

Automatic MERCHANDISING

The Vending & Coffee
Service Industry Resource

*Coca-Cola Vending's
multi-faceted sustainability
initiative proves a winner*

SUCCESS STORY:

Washington State Leader's Battle Plan:

Technology, Nutrition,
Sustainability

page 34



CONVENTION PREVIEW:

OneShow: a bonanza of
savings and more!

page 28

BUSINESS BASICS:

Account retention,
now more than ever

page 8



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EXCLUSIVE EDITOR'S BLOG

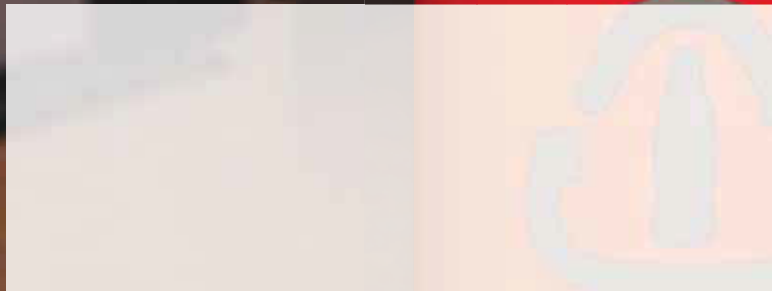
Business intelligence merges with consumers' most personal networks: Are we connecting?

HOT AM UNCUT TOPIC: CLOUD COMPUTING

Software executive describes what cloud computing means to vending

NEW OCS NEWS

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SUCCESS STORY



34 ▶ Washington State leader's battle plan: technology, nutrition, sustainability
Coca Cola Vending, Yakima, Wash., finds a winning formula in a challenging economy.

FEATURES

- 08 ▶ Business Basics: Account retention, now more than ever**
Proactive marketing pays big dividends.
- 12 ▶ Sustainable packaging evolves**
More products come in "green" packages.
- 22 ▶ Beta test brings strong results for Diji-Touch**
Interactive machine shows big promise.
- 28 ▶ Convention Preview**
NAMA OneShow to offer a bonanza!



DEPARTMENTS

- 04 ▶ The Way I See It**
By Elliot Maras, Editor
- 06 ▶ VendingMarketWatch News**
- 20 ▶ OCS Update**
New Jersey vending operator expands into OCS by partnering with an out-of-state operator.
- 34 ▶ Washington State leader's battle plan: technology, nutrition, sustainability**
- 40 ▶ Route Driver Quarterly Winner**
Brad Thomas, A Matter of Taste, Northridge, Calif.
- 41 ▶ Marketplace**
- 48 ▶ News at Press Time**

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Individual subscriptions are available without charge in the U.S. to vending operators, coffee service operators, product brokers, and product and equipment distributors. Subscribe online at www.VendingMarketWatch.com. Publisher reserves the right to reject nonqualified subscribers.

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AUTOMATIC MERCHANDISER (USPS 017-280) (ISSN 1061-1797, print; ISSN 1948-5697, online) is published nine times per year: January/February, March, April, May, June/July, August, September, October and November/December by Cygnus Business Media. Periodicals postage paid at Fort Atkinson, WI and additional entry offices. **POSTMASTER:** Please send all change of address to **AUTOMATIC MERCHANDISER**, PO Box 3257, Northbrook, IL 60065-3257. Canada Post PM40063731. Return Undeliverable Canadian Addresses to: Automatic Merchandiser, Station A, PO Box 54, Windsor ON N9A 6J5. Volume 53, Number 3 Printed in the U.S.A.



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With so much to talk about today, are you connecting?

By Elliot Maras, Editor



Thinking of offering a line of healthier products but you're not sure it will work? Have a hunch there's a need for a "value" OCS line but you aren't sure? Considering a container recycling program but don't know if it's worth the trouble?

With the communication tools available today, it's easier than ever to get feedback on questions like these. Simply ask people via a newsletter, Website and social media posting.

And while you're at it, tell them about the top sellers in your machines, now that you have item

level reporting capability. And all the other exciting things you're doing.

Communication tools are more available than ever, and there has never been a time with as many things to talk about with existing and prospective customers.

The general public is taking note of vending. Newspapers and TV stations are reporting more about vending than ever, with a focus on how we do things better.

But while our public image is improving, too few operators are talking about the positive things they are doing. While products and services are better than ever, few operators bother to make these improvements known to customers and to the communities they serve.

Too many operators believe in the old way of thinking; the best vending service is the service the

TOO few operators are talking about the positive things they are doing.



account manager doesn't hear about. This is flat-out wrong.

The location manager wants to know the service in his facility is the best available. An operator who is up on everything new is the type of service provider most account managers want.

And don't forget your other customers – the end users. They want to know what's new and exciting at the vending bank.

In an article on page 8, consultant Allen Weintraub urges operators to communicate with customers more aggressively. He notes that operators have a lot to talk about today, and he gives specific examples.

The Internet has provided new tools to communicate with customers and the public. Social media is adding even more opportunities.

But we can't forget the customers who prefer more traditional communication. This is where newsletters

come in. One of the big advantages of the traditional newsletter is that it is very convenient – the reader can look at it at his or her leisure.

Any successful business has an ongoing communication program. The investment is not high, and the returns are significant.

Proactive communication efforts serve a dual purpose; to reinforce your message with existing customers and to keep your name in front of potential ones.

Besides informing people about the exciting things you are doing, newsletters, Websites and social media postings give service providers an opportunity to get valuable feedback from customers and potential customers. | ◀



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Coinco buys InOne Technology

Coin Acceptors, Inc. has acquired a controlling interest in Baltimore, Md.-based InOne Technology.

InOne brings to Coinco a range of products, including traditional DEX and audit capabilities, retrofit controllers, credit card payment options and telemetry products.

The two companies will continue to operate as separate entities. Coin Acceptors' sales and marketing staffs will sell some InOne products.



Regional product brokers form national organization

▶ A group of vending and OCS product brokers have come together to form **Premier Broker Partners, Inc.** This new corporation combines regional leaders to offer local, regional, and national representation in vending, OCS and alternative trade classes. The group offers extensive operator coverage nationwide with decades of experience in vending and OCS.

Premier Broker Partners, Inc. is comprised of **Harold W. Young Inc.**, Natick, Mass., **Grant Sales & Marketing**, Burnt Hills, N.Y., and **DeMitre Chesapeake Sales Inc.**, Nottingham, Md., in the Northeast region; **Brokers Unlimited**, Lilburn, Ga. in the Southeast region; **Truman Dobbins**, Spring, Texas in the South Central region; **The Patterson Co.**, Northbrook, Ill., **AVB Sales & Marketing**, Glendale, Ohio and **Michigan Merchandisers**, New Baltimore, Mich. in

the Midwest region; and the **Atnip Co.**, Fullerton, Calif. in the Western region.

Atlantic Coast Expo gets new management

▶ The management of the **Atlantic Coast Exposition (ACE)** and two of its three sponsoring state vending associations - North Carolina and Virginia - has been reassigned to a new association management company. **TayCar Inc.**, an association management company based in Cary, N.C., will manage this year's Atlantic Coast Exposition in Myrtle Beach, S.C. in October. This year's ACE show will be held Oct. 20, 21 and 22 at Embassy Suites at Kingston Plantation in Myrtle Beach, S.C.

Beth Bowen, owner of Taycar Inc., said her company will also be managing the **North Carolina Vending Association** and the **Virginia Automatic Merchandising Association**. Both of these associations and the ACE show were previously managed by **IMI Association**

Executives Inc. in Morrisville, N.C. Taycar will not be managing the **South Carolina Vending Association**, the third sponsoring association of ACE.

Canteen acquires Coffee Distributing Corp. in Northeast

▶ **Canteen Vending Services Inc.**, a subsidiary of **Compass Group North America**, has acquired **Coffee Distributing Corp.** (CDC) from Robert, Alexander and Liza Friedman and the Friedman Family Trust. Canteen noted that CDC is the largest OCS and refreshment service company in the New York, New Jersey and Connecticut area.

CDC will continue to operate under their name, and from their two existing locations in New York and New Jersey. According to CDC's Website, the company employs nearly 300 people and serves roughly 20,000 customers from its two warehouse locations in Garden City Park, N.Y. and Union, N.J.

Starbucks partners with Green Mountain on K-Cups

▶ **Starbucks Corp.** and **Green Mountain Coffee Roasters, Inc.** announced a strategic relationship for the manufacturing, marketing, distribution and sale of Starbucks® and Tazo® tea branded K-Cup® portion packs for use in Keurig® single-cup brewing systems. The relationship will provide owners of Keurig single-cup brewers with the additional choice afforded by having Starbucks branded premium coffees available for their brewers.

SandenVendo America receives patent

▶ **SandenVendo America** has been assigned a patent developed by eight co-inventors for "calibration systems for machines." The co-inventors are Daniel S Carter, Fresno, Calif., Christopher R. Craven, Fresno, Calif., Walid H. El-Aouar, Clovis, Calif., Craig R Greiner, Fresno, Calif., Larry E Hieb, Fresno, Calif., Dean W James, Clovis, Calif., Sandra L Southard, Clovis, Calif., and Rolando S. Williams, Madera, Calif.

Next Generation buys Canteen Utica-Rome

▶ **Next Generation Vending and Food Service, Inc.**, based in Canton, Mass., acquired the assets of **Canteen Co. of Utica-Rome, N.Y.** Canteen Co. of Utica-Rome serves customers throughout Oneida, Madison and Herkimer counties in upstate New York. Next Generation will be integrating the Canteen Utica-Rome business into its operations in upstate New York.

G & J Sales to rep Schwan nationally

▶ **G&J Sales and Marketing Inc.**, the Palm Harbor, Fla.-based vend product brokerage, announced national representation of **Schwan Food Co.**'s product line for vending, including Tony's® Single Pizzas, Stuffed Sandwiches and Mega Pouches; Red Baron® Single Deep Dish 3-Pack Mini Pizzas and Deep Dish pizzas; Minh® Egg rolls; and Edwards® and Mrs. Smith's® Pie Slices.

Landshire to acquire Mom's Food Products

▶ **Landshire, Inc.** will acquire **Mom's Food Products, Inc.**, based in Ft. Worth, Texas. Mom's Food Products specializes in custom made sandwiches for vending, convenience stores and other foodservice industries. They have been in service since 1946 with the current ownership and management group in place since 1980. The acquisition includes 2,400 direct store delivery locations within Texas, with offices in the Dallas, Austin, and Houston areas; and Mom's Food Products production plant, in Ft. Worth, Texas, which fea-

tures Mom's fresh sandwich line of products. Mom's Food Products has 85 employees in its production plant and in the field as route sales representatives, district managers and regional managers.

DOE issues rules for testing venders' energy consumption

▶ The **U.S. Department of Energy (DOE)** has issued rules related to the testing of energy consumption for refrigerated beverage vending machines, according to the **National Automatic Merchandising Association**. The DOE has decided to adopt several enforcement sampling provisions that take account of low-volume or built-to-order consumer products and commercial equipment. DOE specifies provisions for certain covered products and equipment where there is a lower volume market and manufacturing tends to be more customized. These include automatic commercial ice makers, commercial refrigeration equipment, refrigerated bottle and can vending machines, commercial HVAC equipment, and distribution transformers.

People in the News

Industry loses Herb Luckower

Herbert Luckower, a longtime vending and coffee service product broker based in Harrison, N.Y., recently passed away. He operated Luckower Co. with his son, Michael Luckower.



Luckower

VendEver names Rick Leffke CEO

VendEver LLC, a manufacturer and distributor of cotton candy vending machines, has named Rick Leffke, a longtime vending industry consultant, as its chief executive officer. Leffke replaces Brian Duke, who has left the company. Brian Williamson remains vice president and chief operating officer.



Leffke

U-Select-It tabs Charles Treister

Charles D. Treister, NCE5, has joined U-Select It Corp. as vice president of sales in the western region. He will be responsible for both vending machine distribution and national account sales for the western U.S.



Treister

Industry loses Los Angeles, Calif. vending pioneer Robert Bradberry

Robert J. Bradberry, founder and owner of R.J. Bradberry Vending, recently passed away in Malibu Calif. Bradberry, 88, was one of the original vending operators in Los Angeles, Calif. and operated his company for more than 50 years prior to selling the operation to First Class Vending, also of Los Angeles, in 2003.

BONUS CONTENT on VendingMarketWatch.com



▶ **EXCLUSIVE:** Industry veteran Walter Reed speaks out on the consumer media's historic failure to do its homework on vending.



▶ The payments industry buzzes about mobile commerce
▶ Social change often happens slowly; remember the war against cigarettes?



▶ **EXCLUSIVE:** USA Technologies' Mike Lawlor sees contactless payment dominating retail commerce in two years.



▶ **EASY-TO-SEARCH** directory of products, equipment & services

Account retention, now more than ever!

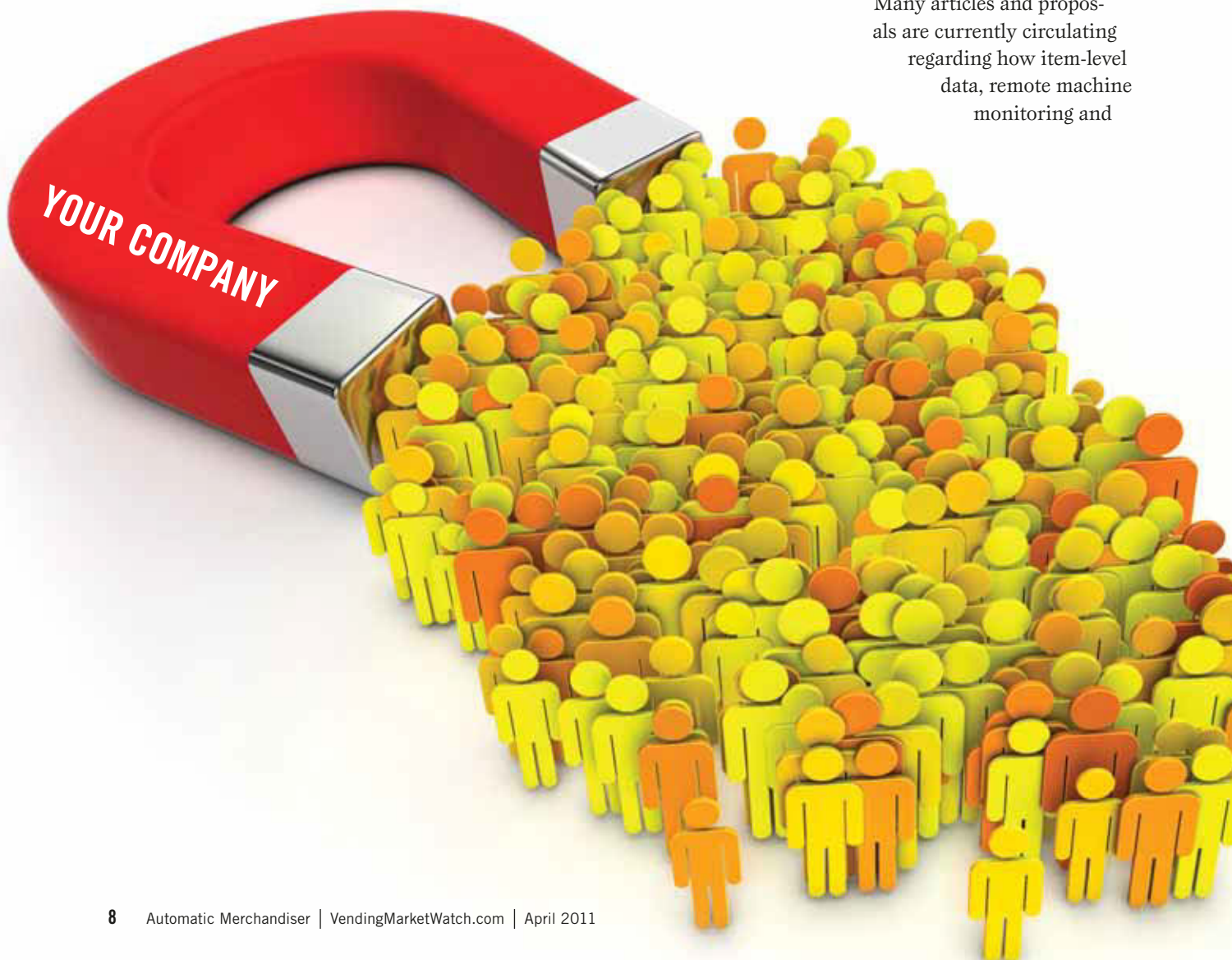
By Allen Weintraub

The recession gives urgency to customer retention efforts; operators must be proactive.

Vending operators are confronting three major issues in the current recession: 1) how and what costs to cut; 2) which, if any, investments should be made in technology to improve productivity; and 3) how to maintain and increase sales at current accounts.

In response to this situation, most operators have concentrated on reducing costs. This makes sense, as a company must survive. Reducing costs, however, does not set the stage for improved service, increased productivity, retaining accounts and increasing sales.

Many articles and proposals are currently circulating regarding how item-level data, remote machine monitoring and



cashless payments can improve the service and productivity of a vending company.

These technology solutions involve substantial investments, not only in hardware and software, but also, and more importantly, in changes in vending operations and personnel. Determining the return for such an investment is complicated and the implementation time consuming.

However, operators should take the time to review how they maintain and increase the sales at existing accounts.

CONNECT TO YOUR BASE

Recently, in an article in *The Wall Street Journal*, Rick Braddock, the chief executive officer of FreshDirect, the online delivery grocer and vending operator, described his company's policy of improving relationships with its existing customers rather than targeting new customers during the current downturn. Creative approaches in this area can bring immediate results with investments that can be carefully controlled and measured.

Most operators consider customer outreach as a cost to be minimized.

In companies seeking to cut costs, customer relations is one of the first areas they consider. One reason is that operators do not see this as an area that has a measurable return on sales.

I have known many companies that at one time in the past sent out a customer newsletter. In time, they lost interest in doing it. They see the recurring cost, and they question if the newsletter is really helping them in any way.

Another reason most vending operators fail to invest in customer relations

is they are in the habit of focusing on obtaining new customers, not improving their sales and relationships with their current customers.

The reason that customer relations is not seen as generating a good return is that it is not given enough attention in the first place. That newsletter that I referenced is not doing much good because it was assigned to someone who did not have the motivation or the skills to keep it interesting.

BE PROACTIVE, NOT REACTIVE

Generally speaking, customer service in vending is reactive, not proactive. Operators wait to hear a customer complaint before taking corrective action.

Most operators do not compensate personnel for being proactive. Moreover, since many operators have automatic renewal clauses in their contracts, there is not even a contractual reason to contact existing accounts.

The time has come for a change in thinking. Innovative changes in communications with an operator's current accounts can result in increased sales.

Given the current situation in our industry, operators should be investing more in customer service and less in new account acquisition. They need to revise their sales, customer service, compensation and procedures.

Industry consultant Jerry McVety pointed out in a feature article in this magazine in January of 2008 that Federal Express has a client retention goal of 99.9 percent.

Elliot Maras, editor of *Automatic Merchandiser*, noted in his Oct. 13 blog, "Staying Under the Radar? It's a Dated Approach to Customer Service," that most operators hold a long-held belief that "the best vending service is when the customer doesn't have to be involved in any way."

Operators should concentrate on developing an account retention and development program. First and foremost, in this day and age, each operator should have the contact person, phone number, and, most importantly, the email address of every account. Depending on the size of the account, email and personal contacts should be made on a regular basis.

The policy of most vending companies is that the only reasons an account is lost is if the account moves, goes out of business, or is not profitable. This is simply an incorrect assumption, seeing that studies have found that only 6 percent of dissatisfied customers will complain.

DO YOU TAKE OWNERSHIP?

Customer service must be proactive. And a proactive program will only succeed if there is a person at your company who has "ownership" of the program. Many companies have already designated customer retention specialists. These are individuals whose sole responsibility is to communicate personally with accounts. The companies that do this tend to be large since they have the resources.

But companies do not have to be large to have an aggressive and effective customer relations program. Especially with opportunities offered through email and social media.

Medium-size vending companies can even consider a part-time employee operating from their home.

In most companies, there are lots of things that have the potential to excite existing customers if they are presented in the right way (or presented at all).

If your company has item-level sales data, share this information with your accounts. You can email the sales reports showing the

CONTINUED ►





VENDING operators need to let customers know they exist, what value they provide and that they are looking to improve their services.

product changes you will be making to improve customer satisfaction and sales.

CUSTOMERS WANT TO KNOW YOU BETTER

Even if you do not have item-level data, every operator should establish a seasonal program of product changes based on the number of machines and annual sales of each account.

If you are planning on making technological changes to your machines, such as adding a \$5-bill acceptor or recycler, highlight the new premium products you will be vending at \$2.50 and more in these machines.

There should be special seasonal products for Halloween, Christmas, New Year's Day, Valentine's Day, Spring and Summer. Speak to your product manufacturers and coordinate such promotions with their programs. When was the last time you reviewed your beverage selections and emailed your accounts

about the new products now available in your machines?

Coffee is a hot button with consumers today, so promote both the quality and value of your coffee. Set your coffee vending machines for free vends one day each quarter.

Bring extra value directly to your customers! Buy sets of tickets for local sporting events, college and professional, entertainment events, local theater and movies, and iTunes downloads. Place notices on your machines informing customers that have a chance to win such tickets by purchasing products from the machines. Randomly affix "You Have Won!" labels on certain products in the machines informing the customer how to redeem the tickets.

Steve Danzig, a veteran operator and beverage distributor, wrote an extensive article on how to do vending promotions in the April 2008 *Automatic Merchandiser*. This article can be viewed in the maga-

zine's archives on its Website, www.VendingMarketWatch.com.

PAY SALES PEOPLE TO RETAIN ACCOUNTS

It is also important to involve and compensate your sales personnel in such a customer relations program. Sales personnel are often only paid for new accounts, not renewing contracts and increasing sales with current accounts. This makes no sense when you consider it is more expensive to acquire new accounts than to retain and develop current accounts.

In his above mentioned article, consultant Jerry McVety quantified such approaches by stating that "for every piece of business you lose, it takes approximately three new accounts to cover the financial loss."

Sales personnel should be compensated for account retention, for example:

- Renewal of a contract with price increases; and

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- Re-surveying current accounts, resulting in either placement of additional machines, removal of non-profitable machines and sale of new services, e.g., OCS.

The Internet has created new ways to reach out to customers. This is how accounts communicate; the investment is minimum; the benefits are only limited by your creativity.

Your Internet Service Provider (ISP) can launch promotional emails for a fee. All you need to do is provide the content about your promotions, news about your company and other information you want to share, and the ISP can send this to your email list.

A lot of ISPs also have graphics capabilities to enhance your mailings.

USE SOCIAL MEDIA

Social media is another way to promote your business to existing customers. This is a new and evolving communications medium, and many businesses are embracing it. Utilizing social networking takes time. To do it successfully, a business has to allocate the responsibility to someone.

The Wall Street Journal has reported that small businesses can effectively use social networking Websites. The article noted these sites are inexpensive and have the potential to produce far reaching “viral marketing” when there is a high pass-along rate among users.

A report in the January/February 2010 *Automatic Merchandiser* on the vending industry’s use of social media further noted that social media activity helps improve a company’s ranking on Internet search engines.

Not every vending operation can justify a big investment in social media, but keep in mind that the younger generation of consumers is using Twitter, Facebook and LinkedIn.

The bottom line is vending operators need to let customers know that they exist, what value they provide and that they are looking to improve their services. In the current recession, this is a more cost effective way to sustain sales and profits than investing in new sales. | ◀



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'Green' packaging solutions break into vending and OCS

By Emily Refermat, Managing Editor

Going “green” should be part of every operator’s corporate commitment, but also part of the services he or she offers to locations. While there are many aspects of going “green,” this article will focus on packaging and paper goods used in vending and OCS.

Many operators report more locations being concerned about the environment, whether customers are asking about switch-

ing to biodegradable products or having recycling programs. Being knowledgeable about these products and offering the best value to locations is imperative in the eco-friendly packaging and paper goods market.

Additionally, using the programs and sustainability information from the national brands can help an operator offer “green” solutions in vending and OCS

Innovations in packaging are making products more environmentally friendly, which operators can use to expand their business and cultivate their social responsibility.

CONTINUED ►

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without affecting operations in an adverse way.

“There’s a tremendous opportunity for operators to sell these products,” said Ralph Bianculli, director of business development of Paradigm Group, concerning environmentally friendly products. Paradigm offers a line of “green” products called the Emerald brand, which includes cutlery made from corn starch to toilet paper made of sugar cane stalks.

“Our green sales from 2009 to 2010 were up 123 percent in green products,” said Bianculli. The increase was driven by more customers asking for them.

COMPETITIVE PRICING HELPS

Whether or not a location is looking for environmentally-friendly options depends greatly on its size and management, according to Carey Werner, regional director for Answer Vending in Farmingdale, N.Y. “At locations with 150 or more people, products that are green are a major selling factor,” he said. The eco-friendly toilet paper, paper towels, etc. are lower in price and very competitive, although the end user will still notice a difference between the green product and a premium, name brand product like Cottonelle or Bounty.

“When (companies) talk green with me, it’s mostly about image,” said Werner. He recently had a law firm that wanted to use as many eco-friendly products as possible. He noticed that more OCS accounts ask about eco-friendly products compared to vending locations. Also, larger companies will ask, where small business owners assume they can’t afford greener products.

PRICE IS STILL A BARRIER

Balancing environmental products and price is a challenge. Werner offers an example using a coffee cup.

The client is concerned about the environmental impact of Styrofoam, so they want to switch to paper cups. Paper costs twice as much, and the cup is plastic coated. When Werner suggests something made from corn or rice, a more sustainable solution, and the client sees the price, he backs off.

Single-cup brewers also become an issue when a location is concerned with going green if the packets are plastic and/or foil.

RECYCLING CHALLENGES SOME

Recycling programs are part of the sustainable packaging process because they reuse containers and provide recycled material for new containers. However, these initiatives still have problems. Where Werner is located, in the tri-state area, recycling has a logistics challenge.

“I personally did start a recycling program at locations with our beverages, but it became a major issue,” said Werner. Tens of thousands of containers had to be stored somewhere when the driver couldn’t take the load that day, and they attract rodents, so they must be stored outside and washed. “We still do it,” said Werner, despite the challenges.

New York also recently changed its laws about uncollected deposits from beverage containers. The previous, unclaimed 5-cent minimum refundable deposit per beverage used to be kept by service providers, but under the new bottle law, 80 percent of the unredeemed deposits are required to go to the state general fund. “Not enough people are recycling, so they are putting the onus on the vendor,” added Werner.

Another thing Answer Vending recycles is cardboard. All five company branches collect and either bundle or compact the cardboard from their warehouses. The company also tries to operate paper-

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Piggyback manufacturers environmental efforts

Operators can use efforts by manufacturers to advertise the eco-friendly nature of their products. Coca-Cola, for example, has the “Give it Back™” campaign with statistics about recycling, such as the fact that it takes 95 percent less energy to make a can from recycled aluminum versus virgin aluminum. “Give It Back” is supported by billboard, print, and television advertising, online messaging and promotional activities throughout North America.

Coca-Cola Recycling LLC, formed in 2007 to support package recovery, can provide vending operators with information on the importance of recycling and help them implement infrastructure for recycling programs, working on everything from the development of consumer messages to the process for the collection and recovery of materials.



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NEXT STEP: INCREASING PET RECYCLING

Polyethylene terephthalate or PET bottle recycling rates stand at about 28 percent, according to the 2009 Report on Post Consumer PET Container Recycling Activity. That rate is lower than for aluminum beverage containers, which have a rate of 57 percent, according to the Aluminum Association.

The majority of PET bottles collected during recycling efforts are currently being turned into “rPET,” or recycled polyethylene terephthalate, via relatively new processing technologies. This means that old bottles can be used to create new containers, according to Sophia Dilberakis, a 30-year industry veteran and owner of SD Communications, a public relations company which specializes in representing packaging and plastic suppliers.

“It used to be that you could only use the recycled plastic to create other things, such as lawn furniture, but technology has been developed which now makes ‘bottle-to-bottle’ possible, and some companies are using up to 100 percent rPET,” she said.

Beverage companies have embraced rPET as part of their packaging strategy. On the PepsiCo Inc. corporate site, the company vows to incorporate at least 10 percent rPET in its primary soft drink containers in the U.S., and broadly expand the use of rPET across international markets.

The toughest part of these PET recycling initiatives is getting a recycled material that is safe for food, explained Ron Puvak, director of marketing for Plastic Technologies, Inc. Still, he sees some manufacturers taking on the extra costs of making these processes work. “Examples such as the recent devel-

‘Sustainable’ packaging – a misnomer?

“Sustainable” packaging is one of the phrases thrown about when speaking about environmentally friendly products, but what does it actually mean? Sophia Dilberakis, owner of SD Communications, a public relations company for packaging and plastic suppliers, and 30-year industry veteran, said “In absolute terms, if something is sustainable it can replace the resources it uses.” She said some people argue a 100 percent recycled polyethylene terephthalate bottle is sustainable. But others counter that it takes energy to produce the bottle and then to recycle it into rPET, so it is not sustainable.

“The term is mis-used a lot,” said Dilberakis. Instead, she recommends words like “environmentally friendly,” “reusable” or “reduction in carbon footprint.”



opments in bio-derived technology, (such as) Coca-Cola’s Plant Bottle, show the potential for the future of these materials,” he said.

RENEWABLE AND RECYCLABLE BOTTLES

“At Coca-Cola, our approach to sustainable packaging considers the entire life cycle of our packages, from their initial design to the recycling infrastructure in the marketplace,” said Scott Vitters, general manager of PlantBottle™ Packaging at The Coca-Cola Co.

The Coca-Cola PlantBottle is a PET plastic bottle that contains up to 30 percent plant-based material and is 100 percent recyclable. It looks and functions just like traditional PET plastic and the plant material used in the bottles is sustainably sourced from sugar cane ethanol in Brazil.

“Our use of the PlantBottle package in 2010 enabled us to eliminate almost 30,000 metric tons of CO₂, the equivalent of 60,000 barrels of oil from our PET plastic bottles,” explained Vitters. “In 2011, we are expanding PlantBottle to all Dasani packages in the U.S. As a company, we are continuing to take steps to transition all our plastic bottles to PlantBottle packaging by 2020.”

Additionally, starting in April 2011, the Odwalla packages in the U.S. will be made using up to 100 percent plant-based material. The current bottles are made from HDPE (high density polyethylene) plastic which needs ethylene. Ethylene can be made entirely from sugar cane based ethanol, a renewable resource.

One important distinction in the PET bottle industry is the difference between a biodegradable bottle and a PlantBottle. According to Vitters, typically, biodegradable bottles are made with corn-based polylactic acid (PLA), instead of PET.

PLA is compostable in industrial composting facilities, but is not recyclable in current recycling facilities.

There are also other biodegradable bottles available to operators.

Continental Dining Services in Sterling Heights, Mich. recently met a college’s request for biodegradable water bottles by offering such a product from Chicago-based Green Planet Beverage Co.

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Just last month, PepsiCo announced its new “green” PET bottle, produced from 100 percent plant-based, renewable resources. The “green” bottle pilot program is scheduled for 2012.

SNACK PACKAGES BECOME COMPOSTABLE

Another common type of packaging is the flexible material used in snack packages and candy wrappers. While these remain relatively unchanged as far as eco-friendly materials, there have been some manufacturers taking a lead role.

Frito-Lay introduced a biodegradable bag for its Sun Chips line of snacks in April of 2009. Unfortunately, the bag was met with a lot of negative comments about the noise when it opened. Many operators remember the customer comments.

This year, Frito-Lay has come out with a quieter version of the eco-friendly bag. The company is limiting the introduction of the new package to only the original chip flavor and asking consumers



Frito-Lay was among the first to try “green” packaging with a compostable Sun Chips brand bag. It was relaunched this year after being discontinued due to the noise the compostable packaging made when handled.

to comment about the bag on social media Websites like Facebook. It is not yet available to vending.

CUSTOMER CONCERN COMES IN WAVES

Randy Parks, owner and founder of ProStar Services, Inc. in Carrollton, Texas, finds requests for environmentally friendly products come in waves. “It’s high on people’s social agendas, then it wanes, then comes back even stronger,” he said. He believes it will be rising in the coming months due to the increasing oil prices. He also believes it will be driven by government regulation, much like stricter emissions rules have led to vehicles with more restrictive equipment.

Parks has both a vending business and OCS business, but the vending side has almost no sustainable packaging efforts outside of what manufacturers are doing. He notices most end users aren’t asking for anything beyond a recycling program. “On the coffee side, however, we are selling a lot more paper cups than we were before,” said Parks, “although we still sell more Styro-foam overall.”

Perhaps because it’s the coffee customers driving the environmentally friendly products initiative,

EPA provides guidance on green marketing claims

As early as 1992, the Environmental Protection Agency (EPA) was providing guidelines for “green” marketing language. While environmentally friendly products mean different things to different market segments, these EPA guidelines address how to view labels and also how to explain labels to consumers.

Look for specific environmental claims. Even claims such as “Made with recycled material” should be followed by how much of the final product is made from the recycled material and where the material comes from, such as “post consumer.”

Beware overly broad or vague phrases. “Environmentally friendly, eco-safe, etc.” have little meaning without specifying how the product is better for the environment, such as being recyclable or made with resources that are renewable (a source easily replenished such as

corn or sugar cane, as opposed to oil).

Degradable material will not save landfills. Products labeled biodegradable or photodegradable will break down when exposed to air, moisture, organisms and sunlight. However, most modern landfills limit the entry of sun, air and moisture to prevent pollutants from the garbage contaminating the air and drinking water supplies. This slows the decomposition of even biodegradable products. This is also true for products labeled compostable. Compostable products are safe to use in compost sites, but will not break down as fast in the modern landfill.

The EPA also offers purchasing advice in its document: “Final Guidance on Environmentally Preferable Purchasing.” It notes the first guiding principle of environmentally preferred purchases is the environment, plus price, plus performance.

many of these manufacturers are racing to make greener packaging. Parks runs a roasting plant and buys film to package his coffee. Recently, there were claims about a recyclable film that could still maintain the freshness of the coffee. "It can do that," said Parks, "But it doesn't want to roll and stretch through the machine like the oil-based products." He admits finding a product that's green, protects freshness, has printability and "machinability" is a challenge.

ECO-PACKAGES WORTH INVESTMENT

"I think it's an opportunity for some vendors who can have products that are recyclable, compostable or made from renewable resources," said Parks. "There's a big opportunity for green packaging."

Parks dedicates a section of his company's Website to green products. He clearly spells out what the products are made of and whether they are compostable. The products include cups, cutlery and straws. The site includes clear labeling and definitions, which are important when advertising these types of products.

The Environmental Protection Agency and Federal Trade Commission are actively engaged in monitoring green marketing wording so consumers aren't fooled by claims that mean very little. (See the sidebar on the opposite page.)

OFFER PRODUCTS AND REPORTS

"Sustainable, in our category, means being able to use a product that's made in a more environmentally preferable way and disposed of in a more efficient way, and that is also cost effective...(sustainable products) shouldn't cost more," said Bianculli of Paradigm.

Additionally, "green" reports such as those showing how many

trees the end user is saving are available from Paradigm.

"The decision maker for OCS is usually the same for facility products, so it's an easy conversion to make and being about to offer similarly priced environmental products is a win-win," added Bianculli. | ◀

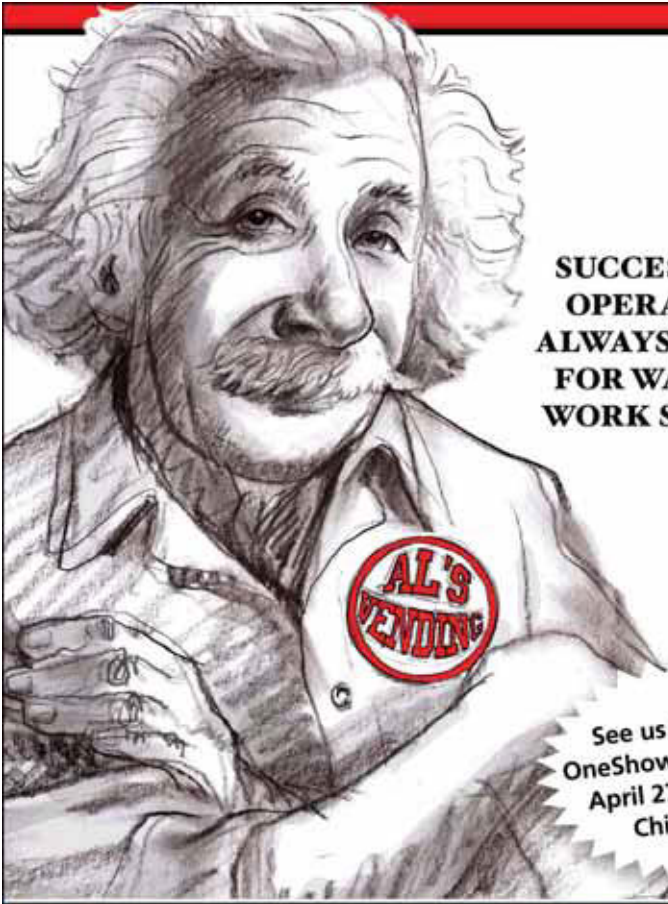
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Coca-Cola, www.thecoca-colacompany.com/citizenship/index.html, 800-438-2653

Green Planet Beverage Co., www.greenplanetbottling.com, 312-962-4444

Paradigm Group, Emerald Brand, <http://www.emeralddecoproducts.com/default.asp>, 866-937-6872

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New Jersey vendor teams with Florida operation to launch an OCS company

Vending operators looking to expand into OCS usually consider one of two choices: starting their own OCS business or buying an existing one.

One well established vending company, Union, N.J.-based Culinary Ventures Vending, took a different approach. It partnered with an out-of-state operation experienced in OCS to launch an OCS company. The out-of-state company handles the sales and administrative functions.

Two years ago, partners Tom DiNardo and Joe Belasco, Jr. teamed with Pompano Beach, Fla.-based Paramount Automated Food Services Inc. to form Paramount Coffee Service. Paramount Coffee Service operates out of Culinary Ventures' Union, N.J. facility but is managed by Paramount Automated Food Services' offices in Florida.

MANAGER COMMUTES FROM FLORIDA

Scott Guardino, general manager of Paramount Automated Food Services, is general manager of the new venture. Guardino divides his time between Union, N.J. and Florida.

The foundation for the new company came from Rolly Espinoza, operations manager, Peter Walsch, sales manager, and Joe Guardino (Scott Guardino's son), route manager.

The company has grown to a handful of dedicated OCS routes in



Tom DiNardo has found success partnering with an out-of-state operator in establishing Paramount Coffee Service in Union, N.J.

the highly competitive metropolitan New York City and northern New Jersey market. The OCS offerings include national brand fractional packs, private label fractional packs, single-cup systems, ancillary products and water services.

DiNardo and Belasco didn't think about OCS when they bought Culinary Ventures Service Group Inc. in 1994. At the time, the company was primarily a manual feeding operation with some vending. The partners decided they wanted to focus on vending, and in the first five years, they divested the manual feeding business.

By the time the company was fully focused on vending, many of their competitors were well established in OCS. DiNardo and Belasco recognized they needed to be in it.

The partners knew Scott Guardino, and they realized he knew a lot about OCS. They

reasoned that a joint venture with Guardino acting as general manager made a lot of sense. They launched Paramount Coffee Service in 2009.

Guardino commuted to New Jersey and oversaw the organizing of the OCS warehouse and vehicles. He hired onsite operations and sales managers for the New Jersey OCS business. He developed an OCS product list similar to the one his own company uses.

An 8-person support staff is based in Florida, including the controller, purchasing manager and telemarketers.

The toll free service number on the New Jersey OCS company's trucks is answered by service reps in Florida.

The New Jersey drivers carry route handhelds and the data is managed in Florida.

"It's been hugely successful," Guardino said. | ◀



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Beta test brings strong results for interactive Diji-Touch machine

By Elliot Maras, Editor

Next Generation Vending & Food Services Inc. plans to expand Diji-Touch following positive results from 20 Northeast locations

Good news! The vending experience of the future will be an engaging one for consumers.

Not only will they know the nutritional content of the product they buy before making a purchase, but the process of reading the nutrition information will be exciting. They will be enticed by a colorful display of graphic images that scroll across a screen that resembles a giant smart phone.

This is not fantasy. For many consumers in the Northeast, it is already reality, as the *Diji-Touch* machine, an Internet-connected machine with a 46-inch touchscreen that makes the vending experience more interactive for consumers, has dazzled 20 locations served by Canton, Mass.-based Next Generation Vending & Food Services Inc.

Next Generation recently completed an 8-month beta test for *Diji-Touch*, a partnership of Kraft Vending & OCS, Crane and Samsung, including colleges, health care facilities and transportation locations. All parties believe the test has been very successful.

The next step will be a pilot test among independent vending

operators, according to Kraft. The long-term goal is for the machine to be available to operators nationwide.

Next Generation, which was selected for the beta test because of its technological expertise, plans on purchasing more *Diji-Touch* machines, based on the results to date.

The machine, which Kraft and Crane both displayed at the National Automatic Merchandising Association OneShow in 2010, has undergone some changes during the beta test. Next Generation and Kraft are both awaiting reports from researchers who are analyzing data from the beta test.

Digitas LLC, a digital advertising company, is determining metrics such as how long consumers are viewing nutrition data before making a purchase, and what relation exists between nutrition reading and purchasing. Digitas can determine these metrics because each time a consumer touches the LCD screen a file is recorded.

Nielsen Strategic Media Service, meanwhile, has interviewed consumers and will determine

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“This is a real injection of innovation to the industry.”

– John Hickey, Next Generation Vending & Food Services Inc.



Frank Guzzone of Kraft Vending & OCS is offered the option to make an additional purchase from the *Diji-Touch* machine.

John Hickey of Next Generation Vending & Food Services Inc. reviews the options for buying Trail Mix from the *Diji-Touch* machine.

how consumers use the machine and how they perceive it. (See sidebar, page 26.)

A long-term goal is to use the *Diji-Touch* as an advertising medium. While the machine in its current stage uses promotional advertising to encourage vending sales, the system also has the potential to carry paid advertising, offering “passive” income to vending operators.

DEVELOPMENT ONGOING

The *Diji-Touch* machine, besides offering a more interactive buying experience, marks a new type of development process for vending. Unlike other innovations that are tested and then brought to market, *Diji-Touch* is an ongoing process. This is because it uses a technology, liquid crystal display digital video, that is still evolving.

The *Diji-Touch* mimics a traditional glassfront snack machine in that it displays a grid of product facings. The first difference is that instead of displaying actual product, the screen presents a grid of colorful graphic icons representing the products.

Once the consumer touches an icon to make a selection, a larger image of the product appears on the screen, prompting the consumer to “spin” the image. The image of the product rotates in place in the center of the screen, allowing the consumer to view the package from different angles. The consumer can then choose a view of the ingredients, the nutrition data, or move on to the actual purchase process.

The touch prompts lead the consumer through the purchase process, offering a choice of payment method: cash or credit. At the end,



Pickers in the Next Generation Vending & Food Services warehouse stock orders for a route that includes *Diji-Touch* machines.

the screen displays the sale information and asks the consumer if they’d like to make another selection.

These text prompts appear on a rectangular image in the center of the screen against a solid background. The screen is highly versatile and can include an advertising banner or virtual images of mascots such as *Mr. Peanut*.

The user can even adjust the product grid so the top and bottom rows switch position, allowing someone who is visually impaired to view the top rows at eye level. This feature makes the machine ADA (Americans with Disabilities Act) compliant.

The screen displays programmed advertising when it is not in use.

Service technicians use the touchscreen to access service menus.

In a recent 8-month period, Next Generation placed all 20 of its *Diji-Touch* machines in existing loca-



tions, where they replaced glassfront snack machines. The company wanted to place the machines in existing banks in order to see how the machine can be integrated into its operations. This has also given the company the ability to compare the *Diji-Touch*’s performance against a traditional snack vender.

A CONTROLLED BETA TEST

In introducing the *Diji-Touch* machines to customers, Next Generation agreed to keep most of the same



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products in the machines, and at the same prices, noted John Hickey, senior director of management information systems at Next Generation.

Because the *Diji-Touch* has 54 facings, the machine offers more variety than a traditional vender.

Hickey said the *Diji-Touch* has roughly doubled the sales of the older venders in multiple locations and delivered a sustainable uplift overall.

“It has significant lift to really make business sense,” noted Frank Guzzone, Kraft Vending & OCS business developing manager, strategy and innovation.

Next Generation has been able to integrate the *Diji-Touch* into its existing routes fairly easily, largely because the company was already pre-kitting its routes using remote machine monitoring.

Where most of Next Generation’s machines send DEX information by means of a Crane Streamware telemeter, the *Diji-Touch* machine sends the DEX information to Next Generation via an imbedded computer.

All of the ingredient and nutrition information, as well as the digital graphics, have been provided to Next Generation by Kraft. When new products are added, the product manufacturers send these materials to Kraft.

Hickey said adding graphics and information, known as “assets,” has not been difficult for Next Generation.

Seeing that *Diji-Touch* is a Kraft initiative, the question naturally arises: Does the vending operator have complete freedom to choose the products? Hickey said this has not been an issue for Next Generation.

“Data mining” is part of the *Diji-Touch* initiative. The data mining function is being managed by Blue World Inc., the vend data collection and rebate management provider.

Hickey said Next Generation has had to increase its stock keeping units (SKUs) to accommodate the *Diji-Touch* machine, but not significantly.

MANAGING STOCK KEEPING UNITS PARAMOUNT

The high level of SKU-level data that gets communicated to the customer by *Diji-Touch* makes SKU management critical, Hickey said. While the company was already focused on SKU management when it introduced pick and pack in the warehouse, the *Diji-Touch* test has forced the company to take SKU management to a new level.

“We have learned a lot about SKU discipline,” Hickey said. “In this (*Diji-Touch*) machine, you can’t allow a consumer to not get the exact product that shows up on the screen. That SKU discipline has to

happen all the way through your supply chain.”

To this end, Next Generation has introduced the LightSpeed “pick to light” product picking in its Middleton, Mass. warehouse. This is an automatic picking system that uses lights to alert product pickers how much product to pick from a moving row of bins.

Hickey said one takeaway for him is the important role that computer skills will play in the future of vending management.

Mike Keating, Next Generation’s client relations manager for the Boston area, said he is surprised by the degree to which college students are reading the nutrition information on the *Diji-Touch* machine.

Impact on the customers has been significant.

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“The excitement level was greater than I expected,” noted Darryl Perkins, Next Generation’s senior program manager for information systems. While the excitement has been strongest among children, it has also been noticeable with adults, he said.

“This is a real injection of innovation to the industry,” Hickey said.

STEP TWO: PILOT TEST

One of Kraft’s next moves will be to determine a business model for vending operators, Guzzone said. While the intention is to sell machines to operators, Guzzone said Kraft is looking at ways to subsidize the costs so that the purchase of the *Diji-Touch* is comparable to other snack machines.

Another goal is to be able to use the machines as an advertising medium. Guzzone envisions this function being handled by an outside party. “The operator doesn’t have time to sell advertising,” he said.

While it will be several months before Kraft has the information needed to develop a model for com-



A student at a northeastern university buys a candy bar from the *Diji-Touch* machine.

mercial advertising for *Diji-Touch*, the promotional advertising Kraft has already done for its own products in the machine has impacted the sales of those items. For these items, there is a banner that appears across the top of the screen when the item is selected.

Other innovations are also in the works for *Diji-Touch*.

The machine has audio speakers that can add a sound component,

thereby enhancing the interactive experience, Guzzone said.

The machine also has an imbedded camera that can be used for several purposes.

One immediate benefit the camera can provide is to help identify anyone who vandalizes the machine.

The camera, by counting users, will also be used to help Kraft gather demographic information on users.

In addition, Guzzone said the camera will allow the machine to offer creative promotions; users will be invited to have their pictures used in social media promotions.

The field of interactive touchscreens continues to evolve along with mobile commerce and Internet commerce. Hence, the *Diji-Touch* machine will find new uses as it rolls into the vending market.

In the near term, Kraft hopes to formalize a business case for vending operators. Guzzone said it is reasonable that 100,000 machines could be installed in a 5-year period.

The *Diji-Touch* machine, while still in its pilot stage, is reinventing the vending experience. ◀

Consumer feedback positive, paving the way for a new advertising medium

Recognizing the high cost of the *Diji-Touch* machine, Kraft Vending & OCS from the very outset of this initiative has sought to use paid digital advertising to offset some of the costs. This has taken the *Diji-Touch* into the new and evolving field of digital signage.

To develop a business model that would allow the *Diji-Touch* to play such a role, Kraft enlisted Nielsen Strategic Media Service to study consumer perceptions of the machine.

“The ‘home run’ would be a device that increased sales of the products contained within, that enhanced the environment or the experience of both users and non-users within the environment, and which could help support the financial investment of a rollout,” said Paul Lindstrom, senior vice president at Nielsen.

At this writing, Nielsen was in the process of completing 375 consumer interviews.

Lindstrom said that while the sample size to date is small, feedback has been very positive. Lindstrom, who has been researching 20 different environments for digital signage advertising, said the *Diji-Touch* has been one of the most promising environments to date.

“The ‘notice levels’ are extremely high,” Lindstrom said regarding response to *Diji-Touch*.

A key feature of the *Diji-Touch* experience, Lindstrom said, is the amount of time the consumer is focused on the experience. “They (*Diji-Touch*) are having very positive feedback from the people that we interviewed,” he said.

Lindstrom noted that advertising agencies are anxious to develop the digital signage medium since it offers a more targeted audience than traditional advertising media.

“It (*Diji-Touch*) becomes a dual revenue stream,” Lindstrom said.

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OneShow: a bonanza of savings and more!

By LyNae Schleyer, Contributing Editor

This year's National Automatic Merchandising Association OneShow offers opportunities for operators to take home savings in addition to an outstanding education program.

At this year's National Automatic Merchandising Association (NAMA) OneShow, operators will have a number of money-making opportunities. From thousands of dollars in random cash giveaways each day on the show floor to exclusive deals from OneShow exhibitors, attendees will have opportunities to pocket cash during the OneShow, April 27 to 29 at McCormick Place North in Chicago.

For the first time ever, \$12,000 in cash prizes will be given away to operators attending the OneShow. Thanks to a prize donation from G&J Marketing, each day, twice a day, \$2,000 in cash will be handed out to an operator who is on the show floor. In addition, dozens of exhibitors have created OneShow-only specials so that operators who sign orders at the show can enjoy extra savings on

the same products and services they always need to purchase to effectively run their businesses.

DRUM CAFÉ KICKS THINGS OFF

Once at the show, the fun begins with the Drum Café where

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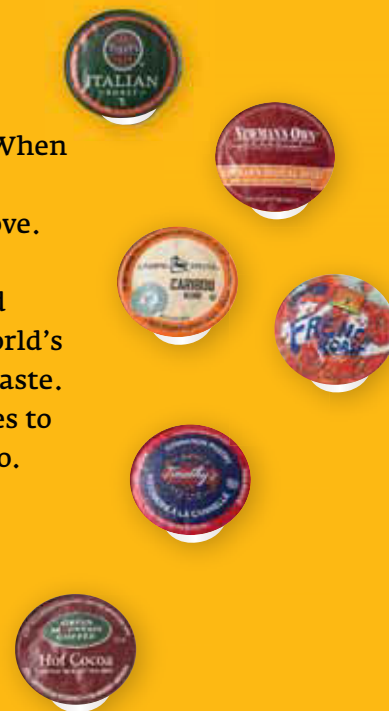
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attendees will gather at Center Stage at 2 p.m. on Wednesday to collect their drum and help kick off this year's show. The Drum Café team will lead everyone in a spirited, team-building session that will energize, spark creativity and send attendees away with renewed enthusiasm and motivation.

Also on Wednesday, attendees won't want to miss the "Federal legislation updates: How is the federal government impacting your vending or coffee service company?" program. It will look at the many new federal regulations enacted in the past year that affect vending and OCS, including health care legislation and calorie disclosure requirements, among others.

This first-of-its-kind program begins with "How can vending operators effectively comply with FDA-required calorie disclosures?" followed by "What impact do the new ADA regulations have on the types of vending machine I can place in locations?" and wraps up with "Economic incentives, tax increases, tax breaks and credits... What can be done to help vending and coffee companies grow and prosper?"

Representatives from federal agencies have been invited to participate and clarify these issues, discuss their impact on business, and suggest what NAMA can do on members' behalf. These three sessions will help operators understand the requirements of these regulations. Attendees interested in the impact of health care legislation will also want to attend "The impact of health care reform" on Wednesday.

A HOST OF NEW SESSIONS

One of the new sessions, "Focusing your business strategy on growth opportunities," led by Dr. Mark L. Frigo, Center for Strategy, Execution and Valuation at the

CAN you really afford not to be there learning how to deliver a better product, sell more effectively and generally win more accounts?



Kellstadt Graduate School of Business at DePaul University, will be held on Wednesday. Dr. Frigo will offer easy-to-use-tools for developing profitable growth opportunities to increase company value. He is the author of the book, "DRIVEN," and has experience as an advisor to CEOs for Inc. 500 and Fortune 500 companies. Each company attending Dr. Frigo's session will receive a copy of his how-to book.

In addition, the "Vending/Coffee Service 101" program is back by popular demand and will be delivered on Friday by Vic Pember-ton, president of Pepi Food Service, Bainbridge, Ga., and NAMA's 2007 Vending Operator of the Year.

Wednesday is also the day to learn about new technology at "Innovations in vending technology and the benefits of cashless," moderated by NAMA Industry Leader of the Year and Endowed Professor Dr. Michael Kasavana, NCE5. This fast-paced series of

presentations will cover everything surrounding the latest technologies designed to advance the vending industry, including the progress being made on the Vending Data Interchange Standard.

Another not-to-be-missed event on Wednesday for coffee and water service operators is the new Coffee & Water Service Operator Symposium, known in previous years as the "Open Forum." Jeff Deitchler, general manager from Prairie-Fire Roasters, will moderate this event. At the Symposium, experts will lead breakout sessions to discuss specific topics that relate directly to the coffee, tea and water industry, and afterwards will form a panel to answer questions and share key points from their specific topics. Panel members will include Steve Hyde from Brew-Tek, Mark Marino from Baronet Coffee and Tom Steuber from Associated Coffee & Water Service, San Leandro, Calif.

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COFFEE CERTIFICATION RETURNS

Coffee service providers interested in brewing the best possible coffee will want to register for the Quality Coffee Certification Program (QCCP). The brewing fundamentals workshop will be held on Tuesday, and coffee fundamentals will be held on Wednesday. Participants will hear industry veteran Mike Tompkins of Coffee Products Associates share his coffee expertise and knowledge.

Following the Coffee & Water Service Operator Symposium is another new education session, “Finding your profit leaks” by Fred Parrish, president of Profit Experts. As an added bonus, attendees will receive a memory stick loaded with formatted spreadsheets that will allow them to track sales and inventory.

OneShow attendees should also know that this year’s Coffee, Tea & Water Service Pavilion is already bigger than ever, with a host of resources designed to help service providers in this area with every aspect of their business.

MAYOR RUDY GUILIANI TO SPEAK

On Thursday, former New York Mayor Rudy Guiliani will open the day with an inspiring presentation, “Principled leadership: In the face of change and crisis,” right on the show floor at Center Stage.

Also on Thursday, be sure to gather at Center Stage at 4:30 p.m. to help celebrate the 2011 NAMA Industry Award winners who will be recognized for professional achievements in our industry.

Michigan State University basketball Coach Tom Izzo will host the awards ceremony.

This year’s 2011 industry award winners include:

- **Industry Person of the Year:** Michael Kasavana, Ph.D., NCE5,



Michigan State University, East Lansing, Mich.;

- **Vending Operator of the Year:** Craig Kushner, Monumental Vending, Beltsville, Md.
- **Coffee Operator of the Year:** Howard Chapman, NCE, CCS, Royal Cup, Birmingham, Ala.;
- **Coffee Allied Member of the Year:** Tim Cleland, Gavina Gourmet Coffee, Los Angeles, Calif.;
- **Vending Allied Member of the Year:** Steve Richardson, DeMitri Chesapeake Sales, Chase, Md.

Throughout the show, operators will also want to check in on the “operator perspectives” sessions, designed as a new way to facilitate operator-to-operator discussions. Each day at Center Stage on the show floor, operators will lead discussions on key topics such as loss prevention, profitability, coffee, technology, cashless

and unattended retail markets. Conversations will take place in front of Center Stage, and will provide an opportunity for attendees to share best practices, solutions and ideas with each other.

Finally, each day’s opening session has been created to match the events of the day, which is why Friday opens with a humorous perspective on what’s happening on Capitol Hill with the nationally acclaimed political satire troupe, The Capitol Steps.

For more information, visit www.vending.org. ◀



ABOUT THE AUTHOR

LyNae Schleyer, CMP, NCE, is senior director, OneShow and education at the National Automatic Merchandising Association.

WHAT'S **NEW** ABOUT THE **ONE**SHOW? JUST ABOUT EVERYTHING!

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- OPERATOR PERSPECTIVES: DISCUSS BEST PRACTICES WITH PEERS IN THIS **NEW** FORMAT
- BRAND-NEW SUPERVISOR PROGRAM WITH **NEW** AND REDESIGNED TOPICS



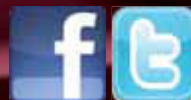
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Washington State Leader's 3-Pronged Battle Plan:

Technology, Sustainability, Nutrition

Coca-Cola Vending's multi-faceted sustainability initiative proves a winner

By Elliot Maras, Editor



Recycling containers shaped like Coke bottles help communicate Coca-Cola Vending's recycling initiative, notes Jeff Hemp.

One benefit of being owned by a larger company is having the resources to invest in new technology. This advantage has not been lost on Coca-Cola Vending Yakima & Tri Cities, which operates full line vending in Yakima and Pasco, Wash. The vending operation has aggressively expanded into cashless readers, DEX handhelds, healthy initiatives and a multi-faceted sustainability program, all of which have proven popular with customers.

The company is owned by The Dolsen Companies, a Yakima, Wash.-based firm.

Yakima and Pasco have suffered higher than average unemployment during the recession, but sales have started to improve, thanks to a reviving agriculture industry. The vending operation has found it important to offer new benefits to win customer loyalty.

The Pacific Northwest has also been highly concerned about nutrition and the environment. Hence, Coca-Cola Vending's initiatives in both of these areas have been helpful winning new customers.

Coca-Cola Vending was formed in 2006 when its parent company combined the vending division of its beverage bottling operation, Coca-Cola Bottling, with its full line vending division, Automat Vending. One of the bottling organization's two vending routes remained a dedicated beverage route while the other one was integrated with Automat Vending's 14 full line routes. The dedicated beverage route serves locations that only have beverage machines.

Prior to 2006, the two divisions actually competed against each other. The bottling company operated two beverage vending routes while Automat Vending operated full line routes.

Automat Vending was founded in 1954 and was acquired by the Dolsen Companies in 1986.

Jeff Hemp, who currently serves as on-premise business development manager, joined Automat Vending in 1987 as a vending route driver. The company was growing at the time.

Hemp became the route supervisor in 1991 when the company grew to seven full line routes, including one dedicated food route. Around this time, the company added a second branch in Pasco, which is about 85 miles south of Yakima.

The company experienced a difficult time in the early and mid 1990s due to the Alar scare. Alar is a pesticide used on apples that was believed to be associated with cancer. The

oversaw the introduction of new software and handheld computers. The company was interested in improving its accounting and inventory management and tracking item level sales.

COMPANY INTRODUCES DEX

Following a test using Rutherford & Associates' vending management software, the company began having all of its drivers download DEX on its cold drink machines. The drivers manually entered the DEX data from the snack and food machines. (MEI acquired Rutherford in 2001.)

The item level accounting helped identify the best sellers. Hemp knew which items to assign double facings.



The Seattle's Best Coffee machine has doubled hot beverage sales and allows a price point as high as \$2.75.

alarm was reported on "60 Minutes" in 1989 and resulted in major layoffs through the mid 1990s.

Business began to recover in the late 1990s, and in 1995, Hemp relocated to Pasco to manage the branch which had grown to five routes. At the time, both branches were expanding into OCS.

Two years later, Hemp was promoted to general manager and moved back to Yakima, where he

"It (DEX) gave us the ability to better market to each customer," Hemp said. "It helped us to merchandise better, without taking complete authority out of the drivers' hands."

The company used the item level data to design planograms for the cold drink and snack machines. The drivers continued to select all of the products for the food machines from the warehouse.

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Drivers can still accommodate customer requests for products that are not in the planograms, Hemp noted. The driver needs to enter the request on their handheld.

The item level tracking proved especially helpful as the company began to add more glassfront cold drink machines. Hemp said the glass-front beverage machines on average boosted sales by about 30 percent.

The item level reports have helped supervisors analyze sales better. “We actually use MEI to figure out where we need to get price increases,” he said.

With the item level reports, Hemp has been able to track the success of new products faster and more accurately. Because customers are asking for healthier options in the machines, he reasoned that he could offer these options with the understanding that he would remove them if they did not sell well.

HEALTHY VENDING FINDS SUCCESS

In 2007, Coca-Cola Vending began offering the National Automatic Merchandising Association (NAMA) Fit Pick program in schools, and eventually to business and industrial accounts as well.

Some accounts offered to subsidize the Fit Pick items. Hemp said some Fit Pick items carry a 20 percent discount. The company uses the stricter of the two Fit Pick standards, which includes caps on sodium, trans-fat, and calories.

One industrial account wanted to offer an incentive to employees to buy the healthier options. The account required Coca-Cola Vending to provide item level sales reports to send along to their parent company. This particular account follows standards from the National Institutes of Health.

The DEX reports alerted Hemp to the advantages of new technology. He attended trade conventions



Mike Bird, vending manager for the Pasco branch, tests a debit card reader.



The company provides postmix fountain drinks to locations for special events.

and went to as many technology seminars as possible.

Hemp attended the NAMA executive development program at Michigan State University in 2005. Some of his employees attended NAMA supervisory training held at NAMA expos, all of which he finds extremely valuable.

While he has kept an open mind about new technology, Hemp has always tested new tools before making major investments.

The company has DEXed its cold drink machines but not other machines. Drivers are required to enter sales from snack and food machines manually into their handhelds. Hemp is still considering DEXing the snack machines.

Nor has Hemp been sold on the benefits of remote machine monitoring (RMM).

In 2007, a vending management company required him to install RMM devices in a few accounts.

Hemp said he believes RMM provides benefits to operators in certain situations. “It didn’t fit us,” he said.

CASHLESS PROVES SUCCESSFUL

One technology that has proven successful for Hemp has been cashless readers. He became interested in cashless after hearing the experiences of other vending operators.

In 2008, he began testing an MEI card reader in cold beverage machines with USA Technologies Inc. processing and settlement service. USA Technologies combines the processing charges with the credit/debit card issuer’s transaction charges in one monthly fee.

The USA Technologies Website allows Hemp to compare the cashless sales to cash sales.

He installed the first card reader in a college, and the students immediately began using it. He then began adding card readers to snack and beverage machines in work sites, call centers and shopping malls.

In comparing the sales in a machine with a card reader to a machine without a card reader at locations of similar size, he found the card reader delivered 20 percent more sales.

At shopping malls, as much as 30 percent of the sales are credit

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purchases, Hemp said. “At one particular account, 70 percent of the sales are credit,” he noted.

In public locations, customers start using card readers immediately, Hemp said. In captive locations, it takes a month or two for customers to begin using them. “It takes 30 to 60 days for people to realize the machine will take a credit card,” he said.

More recently, he has added cashless readers to some hot beverage machines. “It’s really doing well,” Hemp said. He expects that cashless will eventually become the dominant form of payment in vending.

The company has 150 cashless readers and is adding more.

Hemp said the cashless option has been especially helpful in raising prices. He is currently charging up to \$1.25 for large size confection candy and some pastries, up to \$1.75 for some bottle beverages, up to \$3.00 for fresh food and \$6.00 for frozen TV dinners.

He has also found it helpful to have bill recyclers. Machines with bill recyclers accept \$20 bills.

SUSTAINABLE INITIATIVE PROVES POPULAR

Sustainability has been another customer hot button for Coca-Cola Vending.

Recycling has proven very popular with many accounts and is part of a multi-faceted sustainability initiative the company offers to customers. “Our carbon footprint is very important,” Hemp explained.

Coca-Cola Vending offers 5-foot high containers shaped like a Coke bottle for plastic bottles and aluminum cans. “While delivering to vending machines, our drivers pick up the bagged used bottles and cans, bring them back, then they go to a recycling center,” Hemp said. “This is something the competitors do not do.”

PROFILE: Coca-Cola Vending

Headquarters Location: Yakima, Wash.

Founded: 1954 as Automat Vending. Bought by current owner 1986.

Owner: Dolsen Company

Branch Operation: Pasco, Wash.

Number of Routes: 14 vending, 2 OCS

Number of Employees: 32 (vending)

Software provider: MEI

Annual Sales: Not revealed

Energy efficiency is another part of the sustainability program.

The company has been one of the more aggressive vending operations to offer VendingMiser energy saving devices from USA Technologies. Over the last seven years, Hemp estimates the company has installed up to 300 VendingMisers in cold drink machines. The VendingMiser is an effective selling tool, he noted. There is no cost to the customer.

The company has also been buying machines with LED lights, which last longer than fluorescent lights.

HOT DRINK MACHINE SHOWS PROMISE

Hemp is also excited about the Seattle’s Best Coffee machine. “Seattle’s Best Coffee is well known in the Pacific Northwest,” he noted. They tested one machine with a card reader, and the machine did twice the sales of a typical hot beverage machine.

The Seattle’s Best machine has a price point as high as \$2.75 for a 16-ounce cup. Hemp plans to order more of these machines. “I think this is going to help revive vended coffee,” he said.

On the OCS side, he has found the Tully’s and Starbucks fractional packs good additions to the Followers, Maxwell House and Gavina fractional packs.

The resources of the bottling operation have been helpful to the vending company’s ability to invest in technology and to offer recycling. The bottling operation has over 120 employees, nearly four times as many as the vending operation.

For special events, he provides customers with postmix fountain machines for free.

BOTTLING ARM OFFERS SYNERGIES

The beverage bottling operation provides some key synergies to the vending operation. The companies share warehouse space, office space and repair space. They also share repair technicians and office staff.

There is also a key marketing synergy; Hemp always knows what products the bottling side is promoting.

A few years ago, he began using Powerpoint, which he finds does effective presentations for vending proposals. When pitching a new account, he takes a picture of the existing vending bank, then does a mock up of how the bank would look with his machines.

There are also better benefits and career opportunities that a vending company of similar size might not be able to offer.

Hemp is optimistic about the future. The agriculture industry has done well for the last two years.

The customers’ acceptance of cashless readers makes him more enthusiastic, and the response to the company’s healthy eating and sustainability programs has also encouraged him.

“Great employees and great leadership from our management helps us to succeed,” Hemp said. “I’m lucky to be with such a group.” ◀

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2011



QUARTERLY WINNER

Brad Thomas, A Matter of Taste, Northridge, Calif.

A driver dedicated to co-workers and a positive consumer experience.

TOO OFTEN, the daily grind of a job gets employees down. They become unenthusiastic and uninspired to go the extra mile. Brad Thomas is not one of those employees. For 30 years he's worked as a route driver, most recently at Northridge, Calif.-based A Matter of Taste, and is known for going above and beyond the common place in both work ethic and personal interactions.

"Still to this day, after he services any account, he runs a dollar bill through each validator to make sure they are all working," said Cindy Welch, merchandising manager at A Matter of Taste.

She also is personally impressed by Thomas. When she used to bring her 4-year old son to work, Thomas not only let the boy into his truck, but also had a present for him. "I am very excited for Brad and couldn't think of a more deserving person to have won this," Welch said.

POSITIVE VENDING EXPERIENCE A MUST

Thomas fills every coin mech 100 percent and separates the collected bills into 1s and 5s so it's easier for the money room. He writes notes about location preference if he leaves on vacation and he maintains a 0.01 percent yearly over/short on his machines. Thomas was an easy pick for the first quarter route driver of the year award sponsored by

Kraft Vending & OCS and *Automatic Merchandiser*. Winners are judged based on a score in the following areas: years as a driver, number of machines serviced, miles traveled, accidents and citations, days missed, thoroughness, customer compliments, truck condition, empty spirals, and sales.

"I've been in the vending business for 28 years now and no other vending route man does what Brad Thomas does," said John Costa, vice president of operations at A Matter of Taste.

QUALITY CUSTOMER SERVICE ALWAYS PARAMOUNT

Thomas' attitude toward work is especially inspiring considering he became a route driver in 1981 through a relative's friendship with another driver. Thomas values customer service, striving to provide it from merchandising with clean, full machines to building relationships with the employees at each location.

Throughout the years, Thomas has seen consumers stay true to their favorite snacks. "It's funny," he said, "Many items that were popular when I started ... are still just as popular today."

Glassfront machines have had the biggest impact, explained Thomas, because customers love to see what they are buying and the selection available is extensive. | ◀

Marketplace

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Darrel Ford

*Service Manager
Coca-Cola United*



"We have been doing business with Changer Services for the past 4 – 5 years... before then we were having a lot of quality issues. Changer Services is our business partner; their pricing, quality and warranty are great... if there's ever an issue they take care of it immediately. We use the online account information they provide to help us make better business decisions when managing our coin mechs, control boards and bill validators. The training they provide and the help they give us saves us a lot of money annually. They are a great business partner!"

Paul Rabe

*Service Manager
Chesterman Coca-Cola*

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Michael Binder

*Support Service Mgr.
Canteen Vending Serv.*



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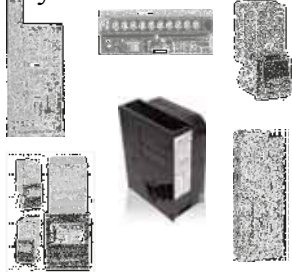
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Glenn Butler forms technology consultancy

▶ Glenn Butler, the former chief technology officer of **Crane Merchandising Systems** and co-founder of **Streamware Corp.**, has formed **CTO**



Butler

Services, LLC to provide strategy and consulting services for technology-driven companies.

NAMA announces industry awards

▶ The **National Automatic Merchandising Association** (NAMA) has announced its industry award winners who will be honored during the NAMA OneShow in Chicago on Thursday, April 28. This year's 2011 industry award winners include:

- Industry Person of the Year: Michael Kasavana, Ph.D., NCE5, **Michigan State University**, East Lansing, Mich.;

- Vending Operator of the Year: Craig Kushner, **Monumental Vending**, Beltsville, Md.;
- Coffee Operator of the Year: Howard Chapman, NCE, CCS, **Royal Cup**, Birmingham, Ala.;
- Coffee Allied Member of the Year: Tim Cleland, **Gavina Gourmet Coffee**, Los Angeles, Calif.;
- Vending Allied Member of the Year: Steve Richardson, **DeMitri Chesapeake Sales**, Chase, Md.



Hill

Shoemake

G & J Marketing names Shoemake and Hill

▶ **G & J Marketing and Sales**, the Palm Harbor, Fla.-based vending and OCS product brokerage, has named Rob Shoemake to its sales team representing western North Carolina. He joins G & J from **Pierre Foods**

Co., where he was a south-eastern sales manager. G & J has also named 21-year vending, foodservice and coffee service veteran Steve Hill to its Texas sales team. He joins G & J from **Coca-Cola Bottling Co. of North Texas**. Hill also brings 18 years with **Custom Food Group** in Dallas, Texas with experience in management, route operations and customer relations, including eight years as north Texas division vice president.

Industry loses Thomas Nesser

▶ Vending and OCS veteran Thomas A. Nesser passed away recently after a year-long battle with cancer. He was 80. Nesser was the president of **Sirness Services Inc.** in Rochester N.Y., which he founded in 1977. He was involved in the vending and foodservice industry in western New York since the early 1950s.

Javo Beverage to file for bankruptcy

▶ **Javo® Beverage Co.**, Inc., a supplier of dispensable coffee and tea-based beverages, will file a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware.

J.M. Smucker Co. changes executives

▶ The **J.M. Smucker Co.**, which owns Folgers Coffee, reported Richard K. Smucker will become the sole CEO of the company. His current co-CEO, Timothy P. Smucker,

will continue to serve the company as chairman of the board. Vincent C. Byrd, currently the president of U.S. retail coffee, will assume the role of president and chief operating officer.

Industry loses Samuel Krinsky

▶ Samuel Krinsky, who operated **S & J Vending**, a full line and amusement vending business in Brooklyn, N.Y., recently passed away. He was 80 years old and lived in Long Beach, N.Y. His son, Jeffrey Krinsky, is president of the company.

Haben to exit Wrigley

▶ **Wm. Wrigley Jr. Co.**'s North America president, Mary Kay Haben, 54, is stepping down and a search for her successor is under way, according to news reports.

Joseph Scalzo leaves Dean Foods Co.

▶ **Dean Foods Co.** announced that Joseph E. Scalzo, 52, president and chief operating officer, left the company. Chairman and Chief Executive Officer Gregg Engles is assuming Scalzo's operating responsibilities.

Herbert Sternberg passes away

▶ Vending and foodservice industry veteran Herbert Sternberg recently passed away at 93. He worked at a number of vending companies, most recently at **ARA Services** (now **Aramark**) for more than 30 years before retiring in 1992.

CALENDAR OF EVENTS

APRIL 27-29
2011 National Automatic Merchandising Association
2011 OneShow
McCormick Place, Chicago, Ill.
312-346-0370
www.NAMAOneShow.org

JUNE 2-3, 2011
Maryland/D.C. Vending Association Membership Meeting And Golf Outing
Harbourtowne Golf Resort,
St. Michaels, Md. 21663
www.harbourtowne.com

JUNE 15-16
2011 AVEX 2011 NEC
Birmingham, U.K.
www.avexshow.com

AUG. 3, 2011
2011 Southeastern Vending Association Convention
Sandestin Resort, Destin, Fla.
312-346-0370, ext. 223
www.vending.org/seva

SEP. 29-OCT. 1, 2011
Texas Merchandise Vending Association Annual Conference
Omni Bay Front & Marina Towers,
Corpus Christi, Texas
713-772-7946
<http://www.tmva.org/Home.html>

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