that we can provide a better service for our customers, obviously. In today's environment where it's so tough to hire people and keep good employees, we want to do all we can to make sure we're giving our people the best tools available that will allow them to do their jobs properly and be satisfied with their work," Holt said. "We do know so far that Gimme has given us some advantages over what we've had in the past, and at this point, we're really pleased with what we're seeing."

#### PANTRY SERVICE

Lincoln County Vending took on a pantry account in the spring of 2019. Holt said it's the first for their area of "small-town Tennessee" where there are few large technology companies that use a pantry service.

"We're finding in this climate of tough employment times that more of our companies are doing things to help supplement their snacks and drinks for their employees," Holt said.

Posey has emphasized to their clients the benefit of supplementing their employee break rooms with snacks and drinks.

"We've had several of them take advantage of that," Holt said.



Lincoln County Vending is based in Fayetteville, TN.



#### OPERATION PROFILE

### Lincoln County Vending

**Founded:** 1989

**Headquarters:** Fayetteville, TN

**Number of Employees:** 85 in vending, over 400 in overall company operations

**Number of Routes:** 6 micro market/vending routes, 1 office coffee service/water route, 1 janitorial route

**Number of Micro Markets:** 35

**Micro Market Provider:** 365 Retail Markets

**Number of Vending Machines:** 600+

**Equipment Providers:** Franklin Fixtures, Crane Merchandising Systems, True Refrigeration Technology

**Technology Providers:** Gimme, USA Technologies

"A pantry service or supplementing your break room costs for your employees is a very inexpensive method for recruitment or retention," Posey said.

#### INDUSTRY WILL CONTINUE TO EVOLVE

Lincoln County Vending exclusively uses 365 Retail Markets technology for its kiosks and micro markets. It's

been able to increase its micro market accounts to more smaller-size companies as smaller-scale, less costly options for payments have become available.

Holt anticipates the automatic retail industry overall will continue to grow, propelled by the growth of micro markets. Payments technology that makes it more financially attractive for vending operators to offer markets to customers with fewer employees helps.

"I think the technology is just going to continue to make us better and offer us an opportunity to provide more for our employees, our team members and our customers," Holt said. "I'm still excited about the industry. I'm thankful for the changes that have been made and look forward to anything else that comes along."

Posey said he believes new, innovative tools for micro markets will help with the expansion of automatic retail.

"With the technology aspect of our industry, it's a fun time to be doing what we do," he added. "Technology, I think, will allow us to use our micro market-type concepts in more public spaces. Right now, most of the time, that's in an enclosed environment where you have the same customers over and over again."

Lincoln County Vending has already seen substantial change in the industry since its humble beginnings in the late 1980s, when the operation had nine vending machines that just took quarters, dimes and nickels, Holt said.

"Now we've evolved into a company that - not only do we still take quarters, dimes and nickels, but 65 percent of all of our money comes in electronically now, including with our cafeteria service," Holt said. "Our industry has changed dramatically, and thankfully we've been able to change with it. And I think it's going to continue to evolve. We want to stay ahead of everything we can from the technology standpoint to give us the best advantage as a company that we can get." ■

# Start Thinking **Macro** In Your Micro Markets

**If you're not seeing gains in revenue in your micro market, it's time to think bigger.**

*By Jennifer Skidmore Calderon,  
Contributor*

## I HAVE SPENT MOST OF THE LAST

six years angry at the misleading promises of success with micro markets.

"They will revitalize your company."

"They will increase sales 4x."

"They will make you rich."

As the director of business development at J&J Vending, these are the empty promises I received from the vending industry. (OK, I may have made up the last one.) NAMA's website is filled with information suggesting that market sales continue to rise. Technology companies continue to offer new kiosks and mobile payment systems created specifically for micro markets. It feels like everyone knows how to make micro markets a success, while you are looking at yours like a collection of failed Pinterest recipes.

The reality is that markets are frustrating. People do steal from you, the kiosk does break down, customers can be a little high maintenance and no matter how pretty you make that planogram look, drivers may still randomly place an iced tea in between the variety of iced coffees you had lined up for them in your plans (#merchandisingfail).

But like most things in life, it isn't that everything is wrong; it's more like a perspective shift is needed. And a perspective shift is what I received. There was no catalyst, no big "Aha!" moment, but through a series of conversations with competitors, some education from 7-Eleven and changes imple-

mented by our micro market manager, I have learned that micro markets can increase sales. You just have to stop playing small.

I'd like to share some strategies J&J has borrowed from the larger convenience and grocery store industries.

## RAISE YOUR PRICES

There is a good chance that if you started with vending machines and then transitioned to micro markets, you did not adjust your margins to reflect convenience store pricing.

Go to a few convenience stores within your territory and record how much they're charging for a few specific products you also offer in your micro markets to compare prices. For example, you could compare prices for a 20-ounce soda, a bag of chips and a candy bar.

If you are like J&J, you will need to raise your prices to match the pricing your research found. We recently added a quarter to the sell price on all 20-ounce sodas and chips. In some cases, we doubled the price. We used to sell cheese squares for \$0.40; we're now selling them for \$0.88.

I was worried that customers would complain or that we might lose an account, but we stayed the course and raised the prices. Because, the truth is, we are a convenience industry, and customers do need to pay for convenience.

I think the vending side of our industry lost sight of that. We wanted business desperately, so rather than getting the best margins possible, we started paying the customers a portion of our sales. We undervalued what we provide for customers.

You are providing a great service to your customers by transporting food



Samples are one way to introduce people to your products.

Healthy Generation Vending

safely to their office, rotating product based on their purchasing patterns and waking up early so that they can have fresh breakfast when they get to work. You are providing a convenience, and your pricing should reflect that.

## OFFER SAMPLE DAYS

Sampling days are a huge value add that cost you nothing. Key contacts love sample days because they offer perks to employees and break up monotony. Direct customers love trying new products without taking the risk of purchasing something unfamiliar. Product makers love them because they grow brand awareness and encourage direct customer feedback.

You will love them because happy customers are loyal customers. If you make your key contact look good to their team members — remember, they are the hero, you are the guide — there is a higher chance that when something goes wrong, they will respond with grace over anger. And when someone asks your customers who provides their micro market service, they'll be happy to share your contact information.

Also, any time you give your direct customer a reason to go to the market, you increase the likelihood of sales, not only on that day, but also on days to come. Visit [www.TheVendorsDaughter.com/episode52](http://www.TheVendorsDaughter.com/episode52) for more on samples.

## REQUEST FREE FILLS

Every item in your markets needs to pay rent for the space it takes. If you have



brokers or suppliers asking you to place an emerging brand or a new item from an established brand in your market, ask for a free fill for each market the item is being placed in. Clearly state expectations of the volume expected of the item in the market within a set period of time (i.e., one month). At the end of the set period, assess the data, share your findings, and use the data results to determine whether the item stays in your markets.

## TAKE ADVANTAGE OF MARKETING DOLLARS

At the end of the day, you can only raise your prices so much; there is a limit to what someone in their right mind will pay for a 20-ounce soda. Although sampling products can increase sales and getting free fills can increase your bottom line, ultimately we are still talking about relatively small numbers.

Marketing numbers, however, are not small. Marketing teams have deep pockets and they need to spend their money somewhere, so why not with you? Your markets provide a concentrated, captive target audience as the same

people see the same market every day they go to work.

You most likely already have a TV screen set up in the kiosk to show camera footage or to high-light promotions in your market. Why not set up another screen (or hijack the existing one) to display ads for local companies or for items you sell in your market?

## KEEP LEARNING

If you're an operator who hasn't quite seen the return on investment you were hoping for with micro markets, I hope that implementing these tips will help you move the needle in the right direction. As this exciting industry continues to change, we'll have to keep learning how to best operate. ■



### About the author

Jennifer Skidmore Calderon is the Director of Business Development and third generation vendor at J&J Vending Inc., a

family owned and operated vending and office coffee service in the SF Bay Area. In addition to her work at J&J she also serves as a board member on CAVC.

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**Joseph Hessling**  
@JosephHessling  
Nice job  
@365retailmarket team

IN RESPONSE TO:



**365 Retail Markets**  
@365retailmarket  
We did it! For the 4th year, 365 made the @inc5000 list of fastest-growing private companies!



**Wes Fisher**  
@WesFisherNAMA  
Enjoyed speaking with members of the National Association of Blind Merchants on behalf of @NAMAvending this morning in AC!



**North-Central Vdg.**  
@NCentralVending  
With the proper setup, there's not much you CAN'T vend out of a vending machine!

IN RESPONSE TO:

**Matt Brickman**  
@Matt\_Brickman



If I get food on my shirt tonight there's a vending machine in my building that has new ones. Seems totally normal.



## PHOTO OP



**C.J. Reher**  
@CJReher  
Love days like this at work!  
#EndKidsHunger

IN RESPONSE TO:



**The Caring Place**  
@CaringPlaceTN

We are very thankful for Feeding the Future's support of our Sac Pac program! They have sponsored Sac Packs at Park View for the school year! Thank you @feedingthefuture & @FiveStarFood for partnering with us in #meetingneedswithlove! @bradleyschools



## FOLLOWING



**NAMA**  
@NAMANow  
Happy National Truck Driver

Appreciation Week to all of the route drivers powering the #conveniencesservices industry! We couldn't deliver convenience to consumers without you! Stay ahead of the curve with our Route Driver Course here: <http://ow.ly/8U1650w3il8> Cheers to all of our drivers who have already completed it! #NTDAW2019



**USA Technologies**  
@USA Technologies  
Congratulations to our friends at One Source Refreshment with the launch of their new division: Healthy Source Vending! They will be providing healthy vending options to customers in the greater Philadelphia area and we are very excited for their continued success! <https://bit.ly/33gR7r3>



## in THE OFFICE



**Chelsea Zimmerman**  
Executive Project Manager  
- Three Square Market

As the summer begins to wind down - I find myself reflecting on the past few months. I feel grateful and honored to have been able to work alongside 10 great people in our internship program! Thank you Saint John's University, Milwaukee School of Engineering, and University of Wisconsin-River Falls for sharing your wonderful students with us:) #internshipprogram #growing #mentor #recruiting



**Samuel Hagan**  
Business Development Manager

Our team at Quality Vending & Coffee Co. had another market install yesterday. Very pleased with how this one turned out for our client - this is actually our second one at this facility! Many more on the horizon! #QVCKC #MicroMarket



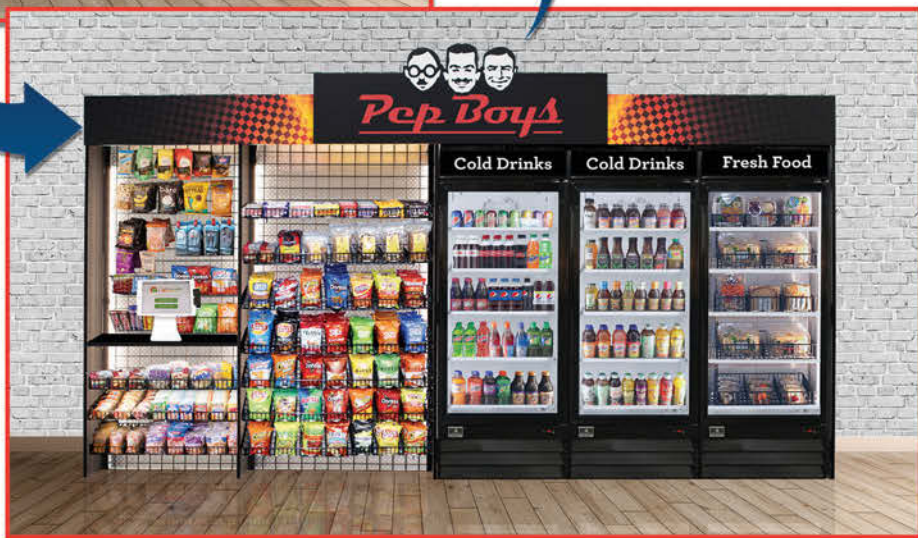
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1. Nielsen, xAOC plus Convenience, 52 weeks ending 12/29/18  
2. Kantar Millward Brown, April 2018