

# Automatic

## MERCHANDISER

The Vending & Coffee  
Service Industry Resource

March 2012

### SUCCESS STORY

# The Perfect Brew

McCormick Coffee in  
Erie, Pa. leverages its  
OCS assets to prosper  
in a recession

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### HIRE THE BEST

Unique challenges  
of hiring in a  
recession

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*"I see no stop  
to people  
loving coffee."  
- Anita  
Rose-Marcoline*

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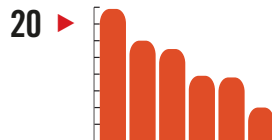
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▶ **U.S. EMPLOYMENT REPORT: Industry sector trends point to new market realities for vending.**  
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# OCS innovation doesn't end with K-Cups; On-demand cold drinks?

By Elliot Maras, Editor



**A** lot of exciting things are happening today, and it's not all happening on the vending side. There is just as much innovation going on with application to OCS as there is for vending.

Hence, I'm troubled to hear so many OCS operators complain about K Cup prices. The single cup explosion is still in its early stages, and K Cups are only one part of a much bigger picture.

OCS introduced single cup to the coffee market, and the consumer segment of the market has caught on. You can't blame single cup

providers for wanting to get in on the bigger market. And as I've noted before, consumer awareness supports the at-work demand.

What many OCS operators are missing today is that technology doesn't stand still. Portion pack revolutionized OCS because it took quality and convenience to a new level. But it didn't end there. As product and equipment manufacturers got wind of

changing customer tastes, they went to work on new innovations.

Last month, VendingMarket-Watch reported that Walmart is introducing a single-serve system that utilizes "drop and drink" technology. The "drop and drink" system resembles systems used by some other brewers. The one Walmart is using is a liquid-based coffee, which has yet to prove itself.

**THERE'S** *too much opportunity on the horizon in refreshment services.*



But the system Walmart is using, the Esio Beverage System, expands beyond hot beverages and also offers cold beverages, such as teas, juices, sports drinks and water. All in one dispenser, with no cross contamination (presumably).

*Forbes* Magazine commented that Walmart's move could give Green Mountain Coffee Roasters Inc. a run for single-serve coffee market dominance.

This certainly remains to be seen. But what about the market for on-demand, cold beverages at work? That's a place OCS has largely been missing in action since the demise of the Coca-Cola BreakMate. This is inexplicable.

Does it make sense that the consumer products industry is ahead of the worksite refreshments industry with on-demand cold beverages? Can't the worksite sector learn from the at-home sector just as the at-home sector has adapted our industry's hot beverage technology? Stop worrying about K Cup prices. There's too much opportunity on the horizon in refreshment services. | ◀

Have you heard about SodaStream, the countertop home soda maker that lets you make sparkling water and soda from home?

**Are you aware of the market?**

Does it make sense that the consumer products industry is ahead of the worksite refreshments industry with on-demand cold beverages? Can't the worksite sector learn from the at-home sector just as the at-home sector has adapted our industry's hot beverage technology? Stop worrying about K Cup prices. There's too much opportunity on the horizon in refreshment services. | ◀

Stop worrying about K Cup prices. There's too much opportunity on the horizon in refreshment services. | ◀

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## Power packed opening event to launch OneShow April 25

**T**he National Automatic Merchandising Association (NAMA) OneShow will kick off Wednesday, April 25, 2012, beginning at 1 p.m., at the Venetian/Sands in Las Vegas with a power-packed opening event. NAMA's new chief executive, Carla Balakgie, FASAE, CAE, will describe her vision for the industry and NAMA. Balakgie will also address the future of the industry growth strategy, preview a new strategy for coffee members, review legislative priorities and initiatives, and share other plans for 2012.

Attendees will be treated to a performance by the world-renowned Blue Man Group and the 2012 NAMA Industry Awards will be presented to several exemplary individuals making a positive impact in their communities and the industry.



### Vending repair program to send students to NAMA OneShow

▶ The vending machine repair program in Philadelphia, Pa. will send students to the NAMA OneShow this year for the first time in 15 years, thanks to the financial support from the program's advisory committee members.

The advisory committee members have agreed to cover the expenses for the students' air fare, lodging, meals, and show costs so students can attend the OneShow.

The program thanks the following individuals for their support: Lynae Schleyer, **NAMA**; Mike Butler, **Automated Merchandising Systems**; Scott Wechsler, **Quality Express Coffee & Vending Service**; Zane Greenwald, **Betson Enterprises**,

Mike Carrigan, **Midlantic Vending**; Alan Simons, **RDS Vending**; Chuck Reed, **MEI**; Peter Whitney, **Crane Merchandising Systems**; Russ Guarino, **Philadelphia Coca-Cola**; Bud Burke, **ADS Distributors**; and Wayne Campbell, **Changer Services**.

### Obama: federal agencies must follow Randolph-Sheppard

▶ President Obama recently released a memorandum directing federal agencies that have property management responsibilities to ensure that agency officials, when pursuing the establishment of vending facilities (including cafeterias and military dining facilities) as defined in 20 U.S.C. 107e, issue permits and contracts in compliance with the Randolph-Sheppard

Program and consistent with existing regulations and law. The program mandates preference on government sites for blind operators.

### Kellogg to buy Pringles from P&G; Diamond Foods' deal dissolves

▶ **Kellogg Co.** has entered into an agreement to acquire **Procter & Gamble's** Pringles® business for \$2.695 bil-



lion. Procter & Gamble agreed to sell Pringles to Kellogg after plans to sell Pringles to **Diamond Foods Inc.** were jeopardized after Diamond Foods replaced its CEO and CFO following an internal audit.

The companies expect to complete the transaction in

the summer of 2012, pending regulatory approvals.

Kellogg will benefit from the collective expertise of more than 1,700 Pringles employees.

### Cantaloupe teams with Unified Strategies Group

**Cantaloupe Systems** entered into a partnership with **Unified Strategies Group** (USG) to offer USG's buying consortium of more than 700 vending operators Seed Telemetry, Seed Pro, and Seed Cashless solutions.

Cantaloupe Systems offers a variety of choices for vending operators — from basic telemetry to advanced payment options such as Google Wallet. Cantaloupe Systems is working with USG to offer its members a fully integrated platform that reduces the overall investment needed for telemetry, cashless and advanced vending management systems. Using the Web-based remote machine-monitoring-and-reporting features of Seed vending technology, operators can reduce investment and simplify the implementation process.



### AdvancePierreFoods partners with Johnsonville Sausage

▶ **AdvancePierre Foods** and **Johnsonville Sausage** have formed a strategic alliance, leveraging AdvancePierre Foods' foodservice organization and distribution system to deliver Johnsonville Sausage to foodservice customers across the U.S. The partnership will make AdvancePierre Foods the exclusive foodservice distributor of Johnsonville Sausage.



## USAT introduces 2-tier vend pricing for cash and cashless

▶ **USA Technologies Inc.** recently introduced a two-tier pricing program that gives vending operators the ability to charge two different vend prices in vending machines: one price for credit/debit cards and one lower, or “discounted” price for cash.



## Betson renews pacts with ASI and CES

▶ **Betson Enterprises**, the distributor of coin operated amusement and vending equipment, coffee solutions, coin operated parts, and service, has renewed its strategic marketing and sales agreement with **Automated Services International**

(ASI) and **Choice Equipment Sales (CES)**, distributors of used and reconditioned vending machines. Betson, ASI, & CES entered into the original agreement in September 2010, with Betson having sole marketing rights for used and reconditioned vending machines in New York, New England, New Jersey, Pennsylvania, Delaware, Maryland, and the District of Columbia.



## U-Select-It names Game Exchange as distribution partner

▶ **U-Select-It** named **The Game Exchange of Colorado** as its new distribution partner for territories including Colorado, western Nebraska, Wyoming and New Mexico. The Game Exchange has a major market position in the Front Range of Colorado and employs a staff of 15, with sales in excess of \$3 million annually. Customers include operators of coin-operated devices in Colorado, Wyoming and New Mexico.

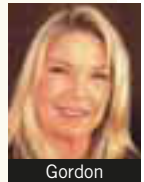
## People in the News

### Jack Martin exits Nestle, joins MADE

Jack Martin recently retired as national accounts manager from Nestle Beverage Co. after 30 years at the company and has joined MADE Drinks Company as business development director.

### USG hires First Class Vending's Jan Gordon

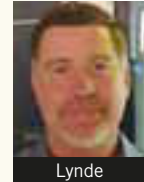
Jan Gordon has joined Unified Vending Management (UVM), a subsidiary of United Strategies Group (USG), the buying cooperative, as national accounts manager. She joins USG from First Class Vending, based in Los Angeles, Calif.



Gordon

### Mountain Coin tabs Bill Lynde

Mountain Coin Machine Distributors, based in Denver, Colo., named 30-year vending veteran Bill Lynde as vending sales manager for the western U.S.



Lynde

### NAMA names Sheree Edwards as regional legislative director

The National Automatic Merchandising Association (NAMA) named Sheree Edwards regional legislative director. She was managing attorney of government affairs at the Asian American Hotel Owners Association and also worked at several law firms and the Detroit City Council as a public policy analyst.

### VEGS tabs Green Mountain's Turgelsky

Dave Turgelsky recently joined VE Global Solutions, Inc. as Northeast regional sales manager. He comes from Green Mountain Coffee Roasters Inc.

## CALENDAR OF EVENTS

### MARCH 14

**New York State Vending Association Annual Meeting**  
Century House Restaurant and Hotel,  
Latham, N.Y.  
Phone: 571-346-1901  
Email: pgilbert@vending.org

### MARCH 14-16

**National Bulk Vendors Association Conference and Trade Show**  
Las Vegas Convention Center,  
Las Vegas, Nev.  
Phone: 480-302-5998  
Email: admin@nvba.org

### APRIL 25-27,

**National Automatic Merchandising Association OneShow**  
Venetian/Sands Resort,  
Las Vegas, Nev.  
Phone: 312-346-0370  
www.vending.org

### 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

### 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  
www.vending.org

# Recession brings unique

By Emily Refermat, Managing Editor

**With high unemployment, the hiring challenge is wading through stacks of resumes or sometimes the lack of 'just the right' candidate, but service providers are using varied solutions to hire the best. They keep employees with fair pay and the promise of more earning potential.**

**T**he recession has forced many vending and OCS operators to downsize. But whether from a shift in the services provided or a more stable economy with less unemployment, many operators have started hiring again. And with the hiring process comes the challenge of finding good, qualified people, sifting through overwhelming applicants and determining proper compensation. Many operators rely on word of mouth, while others are using employment agencies. And knowing what is

needed in an employee, besides basic requirements, is just as important as compensating them fairly.

## **Qualified employees still a challenge**

Finding good quality candidates strongly challenges small, family owned operations which need workers who are multi-talented and committed to the company, instead of just the paycheck.

Mark Legler, owner of V.E.N. Enterprises, a small honor box and vending operation in rural Indiana,

finds it staggering how few people in his area have a good driving record, good attendance record or who can be trusted with a lot of cash.

"We can teach everything else they need to know, but if they don't have these qualities, they are probably not the right person for what we want to do," said Legler. Rather than put an ad in the paper or online and sift through applicants, Legler looks in his community for those who meet the requirements. If he can't hire the right candidate, then he won't hire anyone.

"The people we have now enjoy the relative freedom of working by themselves, traveling around the area, and interacting with people," said Legler.

***Operators share how to find that perfect employee in a sea of candidates***



# hiring challenges

He finds if the job doesn't fit the employee, the pay doesn't matter. He pays a straight hourly wage because he asks his employees to do many jobs from repairing/moving machines to selling new accounts.

Marni Frank, co-founder of Community Refreshments, Tampa, Fla., doesn't find high unemployment rates making good, qualified employees easier to come by, even in densely populated Florida. "There are very few people with the mentality to grow with us," she said. Being a small OCS provider, having dedicated employees is a must.

For Frank, the skills that are more important now than ever are the ability to upsell an account and be knowledgeable about service. She'd like a driver who can notice a location buying coffee cups from a savings club, for instance, and then communicate to them that Community Refreshments could supply those instead.

Frank pays drivers bonuses on top of their salaries for upselling an account or finding a new account. Her sales force is split, some receiving a similar bonus package and some getting a commission for maintaining

the relationship, although this is often viewed as the route driver's job.

## Hiring is the same, but tools differ

Randy Parks, owner and founder of ProStar Services, Inc. in Carrollton, Texas, thinks the economy has led to better candidates and less turnover, but not to an extreme.

"It's a work-a-day industry," he said, "so it's sometimes difficult to find folks with the right work ethic." He posts jobs online, on Craig's List, or hires employees from a temporary agency if he doesn't think the position will be permanent, such as for software projects.

"I used to use newspapers," said Parks, "but it seems folks we want to hire are all online."

## Outsourcing screening helps

Bob Yeomans, owner of Central Vending in Janesville, Wis., outsourced his recent hires of a full- and part-time route driver because it was easier and convenient.

"I think the pool of capable people is larger than it was," he said. "That's a good and bad thing."

Yeomans found when looking for an applicant on his own, he'd be flooded with resumes. "When you get thousands of applications to weed through, it's a challenge, if you're a small business owner," he said, "even 50 applications is a challenge."

Yeomans used the employment agency Manpower, in part because he didn't need the drivers

## Social media and economy change employee/employer landscape

Tom Siciliano, chief operating officer of Huntley, Ill.-based Integrity Associates LLC, believes social media has changed the hiring process, making it more transparent.

"There's much more information out there to gain about people," he said. From LinkedIn to Facebook, employers can find out a lot about a potential hire. At the same time, a job seeker can investigate a company, finding any lawsuits pending, negative comments, and more. Siciliano is giving a talk on using social media in recruiting at the upcoming National Automatic Merchandising Association OneShow in Las Vegas.

The economy has also played a role in hiring, according to Siciliano. Employees are more skeptical about switching companies. Employers, for their part, are savvier about what they offer, tailoring wages and benefits based on competitive factors.

"A compensation package is a moving target in certain markets," noted Siciliano.

immediately. He gave Manpower his requirements, and two months later he got candidates that met his exact needs. "I'm very happy with who they found," he said.

CONTINUED ►

## Veteran operators differ on the best compensation methods

Almost no operators contacted by *Automatic Merchandiser* reported using in-depth marketing studies to determine competitive wages, health care packages or other employee benefits. They either discussed it with friendly competitors, evaluated the compensation at comparable jobs, or used their own estimates of fair and reasonable wages, adding advancement or bonuses/commissions as employee perks.

Lee Hartnett, co-owner of Commercial Coffee Service/Food Systems Inc., Bridgeview, Ill., has a structured pay scale, one rate for training, a staggered base pay for drivers with established raises, and finally, commissions from routes. According to Hartnett, the system is set up so drivers with seniority earn more, although that is usually the case anyway because they do more sales and have more experience with merchandising. He also talks to friendly competitors about wages and reviews the National Automatic Merchandising Association wage and benefits report.

The largest area of compensation for Commercial Coffee Service/Food Systems Inc. is the full benefits package. "We're an old fashioned company," said Hartnett, "we offer better health care plans, full vision and dental."

The company is also flexible, working with employees' special needs. "One plan doesn't fit everyone," said Hartnett. The company carries two health plans because older employees and those with families have different needs than young singles who want low costs and high deductibles. The company even set up a health savings account for one employee with expensive medical costs, which saved the employee over \$4,000 out of pocket. "It's all something we wouldn't be able to do on our own," said Hartnett, who credits a professional employer organization for its assistance in this area.

### NO COMMISSIONS, JUST BONUSES

Commissions are not universal, however. In Tampa, Fla., Marni Franks, co-founder of Community Refreshments, an OCS provider, doesn't pay drivers commissions, but offers a salary and periodic bonuses for upselling. "I never understood commissions," she said. She'd prefer to add a new account to the most logical route, even if another driver brought the account in. "With commission-based pay, this wouldn't be fair," she explained.

According to vending/foodservice industry consultant Tom Britten, operators should consider their compensation packages. "You get what you reward," he said. If an operator is offering straight commission pay, he/she is rewarding only dumping cash boxes. What about cleaning machines and good customer relations?

And don't underestimate morale, warned Britten. "If an employee hates his boss/company, it's easier to rationalize theft," he said. That employee might be angry because there's no more overtime pay, the 401K didn't make money this year, or management is disorganized or unappreciative. The employee might consider skimming to get what they feel is owed.

Britten suggests operators conduct their own wage surveys. He suggests operators offer 20 percent more than the average wage or consider improving the health care benefits.

A mid-size, Chicago-area operator also outsourced hiring with the help of a professional employer organization (PEO). PEOs provide human resource services to small business clients — paying wages and taxes and assuming responsibility and liability for compliance with myriad state and federal laws and regulations.

"All our employees technically work for them," said Lee Hartnett, co-owner of Commercial Coffee Service/Food Systems Inc., Bridgeview, Ill. The company made the decision to use a PEO four years ago after being hit with 20 to 30 percent increases in health insurance costs. They're happy with the switch.

"It controls costs on insurance, relieves us of dealing with workman's compensation, and allows us access to an extensive HR department," explained Hartnett. "Employees can even call for counseling," he added, which is something his company can't offer on its own.

Even with the help of the PEO, Commercial Coffee Service/Food Systems Inc. still hires most often by word of mouth. Hartnett tried using Career Builder, the online job Website, and after two days he stopped printing the resumes because he had 2,200. At that point, he took a stack and hoped it included the best candidate.

Now the company relies more on existing employee referrals for filling job openings, which has been successful.

Commercial Coffee Service/Food Systems Inc. offers bonuses to employees who recommend someone who is subsequently hired, and then pays a bonus every year the new hire is still with the company. "What you find is people won't recommend someone for hire who will make them look bad," said Hartnett. "And they take the extra effort to help the new person with training or whatnot."

### Hire at a moment's notice?

According to Tom Siciliano, chief operating officer of Huntley, Ill.-based Integrity Associates LLC, most operators struggle

CONTINUED ►



**N**AMA's new President and CEO, Carla Balakgie, has been on the road (and in the air), getting to know our industry and meeting NAMA members nationwide. Final stop: the NAMA OneShow.<sup>SM</sup>

Join Carla at the OneShow to hear what she learned in her multi-month tour discussing members' interests, issues and ideas. Learn how these important insights will help shape the future of our industry and our association!

# THE INDUSTRY IS TAKING OFF

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## Vending wages increase in last two years, bucking national wage trends

The National Automatic Merchandising Association wage rates and benefits survey reports participating firms' compensation practices as well as information on the employee benefit programs offered.

The overall sales volume has gone up in the past two years, from a typical NAMA firm doing \$3,431,569 in sales volume to \$3,527,200, a 1 percent increase.

Job compensation has gone up for all employees. The CEO base salary has increased \$900 in the last 2-year period. Median weekly compensation of a number of operation personnel, including vending and OCS drivers, has increased by more than 1 percent from 2009 to 2011. This contrasts with the national weekly wage average for private, non-farm payrolls, which decreased 1.2 percent on a seasonally adjusted basis, based on the Bureau of Labor Statistics average weekly earnings for the last four months of 2009 compared to the last four months of 2011.

	2009	2011
Typical Sales	\$3,431,569	\$3,527,200
CEO Base Salary	\$75,000	\$75,900
<b>Median Weekly Compensation For:</b>		
Vending Route Personnel	\$600	\$650
OCS Route Personnel	\$600	\$606
Mechanic	\$640	\$666
Commissary Worker	\$317	\$360
Location Attendant	\$365	\$400
Warehouse Worker	\$446	\$486
Customer Service/Office Administration	\$500	\$550
Route Supervisor	\$781	\$825
Mechanic Supervisor	\$800	\$880
Commissary Supervisor	\$600	\$655
Sales Personnel	\$863	\$873
Money Room Personnel	\$422	\$450
Professional Staff	\$842	\$880

Numbers are from the National Automatic Merchandising Association 2009 and 2011 Wage Rates and Benefits Survey

to find the best employee because they are reactive instead of proactive. When someone quits or is terminated, there is rush to find a replacement, which leads to an abbreviated job hunt. To counter this, Siciliano suggests keeping a desk drawer full of potential employees.

"You're always recruiting," he said about employers who hire the best. "You're always looking for talent." Siciliano said operators should be aware of their competition's best driver, and know when he or she quits. Operators should keep in contact with candidates that would make good employees, taking them out to lunch occasionally so the candidate knows the operator is still interested in hiring them in the future.

Another common misstep Siciliano sees is operators that don't have a full, detailed job description when hiring. It's about drilling beyond the basics of a good driving record, reasonable employment attendance, and even service experience, down to the intangibles.

"What we sometimes miss are: work ethic, team building, people skills, communication skills, and advancement potential," he said. "(For example), will this individual be able to take it to the next level?"

### Find the right fit

Tom Britten, president of Zephyrhills, Fla.-based Britten Management Services, LLC, has seen operators hire the wrong person simply because they didn't fully evaluate the job and candidate. He once talked to an operator struggling to keep employees. The most recent hire just stopped coming to work. He was a computer programmer who took the route driver job because he needed it, but didn't really understand what it would be like to spend 10 hours a day working in a hot truck.

"A big mistake is not considering the rigors of the work compared to what the employee is used to," said Britten. This needs to be brought up in the interview. "If (they) don't like to carry three cases of soda up three

flights of stairs, then this job isn't for (them)," he added.

Britten advocates hiring based on the recommendations of current employees. The current employee understands the job and the requirements. "It's always been a challenge to find a good fit," said Britten about hiring route drivers.

The tough economy presents all sorts of challenges, but hiring using existing employees as references or outside companies to assist with screening is helping operators find the best employees. Compensating employees well has allowed many operators to keep good employees once they have found them. These are essential components of having a successful vending or OCS operation. | ◀

### For more information, contact:

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# How to get in the social media groove

By Elliot Maras, Editor

## OCS leads vending in utilizing this fast evolving business tool

**W**hat should you be doing with social media? Should a small business be investing in its use? If so, how?

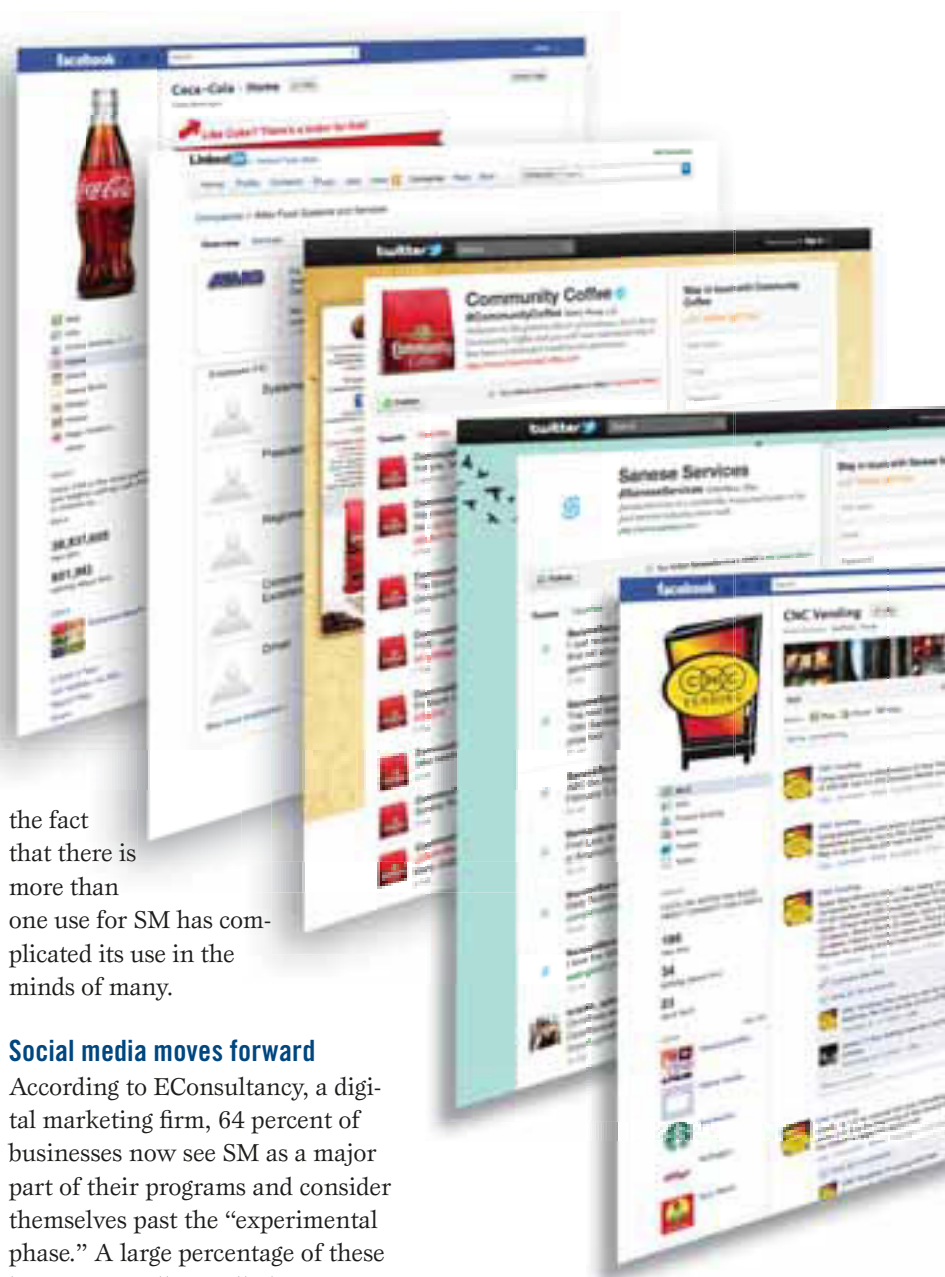
Beyond the anecdotal postings on Facebook, Twitter and LinkedIn, American businesses are investing untold sums of money in social media in the hope of establishing stronger relationships with colleagues and customers. Companies in all industries believe social media (SM) will be an important marketing and communications tool.

How to go about it has proven a challenge.

This article will provide insights on what companies are doing with SM, including examples of mistakes they have made.

One truism about SM is that a business of any size will find it crucial to have a plan in place before investing in SM. SM has a lot of potential as a communications tool, but it requires an investment. A vending or refreshment services operator should approach this tool similarly to adding a new software system or expanding into a new service.

SM has relevance in more than one area; 1) as a marketing tool, 2) as a customer service tool, and 3) as a networking tool for communicating with others in the industry. The main reason businesses are moving to SM is for marketing. However,



the fact that there is more than one use for SM has complicated its use in the minds of many.

### Social media moves forward

According to EConsultancy, a digital marketing firm, 64 percent of businesses now see SM as a major part of their programs and consider themselves past the “experimental phase.” A large percentage of these businesses will actually hire some-

one just to manage the social aspects of each campaign.

Forty one percent of those surveyed for the same study said they still don't have definitive ROI for their social media programs.

From a marketing standpoint, SM is mainly a public relations tool as opposed to a lead generation tool. Many SM experts claim it is the most cost effective public relations tool ever.

One reason for this is that SM is a two-way medium; recipients can respond to what has been posted with posts of their own. Because of this, SM allows a company to achieve a higher level of credibility than if the communication were coming in only one direction.

## **WITHOUT** *ongoing activity, SM has little value.*

A handful of vending and coffee service companies have launched impressive SM campaigns.

A random sampling of SM sites indicates many vending and refreshment service providers have dabbled in SM, meaning they have posted Facebook, Twitter and LinkedIn pages, but they have not added new content continuously. SM experts unanimously agree that SM sites need to be refreshed frequently for visitors to return to the site.

Without ongoing activity, SM has little value.

Among those companies that have developed strong SM initiatives, OCS operators have done so more than vending operators. This is likely due to the fact that OCS operators are more active with ecommerce than vending operators. SM activity helps drive traffic to ecommerce Websites.

### **OCS operators ahead of vending**

Chris Coffee Service in Albany, N.Y. has been active in ecommerce for several years. Nearly 40 percent of the company's \$11 million in annual revenue comes from ecommerce, noted Chris Nachtrieb, president.

Nachtrieb said his Facebook page gets the word out about the company, which ships product internationally. The Facebook postings typically are about things the company is doing, such as exhibiting at business trade shows and supporting charity events.

There is no one employee assigned to manage the Facebook page at Chris Coffee Service. Instead, various employees post items of interest, usually using their smart phones. "You have to be diligent about putting something up," Nachtrieb said.

"What is useful is people learn about new products and things I'm doing," he added.

Nachtrieb once advertised a product for sale on Facebook. He wasn't able to quantify the number of sales related to the Facebook ad.

Nachtrieb, like many businesses working with SM, has a hard time quantifying the benefit it provides. Simply monitoring the number of visitors and "likes" is not a good indication of the quality of these visitors from a business's standpoint.

Community Coffee Co., based in Baton Rouge, La., also has a long established ecommerce initiative and

has found SM helpful. "Social media is a powerful thing," said Blair Broussard, the company's social media and public relations manager.

The company's Facebook page includes information about coffee, about customers and about employees. The page demonstrates the fact that people like to talk about coffee.

Broussard spends about half of her work day posting on the Facebook page, monitoring activity and researching new ways to speak to customers through this outlet. The company holds sweepstakes, has interactive "ecards" and posts events on the page.

Community Coffee Co. has a more commercial Facebook page than most companies. The company advertises special offers on its Facebook page. Customers are directed to the company's main Website to make an online purchase.

### **Foodservice finds a niche**

Large contract foodservice operators have also been more active with SM than vending operators. Many of the large foodservice operators have the resources to dedicate to new marketing initiatives. In addition, the application is fairly easy to visualize for onsite foodservice since they usually offer a changing menu to a largely captive audience. These service providers typically use SM to update customers on menus and special offers and solicit feedback.

Foodservice companies not only advertise specials; they post pictures of items they haven't yet decided to offer as a way to pique interest, inform customers about sustainability efforts, and educate customers about nutritional and sustainability programs.

Compass Group in 2009 launched its "Flexitarian" campaign offering healthier and vegetarian meal options, partnering with manufacturers to support meatless meals

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in foodservice accounts. The site has drawn thousands of visitors.

The Flexitarian Facebook page has attracted pages of recipes and photos from customers.

Compass Group also maintains a blog called "Compass 360" which offers information about diet, food, and personal perspectives from corporate nutritionists. There's also a Compass Twitter page, which announces company events and news and invites user to comment.

### An aggressive vending effort

CNC Vending in Houston, Texas, founded in 2008 by Chuck Olson, has launched one of the most aggressive SM vending campaigns. Last year, Olson placed stickers on his machines inviting customers to visit them on Facebook, Twitter and the company blog. He estimates 10 percent of his



**Hershey Co. keeps people up to date using LinkedIn.**

customers have become social media "friends." "Just using that word has been changing our relationship with our customer," he said.

The company placed signs on all machines offering a free token to win prizes. Winners were announced on Facebook and Twitter. A separate campaign offers even

more prize money for CNC Markets, the company's branded self check-out markets.

In 2011, Olson made use of the National Automatic Merchandising Association's Vend.Love.Win campaign and invited customers to take pictures of vending machines and products, write humorous captions and submit them for monthly awards through the Vend.Love.Win campaign.

The contests and interactive tools have been popular at colleges, but also at hospitals, airports and corporate campuses, Olson said.

Olson said SM allows his company to develop more intimate relationships with customers. "Usually, we only get phone calls when it's negative," he said. "With a social network, we're finding people respond to us in a very positive way."



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Olson recognizes the caution that many of his vending operator colleagues raise about social media; it can invite complaints.

He noted he spends about half an hour in the morning and another half hour in the evening attending to social media postings. "You must be prepared to answer your constituency when they write on your 'wall,'" he noted.

Atlas Food Services Inc., a vending, foodservice and coffee service operation based in Greenville, S.C., recently launched Facebook and Twitter pages. Elizabeth Warren, customer service coordinator, said she tries to post something weekly to keep people visiting the sites. Many of the postings include news about vending technology.

Warren said the company became interested in SM based on

the amount of general business interest in it.

### Sanese has multiple SM pages

Sanese Services Inc., based in Columbus, Ohio, has separate SM pages for its OCS, vending and catering divisions, noted Jennifer Galloway, marketing director. She said the OCS and catering Facebook pages are more active than the vending Facebook page since there is a greater perceived benefit to OCS and catering. "OCS and catering allow a lot more (social media) options," she said. "It's a different audience."

Galloway said the company has done less with SM on the vending side since it is more concerned about vending competitors finding out what it is doing through SM.

Some of the big consumer product manufacturers that serve

the vending industry have invested heavily in SM marketing.

In 2010, PepsiCo Inc. invested close to 50 percent of its U.S. branding budget in SM with the intention of building deeper relationships with customers. Using Facebook, Twitter, live Ustream video and an iPhone application, the "Pepsi Refresh" project urged consumers to suggest social causes that would "refresh the world." Consumers could then vote for their favorite causes and Pepsi would donate millions to these and use SM to promote the impact that its generosity had on these causes.

The response was spectacular: 80 million votes registered; 60,000 followers on Twitter; 4 million "likes" on Facebook. Nonetheless, PepsiCo lost about 5 percent of its

CONTINUED ▶



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U.S. market share and also lost its number two spot to Diet Coke.

Marketing observers noted the effort focused too much on a move-ment as opposed to products.

PepsiCo hasn't been the only company to learn a tough lesson. Last year, Timothy's Coffee offered four free 24-pack boxes of single-serve K-Cups via Facebook. The company was not prepared to meet the response, and supply was depleted in three days, forcing the company to apologize and offer a coupon or a free 12-pack box.

### Competition or support?

In an article last month about mobile marketing, *Automatic Merchandiser* noted that many vending operators view product supplier marketing over the Internet as competition more than support.

At the same time, vending operators can use product manufacturer initiatives in their own Internet marketing efforts.

Peet's Coffee & Tea offers a chance to win a trip to a coffee estate in Brazil on its Facebook page.

Hershey Co. has Facebook pages for many of its brands and Hershey's Kitchens, a recipe page.

The company offers polls, behind-the-scenes videos of making commercials, photos, "word clouds," and posts from other social media pages.

In 2011, Coca-Cola offered its "Twist Text Win" promotion. Besides providing instant-win prizes, consumers also get points for its "My Coke Rewards" loyalty program that is available online and via mobile.

By doing so, Coca-Cola keeps the consumer experience going for a longer period of time, beyond the sweepstakes. Instead, consumers are challenged to gather points on "My Coke Rewards" and redeem them for physical rewards, digital rewards

## Action plan for social media marketing

Maggie Palmer, owner of MKP Creative in Portland, Ore., specializes in SM. She offers business owners these steps for getting started with the medium:

1. Start with one platform (Twitter, Facebook, LinkedIn) and become comfortable before adding another.
2. Create a consistent tone that matches other marketing materials and among all SM platforms.
3. Establish goals for SM and develop your content around those goals.
4. Create a system to measure and analyze results.
5. Post content that is 80 percent helpful to your readers and 20 percent or less that is self promotional.
6. Focus on being an authority in your area of expertise.
7. Use terminology that will optimize your profile in order to be easily found by those in your field.
8. Be genuine and transparent in your communications. If someone posts a bad review, address it, don't delete it, and provide stellar customer service for everyone to see.
9. Be an active listener. Respond and interact with your audience instead of just pushing out information.
10. Remember SM is about engaging with customers, not just about selling. Measure your engagement, impressions and "social reach," not just sales.

and to enter sweepstakes. Consumers text the code under the cap to 2563 (COKE) to collect points. Consumers can manage their loyalty accounts online.

This past fall, Seattle's Best Coffee offered free coffee on Black Friday on its Facebook page. Jenny McCabe, a company spokesperson, told *Automatic Merchandiser* the promotion brought an additional 70,000 Facebook fans with no other advertising, resulting in total 330,000 Facebook fans. The goal was to build brand awareness.

Vending operators who sell Seattle's Best Coffee could have advertised the offer and in the process directed customers to their own offers.

"The vend channel will benefit from the iconic Mars brands' 360-degree marketing campaigns," said Lauren Nodzak, spokesperson for Mars Chocolate North America. "We see social marketing as an opportunity to facilitate connections between our brands and consumers. Social media is a two-way medium, and the consumer is our best source of information and inspiration for products. Through this instantaneous relationship, we can monitor and respond to consumer feedback and attitudes."

During the ad:tech digital marketing event in New York City last November, a Coca-Cola executive noted that SM gives a marketer a tool to exchange content with consumers.

SM experts agree that based on experience, SM creates a unique way for marketers to communicate with customers. | ◀

### For more information, contact:

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More consumers are switching to single cup.



# U.S. consumers favor single-cup for its convenience

Mintel consumer research finds convenience drives the popularity of single-cup over more traditional brewing methods

**W**hile instant, ground or whole bean coffee are the most popular choices for the at home barista, single-cup coffee still has an audience among consumers, as recent Mintel research reveals that 17 percent of U.S. coffee drinkers say they prefer their coffee one cup at a time. Mintel is an international research company.

The most popular draw for single-cup coffee lovers is convenience, Mintel found. Seventy-nine percent of those who enjoy single-cup coffee agree that they drink it because it's convenient to brew. Meanwhile, 60 percent cite the ability to brew a hot cup every time instead of reheating a full pot and 55 percent say they like the variety available in pods.

“Those aged 18 to 44 are notably more likely than their older counterparts to cite convenience as a reason for using pod-style machines,” said Garima Goel Lal, senior analyst at Mintel in a prepared statement. “This is likely a reflection of the fact that for younger adults, coffee is often seen as an on-the-go beverage that can provide a needed energy boost.”

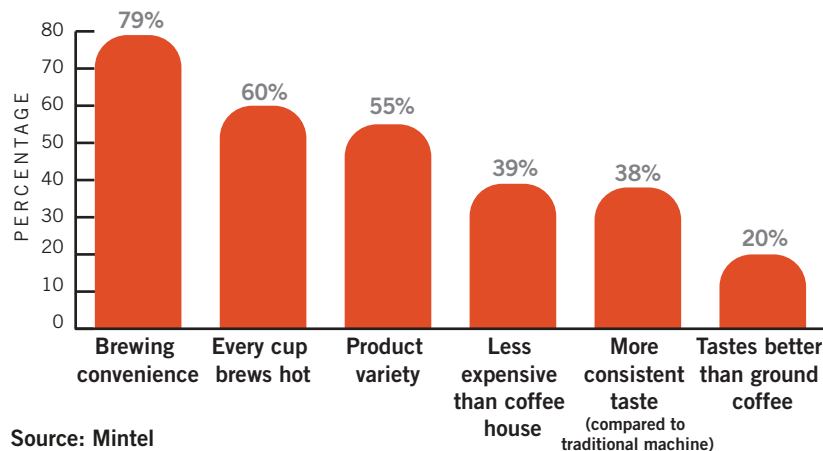
In addition to convenience, flavor and value are also important to single-cup coffee drinkers. Thirty-nine percent report that brewing at home with a pod-style machine is cheaper than visiting a coffeehouse, while 20 percent believe single-cup coffee tastes better than the ground variety and 38 percent say a pod-style

machine produces consistent taste each time compared to coffee brewed with a traditional coffeemaker.

“A key driver of sales growth in the coffee category is innovation. The single-cup segment of the coffee business is driving growth and is likely to continue to contribute to gains for the foreseeable future,” added Lal. “Consumers in the U.S., the European Union, and elsewhere have been using espresso machines to make single cups of coffee for many years, and single-cup machines provide similar results, but are less complicated to operate than an espresso machine.”

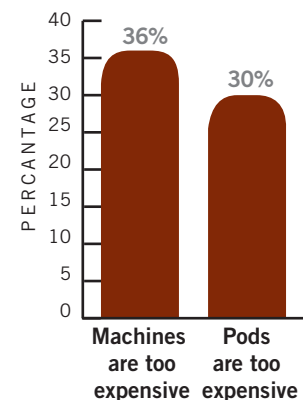
So why aren't more consumers using pod-style coffee machines? Price seems to be one of the main deterrents, as 36 percent of those who don't drink single-cup coffee say the machines are too expensive and 30 percent believe pods are more expensive than brewing ground coffee. | ◀

Reasons coffee drinkers prefer single-cup over other brewing methods



Source: Mintel

Reasons for not drinking single-cup



A warm, golden-hour scene of a coffee station on a desk. In the foreground, there are stacks of Folgers coffee cups, several packets of Folgers coffee, a single cup of coffee with steam rising from it, a small container of creamer, a notebook, and a coffee maker. The background shows a large window with a view of rolling mountains under a bright, hazy sunrise. The overall atmosphere is cozy and inviting.

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Quickoffice allows a presentation on an iPad that is similar to Powerpoint.

# Apps that make powerful management tools

By Paresh Patel, Contributing Editor

In part 2 of a series, a progressive vending operator describes how new apps for smart phones and tablets save time and empowers his organization.

I admit it, I love technology. I'm one of those people that wake up at 2 a.m. to pre-order the newest iPhone or iPad on the first day. I try to convince myself it is not just about having the latest gadget. To my defense, I work to integrate it into my vending business to maximize my productivity and to improve the company's operations.

The important point is that these tools allow me to be better organized. This translates into a stronger

impression on customers, potential customers and employees.

Last month, I discussed ways in which I use my iPhone and iPad to improve my productivity and provide more personal freedom. I described how I use MEI Easitrax on my iPad, how I use CyberAudit security on an iPhone, how I monitor digital video surveillance cameras with my iPhone and iPad, and other functions.

This month, I will focus on document management using smart

phones and tablets. As we all know, documents play an important role in a vending business.

## Goodreader: a PDF reader

Goodreader is a very helpful PDF reader for the iPad. I used to carry three-ring binders with me to meetings. I serve on different committees and each committee would have one or more three-ring binders. With Goodreader, not only did I eliminate every three-ring binder I carry, but it

also allows me to have all my binders with me at all times.

Goodreader also syncs with Dropbox (which I discussed last month), so that is a great place to keep all my documents. I created folders in Dropbox for each committee I sit on. Then I sync to Goodreader. But it's more than just reading documents. You can fully annotate and mark up documents. And then those documents can sync back.

Another way I use Goodreader is during request for proposal (RFP) conferences. I had a couple of these this summer. The RFPs can be 20 to 30 pages long or more. I do my homework and make my highlights and annotations in the document in Goodreader.

There was a funny experience at one of these proposal conferences. There were about a dozen people in the room and everyone had this thick packet. I was sitting at the table with nothing in hand except my iPad and stylus.

When the meeting started, people would ask questions and I could instantly go to the page in question. Oftentimes, people would ask a question like "I read in the RFP about piggybacking..." And everyone (including the customer) would be thumbing through the RFP looking for that section. I hit search, typed the word, and instantly found it. It got to the point I was helping everyone out by just announcing the page number – both my competitors and the customers were helped by that.

It didn't go unnoticed. My level of organization and understanding of the subject matter stood out to all in the room, and fairly represented the service and organization my company brings to all aspects of our operation.

Imagine going to a sales meeting with a prospective customer and using your iPad to display the presentation. If you are meeting with just a couple people, doing a presentation on the iPad is practical.

Normally, in a small group like that, you wouldn't use a projector, so instead you would have printouts. But then you lose some control as people thumb through the pages.

### Quickoffice: productivity for devices

With the iPad, you can do the presentation as if you were doing it off a projector using Quickoffice, a productivity suite for mobile devices which allows users to view, create and edit text files, presentations and spreadsheets. It is the equivalent of Powerpoint.

If we get a call from a prospective customer and I'm available, I can go straight over. From the car, in just five minutes I can modify one of the stock presentations I routinely keep in my Dropbox. I change the name to the prospect's name, change the date, etc. Sometimes I put in a little about them.

Then I can go meet with the prospect. While talking to them, I take out the iPad and show them the presentation on the spot. That almost always impresses them because it is personalized to them and it happens fast.

Then when I leave, I can take a thank-you document stored in Dropbox along with any information they requested for me to update. I can send this to them from the car

and they'll have it before they even get back to their desk!

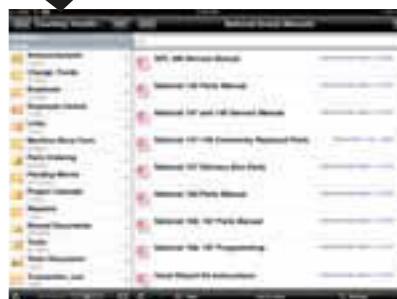
This certainly can help win customers. It allows you to be responsive and personal at the same time. It helps illustrate that you have your act in order.

Quickoffice also has an Excel type module which allows you to make and update spreadsheets. Everything can be synced back to Dropbox.

This program is like a legal pad. Combine that with a stylus and you can take handwritten notes just like you would on paper. While I use it to take notes, I also use it to complete PDF forms (you can type in there as well) and sign documents.

Recently, I was in the field with a colleague. We had some documents sent via email that we had to sign. We began looking for a FedEx Kinko's so we could print the documents, sign, and then fax. Then it occurred to me I could eliminate all those steps and take care of it immediately!

Within minutes, I opened each PDF in UPad, typed in the parts I had to complete, signed the documents, exported to PDF, and sent them off. As you can imagine, not only did this eliminate unnecessary steps, but it saved quite a bit of time.



Sharepoint makes all internal documents accessible to the field.

### Sharepoint: multi-purpose platform

We use Microsoft Sharepoint, a multi-purpose platform, on our internal network to store shared documents, track things like pending moves, manage the vacation calendar, and store all our service documents, including machine manuals for every machine we have

CONTINUED ►

out in the field. Microsoft Sharepoint is a great resource for helping manage our information.

With Shareplus, we can leverage the Sharepoint site on the iPhone and iPad. Every resource on the Sharepoint site is accessible through the mobile devices, in an organized and easily accessible manner.

It even allows you to cache documents in an offline mode in cases where you might not have a data connection. But it's not just one way — you can use it to create entries and upload to the Sharepoint site.

There are many ways we use this on a regular basis. We use it to track our pending moves. Everything

about the moves is posted to the Sharepoint site. This helps everyone in the organization who needs that information stay updated. If anything is changed, it immediately is reflected because it is Web-based.

On the mobile device, we use it to change the status of moves from "scheduled" to "completed." When the move is completed, we can log it off in real time. And Sharepoint has features in itself which can automatically send an email to the customer or salesperson when the move is done.

I also use it to access machine manuals. Sometimes, if we're out in the field, or a tech calls with problems on a machine that he can't figure out, I can in a minute access the machine manual and instantly be on the same page as him.


Another way to use Shareplus is to create forms to collect information in the field. For example, I have a "lock change" form. When we move locks, or install a new lock in a machine, we need to track it so it can be updated in the appropriate systems. In Shareplus, we can complete the form and it is instantly saved back to the server in real time so anyone in the office has access to it and can process it and adjust its status.

### Carbonite: Cloud-based backup

Carbonite is another utility that requires setup on your computer first. It is a cloud-based backup program. It takes all your files and keeps backup copies offsite. This is a good practice. You can easily recover in case something goes wrong with the computer, have a fire, or otherwise lose the files.

Carbonite also has an iPhone app which allows you to access every backed up file. In other words, with this app, you can access any document that you saved

CONTINUED ►



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on your computer (or server, if that's where you are running Carbonite).

At my company, we digitally scan every document. We keep no paper files. Everything is scanned and the originals are shredded – every invoice, every order, every note, every contract. We have hundreds of thousands of pages of documents in our “digital cabinet.”

The beauty is every file is accessible from my iPhone/iPad. Accessing the files is very fast, too. For instance, recently on a Friday night, our inhouse fleet mechanic called me and needed the receipt for a part in one of the trucks that was just under a year old and still under warranty. He wanted the receipt so he could get an exchange right away.

Without the technology, we might have had to just pay for the new part if we couldn't quickly

**AT my company, we digitally scan every document. We keep no paper files.**

access the documents. While sitting at the dinner table, using my iPhone, I navigated straight to the truck's file in our digital cabinet (which is accessible through Carbonite), found the receipt, and immediately sent it to the mechanic in just a couple minutes.

He was able to get the parts store to honor the warranty and get the replacement part for free. Just a couple of savings like this more than pays for the iPhone.

Some apps do require setup on the computer side, and accordingly, it does take varying levels of skill.

But again, this article was written with the goal of providing insight on what is possible using the iPhone and iPad.

While I focused on Apple hardware in this article, most of these apps are also available for the Android platform. | ◀



**ABOUT THE AUTHOR**  
*Paresh Patel, Ph.D., M.B.A., is owner and president of Courtesy Vending LLC in Portland, Ore.*

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# In search of the PERFECT BREW

By Elliot Maras, Editor

**Erie, Pa. OCS operator leverages her assets to prosper in a recession.**

**W**hen the recession hit in 2008, small Rust Belt communities took it hard. Areas like Erie, Pa. on the Ohio/Pennsylvania border had never recovered from the manufacturing decline that began in the 1960s.

But for business owners like Anita Rose-Marcoline who know how to leverage their strengths and meet customers' needs, every challenge brings a new opportunity. Rose-Marcoline, owner of McCormick Coffee and a 30-plus-year coffee industry veteran, continues to prosper in the face of a recession.

For Rose-Marcoline, challenge has been a constant. She got into the OCS business in the midst of the worst coffee price increase in the industry's history. That challenge prepared her well for those that would face her for decades to come. She learned that a relentless focus on product quality and customer service would enable her to prosper in the face of adversity.

As a coffee service provider in a small city that is just beyond the market reach of the very large competitors, she has expanded from traditional OCS to foodservice coffee and retail coffee. Having established relationships with high quality roasters and developing a team of capable equipment technicians, she has made a name for herself as Erie's top coffee service expert. She has expanded beyond coffee service to equipment maintenance for a wide spectrum of coffee retailers.

Erie, Pa. has a population of about 100,000 and is about 100 miles equidistant from Pittsburgh, Pa. to the south, Cleveland, Ohio to the west, and Buffalo, N.Y. to the east.

The national OCS players have never established a lasting presence in Erie, creating an opportunity for independent players like McCormick Coffee.

This past year was one of her most profitable years ever, despite the fact that she lost one of two hospital coffee shops she operated.

Rose-Marcoline's career has taken many twists and turns from the time she launched her one-person OCS business in 1978. While she shares the entrepreneurial instincts of many of her OCS colleagues, her story is unique in several ways. She did not come from a business family and does not remember being a particularly motivated student in school.





**Anita Rose-Marcoline has leveraged her OCS assets to find niche markets she can serve successfully.**



**All delivery vehicles are wrapped in the company's graphics and make great sales tools.**



**Anita Rose-Marcoline's son, Max Marcoline, recently moved from warehouse manager to sales.**

### Humble beginnings

After earning an undergraduate degree from Gannon University in Erie, she became an X-ray technician. Once on the job, she realized the 9-to-5 routine was not for her. The problem was she didn't know what was. It was five years before she left the technician job and went into OCS.

The path from X-ray technician to OCS operator wasn't smooth. Her future husband introduced her to a friend whose parents enjoyed freshly ground coffee for home use. She got interested in opening a coffee shop and started researching the coffee industry.

Rose-Marcoline's research took her to Jamestown, N.Y. to meet

with roaster/retailer/OCS operator John Cayer who operated a company called Coffee Exchange that sold 100 percent Colombian coffee. Cayer told her that OCS was a better business to get into than a coffee shop.

Rose-Marcoline realized the main OCS player in Erie at the time was not selling good quality coffee. Encouraged by Cayer, she struck out on her own in 1978, working from her home under the name Coffee Mill.

Cayer loaned her equipment and provided her a supply of his private label Colombian coffee, private label cream and sugar, and some pourover brewers.

### Coffee becomes a passion

"Once I went into the coffee business, I fell in love with it," she said. "It was a grass roots effort. I knew it was my passion. When I reached a certain point, the entrepreneurial spirit just led me away."

Which is not to say it was easy. Coffee prices were rising in the late 1970s, and her main OCS competitor was cutting prices. But encouraged by Cayer, she persisted with her 1.75-, 2- and 2.5-ounce fraction packs of 100 percent Colombian coffee. Unlike the competition, she offered coffee with the Juan Valdez 100 percent Colombian coffee logo. She told prospects she cleaned the pots with every visit. And she won accounts.

Rose-Marcoline offered national brand coffee to customers who requested it, but the majority of customers purchased the private label.

Following Cayer's advice, Rose-Marcoline joined the National Coffee Service Association (NCSA). She attended NCSA conventions every two years, which she found informative.

By 1987, Rose-Marcoline had hired her brother and a sales rep to help service her 100 accounts. She moved to a warehouse in the downtown area.

### A change in career path

At the time, the local beer distributor decided he wanted to get into the coffee business and offered to buy Rose-Marcoline's company and two other independent OCS companies. The beer distributor, owned by the McCormick family, acquired Coffee Mill, Coffee Systems of Erie and Cafco Coffee Service to form McCormick Coffee.

Rose-Marcoline had never lost interest in running a coffee shop, so after selling Coffee Mill, she opened a coffee shop in a local hospital. In the meantime, she launched some unrelated businesses. She started a courier service for hospital laboratories and a health care provider

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directory that included facsimile numbers of health care providers. Both of these businesses met needs she learned about while working as an X-ray technician.

The hospital coffee shop was successful, and she opened a second coffee shop in another hospital.

McCormick Coffee, meanwhile, under its new owners, expanded into the convenience store coffee business, servicing 75 convenience stores. The convenience store chain became half of the company's business.

McCormick Coffee sales had increased substantially by 2004, when the owners were planning for retirement and they approached Rose-Marcoline about buying the company.

**Opportunity beckons**

Rose-Macoline and a partner agreed to purchase McCormick Coffee. The com-



Glass pots get cleaned regularly by Ahmed Abdulle.

Right, John Machuga brought unique sales experience, which has helped McCormick Coffee build market share during the recession.

pany operated from a 12,000-square-foot building in downtown Erie owned by the McCormick family.

When she assumed control of the business, she found it needed a stronger focus on quality. The



company had grown significantly, but it had poor inventory control, and it had not maintained Rose-Marcoline's commitment to quality coffee. The McCormicks had largely replaced Rose-Marcoline's high frac-



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tion pack, 100 percent Colombian coffee with lower fraction pack, national name brand coffee and their own private label blend.

"They really eroded what I had worked so hard to achieve," Rose-Marcoline said. "There was no vision."

She reviewed the sales records and eliminated about 300 of the nearly 1,000 accounts on the books, based on sales volume.

The former owners had introduced handhelds and a computer program written for the beer industry. Rose-Marcoline is switching to a customized software system that utilizes wi-fi enabled handhelds.

She consolidated three warehouses into one.

She replaced all of the employees with the exception of one.

But things got worse before they got better. Six years after buying the

company, it lost the convenience store business, which cut sales in half.

The setback didn't discourage her. In retrospect, this was a blessing in disguise. Rose-Marcoline opted not to try to recover the convenience store business with other convenience stores. "They (convenience store customers) are very demanding," she said. "You run your whole company for those sales. I'd rather have manageable customers instead of them managing me."

She also realized a lot of exciting new products had come on the OCS market.

### Single-cup offers new growth

The biggest opportunity of all was single-cup coffee, which was almost non-existent in Erie in 2005. Rose-Marcoline signed on as a Keurig distributor after she began carrying

Green Mountain Coffee Roasters fraction packs.

"They moved everybody from the 'pot' price to the 'cup' price," Rose-Marcoline said of Green Mountain. "That was their success."

The Keurigs helped win accounts and are now in 15 percent of the company's OCS accounts.

She also recognized that many restaurants needed a reliable coffee service provider. She hired a salesperson with restaurant sales experience, John Machuga. "He understands what it takes to get and keep a big account," she said. "I knew that he could get big business and that's what we needed." Many of the foodservice distributors in the market could not match her service capabilities, she noted.

Rose-Marcoline's two repair technicians are able to fix restaurant

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brewers. With repair service a big part of the business, foodservice now accounts for 40 percent of the company's sales.

She combines the foodservice deliveries with the OCS deliveries. The trucks are wrapped with her company graphics and make a great sales tool.

A recent focus has been nursing homes, which have become the fastest growing customer segment. Rose-Marcoline uses water soluble coffee in these accounts. She noted the quality of water soluble coffee has improved a lot in recent years.

She also launched a Website for the company in 2005, and is in the process of upgrading it.

### Ongoing OCS training

In 2007, she took the Quality Coffee Certification Program at the National Automatic Merchandising Association Expo. Two other employees, John Machuga and Max Marcoline, have taken the program as well. Max Marcoline is Rose-Marcoline's son, who recently moved from warehouse manager to sales, and is the only other family member in the business.

The company's focus on foodservice and health care accounts proved helpful when the recession hit in 2008. The company did lose some accounts, Rose-Marcoline said, but the accounts lost were among the less profitable ones to begin with. Hence, the customer fallout did not significantly hurt her bottom line.

Fiscal 2011 proved a challenging year, however. She lost one of her two hospital coffee shops when a hospital opted to manage the coffee shop themselves.

Rising coffee prices, meanwhile, required her to pass the increases on to customers.

The company's commitment to quality and its focus on acquiring foodservice accounts and health care accounts enabled continuous growth in spite of these challenges.



Service techs Keith Montigny, left, and Tony Daurora have allowed the company to expand into foodservice coffee machine maintenance.

## PROFILE: McCormick Coffee

**Location:** Erie, Pa.

**Founded:** 1978 as Coffee Mill

**Owner:** Anita Rose-Marcoline

**Number of accounts:** 700

**Number of employees:** 9 (Not including owner)

**Business Mix:** 60% OCS, 40% foodservice coffee

**Coffee brands:** Green Mountain Coffee Roasters Inc., Starbucks, Caribou, Folgers, Hills Brothers, Maxwell House.

**Private Label Roasters:** O'Neill Coffee Co., Excellent Coffee Co., Xcafe

**Equipment Providers:** Bunn, Keurig

**Annual sales:** Not revealed

By consistently focusing on good quality coffee, Rose-Marcoline believes she is better able to raise prices to customers when necessary.

While K-Cups have been an important area of growth, their pervasiveness at retail has brought new challenges.

Rose-Marcoline said she keeps a close eye on accounts installing an unauthorized Keurig machine. If this happens, it erodes her sales.

Recently, Green Mountain Coffee Roasters has changed its order requirements for certain K-Cup products, which she finds difficult. She sees this as one of the biggest challenges she currently faces.

She is overall optimistic since she has a good group of employees. She offers a competitive benefits package, including health insurance, life insurance, accident and disability insurance, and an IRA retirement plan.

Last year, she acquired her partner's share of the company and is now the sole owner.

Rose-Marcoline has maintained a high community profile for the company. The company is active in local business organizations. In 2010, she was listed as one of the most admired CEOs by a local business magazine.

In 2011, Rose-Marcoline was honored by the Erie Regional Chamber and Growth Partnership as an Athena Powerlink Program recipient.

She believes the company will continue to grow in the foodservice and health care segments. Much of this growth will be in the equipment service area.

The demand for quality coffee will continue to increase, she noted. In recent years, name brand coffee retailers such as Starbucks and Caribou have expanded into the market. Rose-Marcoline offers these gourmet brands, but she offers her private label as a more economical alternative.

Tim Hortons, the Oakville, Ontario-based coffee retailer, has entered the Erie, Pa. market, but Rose-Marcoline said that the brand does not yet have a lot of loyalty in her market.

Rose-Marcoline would like to eventually retire from the business and spend time traveling to coffee growing regions. But for the time being, she remains committed to building the company.

"I see no stop to people loving coffee," she said. ◀

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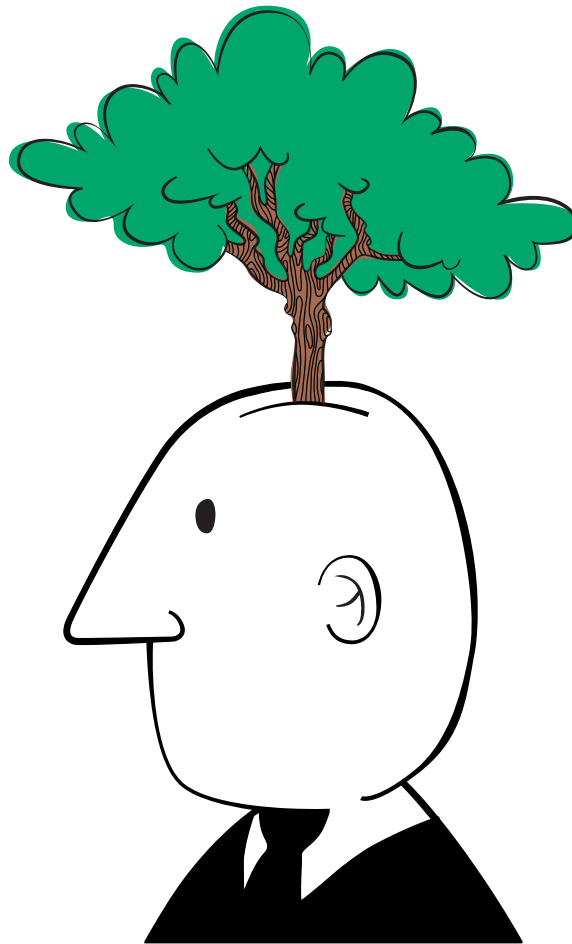
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