

INNOVATION ISSUE

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3 roadblocks and how to find solutions
page 8



Automatic MERCHANDISER

The Vending, Micro Market & Coffee Service Industry Resource

May 2013

New Jersey vendor embraces technology

SUCCESS STORY

Culinary Ventures Vending utilizes multiple technological platforms to stay ahead page 26

Steve Mistretta, operations manager at Culinary Ventures Vending, values new technology, such as the diji-touch vending machine.



VendingMarketWatch.com

EDITOR'S BLOG

Don't Give Up On Vending

www.VendingMarketWatch.com/10923643

GUEST BLOG

Food Is Our Future

www.VendingMarketWatch.com/10918955

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Innovations for @VendingMagazine

Reaching out via social media is not only innovative, but brings customers to the machines, brewers and markets to see other enhancements.

Social media is certainly a catch phrase buzzing around businesses these days. It can increase consumer reach or encourage discussion among professionals. That's why it's my vote for an innovation award — figuratively.

Social media is already being used successfully by a number of vending operations. CNC Vending won the 2012 award for its social media contests which gained it more than 360 likes. There's also Gourmet Coffee Services out of California who

is very active on Facebook. They continue to run special promotions and have 502 likes (as of this writing). A number of people comment during each contest and the OCS company records video announcing contest winners.

Social media can also foster communication among professionals. Just the other day I was reading that there are three different research papers that discuss how doctors who use social media improved their professional productivity, were more innovative and provided better quality care. That's pretty impressive. Now what about vending?

As I was writing this, *Automatic Merchandiser* and VendingMarketWatch had 349 likes on Facebook — and counting. It's not just about likes, however, but about driving communication. Every month we watch

the topics we post to social media sites increase traffic and get people talking. It's an exciting addition to how we get information out to readers.

SOCIAL MEDIA NUANCES

While social media is a vast, uncharted area, there's certainly ways to utilize it. Within our industry some of the most outspoken posters are the technology companies. They are actively engaging the vending community. And what about consumers? I've seen a number of them voice comments, whether it's to participate in the latest OCS contest or lament the empty vending machine.

There is definitely lots of innovation going on in the physical world of vending as well. Micro markets are driving profits and new business models. We discuss how operators can rediscover fresh food sales in this issue on page 22.

The increase in telemetry and what's available is another great example of innovation. Jim English, CEO of Sprout Retail discusses the roadblocks to telemetry and how we can find solutions on page 8.

Let's not forget how many ways exist for operators to take used, dated equipment and make it new again. The benefits of retrofitting span from increased consumer engagement and merchandising to better security. Read about it on page 14.

Innovation at the point of sale is definitely important, but being innovative online gets consumers to come to the vending machine, coffee brewer or micro market in the first place. It's a whole new level of engagement and one I think vending operators are just starting to scratch the surface in of what is possible. ◀



UTILIZE
the ability to engage customers with social media

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Leading Innovation from Coinco and InOne Technology

ADVERTORIAL

The Iris System gives vending operators the ability to focus directly on profits by being a comprehensive and flexible telemetry and cashless solution. The Iris System is made up of 5 components:

Iris Connect- A versatile remote data device that offers cashless payment options. The Remote Data Collection System can be monitored online anywhere taking the guesswork out of inventory and restocking.

Iris Vision- A management software system that gives an accurate view of the vending operation at

all times. Iris Vision enables you to make routes more efficient through dynamic route scheduling, provide better inventory as well as machine and superior cash management.

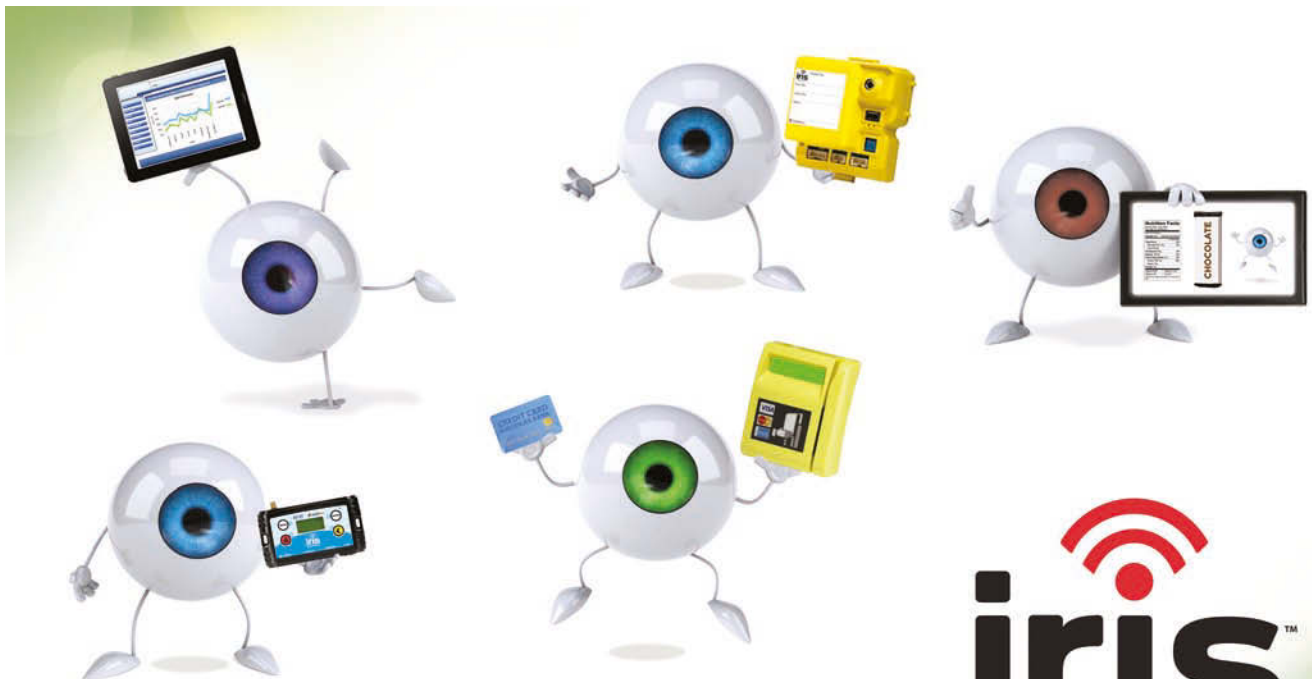
Iris Reader Series- The card reader that gives the consumer more ways to pay and more incentive to spend. The system is compliant with industry standards and certified by all major card processors. The Iris Reader Series has 3 levels of payment acceptance.

Iris Window- A full color LCD touchscreen. Designed to be used in

indoor and outdoor environments, Iris Window allows engagement with the customer by providing nutritional information, available choices, cross-selling and promotions.

Iris Media- Offers the full capabilities of Iris Connect, plus the option of customer interaction when used with the Iris Window display.

Iris is designed to grow as your business grows, so you don't need to purchase the complete system right away. To learn more on how to add cashless technology to your operation, visit MyIrisVision.com. | ◀



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Out of all the wars out there – Why Water?

Let's not reward people with guilt for making a good choice.

In April, VendingMarketWatch featured an article from the Des Moines Register on the successful student-led campaign to ban the sale of single serve bottled water. I can't help it. I had to do a double and triple check to make sure that I had understood the story correctly. Surely this couldn't be true, could it? Well, it is and all I can really say is I wish I was young again.

You see, when I went to college, I probably would've been on board to help



WORK
to find a compromise that will help us in the long run

save the Earth by joining this effort to ban single serve bottled water. I mean, come on, why spend the money to actually buy water when it's all over for free? I'd have gone to bed feeling better that I somehow made a difference. I did my part! However, I've gotten older and now see the world in an actual bigger picture, not just the one that I thought for sure I knew when I was in college. After all, aren't we all know-it-alls when we are in college? But I digress. With the push to make healthier choices, bottled water sales have grown over the years. We've made it a convenient option for consumers to purchase water. Now we are going to applaud them for their choice in beverage, but tell them it's not good

enough because the environment could suffer? Whatever happened to the campaigns of Reduce, Reuse, Recycle? I think the message was pretty clear and gave an option for all of us to use. However you practice the three R's is up to you, but at least you have a choice. The choice wasn't made for you as it was for those at Drake University.

Lost educational opportunity

If these students would've thought a little bit further about the bigger picture, maybe they would've seen a different opportunity to accomplish two objectives instead of giving people guilt complexes. The students cannot deny that drinking water is good for you and they should continue to support the effort. They need to also realize that bottled water is a convenience, similar to that of any single serve beverage. While the effort to provide everyone with a reusable water bottle to be used at refilling stations is commendable, they could've also reached out to the school and the vendors to partner on increasing recycling awareness.

What will be interesting is to tab these students ten years after they have left college to see how much their bottled water ban really saved the Earth — or even if the ban is still in place and what their feelings would be. The moral of the story is this: instead of running around trying to ban everything that might hurt something, I wish society would take a step back and try to work out a compromise that helps everyone in the long term, instead of what you feel passionate about today. ◀

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Micro markets begin integrating with vending data

Responding to the continued growth of micro markets, 365 Retail Markets and Avanti Markets have partnered to develop an industry data integration standard. Known as Access Integration and Management (AIM), this standard will allow micro market operators to leverage their existing investment in vending management systems (VMS) to more efficiently manage their growing base of micro markets.

AIM was designed to be a single interface for managing product, sales and inventory data and was built as a common application programming interface (API) as well as being an open protocol available to all micro market and VMS providers.

CANTALOUPE INTEGRATES USING SEED

Cantaloupe Systems recently announced Seed Micromarket Integration as its move to integrate micro market and vending data. Seed's cloud-based tools allow operators to schedule, pre-kit, service and manage markets alongside traditional vending, without costly retraining or complex switching between multiple IT systems, according to the company.

First Emerald Vending closes

► First Emerald Vending of Iowa City, Iowa, has closed and its machines auctioned by the Hamilton Group, LLC.



Hostess reopens facilities

► Hostess Brands, LLC, as a new company and employer under new ownership, announced plans to reopen



New standards and software enable operators to effectively manage data from both platforms.

and begin hiring employees for its bakeries located in Columbus, Ga., Emporia, Kan., Indianapolis, Ind. and Schiller Park, Ill. The Georgia and Kansas facilities will resume producing Hostess' iconic snack products in the summer of 2013, including Twinkies, Cup Cakes, HoHos and Ding Dongs.

Coca-Cola to cut 750 U.S. jobs

► Coca-Cola Co. will cut 750 jobs in the U.S., according to CBS News. The 1 percent workforce

reduction will be across the board but primarily in Atlanta, Ga., where the company is based.

VendScreen founder exits, starts new company

► Paresh Patel, inventor of the VendScreen Revolution™ smart device for new and existing vending machines, announced he is leaving VendScreen due to a decision by investors. He is starting a new company — VendNext, which will provide a rich consumer experience

with personalized data and purchasing options available on smartphones.



Pepsi redesigns bottle after 16 years

► Pepsi has unveiled a new single-serve bottle for its Pepsi trademark portfolio including Pepsi, Diet Pepsi, Pepsi MAX and Pepsi NEXT, marking its first design update since 1996. The bottle is rolling out in markets nationwide in 16-ounce and 20-ounce packaging, with full conversion taking a few years.



Mrs. Freshley's updates packaging, logo

► Mrs. Freshley's, an award-winning line of snack cakes and pastries from Flowers Foods, has unveiled a brand new look: packaging with a bright modern design that compliments a new logo.

Coca-Cola expands five bottler territories

▶ The Coca-Cola Co. announced that it has taken a significant step toward its 2020 vision by commencing implementation of a 21st century beverage partnership model in the U.S.

Under the new model, The Coca-Cola Co. and five U.S. bottlers have agreed in principle to take the next step in creating a stronger U.S. business model through the granting of new, expanded territories. The five bottlers are Coca-Cola Bottling Co. Consolidated, Coca-Cola Bottling Co. United Inc., Swire Coca-Cola USA, Coca-Cola Bottling Co. High Country and Corinth Coca-Cola Bottling Works Inc. As the model continues to evolve, the company anticipates pursuing additional steps with these bottlers in the future.

Community Coffee Co. launches single cup

▶ Community Coffee Co., a large family-owned and operated retail coffee brand in the U.S., has introduced new single-serve coffee cups. Made with premium quality Arabica coffee beans, the single-cup is available in Dark Roast, Café Special® and Breakfast Blend.



Caribou Coffee closes 80 locations

▶ Caribou Coffee is closing 80 of its locations and will convert 88 others to Peet's

Coffee & Tea, according to CNN. As a result of the closings, the Minneapolis, Minn.-based coffee shop will be nearly nonexistent in Ohio, Michigan, Pennsylvania, Maryland, Virginia, Georgia, Illinois, eastern Wisconsin and Washington. The chain will continue to operate 468 locations in Minnesota, North and South Dakota, Iowa, Kansas, western Wisconsin, North Carolina, Colorado and internationally as well.

American Vending Machines expands

▶ American Vending Machines, Inc. (AVM) in St. Louis, Mo. has expanded its operation. AVM has purchased a 57,055 square foot building 5 miles from its current location that more than doubles its size. This is to help with the production demand for good quality remanufactured equipment, according to the company. The closing date is set for May 3 on the new building.

Independent PepsiCo bottlers trade areas

▶ Seeking to drive growth locally, PepsiCo and two of its leading independent bottlers, Pepsi Bottling Ventures LLC (PBV) and the Honickman Group's Pepsi-Cola Bottling Co. of New York (PCNY), announced their intent to transfer certain franchise ownerships in New York, North Carolina, Idaho and Vermont.

PepsiCo has agreed in principle to swap five counties of its company-owned North Carolina territory to PBV in exchange for PBV's 11 counties in Vermont and 18 counties in Idaho. PBV in turn has agreed to sell its Long Island, N.Y., territory to the Honickman Group's PCNY.

People in the News

Former AMS president dies at 93

Former president and chairman of the board of Automatic Merchandising Systems Inc. (AMS), Roy Steeley died March 16 of natural causes. He was 93 years old.

Cantaloupe names vending veteran regional sales director

Cantaloupe Systems Inc. recently announced the hiring of Nancy Woodham to the position of regional sales director.



Woodham

Zenith Vending's Jim Contis passes away

Jim Contis of Zenith Vending in Chicago Ill., passed away Feb. 7, 2013. Contis ran Zenith for more than 25 years. He retired from Zenith Vending and went on to run Food Industry News from 1982 until his passing in February. He would have turned 86.



Contis

Crane's Eric Fast Retires, Max Mitchell To Be CEO

Crane Co. recently announced that Eric C. Fast, chief executive officer, will retire from Crane Co. in January 2014. He will be succeeded by Max H. Mitchell, current president and chief operating officer.

Wilbur Curtis names new manager

Wilbur Curtis Co. recently named Krista Reddington as the new manager of sales support and marketing.



Reddington

CALENDAR OF EVENTS

MAY 21-23

NCA 2013 Sweet & Snacks
Hyatt Regency McCormick Place,
Chicago, Ill.
www.sweetsandsnacks.com/index.cfm

JUNE 7-9

New England Spring Meeting
Hyatt Place Mohegan Sun,
Uncasville, Conn.
Phone: 860-705-435

SEPT. 19-21

CAVC & AAMC Joint Annual Meeting
Indian Wells Resort,
Indian Wells, Calif.
www.indianwellsresort.com

OCT. 3-5

ACE 2013
Embassy Suites Kingston Plantation,
Myrtle Beach, S.C.
www.atlanticcoastexpo.com

OCT. 20-24

NAMA Executive Development
Michigan State University,
East Lansing, Mich.
www.vending.org

NOV. 12-14

NAMA CoffeeTea&Water2013
Gaylord Opryland Resort &
Convention Center,
Nashville, Tenn.
www.vending.org



ADAM
4 Days of Supply
91 Deliveries per year
\$9,100 Supply Cost



JOE
7 Days of Supply
52 Deliveries per year
\$5,200 Supply Cost

3 telemetry roadblocks and how to find solutions

By Jim English, Contributing Editor

Vending operators embraced telemetry hoping for increased profits, but sound business analysis is required to use the technology effectively.

You've probably read a dozen articles about cashless and telemetry over the past few years. Most of them provide a wonderful story of how technology will allow operators to sell more and service less. The real question is — if the success is real, why are we still sitting in 2013 with less than a few hundred thousand connected machines across an industry of more than 5 million? The answer is simple, for the most part we've only heard half the story.

A few years ago an operator from New Orleans, Louisiana was explaining telemetry to a group when he made a simple but prolific statement, "We don't know what we don't know." At the time he was talking about the need for daily sales data. Little did I know, but that statement was one that would be repeated over and over

through the years. The story of telemetry 2.0 starts with a few more things we didn't know, but need to understand, to fully leverage telemetry.

1 We didn't know how our decisions impact the bottom line.

The concept of profitability in vending is straightforward enough — take as much money as possible out of the machine every time you open the door. There are a couple of major variables to manage: pricing and product margins as well as service costs. Simple sure, but truly one of the most complicated problems I've ever come across. Why? Because vending is a capacity constrained environment where every decision: equipment, assortment, pricing and even other equipment on site all have an impact

on profit. Vending is a unique because our service costs are much higher than traditional retail and because they can vary significantly by item. In a typical retail environment the focus is on gross margin — in vending when we leave out service costs, we miss the biggest variable on profitability. Indeed vending is one of the few places where you can make less money by selling more product. Don't get me wrong, gross margins matter, but they may vary by 10 to 20 percent between items where service costs can vary by 10 times that.

To explain this concept let's suppose we have two nearly identical operators, Adam and Joe, located side by side in identical warehouses and are supplied by the same distributor who charges \$100 for every delivery. They both have the same total sales and gross margins but Adam sells 20 different products while Joe only sells 10.

Because he carries less inventory of each item, Adam requires a delivery every 4 days while Joe can wait to be supplied every 7 days. Who's business is more profitable Adam or Joe?

Chart 1: Comparing Sales & Service Costs by Shelf

SHELF 1

Capacity per item = 10
Number of items = 5

Units				
4.4	3.9	3.7	3.5	3.4
Weeks of Supply				
2.25	2.59	2.70	2.84	2.90
Dead Facings				
3%	3%	9%	5%	2%

Units									
4.3	3.9	3.8	3.6	3.5	3.2	3.1	2.8	2.5	2.2
Weeks of Supply									
3.49	3.85	3.95	4.17	4.29	4.69	4.84	5.36	6.00	6.82
Dead Facings									
0%	3%	2%	2%	5%	7%	5%	0%	7%	10%

All Prices = \$1
All Margins = 50%

Sales \$986
Margin \$493
Annual Service Visits
19.5

SHELF 2

Capacity per item = 15
Number of items = 10

Sales \$1,710
Margin \$855
Annual Service Visits
11.0

You would be right if you said Joe’s is more profitable because his delivery cost is 43 percent lower than Adam’s (52 deliveries per year versus 91 deliveries for Adam). But what if the distributor told Joe “We have to stop next door for Adam, so we’ll deliver every 4 days instead of once a week”? Joe would obviously tell the distributor he won’t pay for deliveries he doesn’t need.

The common assumption is that telemetry solves this problem but operators still pay for deliveries they don’t need every single day. Why, because telemetry deals with the symptom — when service is required — rather than the decisions that created the need for service in the first place. Bottlers have been aggressive in managing space to sales in cold drink equipment. The problem is snack machines, which trigger the most service calls. Every time operators service a machine because they’re at the one next to it, they’re paying for a service they don’t need.

The causes of excess service costs can be grouped into two pools: service bottlenecks and opportunity costs. Service bottlenecks are easiest to understand and quantify. Every time you go to a machine it costs a relatively fixed amount of money. While we rarely factor service costs into assortment decisions, the reality is that some products have less days of inventory and therefore require more service than others. At the machine level, costs are invariably driven by

a handful of items with low days of inventory (the bottlenecks) and if we allocate service costs to those items we would end up with a very different view of overall product profitability.

If that wasn’t bad enough, the bottleneck extends to the entire location. If one machine forces a service, it adds service costs to every other machine that is being serviced prior to its normal schedule. Indeed an increase in sales of specific bottleneck products can drive service cost in every machine at the location. Knowing this puts the challenge into perspective, it’s not about the choice of a single product or facing — it’s how that decision impacts the entire location. The good news is all of this is that service cost can be easily quantified and an effective allocation methodology is all that’s needed to root out bottlenecks.

The second cause of excess services are what I call opportunity costs. These are the cost of decisions we do not make and therefore more of a challenge to quantify. A simple example of a non opportunity cost is in chart 1. When we choose to set a machine with one or two candy shelves, what is the impact? Operators all have a rationale for why they set machines the way they do but how often is that rationale built on real cost and data analysis? Do we set a planogram or place a certain model on location because we’ve considered all the options? The reality is that

working through the daily business challenges and the sheer number of choices doesn’t leave enough time for this kind of analysis, but that doesn’t mean that the opportunities are less real. They are just harder to identify.

We have made great progress. Before telemetry, we lacked the information necessary to understand and identify these costs. However, true success would see us intelligently using pricing, machine configurations, promotions and assortment in harmony to manage total profitability.

2. We didn’t know how hard implementation would be.
Beyond affordability, the number one reason for slow telemetry adoption is that it’s hard. It starts with months of evaluating alternatives, negotiating deals and finalizing contracts. From there it takes weeks of changes to vending management software (VMS) or other systems to gather information and get ready for implementation. Next, operators start installation and testing while they run two separate businesses on different systems, and once that’s complete, they move onto reconfiguring their warehouse or pre-kitting and finally implementing dynamic scheduling and routing into their business. More than likely that means they need to re-think how they compensate drivers. On top of that, since they’re new to it all, there will

be plenty of mistakes and reworking along the way. To manage it all successfully operators typically need at least one person to manage the project and extra technicians to handle installation and troubleshooting. Telemetry is not the “plug and play” experience that we get from our smartphones. Success is mainly driven by the commitment of everyone in the business.

Sadly, telemetry is just one of the decisions facing a progressive operator: cashless, consumer programs, multimedia screens, nutritional solutions, video screen and micro markets all compete for time and attention. Each decision is just as complex and has a similar potential for success and disruption. It's easy to understand why many operators don't make any bold moves with technology. One project is more than enough for an operator to undertake while managing his or her business. Undertaking more than one is a challenge for all but the largest operators.

The problem here is that customers expect us to do it all, and do it well. So

TELEMETRY is not the “plug and play” experience of a smartphone.

we're seemingly left in a lose-lose situation: don't do it well or don't do it at all.

To succeed, operators need to filter information, streamline decision making, manage implementation, obtain support and control costs. The reality is that no one operator can do it all, so one of the best options is a cooperative approach. A new example of this is USConnect, a technology cooperative that takes all of the basic technology needs and bundles them into an affordable package for the operator. Innovative approaches like US Connect are part of Telemetry 2.0 because they help operators solve the challenges of implementation.

3 We can't invest because we're not profitable.

I don't have to explain to any operator the profit challenges we face as an industry. We all know that subtract 1 percent net profit as an industry and a flat marketplace leaves little room for investment. Beyond that, we have suppliers trying to recoup an industry-specific investment across a small user base (read high hardware and service costs). Topping off the perfect storm is fragmentation. With more than 7,000 operators and hundreds of different technologies fighting for a limited amount of capital and operator attention it's a wonder we've made it this far.

The answer is a dose of reality and planning. Operators need to recognize an investment in connectivity is an investment in their business' future. Route efficiency can drive 5 plus points to the bottom line, so it's not unreasonable to invest part of that savings in connectivity. For technology suppliers, that means to

stop looking at their product as the solution, but components of a larger ecosystem. To be successful we need to fund everything (hardware, cashless, consumer programs, telemetry, VMS) and the solutions need to work together out of the box. Without both a cost effective and connected solution we'll fail to achieve the usage rates needed to spark the next generation of innovation. In the end, the answer is scale and commitment, either we make it work together or we continue to advance at a snail's pace.

The other piece missing from almost every discussion is the consumer. How are we working to meet

their current needs? While we were selling essentially the same product for 40 years the world changed. The idea of people walking around with a couple singles in their pocket waiting for a vending machine is a thing of the past. In a world of no cash, instant gratification and social feedback we might as well be selling typewriters door to door. Continuing to do nothing takes us further down the path to irrelevance. Operators have some of the most valuable retail possible with direct access to some 100 million employees, students and visitors every day. Our ability to develop a strong connection with the consumer is the key to unlocking new revenue. However we can never expect to get there unless we take the first step with telemetry.

Recap

Telemetry 2.0 isn't a product or solution, it's a way of thinking and moving forward. After working with telemetry for a few years and looking at the data, it's obvious that there is more opportunity than we expected, but also major hurdles to moving the industry forward. Telemetry 2.0 is about working through the difficult choices. It doesn't challenge the principles of dynamic routing and scheduling, but looks at how to ease implementation and improve results. This requires all of us to look at the most basic business decisions with a new lens and seek out products and solutions that can increase our relevance with consumers. | ◀



ABOUT THE AUTHOR

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Coffee consumption jumps in 2013

The number of U.S. adults that are now drinking coffee has reached 83 percent. Hispanic-Americans are outpacing other groups, while single-cup steadily grows.

Overall coffee consumption is up 5 percent this year among Americans. According to a National Coffee Drinking Trends (NCDT) market research study recently conducted by the National Coffee Association (NCA), 83 percent of the U.S. adult population now drinks coffee, compared to 78 percent in 2012. At the same time, daily consumption has remained strong and steady at 63 percent, while those who drink coffee at least once per week went up slightly to 75 percent.

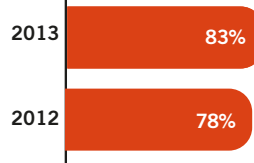
HISPANIC-AMERICANS LEAD CONSUMPTION

Past-day coffee consumption among Hispanic-Americans again outpaced that of other Americans, further affirming data identified last year when the NCA began tracking ethnic consumption. Seventy-six percent of adult Hispanic-Americans said they drank coffee yesterday, 13 percentage points ahead of the total population. By comparison, 47 percent of African-Americans and 64 percent of Caucasian-Americans said they drank coffee yesterday.

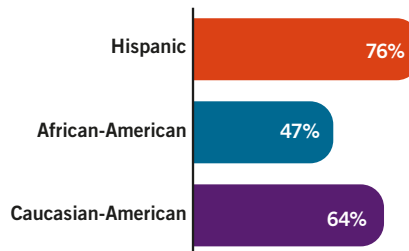
SINGLE CUP ALSO INCREASES

In other NCDT data, the single-cup brewing format continues to grow steadily. Of the U.S. population, 13

DRINK COFFEE



DRANK COFFEE YESTERDAY



percent said they drank a coffee made in a single-cup brewer yesterday. This is up from just 4 percent in 2010, according to the NCA. By contrast, past-day consumption of a coffee made in a drip coffee maker has dropped to 37 percent from 43 percent over the same period. Awareness of single-cup brewers reached 82 percent, up by 11 points from last year, while ownership has grown to 12 percent from 10 percent.

Consumption of gourmet coffee also remained strong and steady, with nearly one third (31 percent) of the population partaking each day. At the same time, consumption of traditional coffee was off by seven percentage points to 49 percent versus 56 percent in 2012.

The NCDT study has been conducted annually by NCA since 1950 and engages a nationally representative sample of more than 2,000 people aged 18 and older. Respondents are selected from an online panel with ethnic breakouts aligned proportionately with the makeup of the U.S. population. Respondents complete the survey online in English or Spanish at their choosing. Data was collected mid-January through mid-February 2013 with daily quotas to ensure a balanced mix of days of the week. | ◀



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Folgers

Make an old machine new again

By Alfonso Flores, Assistant Editor

Not all vending operators can afford to replace their fleets with new vending machines. Retrofitting allows operators the opportunity to embrace innovative technology and save money as well.

As the number of millennials continues to grow, so has the emphasis on innovative technology. Consumers want to be wowed with new and exciting equipment, and will be more inclined to do business with a company willing to provide that flare. The same is true for the vending industry. With a number of innovative solutions available for new and existing machines, operators have to decide what to invest in. One thing is for sure, after speaking with industry leaders, it became apparent that embracing new technology is a must to stay ahead in vending.

Telemetry evolves in new areas

Telemetry is a term around which all other current innovations seem to be focused. Touchscreens, payment systems and even locking mechanisms all use telemetry; meaning real-time data for operators at the push of a button, and wireless capabilities for consumers at the point of sale.

According to Poch Ceballos, online solutions product project manager at Crane Merchandising Sys-

Installing retrofit technology can take a mechanical vending machine and bring it online, add cashless acceptance and deliver greater security — leading to increased profits.

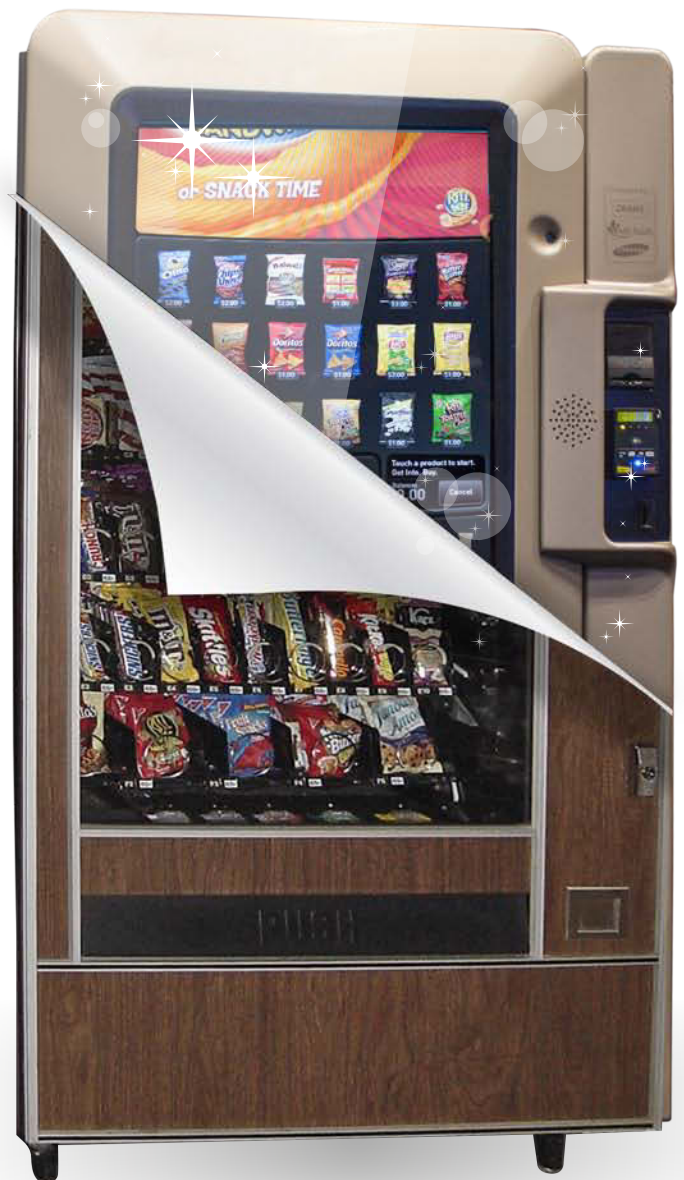
tems, Telemetry suggests a wireless platform, like Android or Linux, that can instantly stream important data such as sales functions and product shortages to the operator — alerting him or her of the problem.

Brent Garson, CEO of Vendors Exchange International Inc. (VEII) believes telemetry and wireless connectivity will be a mainstay in the industry for years to come.

“I think telemetry and interactive screens are going to become a de facto phenomenon,” Garson said. “We don’t sell a Connect [VE Connect] unless it’s connected to the net-

work. So I don’t think connectivity will continue to be a novelty, I think it’s going to become a reality.”

When operators fit their vending machines with telemetry, they’re often preparing their machines for future innovations. Andrea Ihara, vice president of marketing and business development at VendScreen uses the VendScreen Revolution as an example of a device that adds telemetry and includes software that can be updated every few months as new innovation is brought to market. Updates are seamless for the operators.



“Wireless connectivity allows the operator to be in touch quickly and efficiently with what is going on at their machine level,” Ihara said.

Telemetry also opens the gate for mobile payment. Mobile wallets such as ISIS or Google Wallets utilize NFC contactless technology communicated through a telemeter in the vending machine to make payments. Telemetry devices use the cellular networks from providers such as AT&T, Verizon Wireless and T-Mobile as their communication network.

“Many payments experts forecast that our mobile phone will become our primary payment device and a repository for basic identification details” Chuck Reed director, marketing and sales operations support at MEI Inc. said. “How big will mobile payment be? Eventually, it will be the primary way we pay for things.”

Veronica Rosas, vice president of communication and investor relations at USA Technologies, Inc. (USAT) sees telemetry as a way for operators to streamline their business, without making a huge financial commitment.

“Investing in a new whole new machine isn’t at the top of operators’ lists when they have the opportunity to drive incremental returns without making such an investment,” Rosas said. “Having a reliable, flexible and value-add service partner will, in our opinion, drive faster returns.”

A report published by Transparency Market Research entitled “Mobile Wallet Market-Global Industry Analysis, Size, Share, Growth and Forecast, 2012-2018,” suggests that the mobile wallet market will reach \$1.607 billion by 2018, with 30.7 percent compound annual growth rate. Meaning, if the market grew steadily each year it would equate to \$267 billion in annual sales.

Cashless is the future

Cashless payment options are a large part of the vending industry

THE mobile wallet market is projected to reach **\$1.607 billion** by 2018 according to **Transparency Market Research.**

and an important retrofit technology. Less people carry cash today and without a cashless alternative, vending operators are missing out on potential sales. Plus, as Crane’s Ceballos, points out, cashless solutions encourage spending.

“When consumers pay with cash they are limited to the amount of cash they have in their pockets,” Ceballos said. “A consumer is less likely to add more money for an item that costs \$1.35, than they would be if they were using cashless payment methods.”

As Ceballos suggests, having a cashless solution allows operators to more easily increase prices without seeing a decrease in sales. Cashless also markets to a younger generation who is less likely to carry cash.

Culinary Ventures Vending in Union, N.J. has just begun implementing cashless solutions on their machines. Tom DiNardo, co-owner of Culinary Ventures Vending, got involved because of the impact it has on college campuses.

“Many colleges are implementing payment methods on students’ identification cards,” DiNardo said. “So it’s important that we have cashless solutions on the machines at these locations.”

DiNardo sees the long-term impact of cashless integration. He believes that operators who neglect cashless payment options will suffer going forward.

“The reality is people just don’t have cash anymore and the vending industry will just have to adapt,” DiNardo said. “You can either get on board or you drown in the wave. That’s what makes us front-runners in the industry is we’ve committed to adapting.”

MEI’s Reed reports that the most popular locations for cashless solutions are college campuses, large call centers, public sites and hospitals because of the likelihood of inadequate cash due to the unplanned nature of purchases. Having multiple payment options like cashless bezels that also accept cash increase the likelihood that the consumer will be able to make a purchase with whatever payment method they choose.

Rosas of USAT anticipates a demand in contactless payment in the future. “Loyalty, couponing and prepaid programs are likely to be the next big thing and are a focus of USAT and partners such as Verizon and Isis,” she said.

According to Ihara from VendScreen, the industry statistics have shown a 20 to 25 percent lift in sales due to cashless payment solutions.

Nutritional data is important

One of the complaints about traditional vending machines is the disconnect between product and consumer. People like to see what they’re buying. With telemetry and touchscreen technology, it is easier than ever for consumers to connect with products.

When vending operators adopt a touchscreen for their machines there are a lot of benefits. It is a bright and interactive display designed to grab the attention of consumers. Additionally, once consumers have engaged the screen, they have access to a product database filled with descriptive nutritional facts and high-definition photos. Ihara believes this will help lure customers who have otherwise given up on the industry.

INNOVATION ISSUE

“Consumers walked away from vending because it didn’t fit their nutritional needs,” Ihara said. “Be it because of allergies, intolerances or caloric restrictions or fat restrictions, nutritional display gives the consumer the ability to make educated decisions before vending. This brings people back to the vending marketplace.”

Databases that feed touchscreen with nutritional information can be simple or advanced. The VEII’s MIND™ (Make Informed Nutritional Decisions) breaks products into categories to further enhance the user experience.

“A consumer can walk up to a MIND and sort products by categories such as gluten free, peanut free or low fat,” Garson said. “The MIND™ will recognize those categories, and the products are tagged by us so the operators aren’t driving themselves crazy trying to figure out the technology.”

Third party advertising

Touchscreen technology also lends itself to alternate sources of revenue for operators. Touchscreens allow vendors to display advertisement videos and photos on their vending machines. These videos can promote products inside the machine, or third-party content.

Garson has seen vendors successfully use promotional videos, games or even targeted advertising based on a concept called anonymous analytics, where the machine uses a camera to identify the user’s age and gender, and then uses algorithms to try to determine what that person might be interested in purchasing.

“The value of having a camera on the machine is that you know who is using the machine,” Garson said. “We key our ads based on who is in front of the machine. So if it’s a 50 to 60 year old male, we may want to play a trail mix ad rather than an energy drink spot.”

New locks enhance security

Along with consumer and merchandising retrofit technology, advancements are also being made in vending machine security. Bill Denison, CEO at TriTaq Locks, has developed a locking mechanism that deters vending theft and is entirely electronic — no keys required.

The mechanism replaces the existing T-Handle locking mechanisms many snack and beverage vending machines feature. It is operated by a key fob, much like the locking mechanism on new cars and is therefore immune to drilling and picking.

“What we’ve done is completely eliminated the lock plug altogether,” Denison said. “It gives on that benefit of quickly being able to retrofit, and having the added security of the anti-theft qualities.”

What really make the locking system worth it is the electronics that go along with it, according to Denison.

“The security that you’re getting today with mechanical keys and lock cylinders is very antiquated,” Denison said. “There are instructions that describe exactly how to attack mechanical lock plugs. So to stay ahead of the curve, is to go with electronic locking systems.”

Denison hopes to tap into the telemetry market as well. He feels mechanical locks are holding back the telemetry process, by not allowing operators to dynamically route their drivers. The example Denison uses is one of route switching.

“Say there’s a banquet taking place on a location for one of your routes and the driver is tied up,” Denison said. “An operator using telemetry will want to re-route other drivers to the first route to ensure that their routes are being serviced. With mechanical locking mechanisms, those drivers may not have keys to the machines on another driver’s route, thus slowing down the process.”

By installing the electronic locks complete with telemetry, route drivers will be able to route their drivers on the go.

Retrofit technology is a worthwhile concept for vending operators to explore. It allows operators to take advantage of current technology without having to completely replace an entire fleet of vending machines, and has long-term revenue and security benefits as well. | ◀



TriTaq announces its new VendIQ line of electronic vending machine locks.

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The SmarHUB MicroSM was engineered in-house, from the ground up after significant collaboration with new and existing 365 Retail customers. It is currently the only MicroMarket payment center engineered and manufactured by the actual MicroMarket provider. When it comes to quality, reliability, and support, operators want to know that their provider can back the equipment they sell.

Larger market populations require greater checkout capacity.

Customers see 2-3 times more transactions during peak hours. Through research with operators and careful planning, the 365 team has found the addition of a 365 SmarHUB MicroSM reduces peak wait time by more than 50 percent, making Markets more appealing to customers in a time crunch.

Thumbprint and account-based checkout increase transaction speeds and reduces credit card costs.

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The SmarHUB MicroSM was designed as a solution to both optimize existing locations, as well as lower the capital outlay for smaller locations. The 365 MicroSM can be wall-mounted for

added placement flexibility, something that should be of interest to operators who need an ADA compliant mounting option that doesn't diminish the functionality for all market users.

Revenue, Profit, and Reliability drive 365 engineering decisions.

While the 365 Retail team is certainly proud of the SmarHUB MicroSM engineering, it is the increased efficiency, higher revenues, and new opportunities for market locations that is really exciting. Being able to provide operators with new opportunities to enhance market revenues and profit, while giving them the tools to explore new locations, are at the core of the 365 SmarHUB MicroSM value proposition.

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365 Retail Markets is the only PCI (PA-DSS) certified MicroMarket provider to design, engineer, and manufacture it's own software and hardware. Operators can rest assured that they're not only buying the most reliable, scalable, and efficient MicroMarket solution available today, but the most secure.

“Increased efficiency, higher revenues, and new opportunities for market locations”



Taking advantage of our connected world

By Maeve McKenna Duska, Vice President of Marketing, USA Technologies

The reality is we are living in an almost totally connected world. We are connected to people and businesses through social media, smart phones and the Internet. Consumers are connected to brands through loyalty programs and custom communications. Even machines are connected to networks, enabling businesses to capture data, run more efficient operations and track assets. Both consumers and businesses look for instant feedback and real-time, relevant information to help with every day decisions about where to make a purchase, what product to buy and where to go next.

SO why is there such a lack of connection between consumers and vending?

The vending industry's rise to success was built on convenience and a captured customer base. Vending companies knew which products were best sellers when they visited the machines and saw what sold out. They trusted drivers to come home with all the cash in the machine, which was counted manually, to settle the books each month. Business was up when there was heavy foot traffic or favorable weather. Companies hoped for high visibility locations for their machines, so they could entice nearby

NOW, vending businesses can benefit from a connection through prepaid and loyalty programs and mobile applications that provide anywhere, anytime access

consumers to make a purchase. For too many vending businesses, this is still business as usual. But all around us, forward-thinking operators and other retail markets are cashing in on the value that a connected world can bring. Connected vending machines are already making money and saving money for businesses that invested in a cashless and telemetry system.

Now, vending businesses can benefit from a connection to the consumer through prepaid and loyalty programs and mobile applications that provide anywhere, anytime access. These programs offer ways to reward consumers for becoming loyal customers, and to incentivize consumers away from other retail outlets, to nearby vending machines for their favorite products. Mobile applications make it possible to locate participating machines, send "gifts" to friends, "check in" with social media and get information about new products through mobile marketing and access to nutritional information.

This new, connected world is enabling owners and operators to finally break down the wall between their vending business and the con-

sumer, resulting in increased trust, an enhanced consumer experience and loyal, satisfied customers who purchase more and more often. USA Technologies, a leader in cashless and telemetry services for self-service markets like vending, is launching new services that are designed to help business owners and operators take full advantage of the now "always addressable" consumer market. These services, including a prepaid and loyalty program and a mobile application that can be used from a smart phone or tablet, make it easy for consumers to find nearby machines, track loyalty points, manage a prepaid account and send and receive relevant information to and from the vending business. Vending and other self-service businesses are finally able to make that connection with the consumer that has always been missing, but that has never been felt so deeply as in today's world of mobile phones, texting and Facebook. The business reward? When the right services are rolled out in the right way it produces increased business, increased revenue and happy, loyal customers that keep coming back for more. | ◀

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Consumers have more confidence in food sold from micro markets.

Rediscover fresh food

By Emily Refermat, Editor

How to make the most out of this best-selling product segment in micro markets.

Fresh food accounts for 20 to 30 percent of today's micro market sales. However, in this new vertical, the same old sandwiches and inexpensive salads from vending food carousels fall flat. Instead customers want gourmet and fresh, whether that's sandwiches with lettuce or yogurt parfaits with diced fruit. Micro market operators are sourcing food from many local locations and rediscovering the positive revenues from this once dying vending segment.

Embrace the food business

"[Micro markets] are not something you toy with," said Scott Halloran, co-owner of Trolley House Refreshments in Richmond, Va. "You don't open up one or two. You either jump in with two feet and create efficiencies around it or just stay away from it." Three years ago, Halloran decided to jump in and one of the most challenging efficiencies he had to create was centered

on food procurement and transport. His vending operation never had a commissary, so his food experience was limited to branded food shipped frozen and thawed for the customers. That type of typical vending fare did well, but Trolley House Refreshments also started looking for a higher end, gourmet offering for its micro markets. "Our customers are demanding a fresh product," Halloran said, "with lettuce and tomato and mayonnaise... and things that have a shelf life." He spent more than nine months looking at local caterers and restaurants that could make a product that was the quality level he wanted. Once Halloran found it, at MG Foods out of Charlotte, N.C., he then had to make adjustments to his distribution philosophy, since his new gourmet fresh food had a 5 to 7 day shelf life as opposed to traditional vending food with a life of 14 to 21 days.

"For our markets we do a one week buy on food products and...

we do a heavy fill on Monday before lunch time — everyone gets a fresh load of sandwiches in their markets," said Halloran. During that Monday visit, drivers remove "out of date" products as well. As the market is serviced during the week, the food is back filled. Halloran also invested in a 10 by 20 walk-in cooler to house the fresh products in the warehouse as well as coolers for the vehicles. "When you're dealing with salads and sandwiches with lettuce and tomato and all these different products, you fall into a temperature window of 36 to 42 degrees where you have to keep that product at all times," said Halloran. He's noticed if it gets too cold, the lettuce will freeze and ultimately wilt, and warm temperatures substantially shorten shelf life.

Sourcing food locally

Many micro market operators are sourcing food from local establishments instead of making it in commissaries. Joel Skidmore, owner of J&J Vending of Union City, Calif., has a successful success purchasing fresh food for his micro markets from a professional foodservice provider.

“We have a local foodservice person make food weekly,” said Skidmore. The food is delivered to his markets Mondays and Thursdays and is labeled under the J&J Company Kitchen brand. His best sellers aren’t even sandwiches. “We sell a lot of salads,” said Skidmore. The next most popular items are yogurt parfaits and fresh fruit. “It’s been unbelievable,” said Skidmore about the success of fresh food in the micro markets.

Supplying fresh food to micro markets has been a new line of business for Kitchen Fresh Foods (KF Foods), a third-party commissary located in Green Bay, Wis. Greg Hill, wholesale division manager at KF Foods, observes that the challenge for operators is finding just the right inventory for each market. “What we [received] were requests for premium deli-quality items,” said Hill. “Operators were looking for that \$7 sandwich.”

Deli-quality means sandwiches with premium meats, natural cheeses and artisan breads, explained Hill. The packaging also plays an important role in fresh food success. Hand wrapped sandwiches in clear cellophane, or clear clam shell containers, display the items much better than an item bagged in the traditional vending style, KF Foods has found. Fresh salads need to look like they were just made and work best when Romaine lettuce or spring mix greens take the place of iceberg lettuce. The presentation, packaging and ingredients raise the price point while lowering the shelf life.

“There is an average 30 percent reduction in shelf life for these foods [compared to vending],” said Hill, “and they cost more.” Still, fresh food makes up nearly a third of market revenue and more customers are shopping the micro markets for these items than previous vending locations. Because of this trend, Hill recommends operators really think about merchandising. “In vending, an operator on the KF program has 100 plus fresh items per

day to pick from, rotating through 440 fresh food items offered,” said Hill. “In retail, that is too much variety to manage in the space available.” The problem is how the food is presented. In a traditional food carousel, there is one product per slot. A customer can rotate the machine and shop every slot for a specific food product. In a micro market cooler there are only 15 to 20 facings, depending on product and cooler size. Hill suggests limiting food products in the market to the facings available, adjusting volume for the location’s need. This means an item could be three or four deep, instead of different varieties hidden behind each other, forcing the customer to reach in and search through the cooler.

“Less food variety gives you the ability to merchandise better in the micro market [cooler],” finished Hill.

Micro market food trends quality

Some of KF Foods top food sellers include the “easy peel” boiled egg

said Hill. Receiving, distributing and displaying an item at the correct temperature is key to its freshness. “If a product is in a ambient temperature for 20 minutes, it loses a day of shelf life,” explained Hill. He feels operators need to be sensitive to how long food is outside a cooled environment, such as being transported into a location.

Refrigerate even in the warehouse

Maintaining food temperatures should also be considered in the inventory and picking process. According to Randy Smith, president of LightSpeed, with new technology micro market operators have the ability to take electronic pick lists directly into their coolers. Using a device like the LightSpeed mobile, warehouse staff can take the iPad into the refrigeration unit and “pick” food for a specific micro market location based on the replenishment list from the backend system, without it leaving a refrigerated space.

“Our customers are demanding a fresh product...with lettuce and tomato and mayonnaise.”

pack, ham or turkey flat pack sandwiches and large deli wraps. Interestingly enough, salads are the most requested item group, but a recent of the best movers. “Salads are only 5 percent of our sales [in micro market fresh food],” said Hill. There continues to be conversation towards healthier items in micro market products, but Hill reports the sales don’t support the level operators might think was required.

“One hurdle for operators launching a micro market fresh food program is understanding proper food handling with regards to temperature control,”

Products: hand wrapped, fresh

Jeremy Cauble, marketing manager at Winston-Salem, N.C.-based Gallins Foods, Inc., a long-time vending operation with 20 micro markets, understands the value of fresh food. He believes one of the things that sets Gallins’ micro market food apart from vending food is the packaging. Gallins’ food provider, also MG Foods, still does a lot of hand wrapping. “Customers can see it wasn’t run through a machine,” he said. The product’s appearance is paramount to the consumer coming to a market. “With a lot of sandwiches, when you

INNOVATION ISSUE

put them in the freezer and then thaw them, it affects the look of the product,” explained Cauble. “Many manufacturers are trying to remedy this, but when we first started out, there was a noticeable difference to customers.”

Gallins’ micro market customers also appreciate freshness as well as a greater variety of healthy items. “We’re able to offer more diverse salads,” said Cauble. Instead of typical iceberg lettuce, Gallins offers spinach or mixed greens salads with fresh vegetables. Also, the micro market salads are larger by two ounces, but look substantially bigger due to better packaging. “Without the space limitations of the food vendor, we are able to put the salads in larger, nicer looking containers to improve



The ability for customers to examine fresh food before purchase increases sales.

the look and presentation,” said Cauble. He has noticed the micro market customer is more receptive to higher price points if there’s fresh product variety and healthy options. “[Conversely,] there is a lower threshold on what customers are willing to pay for something out of a vending machine, regardless of the ingredients,” added Cauble.

Spoilage remains an issue

Of course one challenge presented by an increase in fresh food is spoilage. Cauble noted that when Gallins’ micro market drivers were first stocking food, they would put new products in the back and move older products

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forward. But customers quickly realized this and started taking product from the rear of the cooler — which increased spoilage. Because of this, Gallins started mixing the dated fresh food in the cooler, instead of organizing by oldest to newest. It has helped, according to Cauble, but hasn't solved the problem entirely. "For anyone wanting to go into markets, there's not a one size fits all solution to spoilage — it's an ongoing problem," he added.

Careful ordering is another way Gallins handles spoilage. "We don't keep a stock here at our warehouse," said Cauble, "so when we order food, we have to be aware of what's happening at our different market locations, such as when they have something going on that will affect the volume...that's why we have our open market manager." The open market manager is responsible for

FRESH food, variety and healthy items get higher price points.

communicating with micro market clients about events happening on location that will change the markets' activity. If there's a catered lunch, for example, Gallins' won't stock as much food. The manager also monitors how individual items are selling, so slow movers can be rotated out or discontinued.

Fresh food represents a third of Gallins' overall micro market sales. The best selling points of a micro market to the location are that the products can include fresh food, be healthier, as well as larger with more diverse ingredients. "It's a better way to present it to them...that's

one thing that grabs their attention," said Cauble. "They can pick it up and handle the product instead of looking through a window at it."

Cauble believes that in the end, micro markets really overcome the uncertainty end users still have about buying food from a vending machine.

As micro markets bring fresh food back to profitability for vending operators, they are discovering it's possible to have a good food program without a commissary. It takes proper sourcing, warehouse changes and food temperature monitoring, but the increase in micro market sales helps operators make the commitment. | ◀



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Vikan Manoukian, left, Tom DiNardo, Jack Yuppa and Doug Longworth believe innovation is at the heart of Culinary Ventures Vending's success.

New Jersey vendor embraces **TECHNOLOGY**

By Alfonso Flores, Assistant Editor

Tom DiNardo and Jack Yuppa of Culinary Ventures Vending in Union, N.J. are always looking for a way to stay ahead of the competition. By utilizing multiple technological platforms, this company has proven itself a leader in innovation.

Culinary Ventures Vending (CVV) in Union, N.J. is dedicated to vending — specifically vending machines. The 23-route vending company, which serves the tri-state area of New Jersey, New York and Pennsylvania, has declared a commitment to adding technology to its machines that places CVV ahead of the innovative curve within the vending industry and helps the company succeed in the highly competitive East coast market.

Co-owners Jack Yuppa and Tom DiNardo use some of the latest hardware and software the vending industry has to offer to run their business. This belief in innovation in business is especially interesting considering

that DiNardo has avoided using a personal computer for as long as anyone can remember. “I, Tom DiNardo don’t turn on a computer,” he said, “but I can’t let that stop me from running my business.” This commitment to technology is shared by others at CVV.

“You have a bunch of dinosaurs in the industry that don’t want to become extinct,” Vikan Manoukian, CEO of CVV said. “Many of the operators want to stay in the dark ages, but Tom has the foresight to embrace the new technology.”

A recent example of CVV embracing technology is its announcement to install Crane Merchandising Systems Currenza Navigator boxes on 3,000 vending machines. Completed

by the end of 2013, CVV believes the technology will better serve customers while also increasing sales and efficiencies in the entire operation.

Humble beginnings

CVV officially started as Culinary Ventures International in 1994 when DiNardo and Yuppa, along with three other individuals decided to purchase what was then Vendicraft. Each of the five partners had all been a part of the vending or food service industry, but had never owned their own business.

Yuppa recalls first getting into business with DiNardo. “Tom and I lived in the same town and he happened to be in the vending business as well,” Yuppa said. “It made sense for me to ask him to be partners and he agreed.”

The company began as a cafeteria service provider that dabbled in vending. It stayed that way until 2000, when it switched its focus to strictly vending. Two of the co-owners left and one retired, leaving Yuppa and DiNardo to run the operation, now called Culinary Ventures Vending, a spouse and vice president, respectively.

Early focus on technology

Not long after switching to vending, Yuppa and DiNardo adopted Crane

Profile: Culinary Ventures Vending

Founded: 1994

Owners: Jack Yuppa and Tom DiNardo

Headquarters: Union, N.J.

Number of routes: 23

Number of employees: 48

Hardware and software suppliers: Crane-Streamware, LightSpeed

Main equipment suppliers: Crane

Annual Sales: Not Revealed



Joan Akoto, employee at Culinary Ventures Vending, counts the profits in the money room.

INNOVATION ISSUE

Streamware vending management software to help run their commissions and inventory and help them track their products. By adopting Streamware they were also able to provide route drivers with handhelds, which allowed their drivers to more efficiently provide refunds and keep track of revenue after routes were run.

In 2006, Yuppa and DiNardo made the decision to hire someone to head up their march toward technological innovation. They hired Doug Longworth, a 35 year industry veteran, to be director of technology. He became responsible for operating CVV's software systems and deciphering the data received from Streamware. It didn't take long for him to make his presence heard.

In the spring of 2010, Longworth suggested that CVV begin pre-kitting on a few routes based on the forecast information they got from Streamware. According to Longworth, Streamware had built-in algorithms that would "forecast" the amount of product needed in a given machine. They did this for a few months and noticed a positive trend and wanted greater efficiencies, so in fall of 2010 they integrated LightSpeed into the Streamware VMS software. According to DiNardo, Longworth was instrumental in the implementation of LightSpeed.



Miguel Filian, maintenance manager at Culinary Ventures Vending, uses the Crane Currenza Navigator to gather data from machines.

"We originally went to pre-kitting because it was part of our VMS software," Longworth said. "We quickly made the decision to use LightSpeed for packing orders because we had heard positive feedback across the industry."

DiNardo noticed a difference in the way his business was run after beginning pre-kitting. It not only saved CVV money, but allowed the company to run more efficiently. "Pre-kitting has saved us a lot of money," DiNardo said. "It gives us a better idea of how much product needs to go out so we don't always have to fuel up big trucks and we can use vans instead."

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Modern technology

In July of 2011, CVV began installing Crane Currenza Navigator boxes to its machines. The telemetry boxes allowed CVV to condense its routes while maintaining the same amount of business. "Before telemetry, a good route was between \$8,000 and \$10,000," said Manoukian, who once ran his own vending company before selling it to CVV. "Now we wouldn't bother with a route that size. Our routes range between \$17,000 and \$20,000 because of technology." CVV is able to run 23 more profitable routes, as opposed to the 28 it had to run before telemetry.

"Telemetry has allowed operators to take back their operations," Manoukian said. "For a long time vending operations were run through route drivers. All of the information about the machines came from drivers and operators were helpless. Now the operator can be more hands-on than ever before."

The added responsiveness that telemetry offers, according to Manoukian, is very valuable. He recalls an instance when not having technology hurt his business. "One of my more popular machines, which collected about \$200 a week, had gotten jammed early in the week," Manoukian said. "Because it was our responsibility, nobody called to let me know the machine wasn't working and I lost all the profit I was expecting for that location." Manoukian explains that this situation is now completely avoided by having telemetry boxes. The boxes have alert systems that

let CVV know if anything on the machine is not functioning properly, thereby giving CVV the opportunity to fix it before profit is lost.

The 2012 telemetry box roll out was so successful for CVV that management recently committed to the installation of 3,000 new Crane Currenza Navigator boxes to be installed by year end 2013. “The push toward technology not only helps us better serve our customers, but also helps us grow our business and increase our own sales and efficiencies,” Longworth explained.

Longworth also stated that the transition was made easier because CVV currently uses Crane equipment and VendMAX software, which is easily integrated with Crane’s telemetry units. “Once we realized how much telemetry would benefit our business, it made sense for us to commit to Crane because of how easily it correlates with our existing equipment,” Longworth said. “We’re looking forward to growing our business using the DEX data we receive wirelessly to our VendMAX software.”

CVV has also begun making a commitment to cashless payment options. “People just don’t carry cash anymore,” DiNardo said. “In order to survive in this industry you have to be willing to accept that reality.”

Manoukian added: “As more young people enter the business world, the emphasis on cashless is growing. When I was younger I always had cash on me, but today it’s all on credit cards and college identification cards.”

CVV currently has less than 10 cashless vending locations, but has seen success with them on college campuses where students can use their identification cards to make purchases. This alternative payment option, DiNardo explains, works with the students on campus dining plans and opens the door to new profit margins.

CVV will continue to invest in cashless and internet connectivity on machines as a way to accommodate the millennial consumers and gain profitability.

CVV has a coffee service division and has started exploring micro markets, but for now, vending is what drives the heart of the business. Increasing efficiencies and using technology to make that part of the business better is the vision shared by DiNardo, Yuppa, Manoukian and Longworth. They see a future where vending will be a telemetry-driven industry, operators are more in touch with their equipment and consumers are once again excited to use an automatic merchandiser. | ◀

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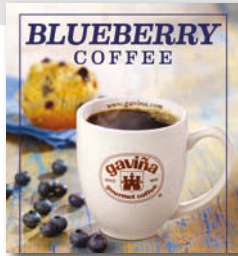
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1 International Food Information Council Foundation, 2012 Food & Health Survey.
2 Harris Interactive, in an online survey of 1,579 U.S. consumers, taken between Nov. 19, 2010, and Dec. 1, 2010.