Mobile Revolution Page 20

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### THE BRAND NEW AWARDS

Leaders, innovators and promoters Our 85 winners are the industry's who's who.

Page 14

SE

Jeff Whitacre

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of the Year THE 2014

Vending



Cantaloupe Systems Overall Team of the Year

December 2014





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# Where we stand

The top issues in vending haven't changed much in 10 years. but how we work together and use technology to achieve success has.

t's interesting how much, or how little, a decade has changed things. I looked back at the December 2004 issue of Automatic Merchandiser to see what the hot topics were 10 years ago. The editor at the time wrote about "blue sky" biz ops darkening the reputation of the vending industry, reasons to support local health initiatives and a whitepaper on launching cashless vending.

Cashless is still a growing segment, perhaps even more so as the smartphone started to gain a global presence in 2006. Mobile payment options are the newest



### **CHANGE** happens in the face of challenges

Facebook/VendingMarket

payment evolution. In April of this year, there were no less than six companies exhibiting retrofit mobile payment options at the NAMA OneShow. To help compare these offerings we have a chart on page 24 as well as a discussion about how mobile payments might evolve.

piece of the non-cash

### **Health and wellness**

While health initiatives were a top issue in 2004, I would say

that year was just part of the upswing into today's obsession with labeling food. In 2005, NAMA created Balanced For Life, a program to help vending operators support nutrition education proactively. The FitPick<sup>®</sup> healthy vending program grew out of BFL and in 2014, FitPick was

revamped to include FitPick Select - products that meet the USDA's Smart Snacks in School restrictions. Just this month, the Food and Drug Administration finalized the rule stipulating how and where operators must provide calorie information.

More locations are signing agreements for vending with targeted healthy graphics and brands. It's a best-selling category in the micro market model. The evidence is mounting — health and wellness are going to be headlines for awhile yet.

The least discussed issue is the blue sky scams, which seem to have receded to the level of other industries. We still see these reports and the criminals behind them being prosecuted, but they are trumped by technology and wellness.

### Technology is the answer

Change happens in the face of challenges. We all know the challenges, so how can we change? Make the biggest difference by investing in technology and learning how to use new systems to operate more efficiently. This will produce better margins.

It's also time to come together to promote ourselves from the food retailer of last resort to the forefront. That is what many professionals in our industry try to do everyday, which is why this month is dedicated to them - our first Pros to Know issue. Our overall winners. Jeff Whitacre and the Cantaloupe Systems Team, show that there is still positive change happening in the industry. They aren't ready to give up on vending despite it being a different business than it was in the 90s. Read about the leaders in our industry starting on page 14 and end this year on an optimistic note.

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# Vhat if...

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# Who is tired of being evil?

I propose a new story of personal freedom and responsibility

begin my work day the same way every day. Once I fire up whatever mode of technology I happen to be working from, I look through my emails. Unfortunately, most of my morning emails are sales messages, and of course, it's not just one! Most marketing email subject lines don't compel me to do anything with it other than mark it as junk, but on one particular day, I saw the subject line "Fend off the evil vending machine" and I couldn't help but open up the dang email just because it ticked me off. I wanted to see how this company was going to magically save me from the vending machine. This company, which I will not name, has created a "healthy" snack box that you can custom-



THE consumer has to choose to play the hero or the villain. ize from their menu, order online and get it delivered to your home or office for *only* \$6.99.

Now, I'm not going to nit-pick at their business model, because when I want a snack, I want it now and not in 2-4 business days. This isn't what this column is about. You have to appreciate someone with an idea and an attempt to make a profit off of that idea. What gets my blood boiling though is that this company has done what so many before it have done and vilified the vending machine and industry. I for one am sick of being the evil villain! I understand

that every story is more compelling when there is a villain and a hero. How many of you were really cheering for Darth Vader to defeat Luke Skywalker and the Rebellion in the Star Wars saga? We just inherently want to root for the hero, the one who can "save the day," however, here's my issue, since when was the vending industry the evil one?



### Vending as the scapegoat

Unfortunately, the vending industry has fallen victim to being the scapegoat. In this day and age, people have a need to point the finger at someone else for their problems. This is the knee-jerk reaction, the easy way out and outside competitors are swinging in to rescue us from ourselves. The industry has come a long way making great advances in the products that are available in vending machines and micro markets. Walk any of the trade shows and we are inundated with better-for-you choices to offer consumers. Those products are being tested in machines and markets, whether they be lower calorie, lower fat, gluten-free, freshly prepared or my personal favorite, low carb. I know many of you have been speaking with your accounts and prospective accounts about your offerings and have made adjustments to meet the demand. The vending industry is certainly not the villain, in fact, we joined the fight a long time ago. It's time for us to propose a new story. This story is called, "With personal freedom, comes personal responsibility." Consumers have always had the freedom to choose. However, the vending machine is not the villain or hero in this story. Instead, it plays a part in the story, and the real hero or villain is the consumer and in this story, we teach them to understand that they hold the key to how the story ends. Let's have a wonderful 2015!

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# VendingMarketWatch Top News Stories

# FDA Finalizes Vending Machine Calorie Labeling Rules

he U.S. Food and Drug Administration (FDA) has finalized the rule requiring that calorie information be listed for edible products sold from vending machines. The rule applies to all machines operated by a person engaged



The FDA has finalized the vending calorie disclosure rule and set guidelines for operators.

in the business of owning or operating 20 or more vending machines. According to the FDA, vending machine operators must comply with the rule by Dec. 1, 2016.

### **NAMA** responds

In a statement to members, NAMA CEO Carla Balakgie called the ruling a "victory for our vending operator companies," and said on behalf of the association, she was glad to have final guidance on the issue. "Throughout the process, NAMA has worked with the FDA and Congress to increase their understanding of the relevant challenges faced by small business owners, comprising the majority of the vending and refreshment services industry," said Balakgie. "While we continue to review the rules, we will move forward in concert with our food manufacturing members on compliance, continuing the process already well underway by many industry manufacturers without the mandate of government," she continued. A link to the final rule can be found at www.VendingMarketWatch.com/12022379.



## Canteen Acquires The Family Vending Co.

Barry Frankel, founder of the Family Vending Company, announced that Canteen has purchased his operation in Sunrise, FL, including the vending, micro market and coffee service routes. "I just felt that the timing was never going to be better than at that moment for me to sell," said Frankel. Canteen officially took over the operation August 25 and retained all 42 employees. Broker was Professional Vending Consultants.



### Keurig, Community Coffee Co. Partner

Keurig Green Mountain, Inc. (Keurig) and Community Coffee Company announced a multi-year licensing, manufacturing and distribution agreement to bring Community<sup>®</sup> coffee to Keurig<sup>®</sup> portion pack formats for consumer and commercial Keurig<sup>®</sup> hot brewing systems. Financial terms of the agreements were not disclosed.



### Farmer's Fridge To Expand To California

Chicago-based Farmer's Fridge salad vending machines will be expanding to Los Angeles, CA. Farmer's Fridge founder Luke Saunders is working with partners in California to open the first Farmer's Fridge vending machine in Los Angeles in the first half of 2015.

### A.H. Management Group Celebrates 75 Years

► A.H. Management Group Inc. located in Rolling Meadows, IL, is celebrating 75 years in business. The familyowned business was founded in 1939 by Anthony Hesch and AI Haemker and is now operated by three generations of Hesch family members.



### PayRange Launches ROI Calculator

▶ PayRange has launched an online calculator on its Website which allows operators to discover the return on investment PayRange's implementation can bring to their business. By filling out seven fields, the calculator dynamically displays the net return on investment along with the out-of-pocket costs associated with installing the PayRange BluKey™ on any number of an operator's machines.

### Coca-Cola Life Makes National U.S. Rollout

Coca-Cola Life<sup>™</sup> – a reduced-calorie cola sweetened with cane sugar and stevia leaf extract – made its national U.S. rollout in November. Coca-Cola Life has 35 percent fewer calories than other leading 8-fl.-oz. colas, with 60 calories per 8 fl.-oz. glass bottle. The product has previously launched in Argentina, Chile and, most recently, Great Britain and Mexico.



### Vending Technologies Program Showcased At Philadelphia Career, Technical Education Expo

The School District of Philadelphia held its annual Career and Technical Education (CTE) Expo in November. The event showcases numerous CTF programs, including the only Vending Technologies Program in the country. The event was open to all eighth grade students in the district and their parents. Several hundred students and their parents attended the 2014 event. This year Davis Haines showed a VE Connect Snack Machine, provided by Tom Paine and his staff at Canteen, Phoenixville, PA, who set-up and delivered the machine for the expo.



### Aramark Reports 2014 Sales Of \$14.8 Billion

Aramark reported fourth quarter and full-year fiscal 2014 results. Fiscal 2014 sales were \$14.8 billion, up from \$13.9 billion in

### CALENDAR OF EVENTS

FEB. 6-8 Coffee Fest Atlanta Cobb Galleria Centre Atlanta, GA Phone: 425-295-3300 www.coffeefest.com

MAR. 10-13 Digital Signage Expo 2015 Las Vegas Convention Center Las Vegas, NV Phone: 770-649-0300 www.digitalsignageexpo.net 2013, with organic growth of 5 percent. Fourth quarter sales were \$3.9 billion versus \$3.5 billion in the fourth quarter of 2013, with organic growth of 6 percent.



### USConnect Reaches Milestone

USConnect now has over 40 affiliate members serving 100 U.S. metropolitan areas. "The affiliate coverage area is vital for USConnect's success, we want to provide a consistent, employee-focused, connected level of service for national accounts," said Jeff Whitacre, CEO.

### The Coca-Cola Co. Signs Definitive Agreement

► The Coca-Cola Co. announced that it has signed a definitive agreement with Great Lakes Coca-Cola Distribution, L.L.C. This agreement follows a Letter of Intent announced in February with Reyes Holdings, L.L.C. for the granting of territories in the greater Chicago area. The company anticipates closing the transaction in 2015. Financial terms were not disclosed.

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### **People in the News**

### An Industry Leader Says Goodbye, Retires After 45 Years

Pete Leuzzi, vice president of Concession Services, Inc. (CSI) located in Chicago, IL, retired in November after 45 years in the industry. Leuzzi began with CSI in 1970



as a manager of drive-in theater concessions when the company was strictly concession services. In 1988, Leuzzi became CSI's vice president and chief operating officer and had held that position for 26 years. "I am excited about my impending retirement," said Leuzzi in a statement to employees. "But wanted to take this opportunity to thank you for all of the opportunities and experiences I have had working for CSI."

### **Mike Kelley Named Vice Chairman Of ELN**

NAMA announced that it has appointed Mike Kelley, of Quality Brokerage, Inc., to the new role of vice chairman for its Emerging Leaders Network (ELN). Kelley has served on the Tri State AMC board of directors for four years as well as its executive committee.

### Jodi McMahon Joins Server Products

Server Products announced it has hired Jodi McMahon as director of quality and business improvement. McMahon will lead Server's initiative to maintain and improve quality and utilize best practices.



### Eric Dell Recognized As Volunteer Of The Year

The Association of Government Relations Professionals (AGRP) recognized Eric Dell as Volunteer of the Year at an annual industry event in Washington, D.C. He was also elected to a three-year term to the AGRP board of directors.

### PepsiCo Announces Leadership Appointments

Enderson Guimaraes, currently CEO, PepsiCo Europe, has been named EVP, global categories and operations, PepsiCo. Ramon Laguarta, currently president, developing & emerging markets, PepsiCo Europe, has been named CEO, PepsiCo Europe. Both Guimaraes and Laguarta will report to PepsiCo chairman and CEO Indra Nooyi.



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# A cup of coffee... from California?

### One California farmer is finding that great coffee can grow outside 'traditional' coffee environments.

By Adrienne Zimmer, Assistant Editor

ou no longer need to travel to Brazil, Colombia, Indonesia or Vietnam to witness how coffee is grown and produced. One farmer has found that Southern California's unique ecosystem and ideal growing conditions made it a quintessential place to grow coffee. In 2002, Jay Ruskey planted the first coffee trees on his farm, Good Land Organics, located in the hills of Goleta, CA. Now, in 2014, Ruskey is harvesting several coffee varieties, making him the first commercial coffee grower in the continental U.S.

### **Climate influences**

In Hawaii, the only U.S. state previously known to produce coffee, farmers grow their crop at elevations of 2,000 to 3,000 feet, while in places like Central America, coffee grows between 4,000 to 6,000 feet. In the foothills of Santa

### 91

Cupping score that Caturra received

### 90 + is "outstanding"

Barbara, CA, however, Ruskey grows his crop at an elevation of 650 feet. But that doesn't negatively affect the taste of his coffee. "What we lack in altitude, we make up in latitude," said Ruskey. Ruskey's coffee variety Caturra received a cupping score of 91 this month from Coffee Review and its Geisha received a cupping score of 88.5 earlier this year

from a registered Q Grader. According to the Specialty Coffee Association of America (SCAA) guidelines, a score of 85 to 89.99 is deemed "excellent" while a score of 90 and above is "outstanding." A score that receives an 80 or above is considered "specialty."

The southern climate gives the California-grown coffee tree the ability to thrive. It brings with it coastal temperatures, frost-free winters and mild summers. Additionally, the unique California ecosystem includes rich clay loam soil and climate patterns that contribute to the ability to grow coffee beans and other specialty sub-tropical fruits.

### Where it all began

Ruskey, who farms a variety of fruits, had been partnering with Mark Gaskell, a small crop specialist from the



Jay Ruskey can grow specialty coffee at an elevation of 650 feet.

University of California Cooperative Extension, on several projects for a few years when in the early 2000s Gaskell approached Ruskey about growing coffee on his farm. "He showed up and said, "Plant these" and he handed me coffee trees," said Ruskey with a laugh. "He also bought me my first depulper." Over the last decade Ruskey has learned how to become a coffee farmer. He uses a Central American process where he grows his coffee under avocado plants. "The avocados protect the cherries from wind," he said. "But it's too early to tell whether or not they are affecting the taste of the cherry." Unlike Central and South America coffee farmers, however, Ruskey uses fertigation to irrigate his coffee crop. "Draught has been the toughest threat I've had thus far," he said.

### Not the only one

Ruskey, the first and largest California coffee grower, is now not the only one. "Other growers are using the coffee plants that I grow and sell to them," said Ruskey. He is also open to having people study his coffee. "There are many advances in disease resistance with other crops," he said. "So why not coffee?" For now, he and his staff will continue to harvest the beans and sell them at farmers' markets and online. California coffee beans, though small in number, are surely making a name for themselves.

In the past October issue, as part of the OCS sponsorship, a Folgers<sup>®</sup> coffee ad, owned by The J.M. Smucker Company, was placed adjacent to the OCS Update editorial. The J.M. Smucker Company and its affiliates had no relationship to the content nor endorsed any claims contained therein.





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# First Annual Pros to Know

This award recognizes both individuals and groups who help prepare companies, organizations and the industry for the significant challenges of today's business climate.

By Adrienne Zimmer, Assistant Editor

Over 100 professionals were nominated and 85 were chosen to be 2014 Pros to Know. Our overall winners, Jeff Whitacre of USConnect and Food Express and the Cantaloupe Systems Team, exemplify the leadership qualities that inspire and grow the industry. Following the overall winners are other industry members and leaders selected due to their innovation and understanding of the vending, micro market or OCS segment from an operator's perspective.

### Individual Pro of the Year, Jeff Whitacre

eff Whitacre, president and CEO of Food Express headquartered in Greensboro, NC, knows that to be a "pro" in the industry, you must be able to identify challenges and proactively target them with innovation and forward-thinking actions.

"The immediate challenges facing the vending, coffee service, dining and micro market industry center around retooling existing assets and engaging the consumer," said Whitacre. In order to address these challenges, Whitacre and his employees at Food Express have been installing micro markets, retrofitting existing vending machines and deploying new vending machines to allow for wireless telemetry services, cashless and contactless payment options as well as offering healthy product choices.

Whitacre, however, isn't solely concerned with the success of his business. Rather, he's interested in seeing the entire industry thrive and this interest helped him create USConnect in 2013, a coalition of independent vend operations that is focused on industry technological advances, consumer product offerings and strategic supplier relationships. In 2014, Whitacre expanded USConnect services and helped the organization meet several milestones along the way.

In just a year and a half, the coalition gained 42 affiliate members, who now serve 100 U.S. metropolitan areas. More than 100,000 vending machines and 50,000 wirelessly equipped vending machines, along with 1,000 micro markets are connected through the USConnect network, which also produced revenues of more than \$500 million. USConnect has partnered with other

industry companies to offer its members cashless and loyalty options and in 2014 it held several technology seminars aimed at educating members with current and future operational challenges and solutions.

Automatic Vending

PROS TO KNOW

2014



### Pros to Know Team of the Year, Cantaloupe Systems

hallenges are synonymous with opportunity at Cantaloupe Systems. This year the Cantaloupe team noticed that the industry was faced with three primary challenges: business diversification, consumer engagement and employee engagement. "But we viewed them as opportunities for everyone," said Anant Agrawal, co-founder and CMO of Cantaloupe Systems, located in San Francisco, CA. The Cantaloupe Systems team includes Agrawal; Mandeep Arora, co-founder and CEO; Sarah Rankin, COO; Tammy Baker, VP of Engineering; Justin Grant, VP of Product; Mark Kronenberg, VP of VMS; and Igor Schtein, Director of Engineering, SaaS Solutions, alongside the increasing sixtyfive person Cantaloupe team.

To meet those challenges, Cantaloupe focused its business efforts on bringing operators a technology and services platform that would offer advanced logistics, analytics and payment applications to a new diversified operating model with the use of cloud and mobile based technologies. And the company wanted their operators to come into the 21st century. "Business software should be intuitive to use, and be available to collaborate with anytime, anywhere," said Agrawal. In 2014 Cantaloupe Systems took this challenge as an opportunity to invest in a platform that would offer business solutions for cashless, analytics and VMS through the use of mobile devices and online-based applications where information is integrated, available on any device and based on real time information both in the office and in the field.

"We don't just sell technology, we are selling a new business model that is built on the premise that real time information and accurate information is absolutely critical in the evolving automated retail channels," said Agrawal. "This information should be easily actionable through tools that the new generations are used to using, like cloud and mobile." He continued, "We spend a considerable amount of time evolving our roadmap and solution set to blend the needs of our customers who are the experts in vending, retail success stories in outside channels, and the best technologies being adopted by the workers of tomorrow, today."

### **2014 Individual Pros to Know**

(Listed alphabetically by company)

### Joe Hessling, CEO, 365 Retail Markets

Since 2009 Hessling has been pioneering innovation in the vending industry through his leadership of 365 Retail Mar-



kets. Hessling is a serial entrepreneur and an active seed and start-up investor, most notably in Down, Sprint.ly, AirVend and QuickLeft. Hessling looks forward to tackling industry challenges such as commissions and low-pricing selling and applying management skills, wisdom and innovation to bring together the best of vending, foodservice and hospitality technology.

### Rinaldo Spinella, Executive Vice President of Strategic Accounts, Apriva

Rinaldo Spinella is a key technologist and driver of much of Apriva's technological leader-



ship in the industry. He brings more than 40 years of experience in the development of hardware and software products and services in the technology industry to Apriva, and has been awarded 11 patents to date. His latest focus is on incorporating the evolving mobile technology into the vending industry.

### Jim Collins, Director of Engineering, Automated Merchandising Systems

With more than 20 years in the vending industry, Collins understands the challenges



that the industry faces from regulations being proposed and implemented by agencies at the federal level. Collins is an expert in the energy consumption and refrigeration areas and has spent time educating NAMA's staff on the potential impact of proposed federal regulations on the industry and the manufacturing process of vending machines. His knowledge has allowed NAMA staff to provide comments on proposed regulations that are based in sound science and professional engineering standards.

### **Elyssa Allahyar-Steiner, Vice President of** Sales & Marketing, Avanti Markets Inc.

Allahyar-Steiner joined the industry in 2010 and has risen to the position of Avanti Markets Vice President of Sales & Marketing. During that time she has become active



in NAMA's Emerging Leaders Network, NAMA Government Affairs Committee and NAMA Events Committee. Although she works solely in the micro market industry, her industry strategy is to inspire, motivate and encourage operators to be a part of the re-birth of the industry through all segments.

### **Brad Bachtelle**, President, Bachtelle and Associates

With over 30 years of experience in vending, Bachtelle has extensive experience as a vend operator, vend product distributor and industry consultant. Bachtelle has



authored and presented NAMA micro market seminars and regional presentations at ACE and CAVC/AAMC meetings. Bachtelle publishes the annual micro market channel census.

### Lori Salow Marshall, Founder & CEO, **BYNDL. Inc.**

Salow Marshall has been instrumental in creating a mobile payment and consumer engagement solution targeted at driving greater interaction between operators and



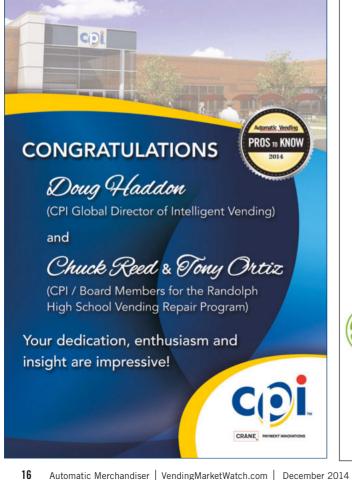
consumers, to enable better service, greater loyalty and a deeper understanding of consumers based on real data. She believes operators need to have common front end mobile app interaction across various machines and services, and common processing and reporting on the back end systems.

### **Doug Haddon, Global Director and General** Manager, Intelligent Vending, CPI

Haddon began in the vending industry in 1999 and has since been helping to develop and market telemetry that is future-proof for operators. With Haddon's guidance, CPI



integrated a redesigned cashless bezel and new digital display screen for a project with Coca-Cola. Haddon's vision for aligning micro market, OCS and vending is to create a seamless view and management of all three avenues available in one location, accessible from anywhere.



Congratulations Elyssa Allahyar

Avanti Markets would like to congratulate Elyssa Allahyar for being recognized as a Pro To Know! She is a true value to our company and to the Micro -Market industry! We appreciate all of your hard work and everything you do!



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### **Glenn Butler, CEO, CTO Services, LLC**

Butler was the co-founder of Streamware and VendScreen and today works as a consultant with start-ups and established companies inside and outside the industry to help bring new technologies to market. His focus is on



C level strategy, mobile and web software development, mobile to mobile technologies, and advanced payment. He believes in the next few years vending will have to adopt new technology to enhance the consumer experience.

### Paul Schlossberg, President, DFW Consulting

Schlossberg is a veteran of the food industry, specializing in foodservice. His experience includes assignments in sales and marketing management, new business development, mergers/acquisitions, channel development,



and strategic planning. He presents at national, regional and state association meetings on issues and direction on subjects including how to compete against convenience stores, merchandising and varying product mix.

### Nick Yates, Founder, Fresh Healthy Vending International

Yates started his first healthy vending company in Australia in 2002 and founded Fresh Healthy Vending International in the U.S. in 2010. Yates' company has evolved from

becoming solely a franchisor of healthy vending machines, to an operator of both healthy vending machines and, now, traditional and healthy micro markets.

### Steve Hyde, Owner, Hyde Enterprises

Steve Hyde has been in the coffee service side of the industry for 40 years and has built relationships helping operators get started and grow their OCS business. Hyde focuses on the importance of coffee service in the



micro market segment and believes this will be a challenge that continues into 2015.

### Michael Kasavana, NAMA Endowed Professor, MSU

Dr. Michael Kasavana has been NAMA's endowed profes-

sor for 14 years and since 1999 has developed, delivered and/or moderated numerous sessions at trade shows. He annually delivers a two hour presentation on vending, refreshment and micro market technology as part of the MSU and NAMA joint industry Execu-



tive Development Program. Among many other accomplishments, he authored a revised 2014 NAMA Technician Handbook used to certify field technicians in the industry.

### Paresh Patel, Founder & CEO, PayRange

Patel is an award-winning innovator who has designed and developed products that have won an unprecedented five vending industry gold innovation awards, a Connected World award, an American Beverage



Association award for Best Technology Innovation and numerous patents. As an innovation and industry leader, Patel saw both a great need and opportunity to improve the vending user experience while solving the payment barrier for machines and therefore founded PayRange.

### Joe Gilbert, Vice President & General Manager, VE South LLC

In his 50 years in vending, Gilbert has seen the evolution of machines and the types of products dispensed through vending. In the mid-90s he went to work for Vendors



Exchange and established VE South in Fort Lauderdale, FL, to handle Florida, the Caribbean and South America. Gilbert launched Star Food Healthy Express and has helped change the way kids eat at school. In 2014 Star Food Healthy Express made its 400th placement in the U.S.

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### 2014 Team Pros to Know

(Listed alphabetically by company)

### **Five Star Food Service**



Team Leader: Alan Recher, President and CEO

Team Members: Gregory McCall, Senior Vice President of Sales & Marketing; Jean Bouchard, CFO

eadership at Five Star Food Service takes proactive and innovative measures to stay ahead of constantly changing industry technology. Their goal is continuous improvement which will lead to a better offering for their customers, so they have built partnerships with cutting-edge companies that provide technology that will help grow their business. To that end they have brought



Art Budman, CEO of Fresh Healthy Vending

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cashless vending to their customer base and have heavily expanded micro market integration to set the stage for future growth within the industry.

### LaRue Coffee & Roasterie



Team Leader: Verlyn L'Heureux, CEO & Founder

**Team Members:** Terry Herr, Vice President Sales & Marketing; Tracy O'Gorman, Vice President Field Operations; Travis O'Gorman, Vice President Roasterie Operations

he coffee industry has been facing a rise in the cost of green coffee, materials and overhead. The LaRue leadership team believes addressing operations is the best course of action. In their own business, the team has spent time re-routing vans to be more efficient and provide better service to clients, increasing productivity in all aspects of the operation including warehouse, shop and machine output at the corporate facility. They have increased the roasterie productivity by 96 percent which has allowed the company the opportunity to bring on new business and now LaRue roasts and packages coffee for over 60 other coffee companies across the U.S.

### **Mondelez International**

**Team Leader:** Frank Guzzone, Business Development Manager, diji-touch Interactive Vending Machine

**Team Members:** Paul Schindelar, Vice President Vend/OCS; Mike Miller, Senior Director Foodservice; Donald Reonieri, Customer & Consumer Engagement Coordinator; Chuck Kohaut, Associate Manager Information Systems Enterprise; Rose Moda, Associate Manager Information Systems Digital Marketing

he Mondelez International team believes the vending industry needs to improve its image as the first place to shop in the retail space. They focused on this belief when they created the diji-touch machine that engages users with advertising, promotions, games and messaging and creates a new experience for consumers.

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### National Automatic Merchandising Association (NAMA)

Team Leader: Carla Balakgie, President & CEO

Team Members: Dan Mathews, NCE5, CCS, Executive Vice President & COO; Eric Dell, Senior Vice President, Government Affairs; Dean Gilland, NCE5, CCS, Vice President, Sales & Service; Roni Moore, Vice President, Marketing & Public Relations; LyNae Schleyer, NCE, CMP, Vice President, Meetings



& Events; Kim Hammond, Vice President, Finance & Administration; Lindsey K. Nelson, Executive Director, Development; Jo Bradshaw, Senior Coordinator, Association & Member Service; Joann DeNardis, PHR, Director, Education/ Certification; Marilyn Dent, Manager/Executive Assistant, Association Services; Sheree Edwards, Regional Legislative Director; Pam Gilbert, Director of Association Services; Deborah Lara, Association Services Manager; Sandy Larson, Senior Director & Counsel Government Affairs; Mary Lou Monaghan, Association Services Manager; John L Clarke, Interim Director of Membership and Marketing; Kelly Doherty, Manager, Marketing & Communications; Gloria Gordils, Controller; Melissa Villegas, Assistant to the President - Office Services Manager

AMA, led by CEO Carla Balakgie, supports the growth and development of its 1,800 member companies within the refreshment services industry. NAMA prioritizes advocacy, education, network and information that provides the strategic framework to foster its members' business growth. In the past year alone, the NAMA team has taken proactive steps to educate legislators about the industry and the impact of current issues and legislation, including calorie disclosure and proposed coin currency changes. The team has also launched tools for operators including a revised FitPick<sup>®</sup> healthy vending program. The association established and hosts the annual industry events OneShow and CTW.

### The Occupational Advisory Committee To The Vending Technologies Program, Randolph Technical High School



Team Leader: Bud Burke, Senior Account Executive, Thayer Distribution

Team Members: Davis Haines, Instructor; Anthony Ortiz, Crane Payment Innovations; Charles Lewis, School District of Philadelphia; Chuck Reed, Crane Payment Innovations; Clyde Fairman, Elliot's Vending; Darryl Overton, Principal, Randolph Technical HS; Dave Gellman, Gellman Associates; Eric Cardonic, Advanced Services; Jeff Sax., Nestle; Jim Clark, retired Instructor; LyNae Schleyer, NAMA; Larry Eils, NAMA; Peter Whitney, Crane; John Pavone, Crane; Russ Guarino, Coca-Cola; Scott Wechsler, Quality Express Coffee; Wayne Campbell, Changer Services; Mike Butler, AMS; Alan Drazen, Mid-Iantic Vending; Tom Paine, Canteen; John Dettinger, VendScreen

he Occupational Advisory Committee to the Vending Technologies program at Randolph Technical High School, meets throughout the year to assess the needs of the program, which trains students to become technicians who repair and move today's vending equipment. Thanks to the committee of dedicated professionals, led by Bud Burke, the program has existed for almost 25 years. With the technology advancements in the vending industry, the committee is working to re-vamp the curriculum to better meet the needs of today's operating companies. The committee is also working with NAMA to revamp the Job Fundamentals Manual so it and the industry is up to date.

### **Tri-R Coffee and Vending**

Team Leader: Jeff Leider, President

**Team Members:** Scott Leider, Co-President; Jeff Doyle, Director of Corporate Development; Matt Humble, General Manager ; Adrienne Leider Director of Finance and all additional employees

nder Jeff Leider's leadership, Tri-R Coffee and Vending takes advantage of opportunities that help it stay competitive while keeping the same level of customer service. Over 2014, the Tri-R team has added healthy items, created new marketing designs and re-vamped menus in micro markets and machines to appeal to consumer demands. The company has added card readers and experienced a 20 percent increase.

### Vagabond



Team Leader: Michael Lovett, CEO

**Team Members:** Juan Jorquera, Co-Founder and President; Ryan Ostendorf, Lead Engineer; Hector Benavides, Vice President of Sales

he Vagabond team works to support the industry's wider growth. Hector Benavides mentors and advises vending operators, Vagabond customers and non-customers alike, on how to improve their businesses with the help of various technologies. Juan Jorquera serves on the Steering Committee of the Emerging Leaders Network (ELN) and has represented the industry at the past two NAMA Public Policy Conferences. Meanwhile, Ryan Ostendorf has managed the development of telemetry hardware and VMS solutions resulting in operators increasing net income.

# Vending's Mobile

Mobile payment options for vending machines come with many benefits. And while there are many different solutions for operators to consider, all focus on the consumer experience.

By Emily Refermat, Editor and Adrienne Zimmer, Assistant Editor

obile payments are a great opportunity for the vending industry. By adding them to vending machines, the operator has a chance to enter the future of payments and reach the consumer in an entirely new and engaging way. There are many mobile payment options for today's vending machines and the specifics of each are represented in a chart on page 24. Vending machine mobile payment solutions are based on different technologies and views within the mobile payment arena, but each works to satisfy the end user and provide the operator with more sales.

### Win over the consumer first

The experience and perception of the consumer is a major factor in mobile payment solution success. "Most consumers have a smartphone and they will choose the mobile payment solution that works best for them and fits their needs," said Patrick Richards, CPI. This means mobile payment options at vending machines have to be easy to use, easy to setup and easier than paying with cash/card. "Incentives don't hurt either," Richards added.

The first round of near field communication (NFC) wallets — such as Google Wallet and Softcard (formerly Isis) — had some challenges which kept them from being adopted by the mainstream consumer. Only some cellular phones had NFC. If they did, then only certain mobile wallets and credit cards were allowed on specific cellular carrier plans. It wasn't universal or prevalent in retail. Payment security was also a concern. Since that point, NFC mobile payment options have expanded and the original consumer concerns have been addressed. In September of 2014, Apple joined the NFC-based mobile wallet category with its introduction of Apple Pay.

Richards believes the release of Apple Pay will change the mobile

payment market because NFC has benefits over other technologies such as Bluetooth low energy (BLE) and cloud-based payment systems due to the broader proximity requirements and time-tested secure payment system. "Consumers follow the same traditional cashless transaction process substituting a 'tap' for the 'swipe," explained Richards. NFC also doesn't require a connection to be established with the machine, like a BLE pairing. Cloud-based payments may avoid credit transaction fees, but Richards doesn't believe consumers will share their bank account number to fund such a wallet solution.

### **BLE gives demographics**

Vending Purchase

Nutrition Facts

Add Item

Checkou

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While NFC certainly has its advantages, many in the industry believe

# Revolution

other technologies present a better approach to mobile payments. Lori Salow Marshall, founder and CEO of BYNDL, Inc., sees consumer data, customer support and engagement as the real benefits of mobile payments, and these are typically not available with NFC, specifically payment via NFC tap.

Marshall talks about a phone to machine connection in one of two ways. "One party is the tag and the other party is the tag reader," she said. In the case of NFC, the smartphone is the tag and the tag reader is hardware attached to the front of the vending machine. Readers tend to cost more compared to tags (\$300 vs. \$10 to \$90). A less expensive option is using a QR code with a BLE device in the machine as the tag and the consumer's smartphone as the "tag" reader. This format also has the advantage of allowing consumer data to be recorded, which isn't available with most NFC systems. "NFC tap typically runs on the payment rails meaning merchants usually can't see usage data trends by consumer," said Marshall. "[Using QR codes or BLE], consumer purchase and profile data are captured and can be shared with merchants, as long as the consumer has 'opted-in," explained Marshall.

The lower cost of mobile payment options that use BLE technology could also help increase the number installed on machines - driving usage by the consumer up further, argues Paresh Patel, creator of PayRange. "Our system allows operators to get cashless payment into all machines rather than just the top 5 percent," said Patel "We've seen phenomenal interest," he added. Young people aren't carrying cash, but many have a smartphone. "It doesn't matter how well you drive demand to the machines if, at the end of the day, some people will not be able to pay," he said. Patel believes mobile payment options should be quick and easy for the consumer and cross over to different industries in order to create more value to the end user.

### Future-proofing technology

Vending technology needs to be able to handle future innovations, so some companies are "future-proofing" their hardware by allowing both NFC and BLE communication methods at the point-of-sale. For example, USA Technologies (USAT) has a propri-

### Pay with social media

How valuable is social media? As consumers highly value the opinions of their friends and followers, social media can be a compelling marketing tool, which is why one mobile payment technology provider believes it's better than credit. FanWise uses cellular data and WiFi to create a connection between the user's smartphone and the machine. "FanWise leverages a behavior social media users already practice daily...posting to Facebook or Twitter," said Brett Circe, Fan-Wise president. "It provides the consumer with a cash value for their update that can be used to buy goods instantly at vending machines, driving more sales volume." Demographic information from the social media account can be presented to the operator.

etary mobile application that the consumer can download which uses BLE to connect the end user's mobile device with a vending machine. However, USAT also allows consumers to pay with NFC-enabled mobile wallets, such as Apple Pay or Google Wallet, that they may already have on their mobile device.

"We are working with different companies to integrate features and functionalities into our mobile payment options," said Maeve McKenna-Duska, vice president of marketing at USAT. She believes this is the best way to grow mobile payments."We work together in this space to allow operators to choose their preferred program."

Accepting multiple payment options creates value to the customer, as it lets the end user choose his or her method of payment. Likewise for the vending operator, it means more industry partnerships and potential around mobile payments solutions. "We don't see ourselves as competitors with other mobile technologies," said Lance Ellsworth, co-founder of AirVend. Instead, Ellsworth sees the consumer as the post all manufacturers should be working around. "Customers all pay with different mobile apps and our hardware needs to accept every type," he said. It also needs to promote different payment options at the point of sale. "We have the ability to educate the consumer about their payment options," said Ellsworth, which might include different types of mobile payment as well as cash. "By partnering with other mobile payment providers, we give the consumer the option of choosing how they want to pay."

David Grano, CEO of Vendscreen, believes there needs to be one common application or mobile payment option for customers at the machine. "Consumers don't want to have five or ten mobile apps on their phone," said Grano. "So we are big believers in the industry coalescing around one common app." Despite this belief, however, Grano notes one app may be impossible with the large number of entrants into the mobile payment field. He predicts that in the next twelve months there will be two to three new mobile payment solutions available in vending, and it's the responsibility of the technology companies to support these new entrants. Technology providers need to design hardware that will accept the many forms of mobile payments consumers have now and in the future. "We need to future-proof the technology for the operator," Grano concluded.

### Good for consumers and operators

The convenience of one mobile wallet or application accepted at multiple places is an important aspect of the evolution of payments. How-

### Secure consumer data

Guaranteeing a safe transaction at the vending machine is imperative. Consumers must feel safe using their mobile devices to pay when and if they don't have cash. Each provider of mobile payment solutions in the vending segment has looked at how to best secure consumer data while offering the operator and consumer choice. Most providers use third-party processors and systems where the card number is replaced by a string of random numbers called tokenization. In both cases, the credit and debit card information is not physically stored in the device on the vending machine. That keeps the card information from being stolen. Securing payment data is an intricate industry, but look for Payment Card Industry or PCI compliance and ask questions about security to find out about specific protections.

ever, would there also be a way to allow companies to increase their own brand awareness and sales? Nayax thinks so. "We are trying to connect the operators with their consumers in order to help the operator bring in more sales and



create more returning consumers that will choose the machine over other options," said Karen Sharir, CMO at Nayax, which in the past, used to support their U.S. customers under the InOne Technology brand.

Navax is beta testing a mobile wallet that can be branded with the vending operator's company name and offer loyalty rewards. "It will be better because consumers will see the operator's brand and be able to associate the machine with the company," said Sharir. She sees mobile payments as growing rapidly over the next few years. "We see growth in cashless transactions around the globe from year to year and we will experience the same thing with mobile payments, one day replacing even credit and debit cards as the consumer's preferred method of payment," she said.

### **Broader benefit of telemetry**

Mobile is an important payment option for the future of vending and Anant Agrawal, CMO and co-founder of Cantaloupe Systems believes it should also be part of a larger business operations strategy. "Mobile is part of our cashless system along with the logistic management benefits," said Agrawal. Operators will want to use telemetry and reporting in con-



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# Mobile Matrix

Mobile payment options for vending machines are here, but how do they enable payment, what's needed and what benefits do they offer the operator? This matrix is meant to provide the answers at-a-glance. Information was gathered from manufacturers for each of the existing solutions that enable a consumer to pay at a vending machine with a mobile device. Information was further reviewed by Dr. Michael Kasavana.

### **POS INTERACTION**

i

Point-of-sale interaction implies the type of hardware or item that is required at machine level. For our purposes, readers and touchscreens are categorized as appearing on the outside of the machine while a dongle connects on the inside of the machine to enable mobile payment.

### ACCEPTANCE

Acceptance includes all current mobile payment options available in the vending industry. Major credit cards include Visa debit and credit, MasterCard debit and credit, Discover and American Express. While most solutions accept all major credit cards, the payment options may be limited by the credit processor used as well as by the specific mobile wallet or cellular carrier the consumer chooses. For example, MasterCard debit can not be used on devices with the credit processor Heartland due to an operating agreement with Visa which lowers transaction fees on small-ticket items.

.

		••••• POS Interaction			Communication Method			Acceptance				
Product	Company	Reader/ Touch- screen	QR Code	Dongle	NFC	BLE	Other	Major Credit Cards	PayPal	Google Wallet	Softcard	Apple Pay
QR code/ MDBlu	BYNDL		x	x		x		x	x			
PayLab	PayLab	x					cameras & infrared w/ phone accelerometer	x	x		x	x
PayRange	PayRange			x		x		x				х
ePort	USA Tech	x			x	x		x	x	x	x	X
4in1	CPI	x			x			x		x	x	x
VPOS	NAYAX	x			X			x	x			X
AV7/AV5	AirVend	x			X	x		x		x	x	x
Vend- Screen Unit	Vendscreen	x			x			x	x	x	x	x
Seed Cashless	Cantaloupe	x			x			x		x	x	x
FanWise	FanWise		ọ	x		Ò	cellular data/ WiFi					
		_				:						

### QUICK RESPONSE CODE A Quick Response (QR) code is located on the

front of the machine.

**COMMUNICATION METHOD** Communication method refers to the way in which the user's device connects to the vending machine.

junction with mobile payments. One example is in paying different commission percentages based on the consumer's payment method. "Two-tier pricing can and should affect how much operators are paying in commissions," said Agrawal. "Seed Cashless lets them set X percent for cash transactions and Y percent for cashless transactions, which includes mobile payments."

### CONSUMER REQUIREMENTS

Consumer requirements refer to a mobile app download needed for the user to make a payment. Generally the app is accompanied by the user creating an account, either manually or with an existing account. This does not include third-party mobile wallet installation.

Mike Gron of PayLab believes vending machine additions, including those that allow mobile payments, should be built with more

### MERCHANT OF RECORD

Merchant of Record (MOR) is the company that receives and holds a consumer's credit payment from the vending machine. The MOR holds the merchant account with the processor/acquiring bank and is responsible for paying the interchange fees associated with each credit card transaction. The MOR is the company that is ultimately responsible for the financial transaction.

### REPORTS

Reports indicate information available to the operator and may include sales data, product sales and consumer demographics.

### ADDITIONAL PARTNERSHIPS

The company producing the hardware that can accept mobile payments at the vending machine is actively partnering with other companies to include their specific forms of mobile payment at the vending machine point-of-sale.

### LOYALTY

### **INDUSTRY CROSSOVER**

the pu bank payin; assoc card t is the matel	the merchant account with the processor/acquiring bank and is responsible for paying the interchange fees associated with each credit card transaction. The MOR is the company that is ulti- mately responsible for the financial transaction.								
	Consumer Requirement	Merchant	of Record	·····0	Reports		<b>Ò</b> Loyalty	Ó Industry Crossover	Additional Industry Partnerships
Social Media	App download	Provider	Operator	Consumer Demographics	Sales	Prod Intelligence	Rewards/ History	Technology used in other industries	
	x	x		x	x		x	x	x
	x	x		x	x		x		x
	x	x		x	x			x	x
		x			x	х	x	X	x
			x		x	x			
x	X		x		x	х	x	x	
		x	x		X	x	X		x
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			x		x	x			
x	ọ			x			х	x	

opportunities in mind. "No operator will have

two antennas on the machine," said Gron. "Therefore any new system must be built to integrate different technology providers." For example, the PayLab hardware not only allows mobile payments, it also offers vending operators the ability to get DEX data remotely for their VMS. Gron thinks that because operators spend a

significant amount of time and energy learning their VMS and routing software, any new system needs to build on what they are already doing as well as bring customers to the front end.

The consensus among mobile providers is that a vending industryonly mobile option won't work in the long run, but how the mobile device would best communicate with the machines is still up for debate. There

are benefits to each system, so operators need to consider their needs now and in the future as well as what will work best for the next generation of mobile device users. Technology is a large part of life for most people and bringing the vending machine upto-date by adding mobile payments will propel it from a last resort to the convenient unattended food provider that drove its inception.

### SMALL OP

# Are You Making Money?

# Create a simple profitability formula for each vending account to find out.

By Dominic Finelli, Contributing Editor

uring the everyday operation of your vending business do you ever check to see if you are making money at an individual account? Is it doing what you thought it would do? Is it worth keeping? You can't just look at sales and think that everything is good.

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### **ACCOUNT PROFIT & LOSS WORKSHEET**

\*\*\*\*ABC Company doing \$5,000 in sales over 4 week period.

SALES					
	Snacks	\$2,500			
	12oz Sodas	\$1,000			
	20oz Sodas	\$1,500			
TOTAL SALES	\$5,000				
COST OF PRODUCT					
	Snacks at 19% (from cost %- P&L)	\$475			
	12oz-units-1333 @.296	\$394			
	20oz-units-1200 @.596	\$715			
TOTAL PRODUCT COST	-\$1,584				
GROSS PROFIT	\$3,416				
OTHER EXPENSES					
	Sales tax @ 6%	\$300			
	*Direct labor	\$501			
	**Indirect labor & Adm. — 32.3%	\$1,615			
TOTAL EXPENSES ASSOC WITH ACCOUNT	- \$2,416				
INCOME FROM ACCOUNT	\$1,000				
Add rebate % — 2% X Sal	+100				
TOTAL INCOME	\$1,100 or 22%				
Less commission to accourt	-\$500				
NET INCOME	\$600 or 12%				

I'm going to share an easy way to look at any account to see if it's making money by using a simple Profit & Loss (P&L) Formula. Once you obtain all the percentages and costs needed to insert into the form you should be able to check any account, large or small, to see if it's profitable.

In the example form above, the imaginary account is ABC Company providing sales of \$65,000 per year with one snack and two soda machines, one selling 12 ounce and the other 20 ounce sodas. I used the same format to check all of my accounts, even those doing over one hundred thousand dollars a year in sales. The form should be updated monthly to reflect the different percentages and costs needed to apply to the P&L formula. Being able to easily look at the small accounts is what provides the best information. Was the account profitable? If not, how can we make it profitable? Can we ask to lower the commission, and/or raise prices? And if those solutions wouldn't work, do we stay or do we go?

### **Notes about Product & Loss chart**

### \*Direct labor

For direct labor we took the route's total sales of 7,000 per week and the driver's salary of 700 per week. Account ABC Co. generates 1,250

per week ( $$5,000\div4$ ) of the total \$7,000 or 17.9 percent. Now multiply the \$700 weekly salary by 17.9 percent which equals \$125.30 per week attributable to this account. Multiply \$125.30 by four weeks and it is \$501.20 — used on the P&L worksheet.

### \*\*Indirect labor & operating expenses

All the money used to pay for support staff and operating expenses needs to come from each account. This amount needs to be applied on a percentage basis to each account's P&L. From the company P&L remove the percentage associated with route driver wages and add the percentages of the other wages such as administrative, maintenance & repair, warehouse, supervisory, payroll taxes, health benefits, etc. — we used 17.5 percent. Now do the same for operating expenses such as money pick-up service, rent, communications, vehicle expenses, office supplies, etc. — we used 14.8 percent. Add these two numbers to get 32.3 percent. This is the percentage that will be applied to each account to obtain the costs attributable to that account to help run the company.

\*\*\*\*Use a four-week period to check on the accounts so that every time a P&L is done, it is using the same length of time. Going by month would not give a good read on profitability as some months have more days than others. To figure four-week sales, take the yearly sales and divide by 13.

See more on how to get each number and complete the worksheet by visiting www.vendingmarketwatch.com/12025604



### About the Author

Dominic Finelli is a 43-year veteran vending operator in the Washington, D.C. market. He sold his vending company in 2011. Finelli can be reached at dom@askfinelli.com.

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2014 ROUTE DRIVER OF THE YEAR QUARTERLY WINNER

Rodney Montgomery Imperial, LLC, Tulsa, OK

George Berry, right, believes Rodney Montgomery, left, goes above and beyond.

### His abiding work ethic, experience and enthusiasm for the job make him an asset and ambassador for Imperial, LLC.

By Adrienne Zimmer, Assistant Editor

**FOR OVER** twenty years Rodney Montgomery has been an integral part of the Imperial, LLC team, located in Tulsa, OK. For his customers, he creates an atmosphere of hospitality and enthusiasm in each breakroom and focuses on product merchandising. For his company, he is a promoter of the Imperial, LLC name and leads the business with the highest monthly sales.

Montgomery, the 2014 Fourth Quarter Route Driver of the Year, inspires the entire company with his perfect attendance, flawless driving record and impeccable account retention, not to mention his incredible work ethic, experience and enthusiasm for the job. "Rodney Montgomery is an asset and ambassador for our company," said Imperial General Manager George Berry. "He sets the example of what defines a world-class route driver."

### No. 1 Priority

Montgomery focuses on merchandise presentation to appeal to the customer, who is his number one priority. "It is amazing how Rodney quickly becomes part of the 'customer community' which he services," said Berry.

Montgomery is committed to keeping his customers happy regard-

# <sup>66</sup>He sets the example of what defines a "world-class" route driver.<sup>??</sup>

less of how long it takes, sometimes working 12 hours or more per day. Even so, Montgomery maintains his enthusiasm and customers notice. "He has an eagerness to please the customer and he takes the time to listen," said Berry. "Every customer he meets becomes a new friend."

### **High account retention**

Berry noted that the company is constantly getting calls complimenting Montgomery's work ethic and jovial personality, both of which also help him maintain high account retention. "He has been with our company for 20 years and he is still the fastest, most thorough route person we have," said Berry. "He tucks and fluffs all chips and he places all other products in the machine neatly to deliver a perfect presentation of our products," Berry continued. Montgomery holds the company's highest monthly sales record of \$128,000.

### Family man

When he's not at work, Montgomery enjoys spending time with his wife, Jenny, and visiting his three children who are in college. Montgomery also gives back to his community by coaching little league baseball and football. All of this contributes to Montgomery's success. "I want to congratulate Rodney on a job well done as he continues to provide his customers with world-class service," concluded Berry.



Route Driver of the Year quarterly winners are awarded \$250 and will be finalists for the final Route Driver of the Year award that is presented at the NAMA OneShow in April 2015 in Las Vegas, Nev. Sponsored by Mondelez International and *Automatic Merchandiser*, the contest nominees are given a score based on years as a driver, miles traveled, customer satisfaction and nominator comments.





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