

Micro Markets: Use partnerships to grow sales page 12

Automatic MERCHANDISER

The Vending, Micro Market &
Coffee Service Industry Resource

March 2013

SUCCESS STORY:

OCS operator grows into regional giant

Wichita, Kan.-based PrairieFire
Coffee went from local business
to serving seven states through
strong leadership and marketing.

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*What's in a name? C.R. Hall and Jeff
Deitchler spent time and resources
finding the right name because they
knew it was important.*

SINGLE-SERVE:

Beverages take vending to the digital age

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MICRO MARKET EXCLUSIVE

Micro Markets Versus Traditional Vending

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And Micro Market Sales

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Vending Business in a Jam?

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"The Nestlé Waters bottle has become a resolution for issues we previously had vending water from can vendors. It has **a great price point, and bottle jams are nonexistent** since the Vend Bottle was implemented in our machines."

Aimee Jobe, Apple Automatic Food Service, Plymouth, MN

"Absolutely the best Vend Bottle yet!"

Steve Platt, A Plus Vending, Castro Valley, CA

"No Jams"

Lynn Joseph, Premium Vending, Londonderry, NH

"The Arrowhead 16 oz Vend Bottle is working great in our vending machines. It has been accepted very well in the marketplace and we have **no jams or extra service calls.**"

Jerry Debryuan, Action Enterprises, Denver, CO

"The 16 oz Vend Bottle is tremendous. It has **eliminated jams, and sales have increased** because of this."

Robert Wartman, Texas Refreshments, Midland, TX



Better vending by design.



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Technology plays an important role

Viewing technology as a tool, operators can gain efficiencies and grow their profits.

I live with a Luddite. My husband is opposed to new technology (read smartphones, tablet apps and automated, online banking) and isn't impressed by new methods of industrialization. I am the opposite. For me, technology is a tool which allows me to communicate with multiple people within minutes, look up important information via a keyword and presents literally a world of knowledge at my virtual fingertips.



TECHNOLOGY
allows a world of knowledge to be at my virtual fingertips.

STRONG VENDING ASSET

And look at what technology has done for vending. With DEX, handhelds and vending management software, technology has reduced data entry along with its human-error, given increased cash accountability and produced unbiased reports about which products sell and which don't. Processes are more streamlined and more information is available to managers, which gives them increased control even as the operation increases in size, and profits.

It all adds up to the fact that technology in an organization is a powerful

tool. Our success story on page 18, PrairieFire Coffee, had a lot of obstacles when it started six years ago, including inheriting antiquated software. Within the first year, general man-

ager Jeff Deitchler knew he needed better technology to run the business and it added to the company's growth.

KEY TO INCREASING SALES

Technology isn't just about operations management, but also increasing sales through better merchandising. Leveraging data and software to create loyalty programs and sales growth strategies is a must for the future of our industry. Micro markets, the newest vending technology and arguably the most exciting opportunity in recent history, allows operators to do just that. Allen Weintraub, consultant, believes micro markets as well as operators partnering with manufacturers on sales growth programs will reverse the industry's downward trend. His article is on page 12.

Our competitors are also jumping on the technology band wagon with more and more machines meant to lure away the vending consumer. A number of single-serve machines were exhibited at the National Retail Federation BIG show and Paul Schlossberg was there to see them. Read his report on page 24.

Let's not forget the upcoming National Automatic Merchandising Association (NAMA) OneShow in April. The educational sessions, previewed on page 16, focus on technology, whether that means using it in your back-end operations or at the point of sale, such as in a micro market.

In my view, technology is a great tool, like a hammer. Sure, it can be overused or dangerous, but really, it's just plain useful. So while my husband wants to become Amish, figuratively, I secretly covet a Galaxy S4. | ◀

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* White Castle Twin Cheeseburger is ranked #1 in frozen food sales according to "State of the Vending Industry Report," Automatic Merchandiser, June/July 2010



Is vending even relevant anymore?

New vending machine upstarts prove there's worth in meeting consumer needs with automatic merchandising.

Now hear me out — I'm not suggesting everyone close up shop right now and go into another business, but doesn't it seem like there's an awful lot of news that is always "attacking" vending? Whether it's the snacks that are offered or the size of a beverage, there just seems to be quite a bad stigma on our industry that we are constantly trying to fight.

That's why whenever I come across something unique regarding vending, I can't help but pay attention and that's

what happened when I read about TaxiTreats, a company that has an idea to install vending machines in taxis in New York City. Its product is called Vengo and its premise? To provide consumers with convenience items like gum, peanuts, hand sanitizer and yes, even condoms.

In fact, 3Floz out of New York has just started selling Transportation Security Administration

(TSA) friendly sized personal items in U.S. airports via vending machines. How many times have you been in line at the security check point only to be held up by the inexperienced traveler ahead of you who has full-sized bottles of shampoo or hair spray. Wouldn't it be nice if they had separate lines for "experienced" and "vacation" travelers? One can dream, but I digress.



**ALWAYS
think
like your
consumer.**

Meeting consumer needs still important

I'm not claiming these companies have invented the newest million dollar idea. Time will tell how consumers use these machines. My point is, their mission is nothing new. They were created to provide convenience to the consumer, which is the reason our industry exists in the first place. These companies have found ways to reach a consumer and complete a sale.

So what's the take away? Always think like your customer and ask if you are doing everything to ensure you can complete a sale. Are your machines stocked with the product mix your customer wants? If your machines are stocked, are you truly providing a completely convenient experience if you do not have a card reader or bill recycler on your machine? Does it make sense for you to offer a micro market experience to a location? If you already offer micro markets, are there unique items you haven't thought about that would be welcomed by your clients? Are you doing any marketing or public relations work with customers to create a positive image of your operation?

Keep the customer in mind

Everything that you do should have the consumer at the top of mind. If you don't, then you are losing a potential sale, or a new customer, or an opportunity to change someone's perception of what a vending experience really could be. As you can see, there are other companies out there that realize what a convenience vending is and are more than happy to try and close the sale. Never fear, vending is still relevant as long as we continue to evolve to meet our customers' needs. | ◀

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Tax credit available for ADA compliant vending machines

Vending operators that qualify as small businesses under the IRS code and have upgraded equipment to comply with the Americans with Disabilities Act (ADA) rules may be entitled to a tax credit/deduction, according to NAMA, the national association serving the vending, micro market and office coffee service industry. To assist small businesses in compliance with the ADA, the Internal Revenue Service (IRS) code includes a Disabled Access Credit (Section 44) for businesses with 30 or fewer full-time employees or with total revenues of \$1 million or less in the previous tax year. Qualified small businesses may qualify for a tax credit/deduction for eligible access expenditures including amounts paid or incurred to acquire or modify equipment or devices for individuals with disabilities.

NAMA recommends operators consult with their accountant for further clarification or qualification.



ADA compliance requirements for vending machines went into effect March 2012.

sory Committee, it was reported that the programs' reputation with students, developed over many years at Edison High School, has not carried over during the move to Randolph. "We must start anew by placing students in work environments and fostering a desire for underclassmen to get into the program and share in the success they see their predecessors enjoy," said long-time instructor Jim Clark.

Man Used Machine Keys In Vending Theft

► Kentucky police have apprehended a man who used vending machine keys to rob venders in Louisville, Ky., according to WDRB News. Police allegedly found a gun, cash and coins as well as bundles of vending machine keys in the possession of 45-year-old Kenneth R. Forrest.



Wichita Vending, Canteen rebrands to Premier Food Services, Inc.

► Vending operation Wichita Vending/Wichita Canteen, based in Wichita, Kan., recently rebranded itself as Premier Food Services, Inc. While the headquarters and ownership remain the same, Joe Hemmelgran, president,

felt it necessary to establish a new company name to better focus and relate the significant expansion in the business.



RealCup™ Reaches 25 Million Mark

► RealCup™ single serve capsules celebrated the 25 million mark in unit produc-

tion in February. Launched in August 2012, RealCup™ capsules are available in a variety of coffee and tea blends online, in select retail outlets and to office coffee service and foodservice providers across North America.

Randolph Vending Program Works To Revive Reputation

► At a recent meeting of the Randolph Vending Repair Program Advi-

Major brands drop coffee prices

► The J. M. Smucker Co. decreased the list price for the majority of its packaged coffee products sold in the U.S., primarily consisting of items sold under the Folgers® and Dunkin' Donuts® brand names, an average of six percent, in response to sustained declines, in green coffee costs.

Kraft Foods Group Inc. has decreased the price of Maxwell House and Yuban coffees by about 6 percent as well as Instant Maxwell House and Sanka by 5 percent, according to the Chicago Tribune. The new prices are effective across the U.S. Gevalia or Tassimo prices remain unchanged.

Correction to *Automatic Merchandiser* article that appeared in the February issue titled "5 key growth trends in 2013." The correction is in the cashless vending section on page 9. The word cash was incorrectly written as cashless in a statistic about usage in 2017. The corrected sentence should read: "The number of cash transactions is expected to drop to 23 percent by 2017."



DS Waters Acquires Hillcrest® Springs

DS Waters of America, Inc. recently announced the acquisition of substantially all of the assets of Hillcrest Springs, Inc.'s home and office bottled water delivery business. DS Waters will assume management of the bottled water delivery for all customers.

vending delivery truck, the salary of a district vending employee for one year and marketing materials to promote the new program.



Burger King Enhances Coffee Program

▶ Burger King Worldwide, Inc. revealed a refreshed coffee platform in restaurants nationwide, blended by Seattle's Best Coffee. BK is introducing a new, 100 percent Latin American Arabica bean custom blend which is available hot, cold and flavored.

Colorado School Grant Funds Healthy Vending

▶ Weld County School District 6 in Colorado launched a new snack vending program in early January using more than \$157,000 in grant money from the Colorado Health Foundation, according to EdNews Colorado. The school used the grant to pay for 16 food vending machines, a

AAMC/CAVC Meeting Beat 2011 Attendance

The Arizona Automatic Merchandising Council (AAMC) and California Automatic Vendors Council (CAVC) held their annual joint meeting Sept. 20 to 22, 2012 at the Radisson at Fountain Hills, Ariz. The meeting was in conjunction with the Arizona Centennial celebration.

Tommy Elliott, president of AAMC and Tomdra Inc., and David Yamauchi, president of CAVC and Tri Star Vending hosted the attendance-record breaking event.

Awards presented at the meeting:

- CAVC recognized Robert Donahue from Diverse Foods as California Operator of the year.
- Mark Kelley from General Mills was named the California Supplier of the Year by CAVC.
- The AAMC recognized Tomdra-Tucson Toms as Operator of the Year.
- FOCUS 365 was named the Supplier of the year by AAMC.

People in the News

Paul Bartolucci Dies At 74

Paul F. "P Bart" Bartolucci, former Aramark director of vending operations, recently passed away at age 74.

Flowers Names Shiver President, CEO

Flowers Foods announced that its board of directors has elected Allen L. Shiver president and chief executive officer effective May 22.



Shiver

DS Waters CEO Dillon Schickli Retires, Tom Harrington Named CEO

DS Waters of America, Inc. recently announced the retirement of its chief executive officer, Dillon Schickli, and that Tom Harrington will serve as the company's new chief executive officer, effective immediately.

Follett Appoints Regional Sales Manager

Follett Corp. announces the appointment of Raoul Cervantes to the position of regional sales manager — foodservice Northeast.



Cervantes

Sylvan "Van" Myers Passes Away

Sylvan "Van" Myers, who spent 40 years as an executive at Wometco Enterprises, Inc. in Miami, Fla. has died. His grandson, Carl Moser, general manager of Canteen-Cardinal in Chesapeake Va., recalls how Myers gave his life to the vending industry.

Former CAVC Board Member Dies

Ben Koss, former board member of the California Automatic Vendors Counsel (CAVC), passed away on Feb. 11. Koss served as vice president of operations of Rowe Vending and later president of Rowe Service Co. in California.

White Castle Promotes Lisa Ingram To President

The board of directors of White Castle System, Inc. have promoted Lisa Ingram to president of the company.



Ingram



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 - **NEW! Micro Market Seminar:** Where We Are, Where We're Going and How to Get There!
 - **Supervisor Development Program:** Develop Critical Management Skills to Advance Your Career and Boost Operational Performance
 - **Quality Coffee Certification Program:** Coffee and Brewing Fundamentals
- **Gain the inside scoop and do business at the expo**, where the industry debuts innovation
- **Connect** with old friends and add new ones to your network
- **Optimize your business** and bring all the key players from your company

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Wednesday, April 24

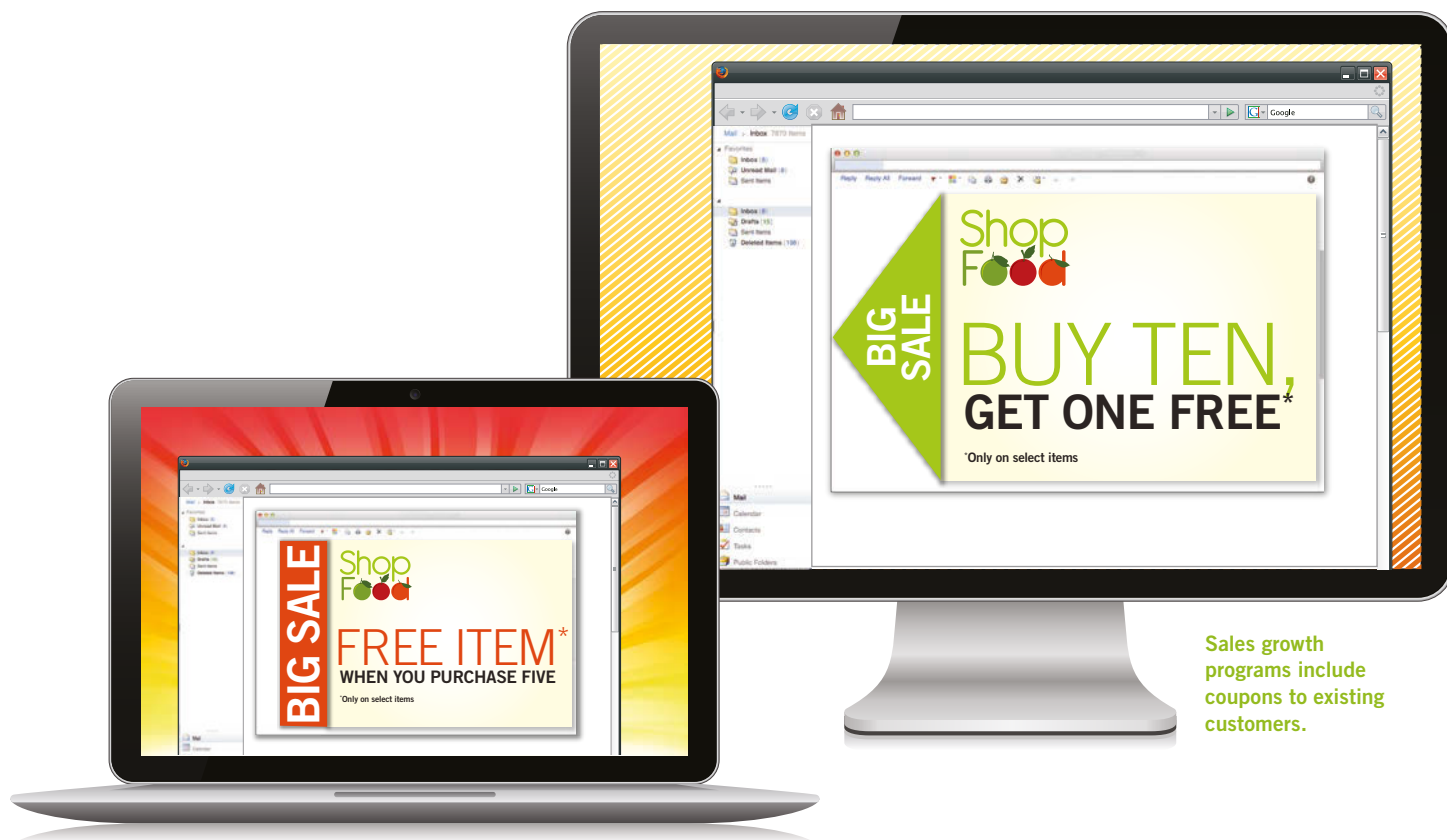


Speaker Newt Gingrich
GENERAL SESSION
Thursday, April 25

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Sales growth programs include coupons to existing customers.

Micro market + manufacturer sales growth

By Allen Weintraub, Contributing Editor

As the vending industry changes, micro markets are the strongest growth opportunity, but operators need to partner with manufacturers to increase revenue.

The vending industry is in transition. The *Automatic Merchandiser* State of the Industry Report for the 2011 calendar year

concluded that “aggregate vending [dollar] sales fell to \$18.96 billion, taking the volume to a level comparable to the early 1990s”. The 2011 dollar

vending sales declined almost 22 percent from 2006, the highest volume reported by *Automatic Merchandiser*. The 2011 SKU unit sales decline is even more dramatic when increases in vend prices are incorporated. For example, five years ago a vend operator had to sell four beverage cases, 96 units, each week to average \$100 for a service collection; now only three beverage cases, 72 units, have to be sold for a \$100 collection. Profits are down — higher vend prices barely cover the accompanying increases in commissions and sales taxes, not to mention the product manufacturers’ cost of goods (COG) increases.

The bright light in the vending industry, however, is the development and growth in the placement of micro markets. Last May an estimated 2,000 micro markets were on location. Currently this figure has at least tripled. In the next several years, how many micro markets will be placed at the current 130,000 locations replacing the unprofitable refrigerated food vending machines?

Micro markets are retail evolution

Support for this micro market growth is found in the 2012 white paper, *Digital Malls: The Next Generation of Self-Service Shopping*, researched and prepared by the Internet Business Solutions Group of Cisco Systems, Inc.

The Cisco white paper describes the current retailing world as suffering from high vacancy rates, declining sales, high labor costs and diminishing customer satisfaction. To meet these challenges, the Cisco white paper suggests developing and combining innovative vending machines, micro markets and virtual stores to “create a completely new retail business model — interactive, low-labor, destination ‘digital malls’ in densely populated venues such as airports, universities, stadiums, resorts, large work places or residences”. The Cisco white paper projects self-service digital malls to be a \$7 billion retail channel.

NAMA, our national industry association has recognized this significant opportunity to grow the industry. At the NAMA OneShow a day-long micro market seminar entitled, “Where We Are, Where We’re Going, and How to Get There,” chaired by Brad Bachtelle of Bachtelle Associates, will be held on Tuesday, April 23. In addition, a micro market super session will be led by Bachtelle on April 24 followed by a breakout session moderated by Emily Refermat, the editor of *Automatic Merchandiser*.

Use marketing to increase sales

Specifically, this article will concentrate on how both the micro market operators and product manufacturers can partner with marketing programs and implement social media applications to identify and engage micro market consumers to increase sales.

First of all, the micro market operators and product manufacturers

Sales growth programs versus loyalty programs

A sales growth program differs greatly from a loyalty program. A loyalty program usually has points and doesn't have an expiration date. For example, using a specific airline gives a person points towards free flights on that airline. The points don't expire, they simply accumulate. It doesn't encourage the customer to fly more often, just not to fly with another airline. On the contrary, by definition, sales growth programs encourage a consumer to purchase more. It's a special offer paired with an expiration date. It might be a coupon only good for today or a reward for a free item after purchasing other items. Unlike loyalty programs, sales growth will drive up revenue.

must look outside the “vending box” — a box traditionally designed just to service impulse sales without engaging the consumer. The micro market databases have the information to identify consumers, and their purchasing habits, to engage the micro market consumers in a wide range of social media applications designed to increase micro market sales.

Recently I attended the two day show, “Customer Engagement Technology World,” at the Javits Center in New York City. In attendance, and making presentations, were representatives from high-end clothing manufacturers like Ralph Lauren, restaurant chains such as Dave & Busters and vending/micro market product manufacturers such as Hershey and Kraft. Every educational session (I attended eight in two days) centered on using consumer data through social media to engage

the consumer to increase sales, such as: “Bring Self-Service Solutions to the People: Empowering Consumers with What They Want — When, Where and How!” and “Social Media, Kiosks & Mobile: Omni-Channel Convergence to Maximize Customer Engagement.” The message succinctly was use data to engage customers and increase sales.

For the micro market operator coming from a vending mentality such a message requires a change in business culture. The micro market operator must seek out partners who will support and provide the applications to engage the consumer through social media. Micro market operators should work with product manufacturers like Hershey and Kraft who presented at the Customer Engagement Technology World Show and have applications being used in other retail channels and apply them to the micro markets. For example, in the grocery channel Kraft has tested near-field communication (NFC) and quick response (QR) codes carrying advertisements for Kraft products to engage the consumer. By using Kraft “shelf-edge” advertisements, mobile consumer engagement was twelve times higher, according to a Kraft *News America Marketing (NAM)* and Thinaire Report in an October *NFC World* article.

Just recently, Bonin Bough, vice president of global media and consumer engagement at Mondelez International announced pilot projects for “mobile at retail,” “social TV” and “SoLoMo” (defined as the intersection of social, location aware tech and mobile to connect brands with consumers and drive impulse sales.) Mondelez International should reach out to micro market operators to test and involve them in such projects.

General Mills has recently introduced its “CategoryFirst™ consultants” which may be a helpful tool

CONTINUED ►

in this regard. The product manufacturers who continue to offer the standard vending rebate program are useless to improve the sales and profitability of micro markets. The rebate programs do not engage consumers. The rebate programs merely cannibalize sales from one product manufacturer to another with minimum benefit to the micro market operator.

Sales growth programs

In testing several programs to increase micro market sales, Vending Consultants has concluded that while the product manufacturer should provide the marketing program, the micro market operator must assume the responsibility to develop different pricing.

Manufacturers have developed integrated sales data and the social media marketing programs for other channels. This can be used by micro market operators to increase sales. As for the micro market operator, a sales growth program requires changes in pricing. Vending Consultants is involved in testing a sales growth program described as Buy Ten, Get One Free, combining fresh food, a beverage and a snack for the consumer to purchase within a specific time period in order to increase sales. The micro market operator who will test this program is committed to doubling the monthly fresh food sales by properly pricing the "Buy Ten" products to afford the "Get One Free."

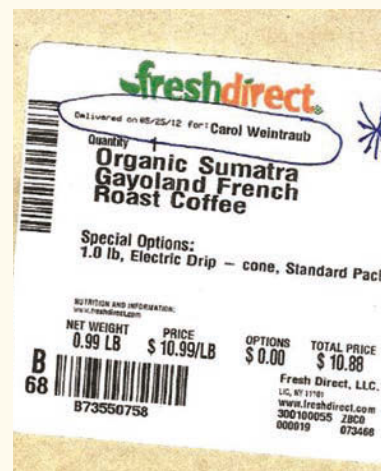
The product manufacturer should work with the micro market operator to engage the consumer with the objective to increase monthly micro market sales by 20 percent.

Look at other retail suppliers

Micro market operators should also look outside the regular vend product distributor to product wholesalers who service a more diverse range

Micro market future: personalized ordering

Technology will soon enable micro market operators to electronically communicate and special order fresh food personalized for a specific customer. Already, today, my wife orders groceries from Fresh Direct and for special orders, in this case a specific coffee mixture she requested, Fresh Direct labels the coffee to confirm her personalized order with her name. How soon will it be before micro market operators will be able to do this, and perhaps encourage the removal of cafeterias by offering a smartphone app so that the consumer can both order and pay for their fresh food for next day delivery to their desk — properly labeled?



Fresh Direct, an online grocer, already personalizes special order items like coffee blends.

of retail channels. In my discussions with these product distributors, they bring a different perspective as to the product selection and, more importantly, how to market, promote and rotate products to keep the consumer engaged. In contrast, the vending model has no marketing component. Vend operators rarely, pro-actively change products and do not seek to engage their customers.

Most importantly, the micro market operators must develop a partnership with a fresh food provider. Every survey has concluded that the benchmark for micro market success is providing high quality/high value fresh food. Look at what is happening at other foodservice channels. The 7-Eleven chain has turned to fresh food to increase same store sales. According to a December 2012 New York Times article, 7-Eleven is aiming by 2015 to have 20 percent of the store sales in fresh food, up from the current 10 percent.

Such a fresh food partnership should help the micro market operators replace cafeterias at locations.

Micro market operators must develop an on-going marketing partnership with the right product manufacturers to integrate consumer data, product development and social media to engage the micro market consumers to increase sales. With this foundation, the micro market operators then can take the next step into digital malls and reverse the decline in sales in the vending industry. | ◀



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NAMA OneShow 2013 will take place April 24 to 26 at the Venetian Sands Resort in Las Vegas, Nev.

OneShow: How to prep and what you can't miss

By Emily Reformat, Editor

The national vending, micro market and office coffee service association's OneShow in Las Vegas promises excellent speakers, unbeatable networking and "super" topics. Operators should plan early to get the most out of attending.

All good things come to those who — prepare. And there are a number of things vending, micro market and office coffee service operators can do to get ready for the NAMA OneShow April 24 to 26 at the Venetian Sands Resort in Las Vegas, Nev.

First assess needs

Before attending the trade show, operators should take some time and review requests and data from their organization. For example, what requests have been received from locations or made by employ-

ees? What are the slowest sellers in the warehouse that could be swapped for new products? Operators should consider their needs in categories like equipment, products, payment solutions, micro markets, coffee service, water filtration, vehicles and even management services like consulting, financing or brokering. After the list is complete, operators can add details, specifically what they are looking for whether it is just more information or to make a purchase.

"Operators should certainly consider any purchasing they want

to take advantage of because there are definitely show specials on the floor," said LyNae Schleyer, NCE, CMP, senior director of the OneShow and education.

Schleyer also considers it important to bring multiple people from an organization. Employees from different departments will benefit from going to specific trainings and interacting with different exhibitors. "Bring specialists [from the operation] on to the show floor so they can ask their unique questions," said Schleyer. "Having multiple people is a key strategy."

Preview schedule, education and exhibitors

Next look ahead at the show program, in print or online. OneShow is offering education all week.

“The week is really Monday through Friday, because there are events starting as early as Monday, like the paid supervisor development program,” said Schleyer. Educational sessions on Tuesday include the on-going supervisor development program, the quality coffee certificate program and the big focus of 2013 — a paid micro market seminar. “Brad Bachtelle of Bachtelle & Associates has gathered research from all the leading suppliers as well as operators,” said Schleyer. “He’ll be putting it together in an overwhelmingly valuable program.” The seminar will include merchandising, key findings, best practices, warehousing, legislative issues and more.

Even if operators don’t plan to attend any of the pre-show education sessions, Tuesday is still the day to arrive because the “super” sessions begin Wednesday morning at 8 a.m. The first two, legislation and technology, are hot topics for 2013. Micro markets, refreshment services (NAMA’s term for coffee, tea and water) as well as sales and strategy training break-out sessions all happen Wednesday, not to mention the state of the industry report from Carla Balakgie, CEO of NAMA, and keynote from Magic Johnson.

It is important for operators to determine which training topics they absolutely don’t want to miss and plan early, but there are also opportunities to learn straight from the show floor through networking and exhibitor visits.

“A good buyer is an educated buyer,” said Schleyer. “How better to educate yourself than to have all those resources right there in front of [you]?” To Schleyer that means operators should feel free to ask questions of exhibitors and find out what’s new

or if a technology is right for their location. Research and conversation are part of attending a tradeshow but don’t commit an operator to making a purchase.

Use online tools to pre-plan

NAMA offers an online tool called My OneShow, which can help operators locate exhibitor booths and display them on a map prior to the show.

“By using My OneShow, they can create their own [personalized] list of exhibitors,” said Schleyer about the program housed on the OneShow Website. “And before they go on site, they can print or download the list... to make their visit very productive.”

The My OneShow program, available at namaoneshow.org and accessible via a link in the upper right, allows operators to search by exhibitor name, and click a green circled plus sign to add them to a list called “My Expo Plan.” With the advanced search, users can use categories to search for companies, like micro market or cashless. In My Expo Plan the booths are in numerical order, making planning a logical path on the show floor a guarantee.

Also new this year will be a OneShow app available to download to

Pre-show checklist

1. Assess needs
2. Check educational sessions
3. Find exhibitors
4. Plan the day(s)
5. Keep an open mind

a smart phone bringing navigation of the show floor right to operators’ finger tips. This show site technology offers product matching so operators can find exhibitors based on their interests and needs plus puts all relevant OneShow schedules and social media links within easy access. The app will be available in mid-April.

OneShow is the largest industry show of the year. It’s the place operators can see technology in action, learn what others are doing and find more product variety. A little preparation lets attendees make the most of this once a year opportunity.

“Also come open minded,” Schleyer added. “You never know what the next upcoming thing is going to be, and it might just be right there as a new exhibitor.”



My Expo Plan –
Operators can add companies with booth numbers to create a personalized list.

Use the My OneShow program to map out the exhibitors you want to visit during the NAMA OneShow. Go to namaoneshow.org to plan your visit.



OCS operator grows into regional giant

By Emily Reformat, Editor

Strong leadership, a new name and dedicated marketing, allowed Wichita, Kan.-based PrairieFire Coffee to go from local business to serving seven states.

What's in a name? Everything — at least that's what C.R. Hall believes. In 2007, he was running office coffee service under five brand names, three of them well-known OCS providers, so he hired a professional marketing firm to help rebrand the company. "It was worth it," Hall said. "Our presence is magnified compared to what it used to be,

visually speaking...We couldn't have done it ourselves."

The five brands became PrairieFire Coffee, a Midwest roaster and coffee service provider based in Wichita, Kan. Dedicated to quality coffee, personalized service that customers can rely on and a good understanding of the value of marketing, the business has grown 20 percent in



five years and increased distribution to seven states.

A Culligan family legacy

Hall grew up a Culligan kid. His father was a Culligan water dealer

PrairieFire uses a large truck for delivering freight to its distribution centers.

in Iowa, so Hall learned the business early. After attending college, he got a job at Culligan of Wichita in Kansas in 1988. He bought the franchise

in 1992 and has steadily grown his empire to include 26 franchises in multiple states.

About five years ago, Hall decided to add coffee as part of his service. He called it Culligan Coffee. The one brand grew into two, then five after Hall acquired his friendly competitor and the largest OCS provider in Wichita from owner Sam Riffel, which encompassed three different business names. When he realized he was operating so many brands and such a big operation, Hall knew it was time to make a name change, but first he needed someone to run the growing coffee operation. Hall chose Jeff

CONTINUED ▶



PrairieFire Coffee wraps its logo around many different products, including cups, coffee carafes and ancillary products.

Deitchler. “He was a key employee at Culligan,” said Hall, “And I needed someone I knew and could trust.”

Deitchler had worked in the grocery business for close to 30 years before joining Culligan of Wichita as an operations manager, so he understood about inventory and other aspects important in OCS. He was

more than ready for the challenge. “I really enjoy working in the coffee business,” said Deitchler. “There’s a lot to learn every day.”

Deitchler may not have had specific OCS knowledge, but for Hall, other management skills were more important like running day-to-day operations and being a good boss.



Cargo vans wrapped with custom graphics are used for customer deliveries.

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Hall found coffee a good fit for water service

What drew C.R. Hall to the OCS business after being a successful Culligan Water Franchisee? First, he knew the users.

“The customers looked a lot alike,” he said, “small or medium businesses, local service needs, face-to-face sales.” Plus, Hall liked that the busy season for water and coffee service are opposite. It wasn’t without its challenges, however. “Coffee service has a hard return on investment,” said Hall. He cites the lower profit margin, compared to water service, and the high competition. “OCS is an established business in most areas, so you have to convert a lot of customers,” he said.

A business PrairieFire has never considered entering is vending. “It doesn’t really fit our business model,” said Jeff Deitchler, general manager. “Focusing only on OCS has done tremendously well for us.”

“The regional managers trust him and him them,” explained Hall. “I wouldn’t trade him for anyone in the industry.”

After getting the right manager into place, building the new brand became top priority.

Professional agency got it right

As a franchise, Culligan has a pre-made brand and marketing plan. With the new coffee business, Hall and Deitchler were making the decisions and wanted professional help. They contacted a number of agencies, but a local company, Tallgrass Marketing, really understood their goal. “We wanted a regional brand, not local, not national,” said Hall. “Carrie Trainer of Tallgrass understood what we wanted it to say without words.” Hall and Deitchler also wanted a brand free of licensing requirements and one that didn’t already exist in another part of the country.

When the agency came back with several names, PrairieFire stood out. “We liked it because it was what a good name should be,” said Deitchler. It indicated the company’s locale within the U.S., without stating the obvious. The addition of fire reminded Deitchler of flame roasting coffee, which fit well with the business.

The agency came back with eight different logos and styles, but Deitchler and Hall thought the strong orange and black of the current design was the best choice. “It has a Latin feel,” said Deitchler, “which works well since much of our coffee comes from South and Central American coffee growers.”

Once decided, the PrairieFire image was added to everything in the organization. All the vehicles were wrapped with the logo, stickers and decals were applied to the brewing equipment, labels, cups, shirts and business cards all bore the new

look. “We don’t do TV or radio ads,” Hall said. “This is our advertising.” He is certain the rebrand was worth the money. “It helped bring us up from just service, to a brand,” said Hall, “all the points of contact with the customers, whether its uniforms or coffee bags — it helps connect us to the stuff they’re drinking.”

Roasting custom coffee blends

Because PrairieFire roasts its own coffee, there are some unique services it can provide, such as personalized coffee blends. “We customize the coffee program with whatever their taste preference is,” said Deitchler, “we are a service industry after all.”

CONTINUED ►



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Deitchler takes descriptions like ‘we like X brand of coffee, but a little stronger’ or ‘we like it dark’ and puts together some suggested coffee blends based on those comments. He then invites the location decision makers down to the roasting facility for a tasting. The recipe is unique, and while PrairieFire maintains ownership of the recipe, it’s agreed that the blend is proprietary for that location and never used elsewhere.

The most common customers for the customized coffee blends are restaurants and retail outlets, as well as law firms and financial institutions, which want the unique blends for executive staff.

The customized batches are typically small, individual five pound bags that are manually packed and produced, although some of PrairieFire’s larger clients need a 50 to 60 pound custom blend delivery every two weeks.

There is no charge for the customized blends. “We see it as an investment for the future,” said Deitchler. His view is if the location knows there’s a special blend that they can count on from PrairieFire, then they will stay loyal customers. Plus, the customer has control of the price because it’s based on what type of coffee is in the blend. “If there’s a Kona component, for example, it is more expensive,” said Deitchler. “And PrairieFire only uses Arabica beans. We have never purchased any Robusta coffees,” he added.

Updated coffee service software a must

In 2007, the operation was using an antiquated software system that came with the acquisitions, so updating it was a high priority for Deitchler. In 2008, after researching the different programs, PrairieFire went with Prism Visual Software. “We knew another coffee company using them and saw it in action,” said



Every October PrairieFire sponsors the Prairie Fire Marathon held in Wichita, Kan. — a qualifying event for the Boston Marathon.

PrairieFire Embraces Marketing

PrairieFire doesn’t advertise, but it does promote its brand. One marketing promotion is a special van with a propane-powered roaster. PrairieFire staff drive to local events and then roast and brew coffee straight from the van. Samples and hot drinks are handed to consumers featuring the distinct logo.

PrairieFire also took advantage of the first National Coffee Service Month with a Joe on the Job contest for a banking customer. It ran a trivia contest with a prize each week.

A podcast with general manger Jeff Deitchler about the marketing efforts can be found online at www.vending-marketwatch.com/10832679.

Deitchler. “We’re very impressed with what it can offer from the back office to the accounting to the handhelds out on the street, but what we’re most impressed with is the staff.”

While PrairieFire roasts its own coffee, it also recognizes that customers are diverse. “Our job is to sell what customers are looking for,” said Deitchler. That’s why PrairieFire added single cup to its offerings, providing Keurig and Tassimo brewers. While single cup has grown tremendously, outside competition has also made it more difficult. “There are a lot more options to provide single cup now,” said Deitchler, “like big

box stores, office supply stores and even online retailers.” Still, single cup represents about 3 percent of PrairieFire’s coffee sales.

In terms of sales volume, PrairieFire does about 60 percent of business in traditional OCS, but 35 percent is in convenience stores and 5 percent in restaurants in the Wichita metro area. PrairieFire doesn’t offer bottled water, instead giving those leads to its Culligan counterpart when the area is within the Culligan franchise agreements. “From a space standpoint, we’d have to drive completely different vehicles for bottled water delivery,” said Deitchler, “but we also offer point-of-use water coolers.”

Prediction: Tea will be big

Deitchler is always looking for ways to meet the latest customer need. He's currently investigating iced tea brewers and counter top ice makers, but what he really believes will be the next big trend in OCS is tea. "Tea is the most consumed drink worldwide, and it's finally beginning to be a contender in the U.S.," said Deitchler. He has already visited the newly opened tea-specialty shops in Chicago, Ill. and started studying the different tea varieties and brewing methods. "It's something we can't ignore," he concluded.

Regional distribution

PrairieFire uses a hub and spoke distribution system, with the center being a large warehouse and roasting facility in Wichita, Kan. The coffee is then shipped to seven company-owned distribution centers serving

parts of Colorado, Kansas, Missouri, Texas, Oklahoma, Arkansas and Nebraska. PrairieFire also partners with other distributors to serve an even wider area.

While Hall knew how to run a water franchise, running a cof-

fee service operation was new. By enlisting the help of professional marketers, dedicating resources to the brand and hiring a trusted, enthusiastic employee to run it, Hall's second business is as successful as his first. | ◀

Operation profile **PrairieFire Coffee Roasters**

Headquarters: Wichita, Kan.

Owner: C.R. Hall

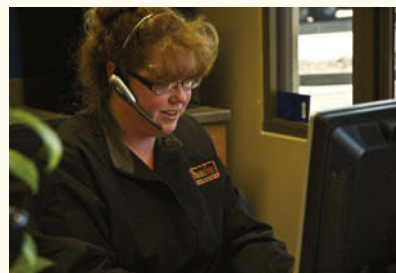
Number of routes: 27

Number of employees: 56

Software: Prism Visual Software

Equipment lines: Newco, Tassimo, Keurig, Wilbur Curtis

Annual sales: Not Revealed



Lena Davis, customer service representative, handles phone calls from locations.



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Beverages take vending to the digital age

By Paul Schlossberg, Contributing Editor

Our biggest selling category, whether hot or cold, is going digital and machines at the forefront are appealing to the five senses.

Our industry's history is based on only one of the five senses — the sense of sight. We are displaying (the retail word is 'merchandising') products for sale in vending machines. Visual merchandising is the primary way we appeal to potential shoppers as they approach and engage a vending machine.

That one-dimensional world ended when the Costa Express CEM-200 was introduced at the Intel booth at the 2013 National Retail Federation (NRF) BIG Show. This is a multi-sensory, intelligent vending machine appealing to all five senses.

- **Sight:** The Costa Express CEM-200 is attractive and eye-catching from a distance and even better up close. There is a 27 -inch interactive touchscreen. Members of the user interface team have worked on Xbox, PlayStation and the digital presence of Harry Potter, among others. The icons are easy to see and understand, leading to the next sense.
- **Touch:** Interacting with the CEM-200 is quite simple, making it easy for you to select a customized beverage. The sight and touch capabilities represent the application of gamification principles to non-game usage — in this case the sale of hot and cold beverages.
- **Sound:** You can hear the sounds of a coffee shop when you order and while you wait for your beverage to be prepared and delivered. The sound system designer mixes for famous bands like U2, Coldplay, Katy Perry and Oasis.
- **Scent:** Imagine that — the sense of smell is teased using a proprietary dispensing system. This is a primal experience. Smell, triggering the memory of aromas we like, is a powerful spark in creating favorable experiences — in this case shopping for a cup of coffee



Jim Slater of Costa, left, Paul Newcombe of Intel Corp. and Eric Achtmann of Costa, exhibit the Costa Express multi-sensory, single-serve hot beverage machine at the National Retail Federation show in January.

at a vending machine. The natural scent system was developed together with leading perfumers in Paris.

- **Taste:** Last, and by no means least, is the absolute necessity to deliver a good tasting product. My cappuccino was delicious. Judging by the crowds at the Intel booth during the two days I was at the NRF, the Costa Express was always busy serving good tasting beverages. Their objective is to serve the same great tasting drinks at their cafes and from the CEM-200.

Costa required multiple partnerships

This is a 21st century vending intelligent machine designed by an international consortium from six countries directed by Costa. Pininfarina (designers of Ferrari and Maserati cars) provided the exterior design. The internal design is inspired by aerospace technology. As part of its Intelligent Systems Group, Intel provided the “brain and



The Costa Express CEM-200 produces a coffee aroma from a special dispensing system.



Coca-Cola's new GDM-10 cooler has a transparent LED display option.



PepsiCo's second generation interactive vendor allows soda gift-ing via email.

heart" including operating systems, the Intel AIM Suite for anonymous audience impression metrics, telemetry and more. Intel's Intelligent Systems Group works with retailers such as Costa Coffee to bring innovative technology into the shopping experience to create more relevance and entertainment for consumers.

Costa Coffee has made the CEM-200 easy for both the shopper and the operator. The dispensing process cannot function unless there is a cup in the well.

For the shopper: All products are fresh and natural — made to the same standard as the Costa cafes. There are 250 selection options available — both hot and cold drinks. The bean-to-cup brewing process delivers freshly-made coffee. You can add sugar or sweetener by selecting from the icon menu. Or you can simply take the condiments you prefer from convenient slots adjacent to the coffee service well. Payment flexibility is offered but only on a cashless basis — chip and PIN number, wave and pay, NFC, mobile phone. Here is a 21st century vending machine — and the future is clear — no coins, no bills — only cashless payments accepted.

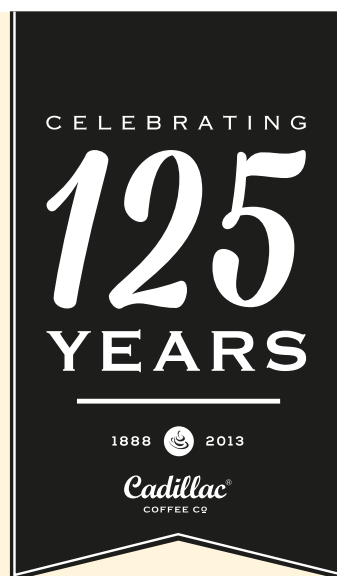
For the operator: The machine is self-cleaning. The process is activated once daily by the operator. The stocking and daily operations are managed by the onsite operating partner. Scheduled maintenance is performed by qualified technicians on regular intervals (e.g., every six months). Using an advanced telemetry system

with the Intel AIM Suite gives the operator powerful anonymous marketing capabilities.

There is an optical sensor, enabled with AVA (anonymous viewer analytics). We can learn about the demographics of those approaching the machine while respecting individual privacy. Learn more about what is happening at the machine — observe engagement (seeing and looking at the machine), dwell time (how long he/she was interacting) and whether or not a purchase was made. Telemetry allows for remote monitoring and alerts if service/support is required.

Costa Express deployments will be based on a shared-revenue business model. This establishes a mutual interest in having successful locations. The CEM-200 is something every operator should investigate. It delivers a wide range of hot beverages without the need for skilled baristas. This is an opportunity for operators in vending, OCS and onsite foodservice.

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Pepsi and Coke attend NRF

Also in the Intel booth was the latest generation of the Pepsi Interactive Vending Machine. You can purchase Pepsi beverages using the interactive screen. You can also send or redeem a gift — a 20-ounce beverage — using an email with an authorization code. You can watch video — Pepsi ads. This intelligent vending machine has power ports to attach a USB cable to charge your phone. There are games to be played with a free 20-ounce beverage as the prize. Pepsi is testing the machine at General Growth Properties' shopping malls. "The pilot launch of our Interactive Vending equipment is an exciting step in transforming the point-of-purchase experience," said Margery Schelling, global innovation officer, PepsiCo Foodservice. "We're thrilled to partner with GGP, a company that also values innovation, to bring its shoppers this unique opportunity to engage with our brands. We know consumers will enjoy the new machine and want to return again and again."

Coca-Cola was at the NRF Show but not exhibiting on the show floor. They hosted the NRF Members Coca-Cola Happiness Lounge — describing it as an opportunity to refresh, relax and recharge. It was interesting to find a con-

Japan Water Business

Separate from the NRF, and widely reported in the media, Japan Railways East — Japan Water Business deployed a hot and cold beverage machine featuring a 47-inch touch-screen. Using AVA (anonymous visual analytics) the machine will make a product recommendation based on usage patterns for similar demographics plus the weather (hot or cold). You can interact with the touch-screen to make your selection.

sumer brand, Coca-Cola, at the NRF. You'll find lots of consumer product brands on exhibit floor — in various booths. These brands are cited and featured as success stories from the use of the systems, devices and products provided by exhibitors. One of the Coca-Cola hosts told me — "The NRF members are our customers. We should be here."

Product samples were served including their iconic brands and new products. The Coca-Cola Freestyle® was available offering more than 100 brand choices. My usual inquiry about Freestyle® is: "When will it 'grow up' to be a vending machine with payment modes?" The response was: "...in Japan, where cashless is prevalent, there are Freestyle® vending machines in test."

Coca-Cola was showing a small glass front cooler with a merchandising screen. Video is presented with product shots and other images without obscuring the view of the products inside. The display panel is applied to the outside of the door. According to Cris Derr, product marketing director — Touch, at Planarm, a digital signage and visual display provider, "Transparent LCDs, such as Planar's LookThru LCDs, enable eye grabbing digital signage for retail fixtures and coolers, such as the Coca-Cola cooler seen at NRF. Planar's proprietary application of LookThru LCDs creates a much more cost and energy effective solution as they don't require a replacement of the existing door and they put less strain on the cooler's compressor." The display panel can be applied to a full-size cooler — the type seen at convenience stores or other venues. The future for these merchandising panels includes interactive control of vending machines. | ◀

ABOUT THE AUTHOR

Paul Schlossberg is the president of D/FW Consulting, which helps clients merchandise and market products in impulse intense selling environments, such as vending, foodservice and convenience stores. He can be reached at Paul@DFWConsulting.net or 972-877-2972;



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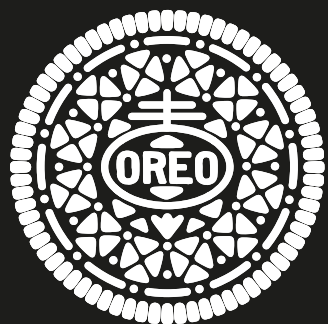
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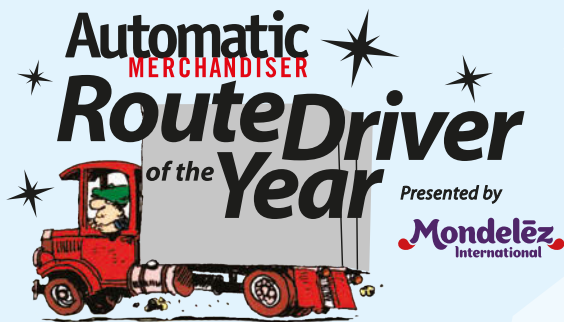


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2013



QUARTERLY WINNER

Adam Brant, **One Source Refreshment, Pottstown, Pa.**

By Alfonso Flores, Assistant Editor

A friendly demeanor and strong work ethic not only set this route driver apart from his colleagues, but make him a customer-favorite as well.

ADAM BRANT can't take a day off without customers worrying if he is OK. During his eight years as a route driver at One Source Refreshment in Pottstown, Pa., Brant has developed close relationships, and even friendships, with his customers.

Brant's nominator Steve Betz, operations manager at One Source Refreshment, believes customer service is Brant's specialty. "Customers love him," Betz said. "He's as trustworthy as they come, and, in fact, we got a phone call this morning from a customer who called just to compliment Adam."

Brant's customer service has been so impressive that he recently received a promotion from his normal vending route to coffee sales specialist, a specific coffee route that requires a more hands-on relationship with customers. "I know I can count on Adam to do whatever it is we need him to do," Betz said. "He goes above and beyond his job description and provides important feedback and input as well."

Brant's work ethic shows in many ways. He always maintains an increasing sales total and often gives the company leads to potential new business with people he meets on his routes. Brant also finds ways to exceed expectations, such as learning how to fix and maintain coffee equipment, not just deliver product.

Family comes first

Other than work, family is the most important thing in Brant's life. "Adam is definitely a family man," Betz said.

"His love and loyalty towards his family is something that is also reflected in the work place."

Brant grew up with a single mother and a brother. He is very close to his nieces and nephews and frequently talks about them while at work. He and his girlfriend of seven years, Becky, enjoy trips to the beach, fishing and watching sports together. The two plan to marry and one day have children of their own.

Brant's kindness and work ethic have not only made him a great son, brother and uncle, but also made him a valuable employee. "Adam will always have a place at One Source as long as he wants to be part of our family," Betz said.

CUSTOMER service is **Brant's specialty.**

This first quarter Route Driver of the Year winner, a contest sponsored by Mondelez International and *Automatic Merchandiser*, is a life-long route driver and customer-favorite with a passion for vending. Brant was chosen based on a numerical score tallying years as a driver, miles traveled, accidents and citations, thoroughness, customer compliments, truck condition and sales. He will receive \$250 and a chance to win the grand prize, an all-expense paid trip to the 2014 NAMA OneShow. | ◀

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