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The Vending & Coffee
Service Industry Resource

May 2012

ALL NATURAL
Snapple

Technology helps a small guy win big

SUCCESS STORY Vending makes
great second career for Orlando, Fla.
entrepreneur who loves technology.

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*"The big guys
can't provide the
same personal
service that I
can offer."*

Gary Arwin,
Gator Vending

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Communicate,
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VendingMarketWatch.com

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www.vendingmarketwatch.com/10662888

REPORT AUDIO CONNECT

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the machine level.

www.vendingmarketwatch.com/10637247



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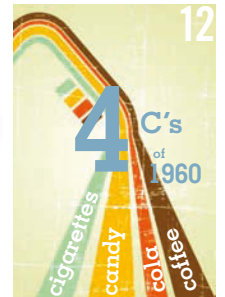


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www.VendingMarketWatch.com/10693352

- ▶ **GUEST BLOG:** Retired OCS operator Tom Williams of Coffee Butler sees prosperity ahead for U.S. business.

www.VendingMarketWatch.com/10685428



video network

VENDINGMARKETWATCH

- ▶ **NEW TECHNOLOGY:** Coca-Cola Freestyle 101, a 4-step guide to pouring the perfect refreshment beverage.

www.VendingMarketWatch.com/10672033

buyer's guide

VENDINGMARKETWATCH

- ▶ **NEW PRODUCTS** and programs added this month to the Buyer's Guide. Find them and a lot more online.

www.VendingMarketWatch.com/directory

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¹ RITZ CRACKERFULS Classic Cheddar Filled Crackers contain 6g of whole grain per 28g serving. Nutritionists recommend eating 3 or more servings of whole grain foods per day (about 16g whole grain per serving or at least 48g per day). ² Kraft Foods Sales Data; 26 week ending 03/30/12

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Steve Jenkins,
Midlantic
Vending,
Moorestown, N.J.

CALENDAR OF EVENTS

MAY 18-19

Illinois Automatic Merchandising Council and Wisconsin Automatic Merchandising Council 2012 Midwest Conference
Grand Geneva Resort and Spa, Lake Geneva, Wis.
Phone: 800-558-3417,
www.grandgeneva.com

MAY 31-JUNE 1

Maryland/D.C. Vending Association Annual Meeting
Harbourtown Golf Resort,
St. Michaels, Md.
Phone: 571-346-1901
Email: pgilbert@vending.org

AUG. 8-10

Southeastern Vending Association (SEVA) Annual Meeting
Sandestin Resort, Destin, Fla.
Phone: 800-320-8115
www.vending.org/seva

NOV. 13-15

Michigan State University/ National Automatic Merchandising Association Executive Development Program
Michigan State University,
East Lansing, Mich.
Phone: 312-346-0370

OCT. 24-26

European Vending Association and Vending Paris International Business Day
Paris Expo - Port de Versailles,
Paris, France
Phone: 32 (0)2 512 00 75
www.vending-europe.eu

NOV. 13-15

National Automatic Merchandising Association CoffeeTea&Water Event
New Orleans Hyatt Recency,
New Orleans, La.
Phone: 312-346-0370

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1. ProVen latest 13wks ending 1-29-12

2. Forbes.com "America's Most Loved Spokescreatures," 03/18/10

3. USA Today List: The Top 50 Candies of All Time 02/14/11

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Micro markets give vending better marketing tools

By Elliot Maras, Editor



Self checkout micro markets are the fastest growing segment in automatic merchandising today, carving a new niche in our nation's retail landscape. Being a new format, many questions remain about financial metrics and the best business model for operators to use with these systems.

But what the vending industry needs to recognize going forward is that 1) the technology doesn't stand still, and 2) the micro markets will have a big, positive impact on traditional full line vending. The micro markets will inject vending with a long needed shot in the arm.

In his article on page 18, contributing editor Allen Weintraub reviews the key questions vending operators should ask themselves in deciding which system to invest in. The more salient topic he brings to light, however, is the revolutionary impact of the consumer data that the micro market software gathers for operations and marketing.

Vending enters a new era

The micro markets are bringing vending into the world of retail marketing in a more powerful way than ever.

Most micro market providers are offering customer rewards programs and combination offers. Because the system providers have roots in vending, some have recognized

the benefits of adapting these programs for vending and are developing ways to introduce them to vending.

The vending industry's adoption of cashless payment technologies, meanwhile, sets the stage for a consumer data revolution in vending.

Cashless systems evolve

Cashless vending system providers are developing interactive prepay, coupon and loyalty programs to enable operators to offer prepaid cards that give consumers the ability to reload a card, stack up loyalty points and be rewarded for their purchases with coupons and

promotions. The programs can be integrated into Facebook and other social media sites.

These payment systems will allow vending operators to adopt micro markets' marketing programs, giving vending a whole new set of consumer benefits.

In his article, Weintraub notes the micro market operator's first objective is to enroll customers in stored value card accounts so that the individual consumer can be identified. By using cash to upgrade the stored value card, credit/debit card fees

are eliminated. More importantly, the operator has access to data about the consumer that opens the door to value enhancing marketing opportunities.

Keep in mind: technology doesn't stand still. Consumers are already using their mobile phones as mobile wallets. Even for vending purchases.

When consumer product manufacturers realize the marketing power the vending channel can give them with these new tools, vending will command the same relevance for these manufacturers as supermarkets, mass merchants, drug stores, restaurant chains, and convenience stores. The

manufacturers will then invest more of their marketing dollars in vending.

The future is already here

The immediate opportunity for vending is to use the data that the cashless programs generate for marketing and operations.

The micro markets, meanwhile, are helping to drive the vending industry to a bold new future. | ◀

Please send your comments regarding this or any article in *Automatic Merchandiser* to Elliot.Maras@VendingMarketWatch.com

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Today's fast pace of change makes NAMA more vital

By Greg Sidwell, Contributing Editor



Greg Sidwell is president of G & J Marketing in Palm Harbor, Fla. He has received the vending allied member of the year award and was named by Michigan State University as its alumni association industry member of the year.

When a business is facing a challenging market, belonging to NAMA is more important than ever. From a strong advocacy program that protects us from potentially harmful legislation and burdensome regulations to meaningful world-class education programs that keep us at the top of our game, NAMA is a powerful partner that can help with every aspect of your business so you are poised to flourish regardless of market conditions.

In a difficult economy when legislators are looking for new revenue streams, a strong government affairs department is more important than ever. Legislators at local, state and federal levels see our industry — and more specifically the profits you receive for all

and regulations associated with the Americans with Disabilities Act.

Government affairs is so important that NAMA has added more funding and a regional lobbyist to help states with difficult legislative, regulatory and tax problems.

And what about education? A business leader must understand the market, must understand the competition, and must understand how to differentiate himself/herself from the competition. But for many busy executives caught up in the flurry of meetings, texting and emails, finding the time to keep up can be a daunting challenge.

Education made accessible

NAMA has a host of education programs that make it simple to keep up with everything, whether you want to

business issues, unmatched networking opportunities, and the chance to see the hottest products and services our industry has to offer. Be sure to look for a new 2-day sales training program to be introduced at this year's OneShow.

Industry specific resources

From the popular Supervisor Development Training Program to the highly acclaimed Executive Development Program, NAMA delivers unmatched educational resources created specifically to address the problems we face in our industry and simply are not available anywhere else.

Thanks to the Certified Executive (NCE) and Quality Coffee Certification Program (QCCP) Certified Coffee Specialist (CCS) certification programs, NAMA members who meet program standards can distinguish themselves from their competitors and demonstrate to their accounts that they represent the best in the industry. Thanks to the Knowledge Source Alliance Network, members can access partners who offer free advice on everything from employment law to health and safety, sales and marketing and more.

Plus, professional NAMA staff members are available to answer questions and help members find the resources that quickly solve problems.

The good news is that tough times always end, and the boom times will eventually return, and NAMA will be there with the tools and services you need to succeed. | ◀

THE good news is that the tough times always end and the boom times will eventually return.

your hard work and dedication in particular — as an easy way for them to raise revenue.

Consider all the areas where we need NAMA to protect our interests: unfair tax hikes on the local, state and federal level, new coin and currency regulations, new nutritional and labeling requirements, new health care mandates,

learn about the newest technologies like how remote monitoring can help your business, or why understanding how to brew the very best coffee can translate into profits for your company. Just by going to NAMA's OneShow or CoffeeTea&Water event, you have everything you need at your fingertips — powerful education programs addressing dozens of critical

Durbin calls for FDA probe of energy drinks following death



Dart Container Corp. will buy Solo Cup Co.

► **Dart Container Corp.**, based in Mason, Mich., and **Solo Cup Co.**, headquartered in Lake Forest, Ill., have signed a definitive agreement under which Dart Container will acquire Solo in a transaction valued at approximately \$1 billion. Both companies are in the consumer and foodservice disposable packaging business. The transaction, which is subject to regulatory approval, is expected to close by the third quarter of this year.

Massachusetts vendors petition machine fee hike

► The **Massachusetts Vending Association** has asked Massachusetts vending operators to sign a petition against a proposal to increase license fees for vending machines by 567 percent per machine. The association will also provide stickers to place on machines to urge customers to oppose the increase. To sign the petition, go to: <http://tinyurl.com/6tscvvh>.



Anpesil changes name to Thayer Distribution

► **Anpesil Distribution Services**, the Gibbstown, N.J.-based products distributor, has changed its name to **Thayer Distribution**. The new name is taken from the company's original location on Thayer Street in Philadelphia, Pa. The company has distribution centers in Gibbstown, N.J. and North Bergen, N.J.

U.S. Senate Majority Whip Richard Durbin, D-Ill., sent a letter to FDA Commissioner Margaret Hamburg to investigate the caffeine content in energy drinks after learning about a 14-year-old girl from Maryland who died last December of a cardiac arrhythmia due to caffeine toxicity after drinking two 24-ounce Monster energy drinks in a 24-hour period.



Thinkstock

“Consuming large quantities of caffeine can have serious health consequences, including caffeine toxicity, stroke, anxiety, arrhythmia, and in some cases death,” Durbin wrote. “Young people are especially susceptible to suffering adverse effects because energy drinks market to youth, their bodies are not accustomed to caffeine, and energy drinks contain high levels of caffeine and stimulating additives that may interact when used in combination. The glossy marketing tailored to youth has worked — 30 to 50 percent of adolescents report consuming energy drinks.”

A 2011 report by the Substance Abuse and Mental Health Services Administration found that emergency room visits due to energy drink consumption increased 10-fold between 2005 and 2009. The report also found that of these emergency room visits, 45 percent were young people between the ages of 18 and 25, and 56 percent were due to energy drinks alone, and not energy drinks used with alcohol, drugs or medications.

NRA releases new ServeSafe food safety book

► The **National Restaurant Association** introduced the next generation of its ServSafe food safety manager program to meet the evolving needs of the foodservice industry. The new ServSafe manager book, 6th edition (formerly ServSafe Essentials) training materials include optimized, recalibrated and focused content created by the industry, for the industry. In addition, the ServSafe.com Website has

been redesigned to ease navigation by multiple audiences and reflect the improvements in the 6th edition.

The new ServSafe 6th edition contains the latest FDA food code updates and is based on a new job task analysis developed exclusively by foodservice operators across segments, academic bodies and regulatory experts for real-life situations. The edition focuses more intently on the preventative measures to keep food safe, leading to stronger food safety practices and a better trained workforce.

New York vendors fight to raise vending sales tax exemption

► The **New York State Automatic Vending Association** continues to fight for tax fairness after the legislature failed to include a vending sales tax exemption increase from \$.75 to \$1.50.

The association's lobbyist spoke to Assemblyman Bill Magee, the sponsor of the bill, who indicated that he will try to introduce the bill as a stand-alone bill in the new legislative session.



Kraft Foods to change corporate name to Mondelez International

▶ **Kraft Foods Inc.** will change its corporate name to **Mondelez International, Inc.** (pronounced mohn-dah-LEEZ), a newly-coined word that evokes the idea of “delicious world.” As previously announced, Kraft Foods is dividing to create two public companies before the end of 2012: a global snacks business and a North American grocery business. The North American grocery company will become Kraft Foods Group, Inc., retaining the Kraft brand.

ZeeCooper & Co. to rep Heritage Coffee Co.

▶ **ZeeCooper & Co.**, the Lusby, Md. coffee service products brokerage, has agreed to represent London, Ontario-based **Heritage Coffee Co.** in the U.S., initially focusing on expanding the private label program.



Starbucks, Green Mountain expand partnership

▶ **Starbucks Coffee Co.** and **Green Mountain Coffee Roasters, Inc.** (GMCR) announced the expansion of their strategic relationship for the manufacturing, marketing, distribution and sale of Starbucks-branded Vue™ packs for use in GMCR's recently introduced Keurig® Vue™ Brewer.

Applications available for John Boyle and Alan Plaisted scholarships

▶ Applications are being accepted for both the John Boyle Memorial Scholarship sponsored by the **Tri-State Automatic Merchandising Council**, serving Pennsylvania, New Jersey and Delaware, and the Alan Plaisted Scholarship sponsored by the **Southeastern Vending Association**. Both scholarships cover costs for attending the 2012 Michigan State University/NAMA Executive Development Program, Oct. 21 to 25, 2012. For information, contact the respective associations.

Canteen Vending buys CL Swanson's vending and dining business

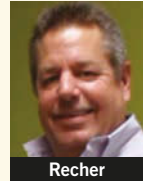
▶ **Canteen Vending Services Inc.** acquired the vending and dining assets of **CL Swanson Corp.**, the Madison, Wis.-based provider active in Wisconsin, Illinois, Iowa, Tennessee and Arkansas, from the Swanson family for an undisclosed sum, said Steve Luccia, Canteen's vending services division chief financial officer. CL Swanson, founded in 1945, had annual sales over \$40 million. The acquisition does not include the corrections business.

Luccia said Canteen acquired CL Swanson's operating facilities in Rockford, Ill., Dubuque, Ia. and Springdale, Ark. CL Swanson operations in Memphis, Tenn., Little Rock, Ark., Madison, Wis. and Milwaukee, Wis. will fold into Canteen facilities. A Canteen franchise in Jonesboro, Ark. is considering taking CL Swanson's Jonesboro business.

People in the News

Avanti Markets names Five Star Food Service operator of the year

Avanti Markets named Five Star Food Service Inc., based in Chattanooga, Tenn. as its operator of the year. Alan Recher, president of Five Star, accepted the award.



Recher

Mr. Coffee's Samuel Glazer passes away

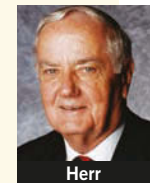
Samuel Glazer, a co-founder of Mr. Coffee, recently passed away. He was 89.

Autocrat names senior food technologist

Autocrat, LLC named Mark Vasi as senior food applications technologist.

Industry loses James Herr

James S. Herr, founder of Herr Foods Inc., maker of Herr's line of snacks, passed away of complications from pneumonia.



Herr

Kienna Coffee names U.S. sales director

Kienna Coffee, based in Calgary, Canada, appointed Rod Thorgeirson as director of sales to the U.S. He is based in Phoenix, Ariz.

Red Bull founder Chaleo Yoovidhya passes away

Chaleo Yoovidhya, a Thailand businessman who started the Red Bull franchise, recently died.

AVT, Inc. names Ben Wheeler as sales and marketing director

AVT, Inc. named Ben Wheeler as director of sales and marketing. He comes from Flextronics International.

NAMA names industry award winners

NAMA announced its 2012 industry award winners. Winners are: Industry Person of the Year: Craig Hesch, NCE5, owner, A.H. Management Group, Inc., Rolling Meadows, Ill.; Coffee Operator of the Year: Ken Shea, NCE5, vice president and director of field operations, The Standard Companies, Inc., St. Charles, Mo.; Coffee Allied Member of the Year: Tim Wayne, director of sales, The Folgers Coffee Co., Orrville, Ohio; Vending Operator of the Year: Dan Hart, owner of Southern Refreshment Services-Canteen, Tucker, Ga.; Vending Allied Member of the Year: Brent Garson, president, Vendors Exchange International, Inc., Cleveland, Ohio.

Are you ready for the new 4 Cs? Connect, Communicate, Customize, Cashless

By Paul Schlossberg, Contributing Editor

Interactive connectivity and digital media are changing the way people shop for everything, everywhere. Vending, OCS and onsite retail have to be where the action is.

Look back 50 years and the vending business was described as the 4 Cs. That's coffee, cola, candy and cigarettes.

Today we live in a new world of technology and instant communications.

We are entering a new era for our industry. The new 4 Cs are connect, communicate, customize and cashless. The challenge for vending, OCS and onsite foodservice operators is how effective we will be in this new 4 Cs world. How quickly will we adapt to these new standards?

We saw dramatic evidence of how retail channels are changing at the 2012 National Retail Federation (NRF) Show in New York City in January.

Paco Underhill, founder and president of Envirosell, a retail consulting firm, was a featured speaker. He said, "The way people shop will change more in the next five years than it has changed in the past 100 years." Those of us in vending, OCS and onsite foodservice run retail stores. We should be getting ready for even more change in how we sell, what we sell and where we sell.

Stop and think for a moment how much change we've seen in how we communicate with one another. And consider how quickly and easily we can access

information about where we go to buy something or how to get there.

The iPhone was first introduced on Jan. 9, 2007. In December 2011, over half of all Americans had a smart phone — whether it was an iPhone or an Android phone. How did we ever exist before we had these amazing, addictive devices?

In the next two years, Apple is expected to sell 65.6 million iPads, according to analyst Michael Walkley of Canaccord Genuity, the global investment bank. That will mean more than 100 million iPads sold by the end of 2012. The iPad was introduced in January 2010.

Look at today's new innovations

We have seen a wave of exceptional new vending equipment coming on the market in recent years. The Coca-Cola Interactive Vending Machine. The Kraft diji-touch candy/snack machine. The Pepsi Social Vending Machine. There are self-serve ordering kiosks for foodservice operations. The self-service markets where payment kiosks and scanners replace the vending machines. The

arrival of single-cup brewing equipment and an increasing number of branded product options has been a huge growth driver for OCS operators.



CONTINUED ►

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The National Automatic Merchandising Association (NAMA) presented the highlights from its very important market research study at the 2011 OneShow. The most important highlight was that young people like vending. One of the key reasons is that they prefer to deal with a machine rather than deal with people when they are shopping. They like the fact that it is fast, accurate and self-service.

Let me tell you what I learned at the NRF Show in New York City. It relates directly to how shopping will change and what we must do to win the next generation of shoppers. All of this sets up the possibility of an excellent future for us, if we capitalize on it with the most appropriate solutions.

What was new at the NRF Show? In a word, it was vending.

At the Intel booth, there was the new Kraft Jell-O sampling vending machine. Kraft has deployed these machines at supermarkets to offer samples of new products. The machine is “smart.” It has facial recognition capabilities and can recognize a child versus an adult. When sampling food products at retail stores, the demonstrators cannot offer a sample to a child unless the parent permits it first. So the machine can stop a child from getting a sample.

What was interesting was that Intel then changed the front panel to demonstrate the diji-touch candy/snack machine. They showed how it functions and how shoppers can interact with it. They also described how operators can set the screen planogram to maximize the shopping experience.

Interactive video changes shopping

Also at the Intel booth was the new Adidas shopping wall. Rather than simply put shoes on display, there is an interactive, high-resolution image of each shoe. Shoppers can use the



touchscreen to “pull out” the shoe, rotate it any direction, get information about the shoe, learn which sizes are available in the store and even request that a store associate come over. That saves time for the shopper and for the store staff. And there is no need for a shoe on the wall for shoppers to see.

“Catch ‘Em and Keep ‘Em: Revitalizing the Store in a Cross-Channel World” was the title of a presentation at the NRF show made by a team from Cisco Internet Business Solutions Group. Their premise was that there is an entirely new level of consumer shopping behavior — it’s called cross channel shopping.

Cisco learned that consumers are engaging heavily in cross-channel shopping and with a greater percentage of shopping going online. That is having a big impact on physical store retailing; e.g., fewer people in the stores, using the stores as showrooms and then price shopping and finishing the purchases at Amazon.com.

So, how can physical store retailers keep and convert consumers in their stores? By providing a more engaging experience and providing ways to shop cross-channel in the store. This

lesson applies to our industry — vending, OCS and onsite foodservice.

Cisco calls it the “mashop.” They described it as a “mashing up physical retailing with the best...online content revitalizes stores by creating compelling ‘mashop’ experiences that are not possible (in) either channel alone.”

From this perspective, Cisco created and then tested five “mashop” concepts in the U.S. and U.K. This research was about bringing the virtual experience into the store.

“Catch ‘em,” according to Cisco, is about making shoppers aware and engaging them. “Keep ‘em” relates to getting shoppers to the store and then maximizing what we sell them when they’re in the store.

My recent articles in *Automatic Merchandiser* and presentations at NAMA have emphasized that we must do a much better job of communicating with the shoppers at the sites we serve. Our future demands that vending, onsite foodservice and OCS operators learn and master how to communicate with current and potential shoppers using social media.

Digital media allows target marketing

In the Cisco concept tests, one of the primary strategies was to deploy a “product viewer.” This was a large, interactive screen to provide product information, views of the product, directions and more. Their research identified how to target specific strategies to enhance appeal to different demographic groups. As you might expect, there were different approaches with more (or less) appeal to shoppers; men versus women or younger versus older.

Don’t forget that the first generation of these applications have already been shown at the NAMA OneShow. Have you seen the Kraft diji-touch snack vending machine,

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the Coca-Cola Interactive Vending Machine, the Pepsi Social Vending System, the Crane Merchandising Systems touchscreens, the VE Connect interactive touch screen from Vendors Exchange International Inc. and the VendScreen from VendScreen? If you have not seen these important innovations, go out of your way to learn more.

The interactive machines offer vending operators an important benefit that deserves to be mentioned. Whether or not the federal calorie disclosure law requires nutrition information at the point of sale, vending operators will find it in their best interest to provide nutritional information before the purchase

non-game contexts. Typically, gamification applies to non-game applications and processes, in order to encourage people to adopt them, or to influence how they are used.”

For younger people, it is essentially an extension of video games to retail shopping. How has shopping changed? It has become a game — with interactive shopping tools. This interactive experience is what younger people expect, maybe even demand, as the way to engage their interest, motivate them to shop and possibly make a purchase.

The new 4 Cs, connect, communicate, customize and cashless, is our new and most important challenge. Our future and maybe even

sandwich (plus salad or breakfast item) is custom-made — assembled based on what the customer wants.

Cashless: This is the next big hurdle. Young people do not carry cash. They want to pay with a debit or credit card. Or better yet, with their smart phones. No need to cite the data. The trend is inevitable. We will be a virtually cashless society in the next five to 10 years. Don't wait — test cashless soon. It won't work at every site. But it will work at many locations.

The dollar coin is not a solution for our industry. It will not work. It is too heavy. Did you ever carry 17-dollar coins in your pocket? I did recently when I got change at a parking kiosk, and I did not like it.

Take a moment to ask yourself these two questions: 1) What will my business be 20 years from now? 2) What am I doing to make sure that we will survive and ultimately be successful 20 years from now? The way people shop is changing rapidly. The way retail stores respond is driving dramatic changes in how stores respond to that change.

The challenge for vending, OCS and onsite foodservice operators is how effective will we be in this new 4-Cs world. We must be relevant for all of the shoppers we serve. Younger shoppers are already living in the world of the new 4-Cs. Let's catch up to them because they are not waiting for us. | ◀

THE new 4 Cs is our new and most important challenge.

is made. This is how to do it. The nutritional data, allergy facts and all related details are easily accessible from the interactive screen.

That does not mean that shoppers must access the information. After all, not every shopper in convenience stores or supermarkets looks at the nutritional panel when they are shopping. But they want the information to be there if they want to read it.

Interactive shopping goes mainstream

Deployments of interactive shopping experiences are multiplying at a rapid pace. Shoppers of all ages, but especially younger people, like to use these features.

Why is that? In a word, it is “gamification.” According to Wikipedia, “Gamification is the use of game design techniques, game thinking and game mechanics to enhance

the survival of the vending industry depend on it. Let's consider them one at a time.

Connect: We need online presence for our vending, OCS and onsite foodservice operations.

Communicate: Being online will allow us to reach our audience — shoppers and potential shoppers — with information concerning what we are selling now and will be adding next week. And our audience will be able to reach us with requests and feedback about how we are doing. The odds are that a Tweet will be available about an out-of-stock before we see it with telemetry.

Customize: This will be our biggest hurdle. We must learn how to provide customized orders for the locations we serve. Subway, the sandwich shop chain, is recognized as providing many healthier selections. Why? It is very simple. Every



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; www.DFWConsulting.net.



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Self checkout markets raise the bar:

Key things for operators to consider

By Allen Weintraub, Contributing Editor

Vending operators looking to add kiosks must recognize the importance of consumer data analysis.

The 2012 National Automatic Merchandising Association (NAMA) OneShow marks the second year self checkout micro market companies will be on the exhibit floor. The growth and importance of the micro market channel is further confirmed by the presence on the NAMA OneShow program of a panel, “Customers Love Self Checkout — How to Capitalize on This New Trend,” to be chaired by Terry Touchton, vice president of sales and marketing at Vistar Corp. Panel participants will include the four exhibiting micro market companies — 365 Retail Markets, Avanti Markets, Breakroom Provisions and Microtronic US — and operators who have installed their micro markets.

With an estimated 2,000 micro markets now on location, major questions remain about the business model that will make the markets profitable for the operator. Given that virtually all the current micro market operators are vending operators, the initial response is to follow the vending business



Stored value cards offer the benefits of cashless with lower fees as well as product purchase information valuable in merchandising micro markets.

model, whereby product manufacturers subsidize the micro market equipment, similar to how beverage companies provide vending machines and provide rebates based on products purchased.

However, the vending model, when applied to micro markets, is severely limited because it does not address the major opportunity afforded by the micro markets: the ability to identify and then satisfy individual consumer tastes and to thereby increase sales.

Why data analysis?

Instead, product manufacturers, micro market providers and micro market operators should concentrate their resources on consumer data analysis to develop product promotions to increase sales and profits. They can do this by:

- Encouraging non-users at the location to become micro market consumers;
- Increasing the units and dollars per transaction and transaction frequency by the current micro market consumers; and
- Converting debit/debit card consumers to use the micro market

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Market Report

Consumer	Product	Scan Code	Location	Category	Price	Date/Time
400011036720	Oh Yeah Vanilla Creme Protein	788434114356	Standard Charter	NON_CARB	\$3.99	2011-07-11 12:47:15:0
400011036737	20-oz. Seagram Seltzer	072979002231	Standard Charter	CARB_BEV	\$1.35	2011-07-11 12:21:06:0
400011036737	Pyramid- Hummus with Pita Chips	43000000005	Standard Charter	Food	\$2.49	2011-07-11 12:21:06:0
400011036737	20-oz. Seagram Seltzer	072979002231	Standard Charter	CARB_BEV	\$1.35	2011-07-13 11:08:51:0
400011036751	Little Bite Choc/Chip Muffins	072030014821	Standard Charter	SNACK	\$1.19	2011-07-13 10:35:17:0
400011036751	Trident Tropical Twist	012646619592	Standard Charter	CANDY	\$1.39	2011-07-14 10:25:35:0
400011036768	Kars Nut N Yogurt 2-oz.	077034009545	Standard Charter	SNACK	\$0.99	2011-07-14 12:15:05:0
400011036768	Chobani Yogurt Peach 6-oz.	8947000100069	Standard Charter	Refridge	\$1.79	2011-07-14 11:25:15:0
400011036768	Chobani Yogurt Peach 6-oz.	894700010069	Standard Charter	Refridge	\$1.79	2011-07-14 11:43:47:0
400011036731	Vitamin Water Stur-D	786162003225	Standard Charter	NON_CARB	\$1.89	2011-07-12 12:52:12:0
400011036731	Vitamin Water Stur-D	786162003225	Standard Charter	NON_CARB	\$1.89	2011-07-13 12:05:01:0
400011039462	Toggi Chocolate Wafers	070556000632	Standard Charter	SNACK	\$0.99	2011-07-13 17:38:36:0
400011039462	Toggi Chocolate Wafers	070556000632	Standard Charter	SNACK	\$0.99	2011-07-14 17:57:41:0
400011039462	Vitamin Water Revive purp	786162110008	Standard Charter	NON_CARB	\$1.89	2011-07-14 17:57:41:0
	Smartfood Popcorn LSS	028400020008	Standard Charter	SNACK	\$1.50	2011-07-10 15:59:31:0
	Long Island Iced Tea	854548003005	Standard Charter	NON_CARB	\$2.00	2011-07-10 15:59:31:0
	Red Bull Sugar Free	611269101713	Standard Charter	CARB_BEV	\$1.35	2011-07-10 15:59:55:0

stored value account card to make purchases.

In a previous article, I noted that vending operators need to act more like traditional retailers to optimize

micro market benefits. One example is the use of social media. Micro market operators will have to use social media and mobile market-

ing to engage the consumer on an individual basis. To engage the consumer in a meaningful way, micro market operators need data about the consumer's buying habits. Fortunately, the equipment manufacturers have software that gathers this data. The

question is to what extent they will share it with operators to allow operators to maximize sales.

The data file, "Market Report," shown on this page should be familiar to all micro market operators. The market report has the basic information needed to analyze the micro market consumer, specifically:

- Consumer ID from the stored value card;
- Product purchased and category;
- Price; and
- Date and time purchased.

The report above includes sales from stored value cards and from credit/debit cards. The bottom three line items in the above report that have no consumer number are for credit/debit card purchases.

From this data, one can observe that Consumer 11036737 (ignoring the first four digits) purchased two items, Seagram's 20-ounce Seltzer and Pyramid Humus with Pita Chips totaling \$3.84 on July 11, 2011 at 12:21 p.m. On July 13 at 11:08 a.m., the consumer purchased only the Seagram's.

Analyzing this data over a longer period, the objective would be to increase both the consumer's

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frequency of sales and the number of items purchased at each transaction.

Each consumer is unique. Look at consumer's 11039462 purchases of Toggi Chocolate Wafers on July 13 and 14. Should a "reward" program, once a month, be offered to consumers who purchase the same products on a regular basis, such as a "buy two and get one free" offered by many CVS pharmacies?

Convert to stored value card

The market report shows, starting with the blank fields under the "consumer" heading, the purchases made by credit/debit cards. The micro market operator has a dual incentive to convert these purchases to the stored value account card: 1) to eliminate the credit/debit card fees, and 2) to identify specific promotions to these consumers.

Finally, the micro market operator should work with the product manufacturers to coordinate micro market promotions with the product manufacturers' national and regional advertising and promotions.

For example, Coca-Cola and Kraft had a joint Super Bowl promotion advertised in the New York metropolitan area. New York area micro market operators could have taken advantage of this advertising to convert non-users to consumers. These product manufacturers' programs and advertising are calendared for at least six to nine months. Micro market operators should know these programs, have the ability to implement them to attract new consumers, and analyze the effectiveness.

The ability to analyze the impact of the product manufacturer's programs on individual consumers places the micro market operator in the forefront of the second decade of the 21st century. If the micro market operator cannot

analyze sales by consumer and stock keeping unit (SKU), micro markets will just be a stagnant, back-water retail channel compared to the dynamic developments in other retail channels.

Micro market operators need support in analyzing this data. But given the current contracts with micro

market companies, the question arises: who owns the data? Microtronic US and Breakroom Provisions agree that the data is the property of the micro market operator.

In its contract, Microtronic US states that "Client (micro market operator) shall own exclusive rights

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(including all intellectual property rights) to any information hosted by the database pertaining to client's account only, and shall be entitled to the unrestricted use of any information for any purpose, commercial or otherwise."

Breakroom Provisions currently offers a variety of combination deals to customers and claims its combination offerings are versatile.

In contrast, some other micro market companies have a different view. Some apparently believe the operator does not need to own the data to reap the benefits of market data based promotions.

In its contract, Company Kitchen has the right to mandate product promotions and loyalty programs to its micro market operators and to approve product promotional programs initiated by the micro market operators.

Currently, Company Kitchen offers promotions to micro market consumers.

Avanti Markets has language in its contract that "commercial advertising" revenue must be shared between Avanti Markets and the micro market operator.

Avanti Markets recently released a customer rewards program. The company claims to have the ability to offer meal deals and bundling deals.

Retail 365 offers its clients a comprehensive and strategic analysis of its sales data as well as access to its proprietary product optimization algorithm. The company claims the combination of these items helps its micro market operators optimize profits.

Operators must understand data needs

The micro market operator must have a clear, unequivocal understanding from the equipment provider as to the ownership of the data. Operators who wish to rely on the kiosk provider for promotions will have to be willing to work with

How to choose a micro market provider

Following are some considerations for a prospective micro market operator in evaluating micro market company contracts.

In addition to the considerations listed below, the contract should include provisions integrating the inventory component of the operator's vending management system and its electronic "picking" technology.

EQUIPMENT

- Cost and financing
- Warranties

KIOSK BRANDING RULES

- Restricted to micro market company trademark
- Option for customized design for the micro market operator

STORED VALUE CARD

- Restricted to the micro market company trademark
- Option for customized design for the micro market operator
- Control of prepaid funds: micro market company or micro market operator
- Ability to use the card at both micro market and vending machines

MONTHLY FEE OPTIONS

- Percent of micro market sales
- Fixed monthly fee
- Conditions under which such fees can be increased

SOFTWARE SUPPORT FEES

- Fees for software updates
- Conditions by which operator can continue using software if equipment provider goes out of business

CONSUMER DATA USE

- Equipment provider owns all data
- Equipment provider and operator have joint ownership of data
- Operator owns all data

a company that owns the data. Operators who think they might wish to develop their own promotions with the product manufacturers, however, will need to own their own data.

Either way, the micro market operator should be associated with an organization that can provide independent consumer analysis. In retail channels like grocery and convenience stores, such organizations exist and work with product manufacturers to provide such data. Perhaps the product manufacturers can provide similar guidance to the micro market operators.

Vending operators for the most part just track and report vending purchases, not consumer sales. This is a 20th Century approach, increasingly not viable in the 21st Century.

Currently, my firm, Vending Consultants Co. is conducting a micro market test to analyze the micro market data with a micro market operator and product manufacturer to increase the monthly micro market sales by 20 percent. To achieve this objective, products and promotions beyond those normally associated with vending will be tested.

To achieve success and profitability, micro market operators should partner with product manufacturers who have and are willing to dedicate the resources and provide analysis similar to that of retail marketing analytics. Such analysis will allow the micro market operator to provide products and promotions directed at each individual micro market consumer. ◀



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More schools embrace **SELF-OP VENDING** to promote nutrition

By Elliot Maras, Editor

School foodservice directors find high-tech vending machines interface with POS cafeteria systems, improving access for kids and helping comply with funding rules.

Two years ago, Clell Hoffman, the foodservice director at Albany Unified School District in Albany, Calif., decided it was time to replace the beverage vending machines at the high school. Hoffman wanted to offer more than 16.9-ounce water and juice. The state nutrition rules he had to meet, coupled with the fact that the bottles had to be fairly rugged to prevent possible breakage in the stacker beverage machines, severely limited his product choices.

When Hoffman found out about the variable temperature machine offered by Vend-ucation, a school

vending resource based in Dunbarton, N.H., he was intrigued. Not being a stacker machine, it is less restricted in product choices. And being a combination snack/beverage machine, he could also offer snacks. But that wasn't all.

The Alpine SZ 5000 machine made by U-Select-It Corp. came with remote machine monitoring hardware, enabling Hoffman to monitor transactions via the Internet. There would be no more manual inventoring.

Two years later, Hoffman is glad he made the change. He has been able to provide students a variety of snacks and beverages that meet California's strict nutrition rules. Vending



A student enters his pin number to purchase lunch from a Star Food machine at a Miami County, Fla. school.



Karen Lawson-Carter of the Hudson, Ohio schools notes the cafeteria is already using biometric identification in the food line.

sales have more than quadrupled. The two Alpine machines bring in more than \$4,000 per month, compared to the \$750 the two previous bottle drop machines did.

And because of the greater variety of products, his average gross margin has increased from 40 percent to 55 percent.

"This machine is really versatile as far as what kind of products we can put in there," Hoffman said. He is offering protein bars, 8-ounce juice, string cheese, seaweed, half sandwiches, dried fruit, baked chips, and bottled water.

Hoffman is not concerned about the stricter nutrition rules that take



Maureen Pisanick, foodservice director at the Hudson, Ohio schools, has found vending a good way to meet nutrition rules.

effect July 12, 2012. “None of these (products in the machine) are even close to exceeding the limits as far as fat and sugar content,” he said. “It’s all healthy vending as far as what we have in there. It’s there to have access to snacks and to keep them going throughout the day.”

Albany, Calif. is one of many school vending success stories that have emerged in the last several years. Since 2007, schools nationwide have discovered vending machines are a good way to improve students’ access to healthy food and beverages.

A handful of vending equipment marketers have figured out ways

to interface the machines’ internal reporting with cafeteria point of sale (POS) tracking software. Hence, the machines allow schools to integrate the vending sales with manual food line sales.

This allows the schools to document the products and the number of students being served, thereby helping them comply with government funding requirements.

“The vending machine is just another POS line,” noted Sherry Ephraim, Midwest account rep

for Horizon International, which provides schools with POS cafeteria software. She said her company now advises schools they can interface vending machines with their cafeteria food lines.

Vending authorizes meal eligibility

Schools have been able to use state-of-the-art vending machines to authorize students who are eligible for government subsidized meals. In situations where students use prepaid payment methods, kids can get their meals by entering identification numbers and birth dates on a pin pad.

CONTINUED ▶

Educating the younger generation

Schools already have their own walk-in refrigerators and freezers for storing product. Many schools have staff that can manage vending machines along with their onsite feeding.

What's the benefit of this growing self-op movement to the vending industry? The younger generation is associating vending with healthy products. And based on most accounts, the kids like the new machines.

"We are feeding more kids and using today's technology to do it," explained Bob Gottlieb, director of Star Foods, a division of Fort Lauderdale, Fla.-based VE South Inc., a provider of school vending solutions. Gottlieb said there are about 250 Star Food machines on site nationwide.

The Star Food machine is a first-in, first-out, carousel, refrigerated machine made by N&W Global Vending S.p.a., based in Valbrembo, Italy, that can use wireless reporting and biometric identification.

Gottlieb said most schools initially become interested in machines as a way to augment manual feeding lines. "Cafeterias are bursting at the seams," he said. He noted

Schools use vending to support various health initiatives

Healthier meal requirements are a component of the Healthy, Hunger-Free Kids Act, which was championed by First Lady Michelle Obama as part of her Let's Move! campaign and signed into law by President Obama.

Besides meeting the rules of the school lunch program, schools are also participating in The HealthierUS School Challenge, a voluntary initiative that recognizes schools that have created healthier school environments through promotion of nutrition and physical activity.

The U.S. Department of Agriculture and the First Lady launched the Recipes for Healthy Kids competition last September, challenging kids, nutrition professionals and community members to develop healthy recipes to be incorporated on lunch menus for the National School Lunch program. The contest is a component of the First Lady's broader Let's Move! initiative that also includes Chefs Move to Schools, which encourages chefs to work with schools in their communities.

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that the Star Food machines have generated a lot of positive media coverage.

But the schools are also finding the vending machines support their health education initiatives.

School vending machines are not presently required to comply with federal school food nutrition rules. Some do have to comply with state and local rules. But beyond these requirements, many schools have recognized the beneficial role vending machines can play in supporting their nutrition initiatives. Hence, many are applying cafeteria food standards to their vending offerings. (See sidebar above.)

Schools recognize vending's benefits

Pinellas County Schools, based in Largo, Fla. has placed 180 vending machines at 10 schools since 2006, noted Art Dunham, director of foodservices. Previously, the foodservice operation did not use vending machines. Dunham said it was not hard for the foodservice staff to prepare the meals and place them in the machines.

The 20 Star Food machines in Pinellas County report the number of meals served to the cafeteria POS system, which prepares daily reports that the schools use to demonstrate compliance with government funding requirements. After school, the

machines are filled with a la carte items, fetching additional sales.

Dunham particularly appreciates the fact that the machines send a temperature reading to his computer every 10 minutes. If the power goes out, the machine will automatically shut off after 30 minutes.

Vending increases lunch sales

“We got the vending machines because we couldn’t get the kids through the serving lines (in the limited time allowed),” noted Donna Martin, foodservice director for Burke County Public Schools, based in Waynesboro, Ga. Her two Star Food machines sell 75 to 150 meals per day and increased lunch servings by 10 percent, she noted, “which is significant.” The machines serve entrees in clear, plastic bags, offering salads, chicken fajitas, chicken strip salads, sandwiches, ham and cheese rollups, peanut butter and jelly rollups, meal bars, juice, fruit and chips.

The Star Food machine’s remote data system interfaces easily with the school cafeteria’s POS tracking software from Heartland Payment Systems.

Since all kids in the district are eligible for fully reimbursable meals, Martin opted not to allow any cash acceptance. Kids simply enter their ID number and birth date on a pin pad.

More recently, Miami Dade County, Fla. schools purchased 70 Star Foods machines, mainly as a way to serve reimbursable meals at its 350 schools, said Susan Rothstein, coordinator for nutritional wellness. Nearly three quarters of the students are eligible for free or reduced price meals. Rothstein said she became interested in the Star Food machine after reading about it in a school foodservice publication. Rothstein said she was able to secure grants to cover the cost of the machines.

Rothstein said the Star Food machine’s remote monitoring system interfaced easily with her cafeteria POS tracking software.

When a student enters his or her ID number and birth date on the pin pad, the system determines one of three reimbursable levels: free, reduced or paid. The district is then reimbursed \$2.79, \$0.40 or \$0.28, accordingly.

The meals have three to five components, offering combinations of yogurt, salads, sandwiches, wraps, fruit and vegetables. The most popular is fruit, yogurt and granola parfait, Rothstein said.

Students who are required to cover some of the cost can replenish their account by bringing cash to school, paying by credit card on the Internet, or by sending a



Donna Martin, foodservice director at Burke County schools in Waynesboro, Ga., says vending machines have increased lunch servings significantly.

check to the school. Rothstein has opted not to activate cash acceptance on the machines in order to discourage vandalism.

The school uses posters and staff demonstrations to teach kids how to use the machines.

The POS software, from PCS Software, allows her to see how many kids use the machines, Rothstein said.

Last fall, Richland Bean Blossom High School, Ellettsville Ind. used a \$5,000 state dairy council grant to buy an Alpine vending machine from Vend-ucation to replace a refrigerated food machine that only accepted cash and did not interface with the cafeteria POS system. Vickie Coffey, food and nutrition director, wanted to promote reimbursable breakfast sales as well as a la carte items in addition to lunch meals. The machines offer whole grain peanut butter and jelly sandwiches, whole grain cereal bars, low-fat string cheese, cereal bowls, fruit, 100 percent fruit juice, reduced fat white milk, Splenda iced tea and bottled water.

CONTINUED ▶

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With these selections, Coffey would not be concerned about meeting the new federal nutrition rules that take effect later this year, even if she were required by law to meet these guidelines.

The machine was so successful that she ordered another machine for the middle school.

Kids can pay using the pin pad or with cash; about 70 percent use the pin pad.

Monthly vending sales jumped from \$600 to \$2,500, Coffey said. She credits much of the gain to the convenience of cashless acceptance.

The staff at the school developed a video for the school Website and internal TV network to show the students how to make purchases from the vending machine using their lunch account balance.

The Heartland Software POS system makes accountability easy for her.

Vend-ucation modifies the Alpine SZ 5000 machines based on the needs of the specific customer. Jim Dillingham, owner of Vend-ucation, adjusts the selection configuration to the wellness restrictions and the type of packages they prepare.

More control over products

Burlington High School in Burlington, Vt. is another satisfied customer of the Alpine machine, noted Doug Davis, food service director. Davis for years contracted the vending based on competitive bids. He felt he did not have a lot of control over the selections. This has changed since taking the vending in-house. “This was a thought-out plan to make our vending more controlled,” he said.

The three Alpine machines have enabled him to offer reimbursable breakfast and lunch along with a la carte items. The machines accept cash and pin pad payment.



Debbie Impiccini, general foodservice manager, fills the machines daily at the Hudson, Ohio schools.

In the first 90 days, the Alpine machines delivered a 283 percent increase in sales over the previous vending machines, Davis said.

Being able to interface the vending machines with the cafeteria POS has been convenient, he said. To expect outside contractors to do this would be problematic. “Owning the machines ourselves eliminated that extra step,” he said.

Hudson, Ohio schools opted to purchase its own vending machines after Maureen Pisanick, the food-service director, became dissatisfied with a machine lease arrangement with a vending operator. The machines required a lot of repairs, and she didn’t think they were energy efficient.

Three years ago, Pisanick purchased two snack machines and four Alpine machines after coming across Vend-ucation at a school nutrition association meeting. She likes the modern look of the machines, and the fact that they have LED lighting, due to the district’s commitment to energy efficiency.

The machines were retrofitted with bar code readers. The bar coded student ID cards offered access to the student lunch account balance that was already active in the cafeteria through the school’s POS system.

However, Pisanick said the kids learned how to make their own bar code cards and were able to get free products. She has since switched to biometric identification for the pre-funded lunch POS system and to cash for the vending machines. She is presently exploring biometric payments for vending.

An Ohio state law effective last July and previous health and wellness mandates provide nutrition rules for school vending machines. Pisanick has removed all noncompliant beverages and high sodium and high fat snacks. The sales initially took a hit, but they have since recovered as kids got used to the new products, Pisanick noted.

Schools boost vending’s image

School officials nationwide are beginning to recognize that vending machines, despite their rap as purveyors of unhealthy food, are a useful tool in not only making food more accessible to kids, but in providing the type of food they want kids to have.

The end result will be a population of consumers who are comfortable using vending machines and associate vending machines with nutritious foods and beverages. | ◀

For more information, contact:

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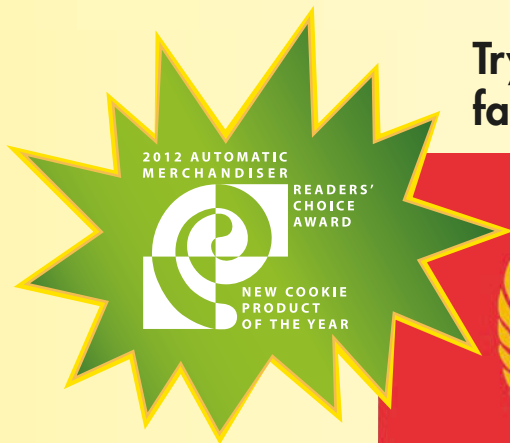
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READERS'
CHOICE
AWARD



NEW PRODUCT
OF THE YEAR

2012 Readers Choice New Products of the Year

By Emily Refermat, Managing Editor

Products focus on brand name, nutrition, and consumers' love of coffee.

The contest for new products of the year ran a little differently in 2012. Only products released from March 2011 through December 2011 were eligible. The product descriptions were housed on the *Automatic Merchandiser* Online Buyer's Guide, and the names were placed on an online ballot at VendingMarketWatch.com/awards. Nominees could choose from the ballot or write in their own response. There were over 500 online nominations submitted.

Unsurprisingly, the new product trends of 2012 coincide well with market data. Three winners reflect the growing requests for snacks

with portion control or ingredients that fit into health and wellness programs. The cookie category winner, **Biscomerica Corp.'s Sun-Maid Oatmeal Raisin Apple Bite-Sized Premium Cookie**, fits well due to its portion control size. The pastry category winner, **General Mills Inc.'s Fiber One® 90-Calorie Brownies**, got marks for portion control and fiber content. Finally, the snack category winner, **Mars Chocolate North America's Marathon Smart Stuff Energy Bar**, has fiber, vitamins and minerals.

The OCS side of the business is growing, continuing to fuel the love affair consumers have with their

coffee, so it's no surprise that a new coffee company, **Marley Coffee**, won the hot beverage category with its **Jamaica Blue Mountain Coffee Pod**. Even in the cold beverage category, java was a winner, indicated by a majority of votes for **Starbucks VIA Iced Coffee**.

In the last two categories, consumer favorites show through. **Werther's Original®** candy won in the candy category with recognizable brand name newly available to vending. The spicy-flavor product trend showed itself in the food category with winner **AdvancePierre Inc.'s Boneless Buffalo Chicken Bites**.

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Nutrition through minis and fiber

The Sun-Maid brand adds recognition to the new **Sun-Maid Oatmeal Raisin Apple Bite-Sized Premium Cookies from Biscomerica Corp.** that swept the cookie category with 69 percent of the votes. Mini cookies are associated with portion control, and these cookies can also boast no trans fats, 2 grams of fiber per serving, and only 230 calories in 60 cookies.

High fiber content lends health benefits to 2012's new product pastry winner, the **Fiber One® 90-Calorie Brownie from General Mills Inc.**, as does the well-known Fiber One brand. The chocolate fudge brownie has less than 100 calories and a full 5 grams of fiber — 20 percent of the daily recommended value. The suggested retail price is well under a dollar.



Winning the snack category is the **Mars Chocolate North America MARATHON® SMART STUFF™ Energy Bar.**

This energy bar is made with fruit, nuts and real chocolate. Available in four flavors, including the



best selling in vending, Crunchy Honey Graham, each bar contains a blend of eight essential vitamins and minerals, and is an excellent source of calcium. The bar is naturally low in sodium, provides 3 to 5 grams of fiber and has 140 calories or less per serving, with no high fructose corn syrup, artificial flavors, colors or sweeteners.

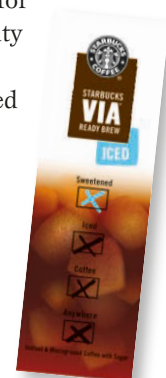
Pods are back

Over 70 percent of voters chose **Marley Coffee**, an international gourmet coffee company founded by



Bob Marley's son, Rohan, for the hot beverage winner. Specifically, the 100 percent **Jamaica Blue Mountain® Coffee Single-Serve Pods** were admired for their delicate balance of floral aroma, acidity and full body, while still having a sweet, mellow, lingering finish. Each pre-measured portion of roasted and ground coffee is sealed in a biodegradable, compostable paper filter pod.

Made with 100 percent high-quality Arabica coffee beans, **Starbucks VIA® Iced Coffee** is lightly sweetened with cane sugar and specially designed for mixing with cold water. While a surprise win in the cold beverage category, it also indicates consumers love their coffee, hot or cold.



Last year, **Storck USA L.P.** launched a new line of vend bags, featuring three of its most popular brands, including the new candy category winner:

Werther's Original®. These caramel flavored, well-known sweets have a strong adult female customer base and are sold in 2.1-ounce bags through Burdette Beckmann, Inc.



Spicy food has been a steady food trend for the past several years, so it's logical that the food category winner encompasses this feature. **AdvancePierre Foods Inc.'s Pierre™ Boneless Buf-**

falo Chicken Bites are made with all-white chicken chunks, lightly breaded, cooked golden crisp and then coated with classic buffalo style sauce. Individually wrapped, 5-ounce trays are packaged for attractive merchandising in refrigerated and frozen food machines with a 14-day refrigerated or 9-month frozen shelf life. ◀



2012 Readers' Choice New Products of the Year runner ups

Cookies: Lotus Bakeries Biscoff Cookies

Food: Landshire First Street Cafe Sandwiches

Candy: Promotion In Motion Welch's Tangy Fruits Fruit Snacks

Cold Beverage: Herbal Water Ayala's Sparkling Herbal Water 12-ounce glass

Snack: Inventure Group Nathan's Famous Chili Cheese Crunchy Crinkle Fries

Hot Beverage: Bay Valley Foods Grover Square Hot Beverage Cartridges

Pastry: Mrs. Freshley's Apple And Strawberry Cheese Danishes

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Business trade shows: an underused sales tool for vending and OCS firms

By Tom Britten, Contributing Editor

A vending/OCS/foodservice consultant and former operator explains how and why operators should exhibit at business trade shows.



Business shows are an avenue for one-on-one communication with numerous potential customers of business services.

eral steps: 1) the initial contact; 2) interest in talking; 3) interest in the service; 4) presenting the proposal; 5) signing the contract. The time to complete this process is rarely under 60 days and often stretches out to six months to a year.

What if you could skip steps 1 and 2 and go directly to step 3? It's worth thinking about when you consider that the average business-to-business field sales call costs between \$300 and \$400. Maybe it's time to think about adding an activity that would allow you to be in front of a prospect without having to engage in a hit-and-miss cold call.

Business shows as sales tools

One often overlooked sales activity in vending and coffee service is exhibiting at business trade shows. Business trade shows are usually organized to represent certain industries, most of which include potential vending and coffee service customers.

I am an advocate of exhibiting at business trade shows as a way to get in front of prospective customers. Aside from cold calling, which is expensive, only trade shows can offer you a one-on-one meeting with a potential client.

Usually, attendees at business trade shows are decision makers,

CONTINUED ►

The single most important activity in any vending or OCS company is, or should be, gaining new accounts.

Unless you replace the inevitable lost accounts with new ones and compensate for declining same store sales, your business will soon be in serious financial trouble.

In this industry, the selling process has painfully long selling cycles.

Selling new business is often a waiting game; the key is what you do while you're waiting. In-person sales calls are very expensive, but face-to-face time with new prospects is the only way to sell new accounts. Other marketing activities are helpful, but face-to-face selling is always needed to sign a new customer.

In the traditional sequence of selling new accounts, there are sev-



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or influencers, who come to the show with business challenges to solve and are looking for something newer, better, faster and less costly.

The national vending and foodservice operators exhibit at business trade shows, oftentimes on a regular basis. And while the nationals have more resources than smaller companies that allow them to exhibit at these events, there is no reason that independents can't reap the same benefits from business trade shows.

In my years managing vending and foodservice, I found business trade shows to be a helpful sales tool. As a consultant to vending, OCS and foodservice companies today, I am surprised that more of them do not participate in these shows.

A trade show can help you accomplish many things all at once. Many independent vending, foodservice and OCS providers are not well known in the markets they serve. In addition to the chance to launch products or services, at a trade show you have an unequalled opportunity to quickly raise the visibility of your company among groups of prospective customers.

Find strategic partners

You can also seek out partners and strategic alliances with other businesses at the show who market different services to the same buyers that you do: i.e., custodial services, grounds and maintenance contractors, copier sales and service suppliers. Perhaps you could share an exhibit booth with one or more outsourced services providers. Some of these shared marketing arrangements have been very successful.

As an exhibitor at one particular trade show, I got to know a fellow exhibitor who was an executive with a janitorial services company. We soon learned that while our core businesses were different, our selling process was very similar. We

Benefits of exhibiting at business shows

- Get in front of new prospects in one setting
- Allow prospects to sample your wares
- Raise your company's visibility
- Find strategic business partners

eventually exchanged client lists and invited each other to our various client entertainment events; sporting events and golf tournaments. We actually did gain new business from this alliance.

There are costs involved in exhibiting at a show. And if the wrong type of show is chosen, it will be a waste of time and money. If the booth is not properly presented, with the right materials and the right personnel, it will also be a waste of time and money.

What trade shows make sense?

If you are considering exhibiting at a trade show as a part of your overall marketing strategy, the first question is: which trade shows are attended by prospects, buyers, and influencers that will be interested in your services?

The channels you sell to are: health care, business and industry, education, government (law enforcement, public transportation, utilities, general administration), hotels/hospitality, recreation, and retailers. There are trade shows, both national and regional, for all of these audiences.

The people attending these business trade shows include the influencers and buyers of food services, OCS and vending services. They typically have the following job functions within the above channels: facilities, procurement,

contract administration, property management, human resources, and auxiliary services.

All of the descriptors noted above must be considered in determining which trade show is right for you.

What does it cost to exhibit?

Exhibiting at a trade show takes money, time, effort, creativity, and work. Typically, a 65-square-foot booth costs \$17 per square foot or approximately \$1,105. You will also have costs associated with banners, literature, trinkets for giveaways, and maybe even video displays. Create a realistic budget that includes the cost of people being out of the office for a few days. Small "table-top" trade shows are less expensive.

The materials in your booth make a difference in making that key first impression to attendees on the trade show floor.

Giveaway items are important so that people can take something away with your name and contact information on it. Pens can be purchased in bulk, with custom printing, for 30 to 50 cents each. Letter openers, lanyards, calendars, and mouse pads can also be used, but will be more expensive.

Having a food machine in your booth is a good display. Attendees can sample products from this machine using free vend coupons, which you hand out to prospects. And of course, free coffee representing your OCS service will be popular.

A number of companies specialize in trade show supplies. Ace Exhibits and Impact Displays in Los Angeles, Calif. offers affordable show supplies, which are portable and reusable. Booth packages are available for as little as \$500. Your product suppliers, particularly bottlers, should be able to help you with free customized banners to be positioned in the booth.

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How to work the show floor

Some of the same selling and prospecting rules used in cold calling apply in working trade shows.

Like any other business tactic, you'll get better results if you begin with the end in mind. Are you going to the trade show to meet new prospects? To launch a new product? To take a leadership role in your industry?

As an exhibitor, you only have about 30 seconds to interact with someone walking by, so prepare a quick sentence or two to tell your story. You will need an "elevator speech," a 1- or 2-sentence statement you can make in 15 seconds or less that introduces your company and your unique offer.

Here is a sample dialogue:

Potential buyer: "I am not familiar with your company; what is that you do?"

You: "We are Acme Food and Vending and we provide an extensive menu of reasonably priced, fresh products that your employees want, through state-of-the-art vending machines."

The pace of a trade show is very fast. The people in attendance want to see a lot in a short period of time. You will only have a few minutes to make an impression before they are distracted or led away.

There should be no idle chit chat with "tire kickers" while potential new customers wait for your attention. Train your booth staff to qualify attendees quickly. The time and energy you devote to selling to an unqualified potential buyer is wasted. Meanwhile, potential new customers wait for your attention.

Some people who work at trade shows believe that they have to tell everybody their story. You don't. Not everyone who attends the show is your potential customer, so quickly identify whether the



Tabletop trade shows are less expensive to exhibit at than shows with large booths.

THE follow-up after the show is the most critical phase.

person you're talking to can actually benefit from what you have to offer. If they can't, say goodbye as fast as possible.

When qualifying your trade show prospects, if both parties agree that there's a possibility of doing business, you should set up your next meeting right there in the booth, on the spot.

The show eventually ends and there is a sigh of relief, but this is when the most important work begins. The follow-up after the show is the most critical phase. If you're not willing to commit to a systematic, structured and timely follow-up after the show, don't go to a trade show as an exhibitor. I have known companies who did a great job at the actual event, only to totally drop the ball on the follow-up after the show.

To find an appropriate trade show, check the Website, www.tsnm.com for a list of some bigger business shows.

No matter how small your business may be, the benefits of attending a trade show with attendees who are potential buyers of your services can be very beneficial. | ◀



ABOUT THE AUTHOR

Tom Britten is an analyst, intermediary and professional consultant with more than 30 years of industry experience.

He functions as a full service resource available to all vending, OCS and foodservice companies large and small. Contact Britten Management Services, LLC for a free, and no-obligation consultation at 813-469-5437 or via email: tombritten@msn.com.

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How to sell accounts with added value

By Emily Refermat, Managing Editor

Today's vending and coffee delivery accounts want more from their service providers, such as cashless payment systems, diverse products including healthy options, and fast, efficient machines with competitive prices. Vending operators are using varied means to win these customers over.

Selling vending and coffee service in a saturated market is tough. How can a company stand out and really offer a location something different? That's where added value comes in. For a location, it means getting something they are unable to get on their own, whether it's reliable access to the right product mix, help with sustainability, or versatile payment options. For operators, added value allows them to increase profit margins, lower commissions or simply win an account. Often, the right added value can give operators leverage in a contract that will benefit them. But adding value isn't business as usual.

Intangibles add value

The fact that operators can offer snacks and soda doesn't add value for locations because the products are available in many different places, explained Randy Munn, director of sales and marketing for C.L. Swanson Corp., in Madison, Wis. A machine that is clean, filled and working is the bare minimum level of service. Munn believes vending operators need to find a way to add more value to the product they're selling than the product at



the convenience store. "If you can't add value to that can of (soda), the only thing that matters to the customer is price," Munn said.

For Munn, adding value is all about intangibles. "One of the ways you can add value is devel-

oping a relationship with the general manager or the location contact," said Munn. This is specific communication outside the job of the route driver. It's also imperative to periodically sit down with the client

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Focusing on the fresh food that operators bring to an account is also a must for added value, explained Munn. The quality, variety, selection and price are paramount. On any day, customers should be able to trust there's something in the

machine they'll want to eat, it's good quality, and the price point makes it a value to them.

The only way to know if customers feel this way about the food offerings is to seek their feedback, which is another way Munn provides added value. "We have an organized program called 'We Want

To Know,'" Munn said. There are cards to fill out at vending machines, online surveys and even boards for notes for the route drivers. Munn admits he was leery of this last idea, but it has worked with significantly fewer issues than he'd feared. "That's because so few customers get to comment on what they're forced to buy," said Munn.

Munn favors added value that benefits both the location as well as the end users, such as putting a coffee brewer on winner mode, where every 50th cup is free. It also includes health and wellness programs, where end users are requesting healthier products; locations want a healthier workforce. "We have an organized program called 'Better For You' overseen by a registered dietician," said Munn. "It's added value because the average operator doesn't do that."


While Munn offers energy saving features on his machine, such as LED lights, he finds it's more valuable to the location than to the end user, so it's not one of his top added value options.

Added value allows Munn to charge a premium price for his products, maybe 5 cents more than competitors' prices, but there's a limit to what locations and end users will pay.

Tailor value added options

Richard Harvey, president of A & R Services in Monument, Colo., believes added value is always important in selling service, and deciding what to offer takes some digging. "You have to look at each client," he said. "You ask 'What do you want?' and then ask, 'how can I help you achieve it?'"

In locations that crave more up-to-date payment options, Harvey offers cashless payment systems, bill recyclers and self checkout micro markets (SCMM). These systems usually warrant a price increase/commission



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negotiation, but they are good for locations willing to pay for it.

“Customers want faster, bigger and more variety,” said Harvey. This makes SCMMs especially popular added value providers. “It provides

healthier items, so his company began offering delivery of fresh fruits, along with coffee. “Not everyone drinks coffee,” said Harvey. The fruit is a way locations can offer something to those non-coffee drink-

OPERATORS need to find a way to add more value to the product they're selling than the product at the convenience store.

something our clients want,” he said. “But it has its place. You can't put it everywhere.”

On the OCS side, Harvey has started thinking outside the box. Customers were always asking for

ers that is also healthy. “As long as the company is willing to pay for it, I deliver things our competitors aren't capable of delivering,” Harvey said.

Ancillary products like condiment packets, utensils, and

napkins were once considered added value, but that's changed. “If you want to sell food, you have to have ketchup packets or spoons,” Harvey said, “These are the items people need (in order) to eat it.” The only time these items become added value is if a location wants to offer something specific, like the expensive, sustainable utensils made of corn starch. “If I have a client who wants it, I'll sell it to them,” Harvey said.

Kyle Yost, Denver market sales manager for Premier Services and Alpine Roastery in Englewood, Colo., is most successful with accounts when he pairs vending and coffee service. “I take a percentage of their vending sales and apply it directly to their coffee bill,” he said. It acts as a commission, but no

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money is actually sent to the location. “I closed an account just last week with this,” he added.

Even when he’s using SCMMs to sell an account, coffee becomes a great value added. Within the SCMM, he suggests the addition of a single-cup brewer where premium coffee can be purchased by the employee. Elsewhere, the location still offers free, regular brewed coffee. Employees appreciate the two options presented by the location.

The coffee can also make a difference. Alpine Roastery works directly with farmers in Africa to grow coffee beans. There’s a mill in Cameroon that grinds the beans, after which it is shipped directly to Alpine Roastery. “There’s no middle man,” said Yost. That allows Alpine to control the quality, while keeping the price lower, both of which Yost considers important added value to locations.

When Yost sells SCMMs, he adds more than just coffee to make it work for a location. “You need to dress the market up to the white collar atmosphere — display salads and fruits — and it will succeed,” he said. “If you treat the market like a vending machine, it won’t do well.”

Yost has even seen SCMMs used to help locations control supply costs, such as replacement safety glasses in a factory setting.

Health and wellness are a must

“The added value of micro markets is vast to customers,” said Ray Friedrich, CEO of Sterling Services in Canton, Mich. And for these college educated customers of SCMMs, Friedrich focuses on health and wellness products as added value.

“We have a pretty strong (health and wellness) program in both vending and convenience stores,” he said. The products in the health



Richard Harvey, A & R Services, Monument, Colo., pairs value added options/services with the needs and desires of a location.



Alan Drazen of Midlantic Vending, Moorestown, N.J., uses cashless and remote machine monitoring to provide added value.



Scott Meskin, Black Tie Services Inc., Baltimore, Md., provides more efficient service using technology, such as GPS systems on service vehicles.

and wellness program have less fat, lower sodium and no trans fats. SCMMs specifically allow Friedrich to offer more healthy product variety, such as salads, fresh fruit, yogurt, cheese, etc.

Friedrich also customizes machines and offers customers credit card acceptance. “Added value is always part of our approach,” he said.

For Mike Bunt, general manager of corporate marketing equipment at Buffalo Rock Co. in Birmingham, Ala., bill recyclers often make more sense for adding value to vending machines than cashless. Added value, for him, isn’t so much about snacks and service as it is about making his products easy for the consumer to purchase.

“By adding \$5, \$10 or even \$20 acceptance on venders, as well as

credit/debit acceptance in certain situations, it’s just another added value,” he said. Because of the processing and connectivity fees of cashless, he feels they only make sense in about 10 percent of accounts, where bill recyclers make sense in 50 to 70 percent of locations. Bunt has even removed bill changers and replaced them with recyclers. He argues the \$300 in change that would be needed to keep the bill changer filled buys a lot of recyclers. “I’m a firm believer in recyclers,” he said. And as for end users, they see the value because they prefer to get bills back instead of pockets full of quarters.

Technology wows locations

Alan Drazen, vice president of Midlantic Vending in Moorestown, N.J., uses cashless, and even telemetry as added value for many accounts. “We started cashless five or six years ago. Now, 300 of our machines are cashless,” he said. “They take credit cards, Google Wallet, etc.” He believes a good payment system gives his business an edge, especially because the bulk of his business is in public venues. And it allows him to charge a higher price point.

More recently, the company began using remote machine monitoring (RMM), which is another thing that impresses his clients. “We’re able to monitor that our machines are filled and functioning at a high level,” he said. Drazen believes his clients and end users really value the investment his company makes in technology, and it gains him business.

As for products, Drazen offers branded products, and even branded machines, as added value to accounts as well.

Scott Meskin, president, Black Tie Services, in Baltimore, Md.,

also uses technology as added value. RMM allows him to know what customers want before he gets to the location as well as lets him merchandise based on what customers are eating. "It's added value because customers get the product mix they (really) want," he said. He also appreciates being able to prove a product is a great seller to a location with the help of technology. Additionally, RMM has allowed him to be proactive with his service calls. It alerts him to a problem before the customer even knows about it, such as a dropping temperature or a machine that hasn't taken a bill/coin in over an hour.

All his service vehicles have GPS, and Meskin considers that added value when it comes to service calls. Calls were, historically,

handled in the order in which they came in, but now the Black Tie Service dispatcher can see the location of each technician in relation to the location needing service. "Software is helping us route those service technicians to the right location," said Meskin. "We now handle most service calls within an hour."

SCMMs meet environmental concerns

His other big added value option, SCMMs, offer customers not just more variety of products and payment options, but Meskin believes they are more "green" than a traditional vending bank. He admits he hasn't done the math, but the size of the compressors, almost half compared to a vending machine, leads Meskin to believe they have a smaller carbon footprint. Plus,

he doesn't get asked about price as much with SCMMs. He's put in 10 so far, and not one customer has asked him how much he's going to charge for candy.

"They feel it's such an added value, they don't care what you're charging," he said. He finds that's not the case when he's prospecting a vending account.

Adding value is a win-win. It provides the location with service it can't get elsewhere, whether it's efficient payment options, variety in products on site, occasional free coffee or more reliable equipment. It provides the operator with the ability to charge more, leverage the contract for his/her benefit or simply win or keep an account. Even small, outside the norm options can help an operator take advantage of this sales tool. | ◀



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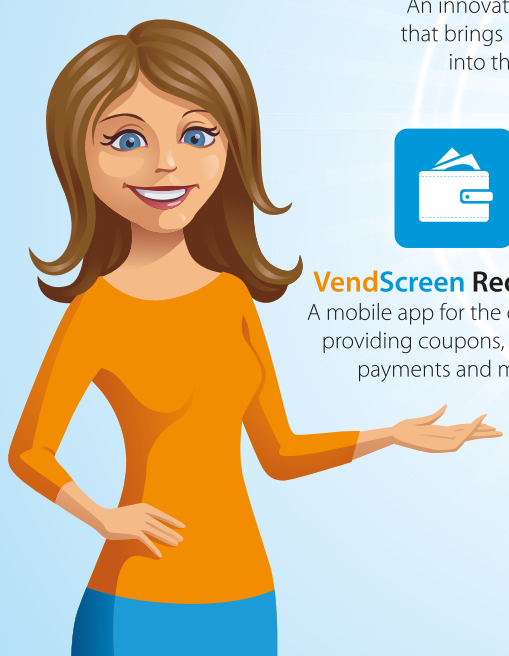
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'V-Engineering': A roadmap to progress for vending

By Michael Kasavana, Contributing Editor

How technology will bring vending into the 21st Century, using digital media, Internet connectivity and other tools to dynamically engage the consumer.

There have been many prognostications of what technologies are most likely to gain traction in the vending industry in the next few years. While the exact impact of specific technologies is debatable, the following "V-Engineering" technology roadmap is intended to provide insight into advancements most likely to transform the vending industry.

While auto-retailing, mobile payments, remote management, cloud computing and digital signage are likely to lead the way, social, local, and mobile (SO-LO-MO) marketing will trail closely behind.

When faced with a challenging market, vending operators seek solutions that are cost-effective, logical, and lead to profitability while advancing the image of the industry. Can technology be relied on to be the leading accelerant to make this happen?

Will more efficient automation applications be well received? Is innovative technology cost-effective? The answer to these and related questions may lie in an emerging collection of diverse developments classified herein as "V-Engineering."

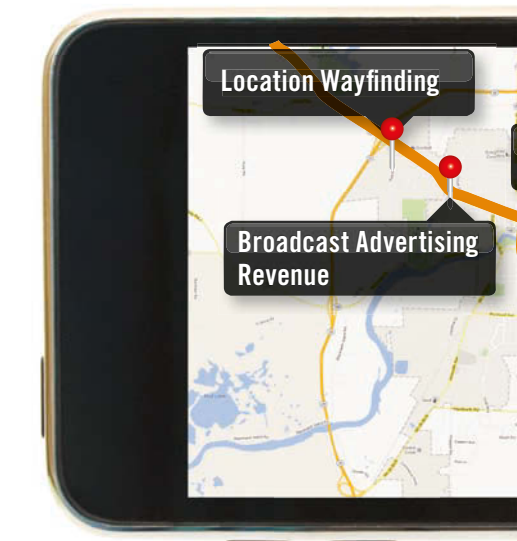
The thrust of V-Engineering is the advancement of technologies

designed to enhance the vending consumer experience while streamlining the planning, operations, management, and controls necessary for a successful business. Many of the developments contained in this article are forthcoming in the near term, and all are expected to be significant game changers within the next 18 to 24 months.

V-Engineering emerges

Interest in creating enhanced user interactivity at the point of purchase coupled with the availability of emerging payment options, as well as interest in product nutritional/ingredient disclosure information, provide a powerful basis for redefining the vending experience. The term V-engineering represents a conglomeration of several advancements currently under active development by technology suppliers and industry practitioners.

The application of roadmap strategies such as auto-retailing, digital media, cloud computing, remote management, location-based services, mobile payments, QR codes, user analytics, and dynamic servicing are expected to



create a tsunami-like impact on the vending industry.

Retailing leads vending

For some time now, industry practitioners have been cognizant of the fact that a significant aspect restricting profitability in the vending channel is its failure to parallel retail transactions. This difference represents a major obstacle to industry advancement given that the vending experience works contrary to other transactions.

In a retail transaction, the consumer selects products first and pays for the products second. In a vending interchange, this sequence is reversed as the consumer first establishes credit through coin, currency, or electronic authorization, then makes an item selection.

If the vending experience more closely paralleled retail experiences, would this provide a basis for improved sales and profitability?

As the placement of video

Once the consumer has finalized the desired set of items in the cart, payment options are presented (cash, card brand, or other media) and the chosen items are purchased and dispensed.

What effects



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screens appear on vending machines, there is an opportunity to present a shopping cart graphic and depict product icons being placed into the cart as the consumer makes product selections for eventual payment.

For example, the consumer might select products A1, B5, and C2 and watch as iconic representations of each product are placed into a shopping cart (similar to the depiction when a computer file is copied from one location to another in MS Windows). Should the consumer change his/her mind and cancel the transaction or remove any item, these functions would process the change identically to actions used in an online shopping basket.

will this reversal of the vending sales process have on industry progress? Here are a few considerations:

- **More items sold** – When the consumer is not constrained by a deposit or pre-authorization, there is a tendency to spend more than otherwise would be committed resulting in more items being sold per machine.
- **Multiple product purchases** – Since the consumer is not constrained by a prepayment in advance of item selection, there is an opportunity to make numerous purchase selections without having to initiate additional transactions.
- **Higher average sales** – Multiple product sales will result in higher average transaction amounts which will simplify machine audits and greatly reduce transaction costs for both cash handling and electronic processing fees.
- **Bundled promotions** – The ability to engage the consumer in multiple product purchasing provides a foundation for promotional opportunities not otherwise available; for example, offering the consumer purchasing a cold beverage the option of receiving 15 cents off the price of a snack food item if purchased together.
- **More payment options** – With payment following selection, the vending operator is able to offer more settlement choices without requiring pre-authorization or risk of exposure to mis-authorization charges based on purchase selection (e.g., cash, credit/debit card, gift/prepaid card, mobile payment, PayPal, Google Checkout, etc.).
- **Replenishment cycling** – Higher sales may lead to more frequent replenishment but will enhance product freshness while

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V-Engineering concept overview

BUSINESS BASIS

The movement of vending transactions from a basic form of (backward) commerce to the implementation of ecommerce is being transformed through customer-to-operator interactivity known as “we-commerce.” “We-commerce” is an innovative business model in which the end-user (consumer) and service provider (vending operator) engage in a working relationship (promotions, rewards, geo-location, etc.), including customer relationship management (CRM).

USER INTERFACE

The consumer experience at a vending machine has long involved the use of a glassfront or solid static media. The advent and application of screens from a few inches to a couple of feet will soon evolve into innovative transparent displays that enable the facing to be a translucent touchscreen (both transparent and opaque), depending on the positioning of the consumer. The consumer is able to see the products in the machine while digital content simultaneously appears on the machine front panel.

PROMOTIONS

The movement from cling-ons to digital signage represents a major upgrading in a user interface historically built on static promotions. As digital signage gains traction in the vending industry, the next step will be to identify the physical attributes of the consumer and to promote those items considered most appealing based on gender, age, location, and day part.

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improving productivity as more products will be handled each machine visit, thereby lowering the cost per product replenishment expense.

- **Data mining** – Having more and better information about products with complementary sale potential (i.e., identification of which products sell well together) ensures machine menus have optimal sales mix derived from an analysis of multiple product purchases and/or bundled purchase promotions.

Altering the retail sequence in vending to closely parallel traditional retail shopping will contribute to additional advancements by providing a pathway for changing the consumer’s vending experience.

Digital media evolves

An increased level of interactivity between the consumer and digital media in most retail environments has been proven to effectively increase traffic, sales, profits and loyalty. The recent implementations of video screens and digital signage have been proven to positively impact customer purchase behavior at the point of sale (POS).

Digital signage is typically defined as high definition content containing text, graphic, and video components. As a result of advancement in video distribution and display technologies, digital signage is becoming a point of emphasis for self-service providers, including vending operators.

The fact that a video presentation screen can also serve as a touchscreen input device makes applications even more relevant by providing a platform for promotional upselling to an already engaged customer. The real opportunity for the vending channel may lie in the fact that this roadmap element has the potential for merchandising products in the machine

as well as revenue sharing from saleable advertising spots.

Digital media, expected to become an integral part of the vending landscape, is currently available from machine manufacturers and industry technology suppliers for new machines as well as retrofitable for older models. Screens can range from single-line LED display to a medium-sized LCD screen to a large touchscreen design.

Despite the richness of data that can be displayed and captured by an LCD unit, it likely will be the paid advertising model, implemented so successfully at other retail locations (e.g., post offices, gas stations, and quick service eateries) that will serve as an adoption motivator for the vending industry.

The fact is incremental revenue, derived from digital broadcasting, can make a significant contribution to profitability. A second motivator is likely to be in response to impending government regulations mandating the disclosure of nutrient and ingredient product information.

Digital user interface

Similar to the objectives of other forms of media campaigns, vending machine-based digital programming should strive for three goals: 1) influencing a POS purchase decision (promotional), 2) extending brand image (informational), and 3) enhancing the customer experience (entertainment). From an operational perspective, digital media is very appealing as it enables instant updating of product availability, pricing, descriptors, add-ons, modifiers, nutritional and ingredient information, as well as upselling opportunities (bundling and coupling).

Vending operators can use digital media in an attempt to increase revenues while enhancing the consumer experience by deliver-

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V-Engineering concept overview (continued)

MEDIA SIGNAGE

The placement of static media that quickly is taken for granted gives way to dynamic signage including video and audio information and promotions. As high definition digital signage becomes more popular, protocols related to digital signage content management will likely become standardized. The frequency of digital displays, both machine mounted and wall mounted, are expected to be a source of incremental advertising revenue.

PRODUCT INFORMATION

Filling machines based on a planogram did not adequately address the needs of specific market segments and thereby gave way to category management (modeled after other retail formats). Impending government guidelines mandating the presentation of accurate ingredient and nutrient data requires that available products be properly identified and associated with correct product information; the focal point of product recognition software.

PRODUCT SELECTION

The traditional user interface that involves product selection through button to column location is being replaced by a video touchpad that allows for product information display as well as product selection. Adjustment in the auto-retailing model will position a shopping cart on a video screen enabling shopping first with payment to follow (multiple products; single payment). The implementation of search engine mechanisms and filters that contribute to limiting acceptable product choices will promote consumer satisfaction. Formatting will evolve to also include targeted promotions, flash sales and dynamic couponing.

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ing targeted messages where and when they seem to matter most; at the point of purchase. Traffic volume and sales data by time of day (often referred to as day parts) are basic elements used to evaluate media success. Generally, there are three techniques used to determine the impact of digital media on point-of-purchase behavior. These factors being:

Sales correlation

Intelligent marketing refers to providing the consumer relevant messaging at the point of purchase based on an analysis of personal profile and day part. Matching POS transaction data to digital content will generate a correlation index between sales and product-specific messaging. Different messages will likely have varying impact on purchase decisions, and understanding how unique broadcast content influences consumers from various demographics can be important to menu engineering.

Event-based couponing

Vending machine messaging that promotes a specific product or combination of products may also generate a discount coupon, or “e-coupon,” to further influence purchase decisions. Media experts claim that this form of promotion conditions the customer to pay attention to broadcast content as there may be a promotion or other benefit to be gained. Digital signage can present vending an unparalleled sales opportunity, especially in conjunction with the use of QR codes and dynamic mobile marketing campaigns.

Net impression tracking

An evaluation of the consumer’s ability to recall the content of a digital display is termed net impression tracking. When a mes-

sage is broadcast, an impression is created. Measuring the consumer’s strength of recall can be used to evaluate this relationship. This is often a difficult metric to compute but can be very meaningful in terms of next step strategies.

Often, practitioners report that short messages (as short as 10 seconds) may have a higher recall rate than a longer promotional piece. Additionally, the longer the messaging at a vending machine, the more likely there will be a service slow down.

Digital signage can have a positive impact on vending as it increases the range of information available to consumers at the point of purchase. Some important performance metrics for digital signage in vending include: 1) revenue lift resulting from product promotion, 2) purchase transaction time, 3) index of customer satisfaction, and 4) increased number of customers using the vending machine.

Digital media represents a powerful tool for location specific promotions as content can be remotely managed in real time and compressed for rapid transmission. Vending operators are able to place digital screens in a bezel or slot mount on the front of a vending machine as well as to a machine side panel or away from the machine on a wall bracket.

Streaming video technology, in combination with Internet connectivity, presents a vending operator with the capability to create a powerful network for video advertising, news alerts, and product promotion. As new content is available, it can be automatically downloaded from a remote location to vending machine supported screens for immediate implementation.

In essence, the placement of digital signage can effectively transform

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V-Engineering concept overview (continued)

PRODUCT OFFERINGS

While often the products available for sale are the result of the preferences of the route driver, societal pressures have helped promote a healthier product offering throughout the vending industry. The next phase is likely to include findings based on analytics aimed at profiling offerings to a target audience based on an array of criteria.

OPERATIONAL PLATFORM

Since the late 1980s, the industry has measured vending performance and security on a DEX standard. As applications become more streamlined and sophisticated, there is consideration of alternative operating platforms that are less proprietary and rigid. Moving forward, the implementation of open architecture formatting will drive development.

MACHINE MANAGEMENT

Placing vending machines online provides the basis for improvements in productivity and profitability. The transitioning from a handheld device, to remote machine monitoring, to cloud-based computing is perhaps providing the most significant changes.

PRODUCT REPLENISHMENT

The use of fixed machine visitation scheduling has begun to yield to dynamic scheduling based on machine notification of the need for a service call, product replenishment, or emergency alarm condition. The next level of development includes self-diagnostics leading to automatic repairs and remote corrective actions.

MACHINE LOCATOR

Knowing where an operator's field placed assets reside is important, but what may be more important is informing or directing consumers to the machine to make a purchase decision. A machine locator application for the smart phone is expected to help drive traffic and sales.

EXPANDED PAYMENT OPTIONS

Transforming the vending retail experience to mirror traditional retailing will contribute to an expanded level of payments from cash, currency, and electronic transactions to mobile payments via cellular and cloud-based computing. Mobile payments provide multiple features associated with e-wallets (payments, coupons, rewards, incentives, etc.).

a vending machine into a large-scale video terminal equipped to promote on-site merchandising while providing a source for product ingredient and nutrient disclosure along with incremental revenue from advertising.

Digital supports wayfinding

The use of signage to direct people in an unfamiliar area is termed wayfinding. The advent of digital signage adds a new dimension to wayfinding by enabling visual presentation of maps and schedules.

New, data-driven, wayfinding systems operate dynamically to determine the best route based on current conditions. This concept of "smart" wayfinding is expected to change how wayfinding is deployed and managed in all industries, including the vending industry.

For example, a smart phone application may identify the nearest vending machine, and category of products sold, to an inquiring consumer. Or a high definition audio-

video presentation can be used to capture consumer attention and thereby drive traffic to the machine. Once in proximity to the machine, the display can promote products sold through the machine (targeting specific items for promotion based on consumer and time of day).

Nutrient and ingredient data can be presented for any item or the buyer may be able to use an on-board search engine or component filter to identify qualifying (e.g., low calorie) items for purchase. In addition to item promotion and sales, incremental revenue may result from advertisements and event promotions appearing on the machine supported digital screens.

Product recognition concerns

The need to display product nutrient and ingredient data has started taking on significant importance in the vending industry. Government regulations designed to assist consumers in making more informed

product choices will soon be mandated, requiring vending operators to provide accurate item information. How can a vending operator have confidence the data provided will match the identification of each product in each facing?

These concerns can be addressed and resolved through product recognition technology to specifically determine the content of each product in each spiral in real time.

A future article will examine cloud computing, remote monitoring, hosted systems, mobile payments and location based services. | ◀



ABOUT THE AUTHOR

Michael Kasavana, Ph.D., is the NAMA endowed professor in hospitality management at Michigan State University in East Lansing, Mich. He has been researching vending technology for several years.

Lansing, Mich. He has been researching vending technology for several years.

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The VUWI cashless device has an LED light that draws customers' attention.

Vending for entrepreneurs

By Elliot Maras, Editor

Gator Vending wins big accounts in Orlando, Fla. with personal service and a willingness to try new technology.

What's a former national hotel executive doing in the rough-and-tumble, work-a-day vending business in Orlando, Fla.?

Gary Arwin is leveraging the skills he acquired in nearly two decades of business management in the hospitality industry to provide a good living for himself. He enjoys the challenge of sales, he is fascinated by technology, and he likes the one-on-one contact he has with his customers. He particularly appreciates the chance to be the master of his own future, something the vending industry gives him.

"I like that aspect of it," Arwin said. "Basically, you control your own destiny."

As the vending industry changes, newcomers like Arwin are finding ways to get ahead in the business that

Gary Arwin claims the Coin Free VUWI cashless system has been popular with customers.



ng makes great new career neur who loves technology

weren't available several years ago. Vending technology and mobile broadband tools have evolved, creating new ways for operators to provide good service.

Astute newcomers like Arwin, who bought a small operation six years ago, have been able to take advantage of new tools. But they also learn, as their predecessors did long ago, that there are no short cuts to success in vending. Operators have to provide good service to succeed, and to do this, they must be willing to listen to customers carefully and respond to issues at the drop of a hat.

Arwin's company, Gator Vending, a 2-route operation serving the greater Orlando area, has grown steadily in the time Arwin has owned it. He has learned from his mistakes, and his commitment to good service has yielded some large customers, including some airlines and national name retailers.

With two full time employees, Arwin wears many hats as owner/manager, which makes for long work days. But as owner/manager, he has been able to provide the type of attentive service that some of the area's most demanding customers have not been able to find from larger vending operators.

Arwin, the son of a Yellow Pages advertising salesman and a teacher, always wanted to own his



Driver James Amatuccio fills a cold drink machine. Gator Vending owns all of its cold drink machines to be able to offer a larger variety of product.

own business. A good student all his life, he applied himself to business studies in college. He never imagined he would some day be in the vending business.

Growing up in Syracuse, N.Y., Arwin was enamored with luxury hotels. He studied hospitality management at Bryant University in Smithfield, R.I., and spent 12 years as a controller and general manager for a hotel chain.

He liked the hotel business, but as his children got older, he didn't like getting transferred to different cities every few years. He wanted his kids to have the experience of growing up in one place, as he himself did.

Having never lost his desire to have his own business, when the opportunity presented itself, Arwin teamed up with some partners in a hotel supply/renovations company in Orlando.

The company grew, but early on, problems emerged among the partners. Within seven years, the business folded. Arwin, convinced it was time to be a sole business owner, contacted a business broker in Orlando. The broker showed him various businesses for sale, including a vending company with 68 soda and snack machines in Titusville, Fla., near Orlando.

Arwin met with the owner of the company, R.J. Vending, visited some of the locations, and decided to buy the company. To Arwin, vending seemed to be a "cut and dry" type of business, one that provided a tangible value to the customer. Vending struck him as a business tailor made to a person like himself with a good work ethic who enjoys customer service. In retrospect, he admits he had little idea how complex and demanding the vending business is.

Learning from the ground up

In addition to the stops, the company came with an employee and a delivery van. Arwin opted to service the locations himself for six months

CONTINUED ►

to learn the business from the ground up.

Arwin's hospitality background had instilled in him some strong marketing skills. One thing he realized right away was that the company needed a better name.

He enlisted his wife and children in this effort. His brother went to the University of Florida, home of the Gators. The alligator signified strength. Hence, the name "Gator Vending" won out. But alligators are also mean. So he reasoned he needed a friendly alligator. He hired a professional designer to come up with a cartoon image of an alligator holding a beverage and a snack. "We wanted to be known as a fun company and a professional company," Arwin said.

The Gator logo adorns his shirt, his Website, his truck and all marketing material.

Being aware of the importance of the Internet, Arwin launched a Website almost immediately.

After six months, he decided it was time to hire a driver so he could focus on finding new accounts. He ran an ad on Craigslist, an Internet Website, and interviewed dozens of applicants before deciding to hire someone. That person quit after three weeks due to the physical strain of the job.

His second hiring attempt was more fortuitous. Arwin came across James Amatuccio, a former vending driver who had left the business but wanted to come back. Amatuccio proved a reliable employee and remains Arwin's right hand man.

Arwin realized he could grow faster by using bottler loaned cold beverage machines. But he quickly learned that customer preferences vary, and bottler machines limited his product choices. The cold beverage

Gary Arwin fixes a coil on a snack machine.



Arwin wears many hats at Gator Vending, taking a service call in the afternoon.

market was becoming more diverse all the time, so he opted to own all his beverage venders. In retrospect, this has proven a good decision, as his beverage sales continue to increase.

Reliance on refurbished machines

He also learned that buying refurbished machines was more economical than buying new ones. Hence, he made it a practice of buying refurbished machines. He has made it a practice of paying for equipment with cash or using equipment manufacturer short-term financing. He looks to recover his equipment outlays in one to one and a half years.

Six months after buying that first route, Arwin was able to purchase a location with 30 machines in various employee areas at the Orlando airport from a business broker. This became his second route, necessitating the purchase of a new delivery truck and hiring a second driver.

The airport location grew over a period of a few months. However, the airport management eventually required that vending deliveries be accompanied by a security employee. This has been an inconvenience. It made Arwin realize that being in vending, he needs to

be prepared for unforeseen developments.

Arwin bought some locations from a locator associated with an equipment manufacturer, but quickly decided this was not a financially smart way to grow.

As a rule of thumb, he began seeking accounts with at least 75 people, making exceptions for locations with multiple shifts or close to an existing location. He has not pursued school accounts, largely because of the strict nutrition rules.

He works out of a 1,600-square-foot warehouse in an industrial park. He does all product ordering himself, as well as most of the equipment deliveries and repairs.

Arwin didn't pick the best time to get into the vending business in Florida. The recession that hit in 2008 was especially brutal to Florida, which relies heavily on tourism. Nevertheless, he learned there is always room for an aggressive service provider committed to good service.

"The big guys can't provide the same personal service that I can offer," Arwin said.

Key sales tool: a good Website

He realized in his first year he was getting a lot of service inquiries from his Website. He reasoned that if he had a better Website, he would get even more inquiries. He hired a professional Website designer who also offered some help with search engine optimization. This proved a smart investment as the inquiries increased.

An important feature on the Website is the information request form which allows him to qualify the leads. Most of the two to three leads he gets per week do not result in sales, but he has gained some of his best accounts from the Website.

One of Arwin's most discouraging experiences was finding that some customers are willing to work with vending operators who don't have liability insurance and don't pay sales tax. He said some business owners understand he needs to cover these costs, but some don't care and only want the lowest possible prices.

"You can't sell a candy bar for 60 cents and make money," he said.

Customer needs drive business

Arwin was aware that vending technology was evolving, but he realized the technology was expensive. He wasn't looking to offer cashless readers when he got a call from an account with 100 employees who asked him if he could provide credit card readers.

The account also wanted OCS and point-of-use water coolers, two things Arwin was not offering at the time. He decided it was time to learn about all three of these areas. He told the account he was interested in providing all of these services.

The account had also met with some larger vending companies, but Arwin offered something unique; the owner's (his) cell phone number. Hence, he won the account.

Arwin installed USA Technologies readers, along with \$5 bill acceptance and dollar coin payout, on the snack and beverage machines. This was his first exposure to cashless, and he was pleased with the results.

He wasn't sure there wasn't some cannibalization of cash sales, but one thing he noticed for sure was the higher priced items sold better than in accounts that didn't have cashless readers.

Little did he know at the time that the account was about to increase its staff sevenfold. Arwin now has vending banks on four floors for this company.

The positive results with the cashless reader encouraged Arwin to offer cashless to more customers. Since he installed cashless, he has increased his higher ticket offerings in his machines, such as \$2.50 energy drinks. Most of his glassfront beverage machines now have a full row of energy drinks.

New cashless concept emerges

In the meantime, a local technology company developed a cashless vending product using Bluetooth technology and was searching for vending operators to test its new concept. Arwin's USI distributor, Sunstate Vending Equipment Co. in Apopka, Fla., referred the company, Coin Free Inc., based in Winter Park, Fla. to Arwin. Coin Free designs and distributes devices to support the acceptance of credit, debit and loyalty cards.

Coin Free developed a Bluetooth/wi-fi reader that communicates payment authorization through both serial (multi-drop bus machines) and electromechanical (older machines) systems. Customers can make purchases by downloading an app to their mobile phone, select from a list of products and prices on their phone, authorize the purchase on their phone, then make their selection from the vending machine.

The screen that appears on the phone gives a list of generic product categories, i.e., chips, and a price point. Once the customer has selected the category and the price, the credit or debit authorization is communicated to the Bluetooth modem on the machine. The customer then selects the specific product on the machine keypad. If the customer selects a product priced lower than the authorized amount, their account is credited the difference. If they select a product priced above the authorized value, the sale is denied.

The mobile phone needs to be within 30 feet of the modem to activate a cashless purchase. The device sits on the front of the machine above the keypad. The circuits inside the device connect to the

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machine's MDB or, in the case of an electromechanical machine, to the vending machine controller. Arwin has the device on both MDB and electromechanical machines.

The cashless vending product, called the virtual universal wireless interface (VUWI®), can handle up to seven separate credit/debit or loyalty cards.

The last item on the screen is the entry of a personal identification number to be associated with a credit/debit or loyalty card. When activated for a given card, each time a purchase is made using that card, the system sends an email with details of that purchase to the given email address.

All VUWI data is stored on the Coin Free PCI-DSS (Payment Card Industry Data Security Standard) compliant server, not in the customer's phone. This way, the information is secure, should the customer misplace their phone.

There is no swiping the VUWI device on or near the machine. Hence, the device does not need to meet government reach requirements like controls on the machine.

The front of the device has a Bluetooth adapter. There is a label on the front of the adapter that says "Use your cell phone to make a purchase. No cash. No card. No problem." A flashing LED light draws attention to the VUWI.

Arwin has placed VUWIs in three of his accounts, including an Apple store with 200 employees. He claims the response has been very positive.

The VUWI, while still in beta test, has some advantages over other cashless systems, Arwin noted. The hardware is less expensive. Coin Free charges him \$5 per month for each device. The transaction cost to the merchant is also less than other cashless readers. The processing fee can be as low as 3.5 percent.

Operation Profile: Gator Vending

Location: Orlando, Fla.

Owner: Gary Arwin

Owned by Present Owner: 6 Years

Number of Routes: 2

Number of Employees: 3 (Including owner)

Equipment manufacturers: U-Select-It Corp., Crane Merchandising Systems

Cashless System Providers: USA Technologies Inc., Coin Free Inc.

Annual Sales: Not revealed

Coin Free also offers prepaid purchases with VUWI, which is intended for captive accounts. The company is already offering a 1 percent loyalty reward for downloading the VUWI app. Other loyalty rewards are being developed.

When a vending location customer joins the VUWI loyalty program, they are asked to put a minimum \$10 balance on their VUWI account, noted Matt Brady, vice president of marketing for Coin Free. This balance can then be used in the vending machines with VUWI readers or other VUWI compatible sites at gas stations, restaurants and retailers. This is the same concept being used by the emerging micro market industry, where a prepaid balance is established for purchases at the market so that there is not an individual payment being made for each item being purchased at the market.

This method increases the transaction amount for a single payment which then reduces the percentage of the merchant fee paid by the vending operator, Brady said.

At the Apple store Arwin services, 62 employees downloaded the VUWI app, even before any marketing was done to the employees.

Future improvements planned

Arwin uses QuickBooks for accounting. He realizes he will need a stronger accounting system as he grows. He has an associate working on a system.

He also wants to get a better handle on how well products sell. He has always believed that greater variety yields higher sales, but he realizes the large variety he carries has high inventory costs.

Arwin also realizes his static route deliveries are not cost efficient compared to other delivery systems vending operators are currently using. In order to better optimize his deliveries, he will need more accurate sales tracking than he has with manual accounting.

Future promising

Arwin is optimistic about his future. He realizes that more and more customers are comfortable making vending purchases with cashless readers and mobile phones. The more cashless purchases customers make, the more higher ticket sales, he noted.

He also sees a lot of growth for his 1-year-old OCS/water service division. He is presently exploring a liquid coffee.

Arwin's immediate goal is to find another route driver to free him up to concentrate on selling. His goal is to grow from his current two routes to four or five routes with around 500 machines. At this size, he thinks he will be able to maintain personal contact with customers and generate enough sales to yield a better profit margin.

As new products and technologies evolve, he thinks the business will be exciting for years to come. | ◀



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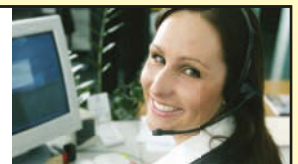
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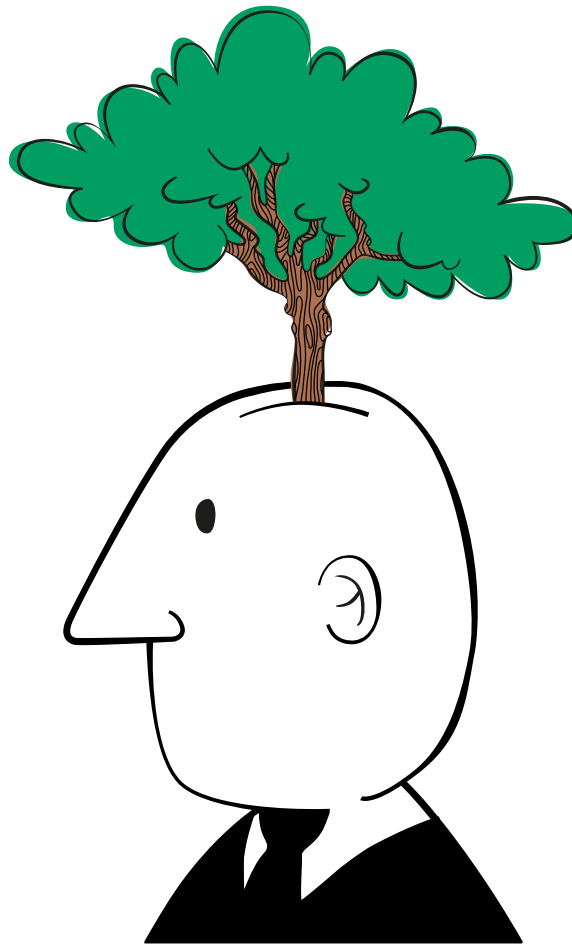
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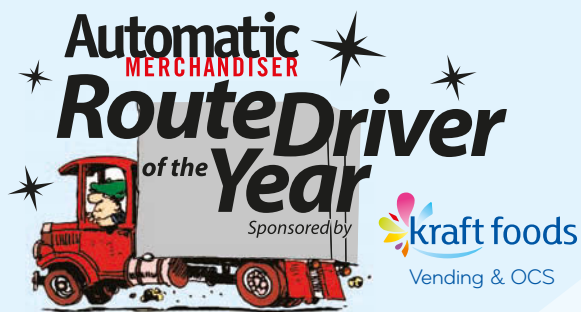


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2011

2011 WINNER

Steve Jenkins, Midlantic Vending, Moorestown, N.J.

By Emily Refermat, Managing Editor

Dedicated to customer service, the 8th annual route driver of the year winner also boasts a 'can-do' attitude when it comes to implementing technology.

STEVE JENKINS is the kind of route driver operators want to have if they hope to use new technology.

Jenkins, the 2011 Route Driver of the Year, sponsored by Kraft Vending & OCS, stands out from the crowd for his positive attitude, dedication to excellence on the route and leadership qualities.

He was chosen from other 2011 quarterly finalist who were nominated online. The selections were based on comments and a numerical score in areas such as: years as a driver, number of machines serviced, miles trav-

eled, accidents, truck/machine condition, and sales.

A calling for vending

Jenkins dreamed of a vending career while working for UPS. When an opening became available at Midlantic Vending, Jenkins jumped at the chance and has been a route driver at the company for six years.

"I work with a great bunch of guys, so that makes it easy to go to work," said Jenkins. He loves making his customers happy too, with clean, well stocked vending equipment. "I'm sort of OCD (obsessive, compulsive disorder)," said Jenkins, "so everything I do has to be perfect in my eyes or I can't walk away from it."

Jenkins has noticed the industry changing during his time in the business. When he started, there weren't any credit card readers on the machines he serviced. By 2011, at least half of the machines had them. He's also seen bill recyclers installed. "We're using them; it's a great thing," he said.

The selection of healthier foods has progressively grown as well, noted Jenkins, whether it's fat-free ice cream or organic products.

What's most outstanding about Jenkins is his desire to learn every facet of the industry. "I love the opportunity I've been given at Midlantic," he said. "It's the opportunity to learn the industry...that's exciting to me. You can never learn too much."

And his desire to learn hasn't gone unnoticed. When the company decided to install 1,000 remote machine monitoring units and 300 cashless units in three months, Jenkins stepped up to take an active role. He worked weekends and after his normal route duties to assist in installs and training others to do so.

"It has been a tremendous help to the company and most importantly has set a great leadership example to the rest of the staff," said Alan Drazen, vice president of Midlantic and the person who originally nominated Jenkins. "With little outside help this (was) a huge task."

Jenkins continues to shine as a route driver even after being recognized by both his company and *Automatic Merchandiser*. It's obvious he's self-motivated to be the best he can be, an asset to the company and the industry. | ◀



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