

Automatic MERCHANTISER

The Vending & Coffee
Service Industry Resource

May 2011

SUCCESS STORY:

A Game Changer In Boston:

Self Checkout Market Delivers
Outstanding Results
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Snack rack offers
some theater size
products.

Beverage cooler
carries convenience
store variety.

Freezer holds wide
selection of ice cream
and frozen food.

Baskets display
seasonal items.

Touchscreen payment
kiosk scans UPC
product codes.

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VendingMarketWatch.com

EXCLUSIVE EDITOR'S BLOG
Retailing, e-commerce and mobile marketing
converge: Will vending be part of the mix?



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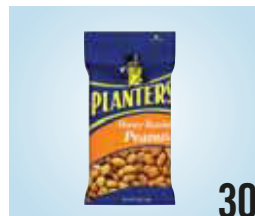
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Imperial Vending



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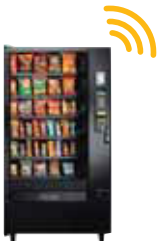
Bachtelle and Associates, a nationally recognized consulting and market research firm, conducted independent financial analysis and management interviews to see what impact implementing the Cantaloupe Retail Optimization Platform (CROP™) and its award winning Seed® application had on Imperial Vending.

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MAY 13-14, 2011
Illinois Automatic Merchandising Council and Wisconsin Automatic Merchandising Council Midwest Vending Conference
Grand Geneva Resort, Lake Geneva, Wis.
847-778-3164

JUNE 2-3, 2011
Maryland/D.C. Vending Association Membership Meeting And Golf Outing
Harbourtowne Golf Resort, St. Michaels, Md. 21663
www.harbourtowne.com
571-346-1901

JUNE 8, 2011
New York State Automatic Vending Association Annual Membership Event
Kirkwood Frito-Lay plant, Binghamton, NY
571-346-1901
www.nysava.org

JUNE 11, 2011
New England Vending Associations Spring Meeting
Sheraton Portsmouth Harborside Hotel & Conference Center, Portsmouth, N.H.
802-296-7770

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

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

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

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The recovery begins as vending reinvents itself

By Elliot Maras, Editor



It's hard to believe we're fast approaching the mid point of 2011.

The months speed by fast when you're trying to keep up with the pace of change in our industry.

We began the year taking stock of the tools that are changing the way we do things. With our January/February issue, we ran a story titled, "Vending reinvented," to characterize what is taking place.

In November/December of 2010, we set the foundation for "vending reinvented" with a cover story on United Vending, a small operation in Wall, N.J. From a tiny beverage distri-

bution franchise, this family business grasped the importance of item level product tracking, learned the tools as the tools evolved, and eventually optimized their use of these tools.

"Vending reinvented" began in January/February with an article summarizing how new technology changes traditional job roles. In March, "Vending reinvented" part 2

examined the software reports that guide decisions large and small. In April, part 3 reviewed the progress of Diji Touch, an interactive machine developed by Crane, Kraft and Samsung.

This month, in part 4, software consultant Glenn Butler describes the capabilities of merchandising software in vending.

HOLDING together the spokes in this 'wheel of progress' is item level product tracking.



We can envision tools like prekitting, dynamic scheduling and dynamic merchandising as spokes in a “wheel of progress.”

Holding together the spokes in this “wheel of progress” is item level product tracking. It’s safe to say that vending operators not committed to item level product tracking will not survive.

In our April story on Diji Touch, officials at Canton, Mass.-based Next Generation Vending & Food Services Inc. noted the importance of accurate item level management in utilizing the Kraft Diji Touch machine’s unique merchandising power.

In this month’s cover story, Norwood, Mass.-based Foley Food & Vending similarly notes item level tracking, particularly in the warehouse, holds an important key to the self checkout market, another merchandising powerhouse.

All of these tools have been developed through trial and error over the past several years.

The Coca-Cola Co. pioneered DEX in the early Eighties. Vending software suppliers worked with equipment OEMs on uniform DEX protocols.

Software providers worked with operators to develop DEX-based management reports. For operators, learning new methods wasn’t easy. In many cases, job functions had to change. Change is rarely easy. But it was all worthwhile.

Today, software providers offer products that are field proven and affordable. Early adopters have hit the ground running and are running circles around the competition. Our industry is being reinvented. And a recovery is under way. | ◀

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

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FDA proposes calorie label rules, seeks input

The U.S. Food and Drug Administration issued proposed regulations regarding calorie labeling on menus and menu boards in chain restaurants, retail food establishments, and vending machines and has sought input on the proposed rules. Ned Monroe, senior vice president of government affairs at the **National Automatic Merchandising Association** (NAMA), issued a bulletin noting relevant points of the proposed rules. He noted FDA agrees that a sign may be an appropriate medium to convey the required calorie declarations, so long as it is in close proximity to the covered vending machine food or selection button.

FDA also tentatively concludes that “front of package” nutrition information could be a way to provide visible nutrition information, so long as the criteria for color, font and type size are met and total calories in the article of food are included. FDA is proposing that the final rule become effective one year from the date of its publication, so no calorie disclosure rules are likely to be in effect until the middle of 2012. Monroe noted that average operator costs are estimated to be \$2,400. FDA estimates that average per machine costs are less than \$10 annually, considerably less than the FDA estimated last year. The FDA invites input on the proposed regulations by visiting <http://www.regulations.gov>.



Feds release rules for food sold on government sites

► The **General Services Administration** (GSA) and the **Department of Health and Human Services** (HHS) have issued their regulations for foods sold on government properties managed by HHS and GSA.

This is the final version of the document the National Automatic Merchandising

Association (NAMA) reviewed last fall, according to Ned Monroe, NAMA senior vice president of government affairs. Monroe said an issue for vending operators may be the sodium levels of snacks which will be capped at 230 mg sodium per serving. The rules only require at least 25 percent “better for you” products, and do not address caffeinated beverages. The guidelines in this

document apply to all food service concession operations and vending machines managed by HHS and GSA. These guidelines may also be applied at sponsored or co-sponsored conferences and events onsite and offsite, as deemed appropriate. The rules can be reviewed at: http://www.gsa.gov/graphics/pbs/Guidelines_for_Federal_Concessions_and_Vending_Operations.pdf.

NAMA aids Japan through Red Cross

► After contacting the **Japanese Vending Association** to express sympathy for the tragedies that befell their country, the **National Automatic Merchandising Association** (NAMA) has determined the best way to help the Japanese people and industry peers is by donations to the **American Red Cross**.

The American Red Cross is accepting cash donations designated for Japan and in-kind donations (bulk quantities of products and services from manufacturers, suppliers and distributors). “NAMA has given a donation to the Red Cross and we encourage our members to rally round the Japanese people to help them recover from the devastation that they have had to endure,” said LyNae Schleyer, CMP, NCE, NAMA senior director of education and the OneShow. “Our thanks to all of you who have already done so. We will keep you updated on information from our sister association.”

To make a donation, visit the American Red Cross Website at <http://american.redcross.org>.

Survey: young adults drink more coffee

► The **National Coffee Association** National Coffee Drinking Trends data indicates that consumption among consumers 18 to 39 years of age has rebounded to 2008-2009 levels following a decline last year. The finding mirrors increased confidence expressed by that group about their personal financial situation. The study also found that the coffee category remains strong, narrowing the slim lead of soft drinks.

Diamond Foods to buy Pringles from Procter & Gamble Co.

▶ **Diamond Foods, Inc.** will acquire Pringles from **Procter & Gamble Co.** in a transaction valued at \$2.35 billion. The combination will more than triple the size of Diamond's snack business.



Coca-Cola introduces fully recyclable Dasani and Odwalla bottles

▶ **Coca-Cola Co.** recently announced that all Dasani bottles and Odwalla single-serving bottles will be available exclusively in PlantBottle packaging – the first-ever fully recyclable plastic beverage bottle produced using plants. Single-serve Odwalla packages are made from up to 100 percent plant-based materials with high-density polyethylene (HDPE) plastic. PET bottles for Dasani are made with up to 30 percent plant-based materials.

VendTek to add APi line to its portfolio

▶ **VendTek Wholesale Equipment, Inc.** of Wixom, Mich. has attained the **Automatic Products** line. VendTek's offering of **Crane, GPL, Crane Dixie Narco** and now Crane Automatic Products nearly puts Crane Merchandising Systems (CMS) in Michigan operators' own back yard for parts, service and equipment. VendTek plans to allow operators to trade in their older equipment for newer models. For information, visit VendTek

Wholesale Equipment, Inc. at www.vendtek.com.

Equity firm buys Ice House America, LLC

▶ **Ulysses Management, LLC**, an investment firm, has completed its acquisition of Jacksonville, Fla.-based **Ice House America, LLC**, and its affiliated companies through a controlled investment vehicle, **Twice the Ice Holdings, LLC**, according to news reports.



Flowers Foods will buy Tasty Baking Co.

▶ **Flowers Foods Inc.**, which owns Mrs. Freshley's pastries, and **Tasty Baking Co.** announced a definitive merger agreement whereby Flowers will acquire all of the outstanding shares of Tasty Baking common stock for \$4.00 per share in cash for a total purchase price of approximately \$165 million, including Tasty's existing indebtedness. The transaction is expected to contribute approximately \$210 million to \$225 million to Flowers' 2012 sales.

Canteen acquires Land O Lakes Vending, Wausau, Wis.

▶ **Canteen Vending Services Inc.**, a subsidiary of **Compass Group North America**, has acquired the assets of **Land O Lakes Vending Co. Inc.** in Wausau, Wis. from owner Steve Havlovick. Cris Pope, Canteen's district manager for northern Wisconsin, said the Wausau operation includes four vending routes.

People in the News

Sodexo names Nasim Salimi senior vice president, replacing Scott Boynton

Sodexo Vending Services has named Nasim Salimi senior vice president in the U.S. Nasim has been with Sodexo for more than 15 years, having worked in the corporate client segment as well as in education. He replaces Scott Boynton, who has been with Sodexo Vending since 2001. Boynton will continue to consult and support Salimi.

Industry loses Firestone's Ed Yaffe

Ed Yaffe, the first employee of Firestone Financial Corp., based in Newton, Mass., passed away recently. He was 74. Yaffe was a critical part of the company's start and continued growth from 1965 until his retirement in 2000.



Yaffe

G & J Marketing hires Tim Dolan

G & J Marketing, the Palm Harbor, Fla.-based vending and coffee service product brokerage, has named Tim Dolan as a sales rep for Illinois, Indiana, Wisconsin and Minnesota. He was previously a regional sales manager for Pierre Foods Inc. Prior to that, he was an account executive for Vistar of Illinois and Nabisco Foods.

Lavery to retire from Farmer Bros. Co.

Farmer Bros. Co. announced that Roger M. Lavery III, president and chief executive officer, is stepping down as an executive officer of the company and will retire at the end of the company's fiscal year on June 30, 2011.

US Roasterie hires Nelson and Convery

US Roasterie recently hired Craig Nelson as vice president of sales for coffee service and vending and Steve Convery as vice president of foodservice sales. Nelson was formerly director of coffee service and vending at Sara Lee Corp. Convery was formerly vice president of sales at Mother Parkers Tea & Coffee Inc.

Dennis Hammer returns to Seaga

Seaga, a full-service, global supplier of vending machines, announced the return of Dennis Hammer in the position of design engineer. He was with Seaga from 1995 to 2005 as an engineer. He will be in charge of technical services, new product development and electronic design of Seaga equipment.



Hammer

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Coinco expands its cashless and telemetry offerings

► Coin Acceptors Inc.

has expanded beyond its traditional role as a payment specialist with its recent acquisition of **InOne Technology**, a provider of telemetry-based aftermarket products. As announced in the April *Automatic Merchandiser*, the two companies continue to operate as separate entities, but the merger brings Coinco into the wireless communication business, offering telemetry-based remote machine monitoring (RMM) and cashless vending.

Under the trade name Arrow™, a new line of products being introduced at the National Automatic Merchandising Association OneShow includes three components: Arrow™ Connect, a "black box" that enables machines to record and transmit DEX data; Arrow™ Vision, a management software system that allows an operator to analyze results; and Arrow™ Reader, hardware that enables cashless payments.

Parker Condie, Coinco president, noted that the company is by no means a newcomer to DEX technology or cashless readers. Coinco offered DEX-based route management and cash collection and analysis in the 1980s and was the first to offer a combination bill acceptor/credit card reader in the 1990s.

In partnering with InOne, a developer of aftermarket DEX and telemetry products, Coinco expands its cashless and RMM offerings.

Arrow™ Vision is an Internet hosted software

that provides pre picking and dynamic scheduling, which enables customers to increase route efficiencies, reduce routes and increase profits. Arrow™ Readers are equipped with voice prompting and allow for multi-lingual capabilities and multi-vend selections.

The Arrow™ combo reader accepts bills, credit or debit cards, and prepaid cards. Operators will have the option of utilizing the system's credit processing function or use another processing service.

The Arrow™ standard reader accepts credit or debit cards and prepaid cards. The Arrow™ smart reader offers the same features and benefits as the standard reader but also has contact and contactless technology for vending purchases.

Maryland/D.C. group award scholarships

► The Maryland/D.C. Vending Association

will award five \$1,500 scholarships for the fall of 2011. Applicants must be a child or legal dependent of someone employed by the association for at least two years. The company must be a dues paying member of the association from 2009 to 2011. The applicant must be a student or accepted or currently enrolled in a 2- or 4-year undergraduate or graduate college degree program, or accepted or currently enrolled in a vocational or trade school. Names of all eligible applicants will be entered into a drawing, to be awarded at the association's annual meeting June 2, 2011 in St. Michael's, Md. Applicants do not have to be present to win.

Jammin Java Corp. signs NCS&V as sales agent

▶ **Jammin Java Corp.**, has signed **National Coffee Service & Vending (NCS&V)**, the Lake Worth, Fla.-based vending and coffee service product brokerage, to oversee the national sales initiative for its Jammin Java gourmet coffees within the U.S. OCS market. NCS&V will deploy its broker network to generate sales nationwide for the Jammin Java brand.

Sunny Delight signs packaging agreement

▶ **ALPLA Inc.**, a supplier of plastic packaging, will provide on-site bottle manufac-

turing for the **Sunny Delight** beverages manufactured at Sunny Delight's Sherman, Texas plant. The agreement will involve the production of all bottle sizes for the Sunny Delight produced at the facility in space being vacated by the **J. M. Smucker Co.'s** Folgers coffee operation.

Ingenico and KICTeam sign OEM agreement

▶ **Ingenico** and **KICTeam** announced the signing of an OEM agreement for cleaning cards specifically designed for Ingenico POS terminals. Under this new OEM agreement, five cleaning products will be made available to Ingenico customers worldwide.

BONUS CONTENT on VendingMarketWatch.com



▶ **EXCLUSIVE:** MEI's Bob Martin examines vending payment options and sees a big future in contactless payments.



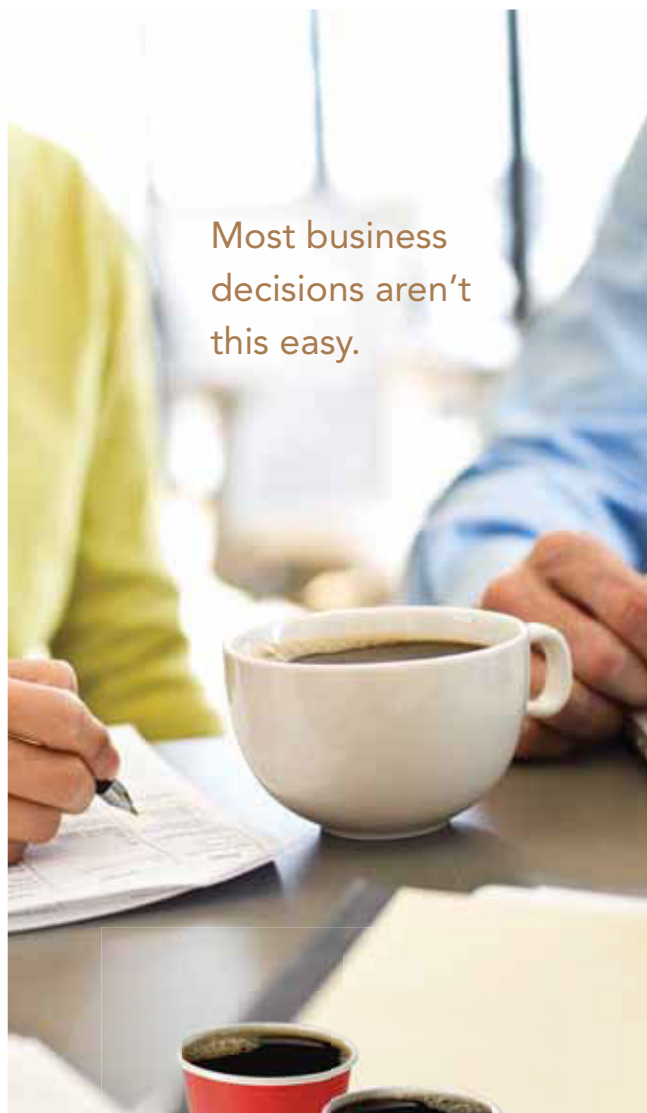
- ▶ **AT&T TV commercial highlights remote machine monitoring, signaling vending's fast pace of change.**
- ▶ **Technology gives vending field tests more credibility.**



▶ **EXCLUSIVE:** Industry comments on calorie disclosure rules.



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



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Contactless payments are coming like a freight train

By Mike Lawlor, Contributing Editor



Mike Lawlor is the vice president of sales at USA Technologies Inc., based in Malvern, Pa.

Contactless payments using “electronic wallets” and cell phones will in time dominate retail commerce, including the vending market.

The latest research indicates that the self-serve marketplace will see the use of contactless activated “tap-and-go” cards and tags combined with near field communication (NFC) enabled cell phones outpace cash and magnetic swipe cards.

More cell phones and PDAs are being manufactured with “electronic wallets” in them, encouraging consumers to switch to the convenience of mobile commerce rather than traditional swipe cards when making a purchase.

PAYMENTS INDUSTRY DRIVES CHANGE

Companies in the payments industry, including MasterCard, Visa and Discover, are enabling the transition to contactless and electronic wallets, along with a new set of entrants, including the ISIS group: Verizon, AT&T, and T-Mobile, Google, Apple, and PayPal. These companies are aggressively targeting vending, kiosk and other unattended point-of-sale self-serve markets.

CASHLESS GROWS IN VENDING

USA Technologies has been tracking the cashless trend closely since 2008. Average cashless sales in machines equipped with cashless have grown from 16 percent just two years ago to roughly 30 percent of total sales today – almost doubling over that time period. Anywhere there is a self service retail business that had been predominated by cash-coin payments in the past, the consumer demand for card acceptance is growing significantly.

Approximately 30 percent of transactions in vending machines equipped with USA Technologies card acceptance terminals were cashless, with 70 percent of these cashless transactions being debit card transactions.

Consumers have shown their preference in using their debit cards ahead of credit, especially for small-ticket purchases.

We are not promoting the elimination of cash or coin because having all three options – swipe card, debit and credit, contactless and cash and coin – gives consumers the ultimate choice and ensures our customers they should never lose a sale.

However, there are situations where customers have decided to go all cashless where cash payments did not make sense. Others have opted for all cashless to help overcome vandalism and theft at their machines.

ALL SELF SERVICE FORMATS AFFECTED

We work in all facets of self-service retailing with vending being our largest channel. We are receiving significantly more requests and seeing a lot more conversion to cashless in other self-serve industries, including the kiosk industry, the laundry sector, the car wash and automotive markets, and the amusement and arcades business.

These other self serve businesses are experiencing the same challenges that the vending industry experienced – limitations on how much cash or coin a consumer carries, price elasticity barriers, as well as demand from consumers wanting to use their credit and debit cards.

Our overriding goal is to improve the consumer’s purchasing experience and grow same store sales for our customers by incorporating card acceptance. We want the consumer to purchase any and all of their desired products or services, without any payment limitations.

In the next 12 to 24 months, we will see mobile commerce have an appreciable impact on moving people from cash and coin to electronic payments, using their cell phones and PDAs, and it will be a key factor in driving sales growth in the vending and self-serve retail space. | ◀

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How to plan a successful sales meeting

By Damien Moroney, Contributing Editor

A properly planned sales meeting makes it easy for the customer to do business with you.



How many sales meetings have you or your sales people attended where, at the end, the client is in a position to make a good decision? The answer to this question largely depends on how well the sales meetings were planned.

The purpose of a meeting plan is to help us prepare for, and execute, client interactions. The best vending and OCS owners/salespeople I have worked with over the years have only confirmed my belief that those who sell at “peak performance” plan for every significant client phone call or meeting.

They ask the client to decide something. They cultivate a no-pressure environment by providing the client options, including the option to say “no.” They are cognizant of the fact that the client’s time and their time is valuable.

They meet with the right people. They plan for possible client objections, questions, and have back-up data to prove their statements and claims. They set clear expectations for the meeting.

MOST SALES PEOPLE NEED TO IMPROVE

I am constantly amazed by the lack of preparation by salespeople. Recently, I had a meeting with a representative from my mortgage bank to discuss refinancing. One of the first things he said to me was, “Great...why don’t you come in and we can chat.” Holding back the “yeah, I’ll be right over,” I outlined my current situation, where I wanted to be in the future, and asked him to present me some possible options when we met.

When we met (at the place of my choice) he and a co-worker were late. Traffic in the area can be a problem at times, but I would

at least expect a phone call before the start of the scheduled time to let me know. Despite not having any options ready for me to discuss, his co-worker started to talk about investing in mutual funds. You can imagine how that meeting ended!

Maybe it's because I have been in sales for many years, but I really enjoy talking to those who are well prepared, value my time and provide insight, advice and options. When in the market for something that requires a salesperson, I always buy from this type of person.

Do you do the same? How about your customers and prospects – how many of them have invested in your vending or OCS because your salesperson treated them accordingly?

Back in 2005, a salesperson I highly respected at the time – and still do – brought a sales methodology called “Helping Clients Succeed” to my attention. It was developed by Mahan Khalsa. After reading this book, I was inspired enough to put the methodology into practice. The reason: it is a down-to-earth approach to sales and matched closely my style of selling.

I am not one of those sales people that believe “my sales system is the best.” But I do believe that sales people should use a system, be it one developed themselves or one of the many choices available today.

In the 12 years I spent in the vending and OCS industry, I met many good sales professionals. The number of great sales professionals is a lot fewer. The difference? The latter always worked to be the best at what they did and they always followed a sales methodology.

DO YOU HAVE A METHODOLOGY?

The cornerstone of any good sales methodology is a meeting plan or call plan. The purpose of this article is to provide you with one option for a meeting plan so that by the end

you can decide if it makes sense to use it in your upcoming meetings and calls. It is a tool we use to coach thousands of sales people at Fortune 500 companies and one I have personally experienced as game changing in my own sales and in others’.

Our meeting plan is divided into two main components, prepare and execute.

1) Prepare. This includes:

- **End In Mind (EIM):** At the end of the meeting, what do you want them to say, do or decide? What will you say to introduce your EIM?
- **Key Beliefs:** What key beliefs, intellectually and emotionally, must the client resolve to agree with the EIM?
- **Proof/Action:** What will we do to address and satisfy the key beliefs?
- **Questions:** Determine the questions we want to ask and how we will ask them. What will the client likely ask? How will we respond?
- **Yellow Lights:** What are likely stalls, doubts, concerns or objections?
- **Next Steps:** What next steps might we suggest to the client at the end of the meeting?
- **Agenda:** What is the agenda/critical path for the meeting? Can we get buy-in before the meeting?

2) Execute. This includes:

- **Preconditioning:** How will we prepare the client for the meeting to gain agreement that the agenda is appropriate, complete, and will enable them to make a decision regarding the EIM?
- **Opening Statement:** What will we say at the beginning of the meeting to gain agreement on the EIM?
Why would we start with the “End in Mind”? If we agree that

the client should make some sort of a decision, tell us something, or do something as a result of the meeting, then we should be clear on that outcome. It will set the framework – not only for our meeting plan – but for the meeting itself.

KEY ELEMENTS OF A GOOD ‘EIM’

A good EIM should be clearly defined, short and not have only one outcome. The decision called for should be in the client’s best interest and it should include the option for the client to say “no.” It should be realistic and appropriate for the meeting, presentation or situation.

We should get agreement in advance or at the beginning of the meeting to make a decision at the end of the meeting. It should not include your questions, agenda or next steps.

EXAMPLES OF A GOOD ‘EIM’

Ends in Mind examples usually fit into one of four categories and can be applied to new or current customers:

- Should we meet? (beginning of sales cycle);
- Should we keep talking? (early in sales cycle);
- Should you do something? (middle of sales cycle);
- Should you do something with us? (latter stages of sales cycle).

The customer should be able to do the following at the end of the meeting:

- They should be in a position to determine if it makes sense to evaluate your company for vending and coffee needs, or not.
- They should be able to decide if your vending and coffee services align with what the employees need, or not.
- They should be able to tell if it makes sense to change vending and coffee suppliers, or not.
- They should be in a position to say if your offer provides the best

CONTINUED ►

match for their vending and coffee needs, or not.

- They should be able to tell if you are providing the best service for their employees so that it makes sense to continue to do business, or not.

THE CLIENT'S KEY BELIEFS

Key beliefs are those beliefs – said or unsaid – the client, prospect or current customer hold about you, your company, and your service offering.

We should recognize that prospects hold beliefs about vending and coffee suppliers despite the fact they may have never met you.

They may believe vending suppliers only offer unhealthy products and OCS suppliers don't offer variety.

Those beliefs are not always commonly shared among key people at the client company.

We are more likely to enable the “End in Mind” if we can address the underlying beliefs that support the decision.

EXAMPLES OF KEY BELIEFS

The client's beliefs stem from their experiences, their observations, and their dialogues with you or others, be it internal or external to the vending and OCS industry. Here are a few examples of client beliefs:

- Meeting with you would be worthwhile, a good investment of time.
- You understand their situation.
- There is sufficient expectation of the value to take the next steps.
- The food and beverage issues are important relative to other issues.
- There appears to be a fit between the parties.
- The timing is right.

ADDRESS THE KEY BELIEFS

What will you ask, present, say, do, or show that would cause

IF your client will tell you anything, what do you want to know?



the client to adopt a key belief?

Options include:

- Demonstrate client-specific knowledge.
- Compose an explanation.
- Illustrate your personal commitment.
- Propose installation and/or service plans.
- Assess your behavior: – how does it move us toward creating good chemistry?
- Disclose financial information.
- Identify a third party endorsement.
- Reveal a client endorsement.
- Schedule a site visit.

CONSIDER YOUR QUESTIONS

The quality of the information you get is directly related to the quality of the questions you ask. If your client will tell you anything, what do you want to know?

Ask fewer rather than more questions – you don't want to come across as an interrogator!

ANTICIPATE QUESTIONS AND OBJECTIONS

What are some expected questions and objections? They might include:

- “You need to talk to the vice president of human resources.”
- “Tell me about your company and why you are different than other companies?”
- “I am not interested.”
- “Send me a proposal.”
- “I have a friend at XYZ Company who said your company did not provide the best service in the past.”

What next steps might you suggest to the client?

- Request information.
- Set up a pre-meeting phone call with others in their company.
- Meet to review service needs and their situation.
- Decide if further investigation makes sense.

SET AN AGENDA

From my experience in the industry, people often show up for meetings for which an agenda has been sent at the last minute and has not been read.

A meeting set up this way is often unproductive. The sales cycle can be unnecessarily lengthened and you have another “we'll get back to you” or “let's stay in touch” prospect. Not to mention, this type of unprofessionalism feeds into the negative perception of the vending and OCS industry.

QUALIFY THE TERMS FOR THE MEETING

It is extremely important the client knows – ahead of time –

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why you want to meet with them. When we meet with salespeople without knowing what they want to talk about, we often don't listen to what they have to say until our brain registers, "Aha, so that's why you are here." If we only have 30 minutes to meet with a client and it gets side tracked with other discussion topics, including chit-chat, all of a sudden we find ourselves with 10 minutes left to talk about the item at hand. But if we do a good job of preconditioning, we can ask the client to come prepared with information that helps to achieve the "End in Mind."

Many salespeople in the industry do some sort of preconditioning. The best get client confirmation that the End in Mind and agenda are appropriate and do it consistently.

CONSIDER THE OPENING STATEMENT

You may already be well aware that after you finish informal introductions and conversations, clients tend to change personas. They become more alert and are now wearing their "business hat." At my company, we call these next five minutes "The High Risk 5." It is now time for your (already practiced) opening statement.

Elements of a good opening statement include:

- A favorable human-to-human connection.
- Context and confirmation for the End in Mind.
- Clarification of the path, topics or agenda that will lead to the End in Mind.
- Invitation for approval or modification to the approach.

After reading this article, you may think there is no way you will spend the time it takes to develop a meeting plan for all customer meetings. Here's my suggestion: if what you have read

Sample email prior to the sales meeting

(The following sample email includes four key elements: discuss the current situation, how we might help, decide if further action makes sense, and plan for next steps if needed.)

John,

It was good to talk with you today. In preparation for our meeting next week, I would like to propose the following agenda. I think that by covering these items we will be able to decide what further action, if any, would make sense. Please feel free to modify and comment as necessary.

From what we talked briefly about, it seems like it would be worth exploring the issues you are experiencing and the impact they are having on the employees.

After reviewing the above, we can discuss if and how our company might help.

I appreciate your willingness to meet and openly discuss your situation and I want to make it clear that it is okay if there isn't a fit.

The next steps might include meeting with other people that have a vested interest in vending and office coffee service, visiting our site, and service demonstrations. We can determine this during a follow-up meeting.

John, I will see you next Wednesday at 2 pm. I will be prepared to make the most of our time together. Is there anything you would like to change or add?

makes sense to you, start with four upcoming significant client (prospect or current customer) interactions. Spend the extra time on the End in Mind – the rest will automatically flow.

If, at the end of those four calls or meetings, you have found value, visit <http://www.nf5.com/pages/community/> and tell us what worked, where you got stuck and what you would do differently next time. If you don't find value, adopt this meeting plan to your style, develop your own, or find one that works. You will find it will make you a more efficient and effective sales person.

For sales managers and owners, I know you wear many hats. As a result, it's hard to find time to review your sales people's ideas in the pipeline and it's difficult to know what questions to ask.

If you were to ask me, "What is the one thing I can do today to be more effective at selling our vending or coffee services?" I would advise you to institute a good meeting plan – make it mandatory for your sales people, at least for significant client interactions.

What's outlined in this article is just one example. Taking the time to understand the elements of whatever meeting plan you choose will provide you the basis from which to ask the right questions of your sales people. | ◀



ABOUT THE AUTHOR

Damien Moroney is a sales guide at **Ninety Five 5**, a business consulting firm based in Bradenton, Fla.

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*Based on the 2011 Readers Survey

READERS' CHOICE **NEW** PRODUCTS OF THE YEAR

Product expansions win several titles in the second year under the new rules.

By Emily Reformat, Managing Editor

As the economy problems have leveled off and people are again purchasing their at-work snacks and meals from vending machines, they are looking for two things: their old favorites and their soon-to-be new favorites. These new favorites include new flavors introduced from well liked products.

This is indicated by the winners in the candy (**Mars Chocolate North America SNICKERS® Peanut Butter Squared**), snack (**Herr Foods Hot Sauce Flavored Potato Chips**), food (**AdvancePierre Foods Mini Sausage, Egg and Cheese Biscuit Twins**), and pastry (**Cloverhill Bakery Boston Crème**

Danish) categories.

Additionally, expanding beverage product lines won in both the cold (**Green Mountain Coffee Roasters Brew Over Ice K-Cup Portion Packs**) and hot (**Seattle's Best Coffee Vended Coffee**) beverage categories.

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Boston Crème Danish

2010 New Product of the Year!

At Cloverhill Bakery we're always bringing superior new products to market...



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**COOKIE DOUGH WINS
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Even the cookie category got a bit of a twist this year with **The Promotion**

In Motion Companies' Bake Shoppe™ Cookie Dough Miniatures™. Bite-sized pieces of egg-free, Butter-in-the-Batter™ cookie dough covered in milk chocolate, these minis contain no hydrogenated oils and require no refrigeration. There is also a chocolate chip variety.



The infamous SNICKERS has expanded with a peanut butter version called **SNICKERS® Peanut Butter Squared** from Mars Chocolate North America. The bar retains all the ingredients in SNICKERS, like caramel, nougats, milk chocolate and peanuts, but pairs them with peanut butter. The bar won the candy contest and is being supported with national advertising.



WINNING TREND: HOT AND SPICY

A growing consumer trend in spicy foods accounts for the next winner, **Herr Foods Hot Sauce Flavored Potato Chips**. Winner of the snack category, the product combines Herr's Ripple Potato Chips with the famous, three-pepper zing of Texas Pete® Hot Sauce from the TW Garner Food Co.



Two consumer trends collide in the next category winner. The trend towards mini foods and breakfast away-from-home made **AdvancePierre's Sausage, Egg and Cheese Biscuit Twins** the winner of this year's food competition. The breakfast sandwich includes two pork sausages, scrambled eggs, and American cheese inside a butter-milk biscuit. Two sandwiches per package increase perceived value. Fully cooked, the sandwich is reheatable in the microwave oven without affecting the bun.



There's no substitute for a pastry that satisfies a consumer's sweet tooth. **Cloverhill's Boston Crème Danish** took the top spot for this year's pastry contest. A twist on the traditional Boston Cream Pie, this Danish has a custard cream and chocolate filling. The pastry is then drizzled with chocolate icing.



HOT BEVERAGE INNOVATION SIZZLES

The winner of the hot beverage category is an old name which is revitalizing the hot beverage segment of the vending industry. **Seattle's Best Coffee** was first introduced in the 1970s, but last year at the National Automatic Merchandising Association Oneshow, the company displayed Seattle's Best Coffee vended coffee from a hot beverage machine manufactured by Crane Merchandising Systems. The Seattle's Best Coffee Hot Drink Center features freshly ground beans and filtered water.

Seattle's Best, part of Starbucks Corp., consecutively launched the "Anywhere Great Coffee is Needed" campaign to promote the value of the Seattle's Best Coffee Hot Drink Center. The campaign includes TV ads, billboards, etc. Operators testing the branded hot beverage machine were impressed with customer reaction, including improved sales.



The cold beverage category winner also displayed at the 2010 NAMA Oneshow: **Green Mountain's Brew Over Ice K-cup Portion Pack**. Designed for Keurig K-cup brewers, the Brew Over Ice line contains more coffee or tea than traditional K-cups. The machine brews the K-cup into a 16-ounce cup of ice. Available flavors include: Nantucket blend iced coffee, French vanilla iced coffee and a number of Celestial Seasonings Teas, including Half and Half, black tea and lemonade, Southern sweet tea, iced tea variety pack, sweet black tea, sweet peach black tea, sweet raspberry black tea and black tea unsweetened, sweet berry lime green iced tea, and sweet tropical breeze white iced tea.



New products generate excitement, which is why in 2010, *Automatic Merchandiser* changed the 17-year-old Reader's Choice Products of the Year contest. Under the new rules, only products introduced from March 2010 to March 2011 were eligible to win.

Readers of *Automatic Merchandiser* and *VendingMarketWatch* were invited to nominate new products online. | ◀



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Tools unlock merchandising strategies for vending

By Glenn Butler, Contributing Editor

Strategic merchandising affects sales, productivity and profits; a company's technology proficiency determines its level of merchandising success.

What is merchandising in vending? Jim English, CEO of Sprout Retail, a partnership designed to use technology to improve operational efficiency and develop interactive consumer programs, defines it as follows: "The art of balancing service frequency, assortment, pricing, sales rates and inventory to deliver the maximum gross margin every time you visit the machine." He further notes: "The real challenge is that optimizing any one variable often sub-optimizes the others. Striking a balance is a tricky process, but with the right tools, it can be achieved."

I agree with this definition and assessment. In talking with operators, two objectives come up:

- Putting the best selling products in the machine to maximize sales.
- Increasing space for best selling products to lengthen service intervals.

These are the twin goals of merchandising in vending. One operator summed it up by saying there

are two types of machines: high volume machines that should be optimized for increased sales, and low volume machines which should be optimized for the longest service interval to reduce costs.

Before considering which strategies to use, an operator must have the tools necessary to implement them. The ability to merchandise effectively is directly tied to an operator's technology capabilities.

TECHNOLOGY DETERMINES CAPABILITY

With item level tracking capabilities – enabled with technology coupling DEX reporting and software solutions – operators are now able to actually understand what products are being sold in each machine.

The advent of pre-kitting and dynamic scheduling are tools from these software solutions that allow the operator to understand item level sales at the machine level and



create operational processes that achieve the desired results.

The bottom line is that your level of technological sophistication has a direct link to your capabilities to effectively merchandise.

The table at right shows how your merchandising capabilities relate to your technology situation.

If you are not using any software that is capable of tracking item level sales, your only real option is to try and give planogram guidance to your drivers using account demographics like blue collar, white collar, school, etc.

While it can be valuable to utilize the demographic profile of the account, nothing is better than having the actual line item sales data for each machine. A machine in a white collar location may perform more like a blue collar machine based on the individual buying preferences.

When I first worked on developing a merchandising tool for vending, I focused on increasing sales. I was working with a vending operator who was using dynamic scheduling supported by wireless remote machine monitoring.

A FORTUITOUS DISCOVERY

After reviewing the company’s data, the greatest benefit we uncovered was not in the sales gain as much as the productivity gain.

When we reviewed the sales data, it became clear that a few products were driving the dynamic schedule. The schedule was based on a threshold of two sold out products or three sold out columns in a snack machine.

By simply allocating two columns from poor sellers and doubling up the best sellers, the service schedule could be extended to nearly twice the original schedule, saving a ton of money on service costs.

The big discovery: merchandising impacts not only sales, but productivity.

How an operator’s technology level affects merchandising capabilities.

TECHNOLOGY SOPHISTICATION	MERCHANDISING OPTIONS
Tracking category level (i.e., chips, candy, etc.) in machines.	Generally left up to the diver, although you can provide guidance using planograms and account demographics (white collar, blue collar, etc.). Without sending a supervisor to audit machines, it will be hard to determine if drivers are following planograms.
Tracking item level using DEX software and/or wireless.	You will have the data necessary to merchandise individual machines effectively. A handheld or other tool that can enforce and verify planogram changes is helpful.
Pre-kitting using DEX handheld or wireless data.	A pre-kitting operation is ideal for merchandising since the product selection is out of the driver’s control. Because wireless systems don’t rely as heavily on past sales data for accurate pre-kits, they provide an advantage when merchandising leads to frequent product changes.
Utilizing wireless data and dynamic scheduling systems in addition to the above.	There is a huge advantage to deploying effective merchandising when you use dynamic scheduling supported by wireless remote machine monitoring because any changes made to lengthen service intervals are immediately acted upon. You must have discipline to manually lengthen the schedule when merchandising changes are made.

Let’s look at how different levels of technology affect merchandising strategy, starting with non-glass-front, stacker cold drink machines.

If the machine supports flexible space to sales programming, you can allocate variable amounts of space to each product button.

If you are confident in the products in the machine, often-times determined by the bottler that supplied the machine, your goal should be to efficiently tune the space to sales to lengthen the service intervals while maximizing sell-down.

Of course, before doing this, you should analyze the sales and see if any products should be removed and replaced.

MEI software reports provide an example where small space to sales adjustments are able to save services in a space to sales enabled machine using simple reporting. (See figure 1 on page 26).

In this example, the MEI report shows that allocating an additional column to Coke Classic will save three deliveries a year, and extend the service interval from 27 days to 36 days.

The modern glassfront beverage machines like Crane’s BevMax 4 are capable of many programming options that can manage merchandising and space to sales. Since machines like this can vend many product sizes and prices, options

CONTINUED ►

Figure 1

Product description	Sales	Buttons	Days since last change	Column	Capacity	Recommendation
138189-300ML PET LS24 BX DASANI	3.18	3		3	87	
045265-12OZ CN 6PK24 VAULT	1.38	7		7	45	
045114-12OZ CN 6PK24 PIBB XTRA	1.24	6		6	45	
0451439-12OZ 6PK24 FANTA ORANGE	1.12	5		5	45	
045065-12OZ 6PK24 NESTEA SWT LEMON	0.91	8		8	45	
045011-12OZ CN 6PK24 SPRITE	0.70	4		4	45	
045001-12OZ 6PK24 CLASSIC	1.22	1,2		1 2	87 87	

<p>The impact of making this change:</p> <p>Saves three deliveries per year.</p> <p>Change fill frequency from 27.36 days to 36.19 days.</p>	<p>Top products in channel:</p> <p>045507-12OZ CN 6PK24 COKE ZERO (2.19)</p> <p>045042-12OZ CN 6PK24 BAROS ROOT BEER (1.73)</p> <p>045007-12OZ CN 6PK24 OT COKE (1.33)</p>
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This MEI report shows that allocating an additional column to Coke Classic would save three deliveries a year, and extend the service interval from 27 days to 36 days.

include offering selections like energy drinks and healthy drinks with higher margins.

One feature that many don't know about is the "even sell down" configuration that allows the machine to be configured to sell down an entire shelf, evenly.

As an example, if the first two shelves are allocated to Coke or Pepsi, the machine can be configured to treat the entire "block" as one, and no matter what selection is made, the machine will manage selling the product out of all columns. The advantage here is that the machine won't look empty because most consumers chose the first selection, "101".

A general strategy for merchandising these machines is as follows:

- Consider offering higher margin alternatives when the contract allows it.
- Analyze the space to sales allocated to each product. There will likely be some products or space that is not performing well.
- Create a new planogram for the machine, and if possible, program the even sell down feature.

Glassfront snack machines provide the best example of where vending can learn from retail. There

are huge opportunities for improvement for operators without major machine configuration changes.

Most operators over or under service these machines. Optimizing the schedule frequency and rotating in new products is a big profit opportunity.

The first thing you need to do is find selections that are underperforming. This is easy to do using a merchandising software tool, or even a basic sales ranking report for the machine.

Once you identify these underperforming selections, the question becomes what to do with them. What you do depends on a lot of factors.

SNACK MACHINES: WHAT TO CONSIDER

In snack machines, the best selling products outsell the others by a huge margin. If you can add a column or add more space to the two top sellers, you can often double the service interval for a machine.

Once that is done, the focus should be on replacing other poor sellers with new products. There are two options here:

- Look at your own data and make sure that each machine is stocking good selling products that might

not be in every machine. For many operators, some of the best selling products are not in all machines.

- Consider placing new products in each machine to replace the poor sellers. Many times, a new product will initially sell well, and then slows down. It is important to continuously monitor results.

Figure 2 provided by Crane Streamware on page 28 illustrates how Streamware's merchandising tool deals with a typical snack machine.

The tool has several aspects, including analyzing category performance and pointing out what saving would be made if a recommended change were made. In this case, the tool shows that the space allocated to each category is already well balanced.

The tool also shows the difference between the best selling and worst selling products in the machine and recommends several changes.

Here are a few items still to consider:

- Price sensitivity is always a factor, and because of existing contracts, adjusting prices may or may not be an option. Studies have shown that lowering prices

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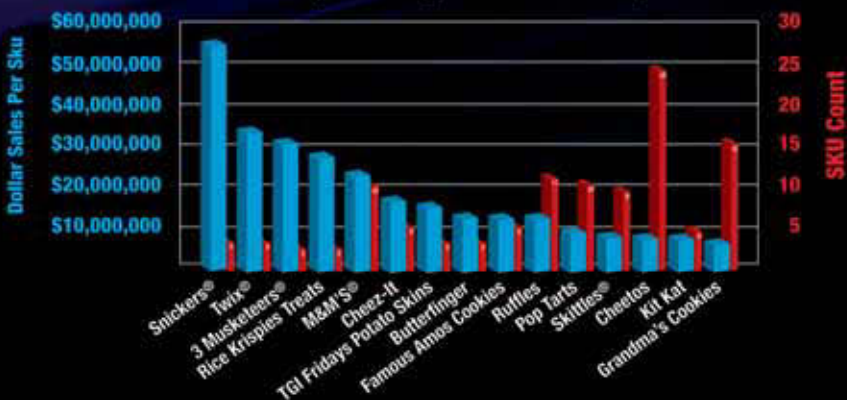
- SNICKERS® Bar 2.0oz
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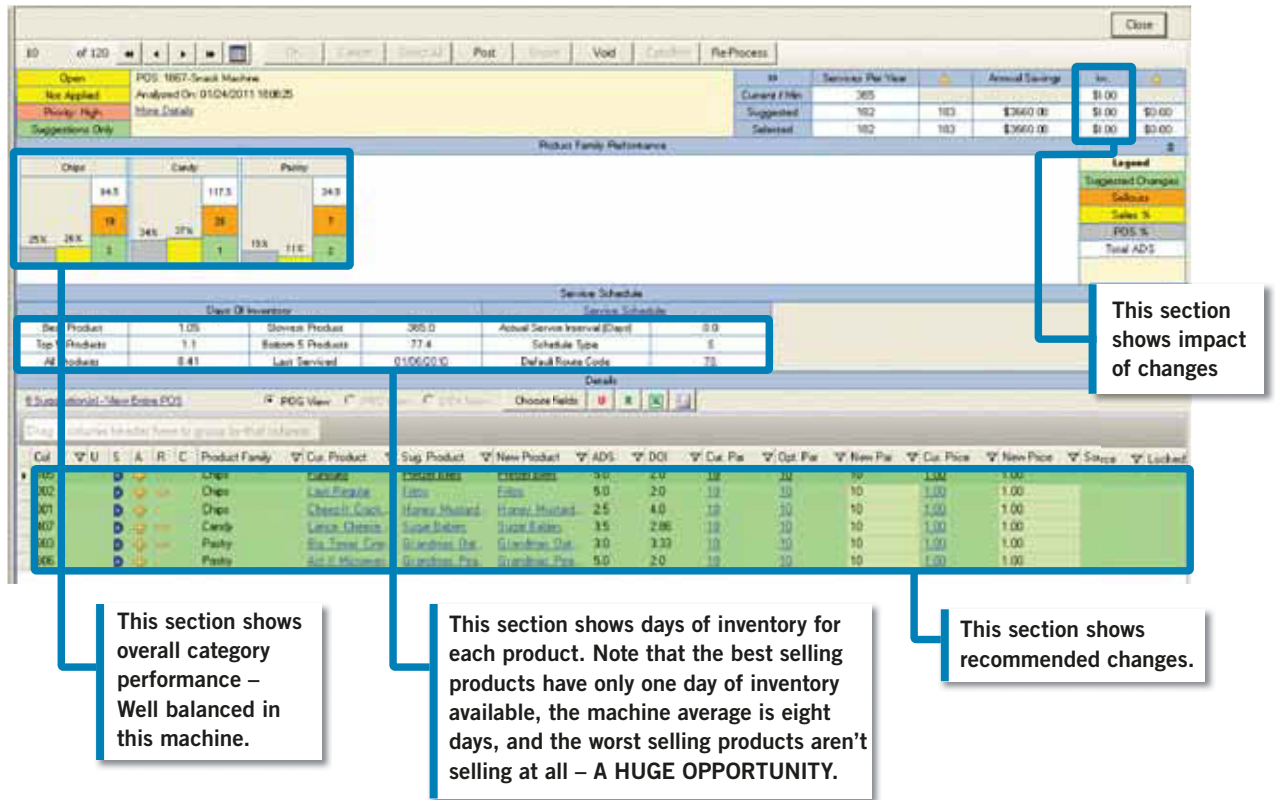
Top 15 Vending Brand's Productivity



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chocolate
north america

¹Brand Productivity per SKU, ProVen 52 weeks ending 12/5/2010
²Total U.S. Confections Ranking, ProVen, 52 weeks ending 12/5/2010
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Figure 2: Crane-Streamware illustrates how Streamware’s merchandising tool manages a typical snack machine.



increases sales and makes up for margin. There are some accounts where testing lower prices may be an option, but prices are already low in vending. A better option is offering high priced/high margin alternatives like energy drinks and healthy snacks where allowed.

- The DEX protocol allows for handheld and remote monitoring solutions to change prices automatically in your machines. Many software providers are experimenting with this option, but it only works when you do not have prices printed on the machine labels. In one study I know of, taking the prices off the machine actually increased sales. In this case, the machine is configured to suggest “enter a selection to see the price.”

- Some merchandising tools have an option to lower par for products that are not selling well. In other words, the column can hold 15 candy bars, but you will save inventory costs by only stocking it with seven. This is a good idea, however, make sure your existing review process or software have some option to automatically increase the par level if that product starts selling out.

ESTABLISH A BASIS FOR NEW CAPABILITIES

If we look to the future, it is likely that touchscreens and modern electronics will be used to enhance merchandising opportunities in vending. When this happens, there will be greater opportunities to conform with government regulations around calorie and nutritional information,

advertise products, offer promotions, and administer and promote loyalty programs.

The challenge in making these programs work is that the vending machine will need to know which products are in each spiral. Companies using advanced software and/or remote monitoring solutions can do this today.

In closing, make sure you have a strategy for tracking item level sales, and approach merchandising as a way to increase your profits. | ◀



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\$1 plus profit per vend? It's a reality!

By Allen Weintraub, Contributing Editor

Field tests confirm \$1 profit per vend exists in today's industry. Skeptical? Read on.

Vending operators can successfully place “premium products” in snack vending machines to generate \$1 plus in profit for each vend after cost-of-goods (COG), commissions and applicable sales taxes, a recent test has proven. Product suppliers such as Kraft/Cadbury have the information for vending operators to develop a premium product placement program to achieve such profits.

Last year, I wrote two articles in *Automatic Merchandiser* advocating the placement of higher priced products vending at \$1.50 in both snack and beverage machines to increase weekly sales. Since then, Vending Consultants Co. (VCC) has conducted a test with several vending operators sponsored by Kraft/Cadbury to determine the efficacy of placing premium products for sale at vend prices from \$1.75 to \$5.

The objective of the test was to generate at least a \$1 in profit per vend after COG, commission and applicable sales tax. Simply put, if you had a choice, would you place a product that produces a vend profit of \$1 in your snack machines instead of \$0.30, or even \$0.50 for each vend?

Furthermore, what are the long-term benefits of educating your



customers to use a \$5 bill to buy a product vending at \$2 or \$3.50 in your machines? Vending operators should not apologize for selling higher priced products in their machines, especially if the products provide value and sell at similar prices in other channels.

VCC initially considered placing 16 different premium products. The size of the premium products ranged from 3.5 ounces to 6 ounces.

The COG of the premium products varied from \$0.60 per unit up to a premium chocolate product with a \$2.25 unit COG.

Every product was tested to assure that the package size would vend. Vend price points were selected in the range of \$1.75 to \$5.

Locations were limited for the test to snack machines that had at least a \$5 bill acceptor and/or credit card

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reader. The test locations at hospitals, colleges, and offices were qualified by sales of at least 600 units each month.

VCC developed a beta test to track the vends of the different premium products on a daily basis using remote machine monitoring. The beta test provided critical information as to the placing of the premium products in the machines and the acceptance of the vend price by the consumer.

For example, the sales of the premium chocolate product with a COG of \$2.25 per unit and vend prices of \$4 to \$5 were too low to warrant continuing this product in the second phase of the test.

Other products did not attract sufficient sales to also continue in the second phase.

Point of sale (POS) materials were not used either in the beta test or the second phase of test.

Both vending operators and Kraft/Cadbury thought that with POS, an opportunity may exist in the future to promote premium products with vend prices in the \$4 to \$5 price range.

PHASE 2: 100 MACHINES

In the second phase of the test involving around 100 snack machines, premium products having COG from \$0.60 to \$1.20 were placed with vend prices in the \$1.75 to \$3.50 range. The operators had different vend price points for the premium products driven by the different commissions paid to the various locations to maintain the basic objective of \$1 profit for each vend.

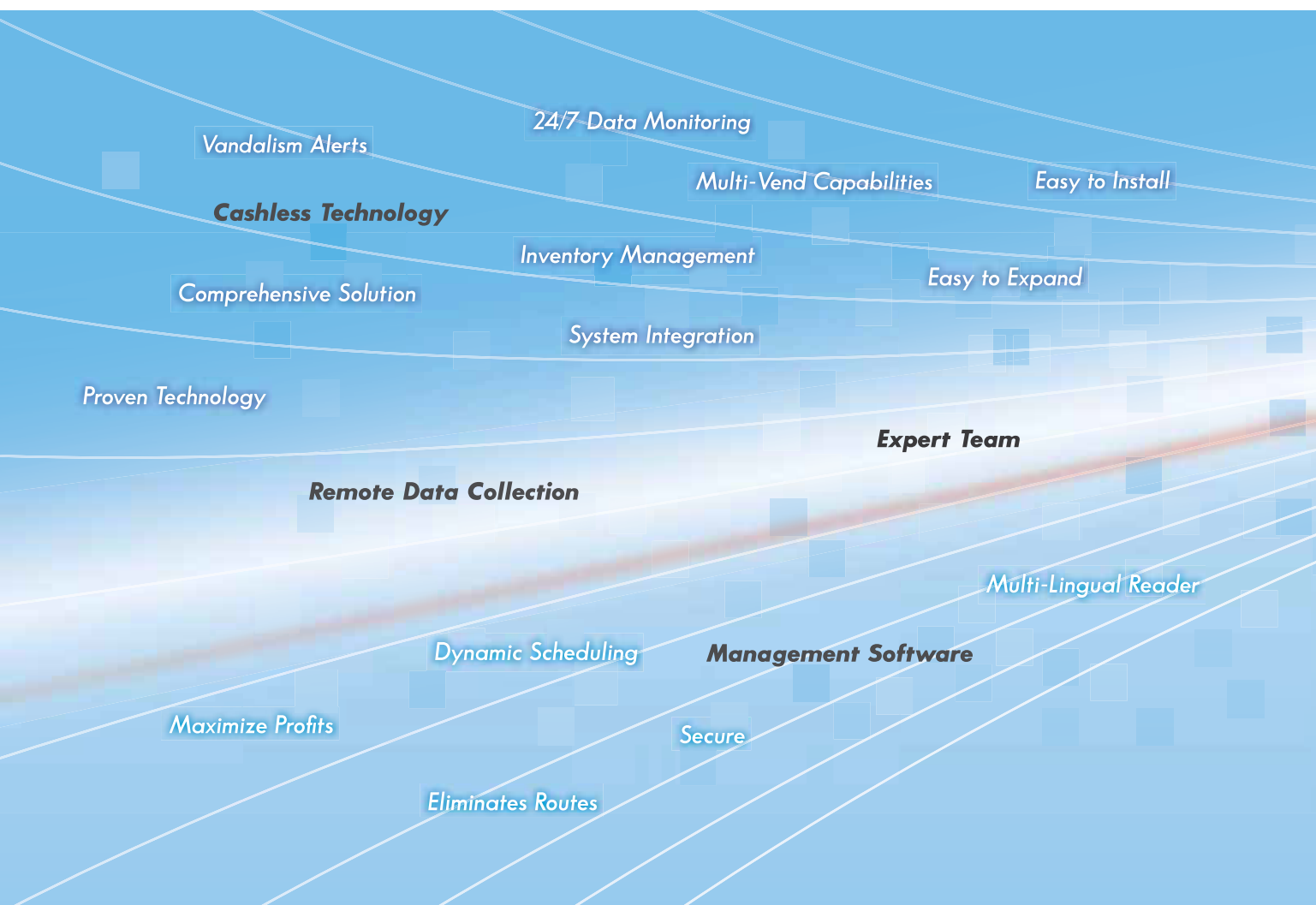
To analyze the results, the vending operator must employ a machine level stock keeping unit (SKU) profitability report.

In the article, “Technology based reports are vital to increasing profitability,” in *Automatic Merchandiser*, March 2011, experts stated how DEX has revolutionized the way vending operators can do business and increase profitability by cash reconciliation, product merchandising and route efficiency. Essential to this revolution is that DEX data must be collected at the SKU level in each machine.

RESULTS: PREMIUM PRODUCTS WORK

In reviewing the results from the second phase of the premium product test, VCC used SKU machine level sales reports. For example, in one 40-spiral snack machine, 1,089 unit sales produced \$1,302 for the month of February.

The SKU report showed that the average monthly unit sales by spiral



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was 27.2, producing an average monthly dollar sales of \$32.55.

The five spirals with premium product sales averaged 24.2 units per spiral, producing an average monthly dollar sales of \$53.60 per spiral.

The 121 total unit sales of premium products generated a minimum of \$121 in profits; \$1 per vend after COG, commission and applicable sales taxes.

The rest of the regular products produced a profit in the range of \$0.30 per vend to \$0.70 per vend after COG, commission and sales tax at the machine. In some instances, a regular product must sell three to four units to match the \$1 per vend profit from the premium products.

You can calculate the number of unit sales your own regular products would need to achieve this \$1

IN all machines, the premium product dollar profit per vend exceeded that of regular products.

per vend profit after COG, your average commission and applicable sales taxes.

HIGHER PRICED ITEMS MAKE A DIFFERENCE

In one machine, premium products represented 11 percent of the unit monthly sales and 20 percent of the dollar sales.

Overall, for machines in the second phase of the test, premium products sold in the range of 2 percent to 15 percent of the unit monthly sales and 4 percent to 32 percent of the dollar monthly sales. Part of this variance is attributed

to the fact that certain machines had only one or two spirals with premium products.

As vending operators increased the number of premium products in the machines, the unit and dollar sales increased in line with the percentages of the SKU report.

In all machines, the premium product dollar profit per vend exceeded that of regular products.

Vending operators participating in the test observed the placement of the premium products brought a

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new look to each machine; change drives sales.

Consider the packaging of several of the premium products tested; certainly, these premium products would give a new look to your machines.

Most important for each vending operator is that new vend pricing, up to \$3.50, was established and accepted by the customers and the locations. There were no complaints by any location as to the higher prices; value was clearly perceived.

WHY KEEP LOWER PRICE PRODUCTS?

Some vending operators dropped the sales from the gum/mint module to calculate machine level SKU profitability. However, if the gum/mint modular sales are not included, the question is raised: why even carry such products with a vend price at \$0.75 per unit? Operators are considering such price points as detrimental to the machine and are placing premium gum and mint products that vend at \$1.50.

Scott Meskin, president of Black Tie Services in Baltimore, Md., concluded in reviewing these and similar results: "The placement of premium products provides Black Tie with an opportunity to increase pricing and improve profitability in a wide range of other products in our machines. Having the low price in the gum/mint module runs contrary to our program to provide premium products in all categories."

RESULTS MUST BE MONITORED

The placement of the premium products was not successful in every machine. The vending operator must have the SKU level data and machine profitability report to track the results.

In addition, as Michael Cascione Jr., operations manager of CC Vending in the Bronx, N.Y., stated: "CC Vending needs the



Roasted Peanuts, Sour Patch Soft & Chewy Candy and The Original Swedish Fish were among the products that delivered success in the premium product field tests.

cooperation and support of the product suppliers such as Kraft/Cadbury to provide the premium products that will sell and to make them available through the vend product distributors."

Furthermore, the vending operator must carefully manage a successful premium product placement program.

Todd Elliot, vice president of Tomdra Vending & Coffee Services in Tucson, Ariz., observed: "A vending operator must price the premium products correctly at each location to achieve the \$1 per vend profit. You can reduce a price if sales are not acceptable; it is more difficult to increase the price. The results of such an approach only add to your bottom line."

As discussed previously in my other two articles, a vending operator does not have to make any investment in equipment to develop the premium product

placement program. Besides SKU level profitability reporting by machine, the operator must consult with such product suppliers as Kraft/Cadbury who are knowledgeable about what premium products sell.

The next test Vending Consultants is considering is to place premium products in all the spirals with vend prices between \$1.50 to \$5, removing all the regular products. Vending operators and product suppliers who are interested in participating are encouraged to contact me. | ◀



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Single-cup innovation: de Jong Duke offers touchscreens, energy efficiency and more

With the Virtu and Siro Touch single-cup coffee brewers, Taylor, Mich.-based de Jong Duke introduces machines that stand out with quality drinks, touchscreen displays, dynamic advertising possibilities, sustainability and ease of use.

The coffee market is constantly changing and de Jong Duke makes sure that the equipment is suitable for the various requirements. “A strong trend towards espresso-based drinks like cappuccino, latte and cafe au lait has been anticipated with the development of the CoEx® brewer, a patented brewing mechanism, which is also used in some configurations of the Virtu and Siro Touch,” said Maurits J.C. de Jong, commercial director.

The CoEx® brewer is unique as it can make a regular coffee with a low pressure and a real espresso using the required nine to 15 bars of pressure. The design and engineering of both the brewer as well as the brewing mechanism ensures that the equipment is easy to clean and maintain.

POINT OF SALE COMMUNICATION

With information and communication becoming more important throughout the world, coffee and espresso machines will not be excluded from the trend to inform consumers and other users about a wide variety of things. The Virtu and Siro Touch are tailored to



Maurits J.C. de Jong believes touchscreens have a place in OCS.

this need with full-color displays. Both machines can be set to show pictures in standby mode as well as during the preparation of the drink. This feature allows customers to inform the users of the machines about their drink, its origin, the ingredients, as well as other things like company news, advertisements, new offerings and more.

The software enables customers to upload information and images through USB, making it easy to customize the machine to the user’s wishes. When possible, the machine will be connected to the

Internet. This will not only allow RSS feeds, but also increased flexibility and marketing possibilities.

ENERGY EFFICIENCY

Energy efficiency marks another key trend. “Our current equipment is energy efficient and can be set to lower the use of energy if the circumstances allow,” de Jong said. “We also look at the production of the machines. If we can lower the impact on the environment by changing the way we do things, we’ll look for a way to achieve this. We are also very proud to be the first manufacturer who has complete data on the use of materials and the recyclability of our machines. We even have information on what percentage of the materials used is already made from recycled material as our customers increasingly are being asked these things. We are constantly working on this to make sure our customers stay ahead of these developments.”

When working close together with their customers, de Jong Duke makes sure that the machines are matching the consumers’ needs.

Time is spent with experts, research institutes, coffee roasters and ingredient specialists to create the most optimal conditions and recipes to create a quality drink from both the fresh filter and single-cup brewers as well as from the bean-to-cup equipment. ◀



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Product recognition software strengthens item-level oversight

A camera captures the actual facings in the machine, giving management a new level of control.

By Michael Kasavana,
Contributing Editor

For years, vending operators have struggled to find a more exacting method to coordinate products in a machine with reported sales data. The ability to link DEX data to sales information is often based on a pre-determined planogram or product map, both of which rely on products being placed in a vending machine with strict adherence to the scheme.

Unfortunately, to date there has been no easy way to prove that strategic product placements were completed as planned, thereby complicating marketing, rebate, and sales analyses.

Similarly, product manufacturers striving to gain strategic advantage may encourage or influence vending operators through incentive programs oriented toward

shelf placement and/or number of facings. While operators wrestle with menu mix, manufacturers tend to seek commitments dictating the number of product spirals dedicated to their products among various rows and columns. Like adherence to a product map, assuring manufacturers that such agreements are strictly followed can be highly challenging.

Vending operators tend to price products on the same shelf at identical prices, thereby minimizing operator anguish. But the opportunity to present a broader array of items, with differing prices, is becoming more appealing as consumers and operators recognize premium products often carry correspondingly higher prices.

STATIC PRICING LIMITS OPERATORS

The problem with traditional vending is that selling prices need to be determined and posted or displayed in static locations beneath the product facing. An error in product placement or a mixture of dissimilar products in a single column can result in diminished contribution margin and/or lost sales, especially when the product is incorrectly priced.

Consumers have a bad perception when products are over-priced, and conversely, operators are negatively impacted when products are sold under-priced. A solution to this problem would be the ability to set a price for each product and to have that price displayed and available when the product is in the front spiral position (next available for sale).

The need to display nutritional, and often ingredient, data is becoming of significant importance to the vending industry. Given that legislation intended to assist the consumer in making an informed product choice will soon be mandated, vending operators will not only need to know the exact identification of a product in each facing, but will also need a way to display its nutritional content.

A consumer interested in purchasing a breakfast pastry, for example, may use the machine capabilities to review the item's nutritional data. But if the response to the query leads to the

machine displaying the nutritional panel for a salty snack, much confusion may ensue.

Is the actual item presented for sale the one linked to the nutrient file? It appears likely that inaccuracy in matching product to nutrient description may have unintended sales consequences. Knowing which product appears where in the machine at any point in time can be critical to operational success.

PRODUCT RECOGNITION EMERGES

The above concerns, as well as other issues, are addressed and resolved through product recognition (PR) technology developed by Vendors Exchange International, Inc. (VEII). This innovative, high-tech solution is designed to specifically determine the content of each spiral in real time, reference its price, and provide the opportunity to link to nutritional and key ingredient data.

Product recognition in vending requires a photographic mechanism to match the image of a product in a spiral facing to a stored database of products to determine its stock keeping unit (SKU) code number and selling price. When integrated with nutritional information, product ingredient and nutrient content can also be accessed through VEII's Making Informed Nutritional Decisions (MIND) technology.

While product recognition technology involves several important concepts and features designed to enhance effectiveness, the following five concepts are intended to provide an overview of the product recognition application; there are several additional characteristics and capabilities mentioned throughout this article.

Product Recognition – The object of product recognition is matching product images to stored

photographs to confirm product identity. Matches lead to access to SKU, product pricing, and optional linkage to nutritional database information (when integrated with MIND software).

Digital Pricing – Given product identification within the recognition system database, the price of an item can be accessed and posted as a digital price; the item's price is based on its stored price, not the item's location in the vending machine.

Diagnostic Tool – The camera component of product recognition can be used to check machine status, operational status, and overall appearance. An empty facing, hung-up product spiral, or an unrecognized product are conditions that may traditionally result in machine downtime but can now be remotely diagnosed and resolved. This is done by remotely positioning the camera over the problem spiral and, in real-time, remotely operate the spiral to visually see if the problem can be corrected.

Bijection – Bijection is a process in which mathematical algorithms (formulas) are used to match a product image to stored file content. In the case of vending, the matching can be accomplished regardless of the orientation of the product package in the machine spiral. Bijection is designed to decipher physical attributes against database imagery (one-to-one recognition) and is similar to biometric measurement, except it does not include human characteristics or attributes.

MIND Software – A product recognition application can be optionally applied with the standalone application from VEII, labeled MIND. The MIND involves linking manufacturer supplied nutritional and ingredient information to vendable product offerings. When product recognition is

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integrated with nutrient and key ingredient data of the MIND, data files can be displayed on the touchscreen of the application.

In preparation for product recognition, a camera is used to capture a series of product images in varying orientations (e.g., right-side up, upside down, forward, backward) to create the highest probability of positive identification. This variance in angular views, combined with acknowledgement of font style, font size, and color, lead to minimal misevaluations or failed reads. The degree of detection effectiveness is an important concern whenever a bijection evaluation (one-to-one matching) is performed.

MULTIPLE DATABASE IMAGES NEEDED

From a comparison perspective, snack products are considered easier to identify than bottled beverages that can rotate up to 360 degrees, thereby necessitating more database images for identification matching. Although with snack items there may be some wrinkling or unreadable text, most packaging is of a bag or loose wrapping that places the item forward, backward, right-side up, or upside down, thereby requiring relatively fewer database images to test for identity than the potential challenges of a bottled item.

Packaging that can be angled, uneven, wrinkled, or condensed might lead to false readings. While it may be impossible for the software algorithm to correctly identify every product in each spiral 100 percent of the time, the goal of product recognition software is to achieve a correct recognition rate of at least 95 percent.

When the packaging of two products may be so similar that differentiation may be based only on a small icon or graphic logo located somewhere off center of the wrapper facing, distinguishing the correct



Product recognition software can help correct errors caused by similar looking packages.

product presents a complex recognition challenge.

For example, consider a Hershey Milk Chocolate candy bar and a Hershey Milk Chocolate with Almonds candy bar. The wrappers of the two bars are very similar in color, font, text, and shape. Discriminating between them through the lens of a digital camera, given the items are vertically slotted behind a spiral or other armature, illustrates the possible difficulties in attaining a perfect identification rate.

When such a confounding situation presents itself, product recognition software can default and assume that the current item is identical to the last recognizable item that was in that exact location, or be programmed to return a blank image and default to a pre-programmed price.

THE SCIENCE OF PRODUCT IDENTIFICATION

Product recognition software is composed of seven distinct algorithms that simultaneously diagnose product appearance/physical characteristics (e.g., color, shape, size, position, font, text, tilt orientation) in an attempt to determine a product database match. Once the recognized product is identified and located in the product recognition database, the product's SKU and price are accessed and may be displayed on the machine's optional MIND touchscreen display and/or on its digital price label.

The ability to accurately distinguish fine points on packaging is the goal of product recognition software. A product that is not identified can be assumed to be the same as the product that preceded it in the spiral or a "not available" message can be displayed. In either case, the machine can continue to function without interruption.

Alternatively, when the product recognition software concludes that a candidate product is unrecognizable, the software can shut down the mystery spiral and render it out of order; this would likely be a last choice situation. A mid-90 percent recognition rate for a bijection measurement application is considered excellent, and this software is expected to routinely perform at that level.

BIJECTION MEASUREMENT

The word "bijection" means to have equivalent mathematical algorithmic outcomes so that an image can be matched to a stored item value. This is similar to a biometric comparison with the exception being that there are no human attributes or physical characteristics connected with the target.

To adequately assess the identity of a product, given multiple orientation and angular photographs, the array of images must be present in the vending machine's product recognition database. By having a collection of photos of the product, recognition of an improperly stocked or scattered product placement should not hinder recognition efforts.

The orientation of a product in a spiral cannot be guaranteed and the collection of stored database images must be sufficient to enable matching the correct product with its SKU and pricing data as well as optional access to nutritional content information should the MIND application also be implemented.

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MAXIMIZING SPACE TO SALES

A unique feature of product recognition is the ability to vend identical products from multiple spirals even when one spiral enjoys the most advantageous machine placement and the other a less desirable machine shelf space.

For example, an operator may decide to offer more than one column of a particular product to avoid frequent re-stocking or stocking out of a high-demand product. When the consumer purchases the item, regardless of which spiral the consumer selects, the actual location of the dispensed product may be different than the one selected.

Given that the second column of the product is located in a less desirable space in the machine (e.g., bottom row) then the product recognition software can be programmed to balance out the product inventory by vending from the least desirable placement first (until it is empty) or dispensing the product alternatively between the two columns to avoid a sold out situation for either spiral. In either case, the product remains visible in the more desirable machine location while the machine remains balanced with a robust appearance.

PRECISE PRODUCT PRICING

There is great value in having confidence that products will be properly priced by the product recognition software shortly after the product appears in a spiral facing (i.e., presented to the customer for purchase). This information is critical to a successful sale and a machine equipped with a digital pricing tray or LCD display screen can project the product price immediately.

In essence, the software can change the displayed price from the last item that appeared in the spiral location (which may have had a dif-



A digital camera rides on a track in the machine and takes pictures of individual products.



ferent price) to the new price. This feature enables a vending operator to deviate from the common industry practice of keeping similarly priced products in the same row or column or throughout the entire machine.

ALERTS AND ALARMS

Situations such as product delivery failure, empty facings and related problems can be resolved through an external notification mechanism contained in the product recognition application. A text message sent to a service manager may result in the manager correcting the error through remote camera/machine interface.

The vending machine camera can be directly positioned over a non-vended product, for example, and the machine then instructed

to rotate the spiral in an attempt to dispense the product in question (assured delivery). This feature is capable of replacing guaranteed delivery or delivery sensor technologies available in the marketplace.

FIELD TESTING BEGINS

VEII has started live field testing of its product recognition software and soon will be able to evaluate the accuracy, speed, and integrity of system components. The percent of correct product identifications, proper linkage to stock keeping unit, and correlation of price and nutrient data all will have a profound impact on the potential of the technology.

An expanded version of this article on www.Vending-MarketWatch.com includes the examination of benefits from the consumer, operator and manufacturer perspectives. | ◀



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Michael Kasavana, Ph.D., is the NAMA endowed professor in hospitality management at Michigan State University in East

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By Chuck Reed, Contributing Editor

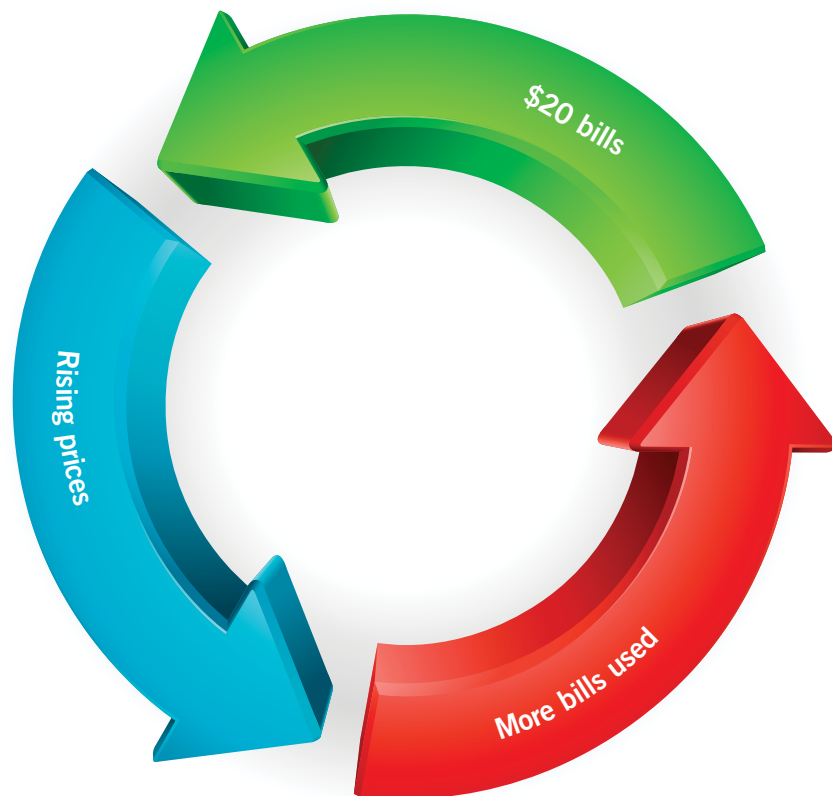
Cash recyclers make a difference. A growing use of \$20 bills and rising price points drive consumers to use more bills for vending purchases.

Vendors can do everything right – the right vending machine, right product selection, right service strategy, right product price point – and still miss out on a large percentage of sales. That’s because regardless of how much consumers want that drink or snack, they must have the means to pay for it.

And, in many cases, they do not.

The vast majority of consumers carry at least one credit card and larger denomination notes like \$20 bills, which are commonly dispensed by ATMs. But only 50 percent or less of consumers carry \$3 in coins or bills. In fact, 65 percent or more of consumers carry either \$1 or \$20 bills – the two notes that are the highest in circulation. According to the U.S. Mint, 31 percent of all currency in circulation today is the \$20 bill and 46 percent is the \$1 bill, while all other denominations have circulation levels well below 12 percent.

Despite money circulation levels, most vending machines out there today don’t accept higher denomination bills and/or credit cards. They only accept coins, \$1s and possibly \$5s. Frustrated, many consumers storm off from a vending machine



without that desperately needed afternoon pick-me-up. Even worse, they are likely to give up on the vending machine permanently in favor of a convenience store or drive-thru chain that accepts all forms of payment.

Recent field studies found that higher denomination bill acceptance leads to at least a 20 percent increase in overall vending machine sales because it literally “unlocks consumers’ wallets” and makes it convenient to buy.

Why don’t machines accept higher denominations? Because operators have been concerned

about changer starvation due to demands for large change amounts as change from payments made with high denomination bills.

Many operators report sales losses of 80 percent or more when a machine requires exact change only due to changer starvation. Bill changers, which change out large denomination bills, are expensive. Just one bill changer can cost as much as \$1,200, require hundreds of dollars in change in the changer and hundreds more in replenishment funds.

Today’s cash recycling technology now allows operators to easily

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and cost-efficiently accept larger denominations, reverse customer attrition and drive sales.

FIELD-PROVEN CASH RECYCLING TECHNOLOGY

Cash recycling technology is not new, but it is just now hitting a significant adoption curve. In the first quarter of 2011, MEI sold more than 10,000 cash recyclers to vending operators since the technology was introduced in October 2008. Operators have reported success, citing various advantages – some expected, some not anticipated at all. Cost savings, sales lift, new profit opportunities, and an increase in customer satisfaction are among the highest reported benefits of cash recyclers.

The earliest adopters of the technology report sales lifts as high as 75 percent and return on investment (ROI) in as little as six months. The Coca-Cola Bottling Co. of Lehigh Valley, Pa., part of the ABARTA Beverage Group, for example, invested in cash recycling technology nearly two years ago and has experienced unexpected sales increases in all of its recycling-equipped vending machines.

“Customers have told me first-hand how thrilled they are to receive bills as change instead of dollar coins,” said Mike Gallagher, service manager for Coca-Cola Bottling Co. “Sales on those machines have increased, and the technology has been extremely reliable.”

Here’s a look at seven ways three vending machine operators – each with different vending operations – are using recycling technology.

IMPROVE CUSTOMER SATISFACTION

Consumers like choices and convenience. Cash recycling technology enables vending machines to offer customers more payment choices and encourages them to return to that machine again and again, confident that they can make a purchase



Customers appreciate receiving bills as change and are more likely to use higher denomination bills to make purchases.

with whatever is in their wallet. Also, providing change in paper bills more closely mimics purchases at traditional stores and restaurants.

Cotton Candy Vending of Denver, Colo. implemented cash recycling technology in more than 50 machines as a modular add-on to its existing note validators after realizing that it was losing customers who were only carrying \$20 bills. The cotton candy sold in these machines cost \$2, so customers who tried to pay with \$20 bills would get \$18 in quarters as change.

Customers were not happy, and change repositories were being wiped out in hours. Recycling technology has changed all that. According to Davy Clements, vice president of the Americas for Cotton Candy Vending, results have been promising with high sales lift and dramatically increased consumer satisfaction.

CUT CASH MANAGEMENT COSTS

Cash recyclers lower cash management costs overall because machines with recyclers require far fewer coins for change. The 30 notes in the recycler replace far

more than the equivalent of coins in the coin changer because the recycler refills more rapidly than coins.

MEI estimates that using a recycler will reduce the required float by at least \$80. Also, recyclers eliminate the need for bill changers and their associated capital costs and required change funds. Lastly, machines with recyclers require fewer cashbox collections because the cashboxes fill up slower. Recycler-equipped machines tend to collect high-denomination notes and pay out the smaller denomination notes as change.

It takes many more sales (and much more time) to fill a cashbox with high denomination notes. Cash recycling allows operators to maintain a lower total machine float by leveraging customer-provided bills as float. Recycling also protects coin levels. Adding dollar tubes to machines requires a capital investment (over \$100 per machine). Cash recycling technology eliminates the need for dollar tubes and their associated cash management costs.

Leveraging the high volume of \$1 notes to keep the recycler drum

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filled is a better solution than chasing the local bank for more \$1 coins, often requiring an added fee from the bank to obtain the \$1 coins.

West Coast Vending in Oakland, Calif. had been experiencing a profit drain from having to frequently refill its machines' dollar coin tubes. "We expected to get those dollar coins back from repeat customers," said Matt Bauer, vice president of West Coast Vending. "Instead, less than 14 percent of those coins were being reused each week. Overall, this had real effects on our profitability."

West Coast Vending implemented cash recycling technology and saw immediate results. "Cash recycling reduced the time required by drivers to restock the dollar coin tubes by 66 percent, and allowed us to eliminate half of our dollar coin tubes in each machine. We also experienced a 10 percent sales lift per machine, with some as high as 15 percent." Bauer said that the investment paid for itself in less than six months and he plans on adding recyclers to each bank of machines on all routes.

END CHANGER STARVATION

Studies show that machines slip into "exact change" mode more than one third of the time – resulting in a "down" machine. Consumers rarely carry exact change today, making it literally impossible for customers to buy from those machines 33 percent of the time. Cash recyclers eliminate this problem because they reduce exact change scenarios. There are fewer coins required for making change because \$1 or \$5 notes can be used instead.

INCREASE SALES VOLUME

Consider situations when the consumer wants to purchase more than one item from the machine. A mother wants to buy drinks at an after-school soccer game for her

Cash recycling benefits at a glance

Advanced cash recycling solutions allow vending machines to reuse cash in \$1 and \$5 bills from purchases paid as change to customers. This is an improvement over previous generations of separate cash acceptor and dispenser systems that required substantial initial float loads.

The latest recyclers allow for withdrawals and cash back while reducing the costs associated with managing cash. But the most significant benefit realized from cash recycling in vending machines is the ability to reliably accept larger denominations, including \$20, \$10, and \$5 bills. Customers can conveniently make purchases directly from a vending machine using larger denominations frequently received from ATM withdrawals, and then collect their change in bills and coins.

two kids but only has a \$10 bill, and one \$1. The vending machine only accepts \$1, and maybe even \$5 bills. In this case, she cannot make a purchase of two sports drinks for her two kids.

But if the machine accepted higher denominations, then this soccer mom could use her \$10 bill to buy the drinks, and maybe even a snack, too. As a result, the vending machine has tripled its sales revenue rather than losing out because it was not equipped with a cash recycler so that it could efficiently accept higher denominations.

The improved customer experience derived from recycling clearly drives sales lifts for operators. Consumer awareness and confidence in the technology builds over time and

leads to stronger vending loyalty from vend patrons.

ACHIEVE A HIGHER SALES LIFT

Dozens of field studies show that vending machines experience a sales lift just by enabling the acceptance of \$5 bills. Sales multiply further with the acceptance of larger denominations, especially in vending machines where the per-item price is higher than the average \$1.25.

Buffalo Rock Co., the Birmingham, Ala.-based Pepsi bottler and vending operator, tested this theory by installing a cash recycler in 20 machines across three regions. Buffalo Rock compared sales data based on the previous year's figures to determine the impact of cash recyclers, and found sales lifts ranging from 15 percent to more than 75 percent.

"Customer convenience is a major goal for us, and a sales lift confirms the reliability of recycling technology," said Mike Bunt, general manager of corporate marketing equipment at Buffalo Rock. "In most cases, we achieved at least a 15 percent sales lift since installing the recyclers with virtually no jams of service problems. We will continue to integrate recyclers into our other vending machines. This is a huge win for us."

PREVENT CUSTOMER ATTRITION

Hand-in-hand with improving sales lift, cash recycling technology also helps drive sales by creating loyal customers who are not forced to find alternative retail sources that will accept what's in their wallet or pocket.

There are more convenience stores, super gas station stores and alternative retail channels in operation than ever, most of which now accept debit, credit and large denominations. Consumers have

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*“Over 50 years of experience building and developing **coffee machines**, based on the principles of **innovation, design and reliability.**”*

many other easy options for buying snacks, beverages, candy, etc. In fact, the number of U.S. c-stores increased 1.2 percent in 2010 to more than 146,341 – the highest number of stores ever recorded. This doesn't even take into consideration all of the other types of retail outlets.

A WAY TO UPSELL

An unexpected advantage to cash recycling technology is the newfound opportunity to sell higher-priced products such as sandwiches and specialty sports drinks. West Coast Vending, Buffalo Rock, and Cotton Candy Vending all recognized how the

ability to efficiently accept higher denomination bills in their vending machines opens up new product offering doors.

No longer hindered by cash management constraints, vending machines equipped with cash recyclers allow operators to be more flexible in their product selection. This is especially true when machines are also equipped with credit card readers.

BUILD FOR THE FUTURE

Today, 77 percent of Americans age 18 or older have at least one credit card. Many consumers claim to use their credit and debit cards much more often than cash – it's their go-to payment of choice when their wallets are thin. Consequently, combining a cash recycler with a credit card reader enables vending operators to completely unlock consumers' wallets...never having to turn away a customer from limited payment options again.


This benefit translates into hard numbers, too. Consider this scenario – for a machine generating \$60 per week in gross sales (with a \$1.25 vend price), operators will see a \$615 per machine sales lift annually if they use both a credit card reader and recycler.

With a higher average vend price of \$2.50, operators can increase sales annually by \$2,349 per machine.

Multiply that sales increase across an entire region of machines and the revenue growth for a vending operator is substantial. | ◀

ABOUT THE AUTHOR

Chuck Reed is marketing director at MEI.



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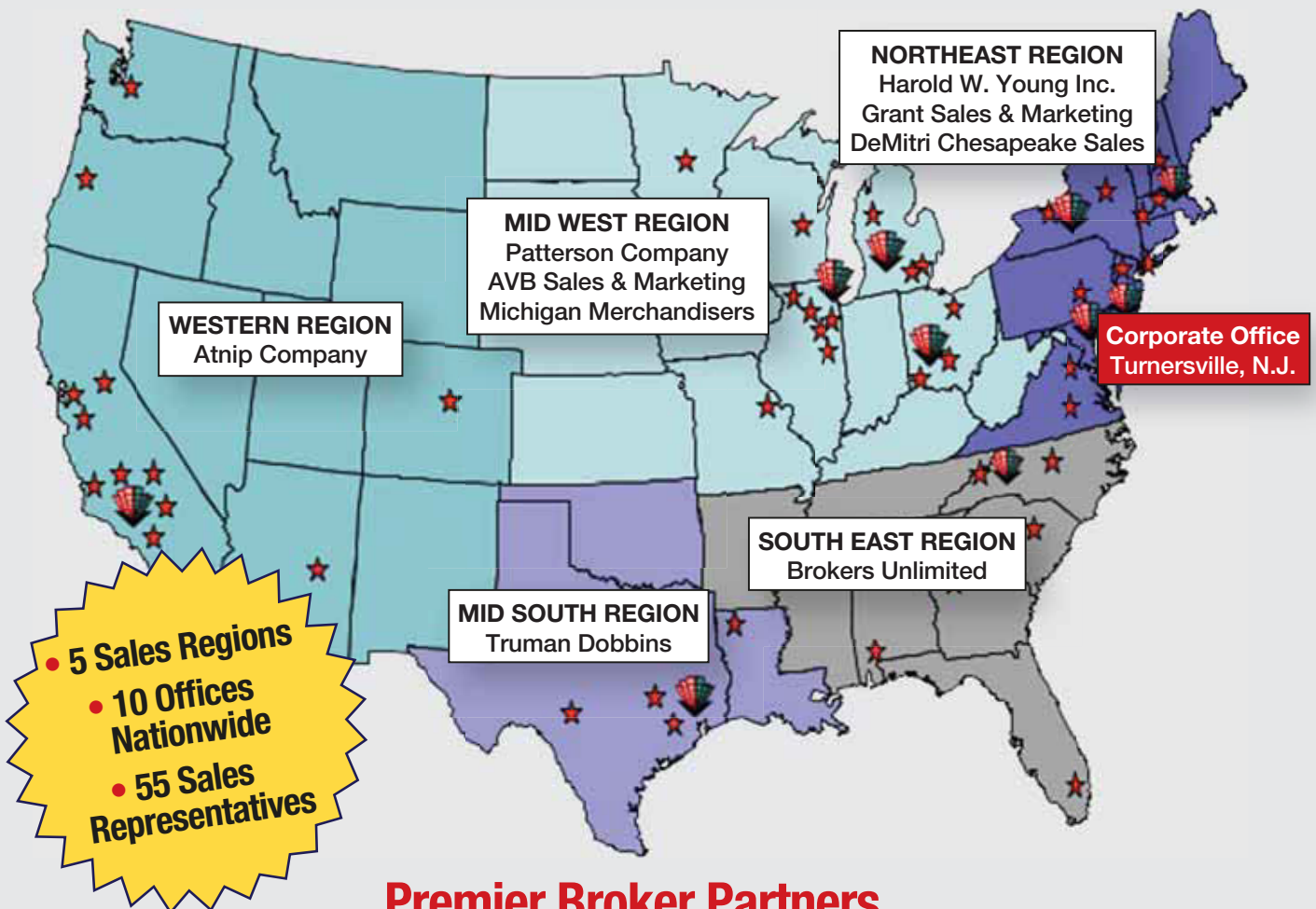


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Options mount for making machines energy efficient

As government-mandated energy conservation rules evolve, vending operators find more ways to meet customer requests for “greener” machines.

By Elliot Maras, Editor

Going “green” has become one of the strongest customer-driven demands for businesses in recent years. For vending operators, there are several aspects to providing a more environmentally friendly service, a key one being the use of energy efficient machines.

Adapting more energy efficient machines is not a simple proposition. Machines need to be retrofitted or replaced. In a challenging business climate such as the present, operators need good reason to invest in new machines and upgrades.

Vending operators are nonetheless finding it pays to use machines that consume less electricity. By offering such machines, operators meet the needs of customers who want their facilities to consume less energy. Government accounts in particular have required more energy efficient machines in recent years.

Because many accounts expect operators to compensate them for the electricity their machines use, machines that use less energy give operators a way to lower this cost.

Since 2004, vending operators have been able to meet this demand by offering Energy Star certified cold beverage machines.

The Energy Star program has become fairly well known to consumers since it applies to a variety of appliances.

The Energy Star sticker indicates an appliance meets energy use guidelines set by the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Energy (DOE).

Energy Star certified cold drink machines incorporate more efficient compressors, fan motors and lighting, and better insulated compartments to keep beverages

cold and the machine visible while using less energy.

Prof. Michael Kasavana, the National Automatic Merchandising Association (NAMA) endowed professor, wrote an extensive article on the Energy Star program in the March 2009 *Automatic Merchandiser*. The article can be accessed at www.vendingmarketwatch.com.

ENERGY STAR STANDARDS EVOLVE

While Energy Star gives the vending industry new tools to meet customer needs, evolving rules can create confusion for operators and customers alike.

The Energy Star program for cold drink machines began in 2004. A second set of standards known as “tier 2,” which further reduce energy consumption, took effect in 2007.

In August of 2012, newly-built cold drink machines will have to



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meet even more stringent DOE standards. The DOE rules will no longer be voluntary, and third party compliance verification will also be required.

Further complicating the issue is that the 2012 DOE rules for OEMs are not part of Energy Star. Meanwhile, a third tier Energy Star specification will be announced in 2012 or 2013 for remanufactured vending machines.

“They (DOE) will continue to raise the bar,” said Tom Edwards, vice president of global food and beverage innovation at Crane Merchandising Systems (CMS). He noted that all newly-built CMS machines meet and exceed government energy efficiency standards.

OPERATORS HAVE MORE CHOICES

Fortunately, vending operators are not required to have new machines. But many find they are receiving more inquiries from customers who want to know they are conserving energy. Operators who offer the most efficient machines will have a competitive advantage in some situations.

Besides offering machines that meet current government standards, operators also have the option of using aftermarket products that manage energy use. “There are a lot of vending operators that don’t want

to buy new equipment,” said Doug Parsons, president of Area Wide Inc., an equipment distributor in Waynesville, Ohio.

Aftermarket devices that regulate energy use have been used for more than a decade. While these products remain an option for operators looking to conserve energy, not all aftermarket products qualify a machine for Energy Star.

The DOE offers a list of remanufactured machines that meet Energy Star requirements on its Website at http://www.energystar.gov/ia/products/prod_lists/vending_machines_prod_list_rebuilt.pdf.

The most widely used aftermarket device is the VendingMiser, a passive infrared sensor that determines the vending environment is vacant, then powers down the machine to save energy when no one is in the area. The product is currently sold by Malvern, Pa.-based USA Technologies Inc.

Many government accounts have mandated VendingMisers, and utility companies have provided rebates to customers and vending operators for installing them. In 2003, more than 20 utility companies offered VendingMiser rebates nationwide.

OPERATORS SEE MORE CLIENT CONCERN

A random interview of operators indicated that customer interest

“They (DOE) will continue to raise the bar.”

– Tom Edwards, Crane Merchandising Systems

in energy use is rising. The level of customer concern varies, as does the interest among operators to upgrade their machines to higher levels of efficiency.

“We have a lot of locations that have asked us to delamp the equipment,” said Jerry Scott, general manager of Canteen of Coastal California Inc. in Oxnard, Calif. In response to these requests, Scott’s company makes it a point to buy new machines that have LED lights instead of fluorescent lights since LED lights consume less electricity.

Scott has also found it worth his trouble to offer Energy Star certified machines when seeking new accounts. Government accounts have been requiring Energy Star machines for some time, he said, but private businesses are beginning to ask for them as well.

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ENERGY STAR

LED VS. FLUORESCENT

RATING: TIER 1

ENERGY CONSUMPTION CRITERIA

Scott said he has found it a competitive advantage to offer Energy Star machines.

California is one of several states where vending operators can receive rebates for using energy saving equipment, Scott said.

He has been earning rebates through a statewide program for VendingMisers.

Mike Bunt, general manager of corporate marketing equipment at Buffalo Rock Co., the Birmingham, Ala.-based Pepsi bottler and vending operator, said he has been getting requests for Energy Star machines from big national accounts. "It's here; it's going to get bigger and bigger," he said.

Bunt, whose company has more than 100,000 cold drink machines, prefers to buy Energy Star certified machines rather than using aftermarket products. "There's more to it than just putting the kit on it and saying it's Energy Star," he said.

D & S Food Service Inc., in Menomonee Falls, Wis., has been taking advantage of a statewide rebate program for years, noted Dave Kwarciany, Jr., company vice president. In Wisconsin, an operator can get \$100 for an Energy Star machine and \$60 for an energy control device from an organization called Focus On Energy. "My preference is to only invest in new equipment," said Kwarciany, whose company owns 95 percent of the cold beverage machines it operates.

Dave Bloomquist, vice president of D&R Canteen in Rochester, Minn., said he has not been getting requests for Energy Star machines per se. He does, however, get requests to do something about rising electricity costs. In these cases, Bloomquist looks to see if a machine can be removed from the account. In today's highly competitive environment, some accounts are over equipped.



Dave Kwarciany, Jr. of Menomonee Falls, Wis.-based D & S Food Service Inc. has earned Energy Star rebates from an organization called Focus On Energy.



Darryl Perkins of Canton, Mass.-based Next Generation Vending & Food Service Inc. said devices that shut power down can interfere with a scheduled remote data transmission.

NEW VERSUS AFTERMARKET PRODUCTS

Next Generation Vending & Food Service Inc., a company with an aggressive "green" initiative based in Canton, Mass., prefers new equipment over aftermarket products, noted Darryl Perkins, senior program manager for information systems. Aftermarket products that shut off the machine can create a problem for the company's remote machine monitoring.

The shutdowns are not a problem as long as the power returns within 12 hours, Perkins said, but beyond 12 hours, the machine

does not send the regularly scheduled data.

Shut downs caused by these devices have created other problems as well.

"We had a problem with people not using the machine because they assumed it was broken," said Tim Fitzgerald, IT manager at CC Vending, based in Bronx, N.Y. Instead of devices that shut off the power, CC Vending uses Energy Star machines and is promoting them to new clients.

For all the benefits some operators see in using new equipment, aftermarket products still have their appeal. And in recent years, aftermarket products have also evolved.

AFTERMARKET PRODUCTS EVOLVE

Mike Ehrentreu, owner of Aldar Vending Inc., a 19-route operation in Hackensack, N.J., has found success with a product from a company based in Fairfield, N.J., Energy Innovative Products Inc. (EIP). EIP makes a kit that controls the amount of energy the compressor uses based on the environment. Ehrentreu likes the fact that it does not shut down the machine.

"It's keeping the beverages cold and saving energy at the same time," Ehrentreu said. "It doesn't waste amps from the compressor."

American Vending & Coffee Service in Randolph, N.J. has also been satisfied with EIP, noted Drew Warner, president. Warner initially used a device that shut down the machine, but became dissatisfied when there were complaints from customers. "They (customers) wanted to know where the savings was," he said.

The cost savings he gets with EIP has allowed him to reduce the costs he was compensating customers for.

"It's really allowed us to save, to educate our customers about

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ways to save money and reduce their energy costs,” Warner said. “It’s allowed us to stay ahead of our competition.”

EIP has a series of products, including a kit that makes a machine “tier 2” Energy Star certified. The products have a compressor motor controller which is installed in between the vending machine’s thermostat and the refrigeration compressor.

Scott Caputo, president of EIP, said the controller gives the ability to control the amount of energy the machine’s compressor consumes based on the environment. The system determines the amount of energy needed without affecting the temperature of the vend product.

The wattage drops from 172 watts to 40 watts based on need, without affecting the motion in the motor, Caputo said.

Caputo further noted that EIP will allow machines to meet the stricter 2012 standards. The company will exhibit at the NAMA OneShow with Vendors Exchange International Inc., which distributes EIP products nationwide.

Elstat Americas, based in Marietta, Ga., has demonstrated its technology to vending operators in the last year. The Elstat device learns the patterns of the environment in which the machine operates via an infrared motion detector. By learning about the environment, the device ensures that optimum operating temperatures are maintained when required.

Chris Mumford, the West Bloomfield, Mich. vending consultant, said the Elstat device typically saves a third of the energy cost. He noted that the device does not make a machine Energy Star compliant.

Chuck Ropke, vice president of corporate services for Columbus, Ohio-based Shaffer Distributing, which distributes Elstat nation-



Scott Caputo of Energy Innovative Products Inc. inserts an energy management device in a beverage machine.

wide, said the Elstat product meets many state requirements for energy savings. In Ohio, for example, the product meets the requirements of blind services contracts.

Elstat will be introducing a new product at this year’s NAMA OneShow, Ropke added.

Vending operators have more options to offer energy efficient machines. In confronting a customer base that has become more energy conscious, operators will find it pays to be up to speed on

government energy regulations and the various products that address this rising customer concern. | ◀

For more information, contact:

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Foley Food & Vending strikes back hard in Boston with **TECHNOLOGY SOLUTIONS**

By Elliot Maras, Editor

An ongoing focus on management software enables this family business to utilize new tools.



The self checkout market has greatly expanded Foley's product variety.

expect, small operators are driving much of the change.

Foley Food & Vending, a 7-route operation based in Norwood, Mass., offers a good example of a small company taking advantage of market changing technology to stay ahead of the competition.

The family owned and operated company came from humble beginnings in 1973 in the Boston, Mass. area. Today, under the second generation leadership of

brothers Steve, Ken and Brian Foley, the company has survived the current economic downturn. Thanks to state-of-the-art management software and self checkout markets, Foley Food & Vending continues to grow in the highly competitive greater Boston market.

The company has embraced technology in stages over the years. By investing in vending management software as it evolved, Foley Food & Vending positioned itself to introduce pre-kitting, cashless vending and self checkout markets.

HUMBLE BEGINNINGS

The late Eugene Foley got into refreshment services out of economic necessity in 1973. Facing a layoff as a boiler operator, he bought a Canada Dry soda delivery route. Steve Foley, the oldest son, was 14 at the time. Steve learned to repair the can soda machines his father serviced.

Six years later, the company had expanded into snacks, food and coffee and had grown to three routes, still operating from the family's home garage. Steve continued to help his dad while he took business classes at the University of Massachusetts.

The company grew at a steady pace through the 1980s and moved into its present 10,000-square-foot building at an industrial park in 1985.

Foley Food & Vending won some big accounts by not crossing union picket lines when the employees went on strike.

A break came in 1996 when Aramark sold some business to another large operation that couldn't meet service expectations. Foley was able to win some of these accounts.

EARLY USER OF VENDING SOFTWARE

Steve Foley, the current president, didn't hesitate to invest in vending management software. "I've always appreciated and embraced technology and what it can do for you," he said.

In 1994, the company operated four routes, two of which were managed by family members. Foley did not think the company would be able to grow beyond this point without a more automated management system.

"How do you make that jump? It's not easy," Foley said. "Our goal was to manage a vending business where we had other (non-family) people fill the machines for us." That year, he invested in Rutherford & Associates' software. This was a DOS-based vending inventory management system that allowed Foley to track category level sales at the machine level.

It was around this time that another software company, Streamware Corp., was introducing Windows-based vending management software. Streamware also happened to be based in Norwood, Mass.

In 1999, Streamware offered to provide Foley its Windows-based software with DEX handhelds. The DEX handhelds allowed Foley to track cash meter readings and to track item level sales from the machine.

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From coast to coast, new merchandising concepts are changing the face of automatic merchandising. Innovations such as cashless transactions, video touchscreens, remote machine monitoring and self serve checkout markets can be found in big cities and small towns in all geographic regions.

One of the most notable features of this revolutionary evolution is that contrary to what some would

Streamware was willing to let Foley have the system at minimal cost to provide a beta test site, hoping Foley's experience would provide a positive testimonial to other operators.

Foley instructed his best driver how to use the DEX handheld to download data from snack and soda machines. "He bought into it," Foley said. In time, DEX expanded to all routes.

Since not all the machines reported DEX, it was necessary for drivers to input some of the data manually into the handhelds.

Foley made it a point to ensure that all newly-bought machines reported DEX.

He updated the employee handbook to include instructions on using handhelds. "Not only do they (route drivers) have to fill machines, they have to fill to our standards," Foley said.

DEX-based line item reporting set the foundation for utilizing some of the new merchandising concepts the company introduced.

EVOLVING WITH TECHNOLOGY

In 2005, Foley Food & Vending became one of the first operations in the country to embrace the Quickstore24 machine, an Internet connected machine with a video touchscreen that prints coupons and accepts thumb print payment in addition to other types of payment.

The Quickstore24 did not prove to be a big success (see sidebar on this page), but it familiarized Foley with the benefits of remote machine monitoring. Because Quickstore24 does not require the vending operator to buy the machine, Foley has been able to operate several of these machines with minimal investment.

In 2007, with all routes reporting item-level sales, the company began pre-kitting routes in the warehouse.

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Brian Foley checks on a Quickstore24 machine. Most Quickstore24 units are free standing.

Foley pioneers Quickstore24

Foley Food & Vending Co. was among the first operators to embrace The Quickstore24, which was launched in 2004. The high-tech vending machine was developed by Walker Digital LLC, which uses an unconventional business model, whereby the vending operator does not own the machine but pays Quickstore24 a percentage of the sales.

The Quickstore24 consists of a glassfront beverage machine and a glassfront snack machine connected by a green enclosure that features point-of-sale graphics. The divider between the machines contains the payment modules.

Quickstore24 initially offered a "2 for 1" combined soda and snack offer for \$1.00. That offer still stands, but there are now \$1.25 offers.

The beverage machine has a touchscreen above the payment module, which accepts cash, credit and a Thumbpass. Customers can check their Thumbpass balance at the machine or on the Internet.

Customers can establish a Thumbpass by entering information on the touchscreen and making a thumbprint on a pad.

All sales data gets sent to a password protected Website. The system separates cash from credit sales, but the Thumbpass sales are not separated from the regular credit card sales.

Brian Foley, customer relations manager at Foley Food & Vending, said Quickstore24 saved an account for the company. This was a customer who wanted something different, and the Quickstore24 fit the bill.

Foley Food & Vending currently operates 11 Quickstore24 machines, but does not see a big future for them.

Foley only operates one Quickstore24 as part of a vending bank. The rest are free standing in locations that Quickstore24 provided.

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Source: 'BASES 1 concept test



This came at a fortuitous time. Pre-kitting allowed the company to reduce its inventory and delivery costs.

When the recession hit in 2008, the company was operating more efficiently due to pre-kitting.

Line item sales reports did not prove as useful a selling tool as he might have hoped, Foley noted. He said only the more sophisticated customers take the time to look at these reports.

Pre-kitting did, however, help enable Foley to expand into self checkout markets. This has proven a major success for the company this past year.

The self checkout market allows an operator to sell a large variety of products in open racks, coolers, freezers and bins. Filling the containers is much faster and easier



Steve Foley has been able to merchandise many popular, high priced products in the self checkout markets.

than stocking vending machines, there is no cash float tied up as there is in vending machines, and there are almost none of the mechanical issues associated with vending.

“Customers like it,” Foley said of self checkout markets. “Once they have it, they love it.”

All 11 of Foley’s self checkout markets have been installed in new locations, making it hard to compare sales to a traditional vending bank.

He said his average self checkout market does between \$30,000 to \$35,000 per year in sales.

SELF CHECKOUT: THE NEW CONVENIENCE

In a self checkout market, the customer picks products from open racks, coolers, freezers and bins, then scans the UPC bar code for each product at a kiosk. They then pay with a single payment, using cash, a credit card or stored value pay card. The customer can add value to the stored value pay card with credit or cash. The kiosk alerts the customer when the stored value pay card needs to be replenished.

The front of the payment kiosk has a video touchscreen that prompts the customer through the purchase process. The video touchscreens also run programmed ads for some of the product suppliers.

Surveillance cameras are installed at the location and monitored at Foley’s headquarters.

The upfront cost for an Avanti Markets market, the self checkout market Foley uses, is comparable to a traditional vending bank.

The touchscreen on the payment kiosk has proven to be a great promotional tool. Foley offers its own sweepstake promotions, giving customers a chance to win market credit.

Customers can also win market credit for referring another customer.

Foley is currently offering customers a 5 percent cash back if they add value to their stored value card with cash versus credit. Cash revalue allows Foley to escape the credit card company fees.



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“CUSTOMERS like (self checkout). Once they have it, they love it.”

Most of the products in the market do not have price tags. A customer can check a price at the payment kiosk before buying.

For items without UPC codes, such as fruit, the touchscreen prompts the customer through a non-scan purchase.

MORE PRICE FLEXIBILITY

One benefit of the self checkout market is that unlike a traditional vending machine, the operator is not limited to certain price increments.

Foley warehouses a total of about 920 stock keeping units (SKUs) for his 11 self checkout markets. A typical market offers around 400 SKUs. Products include large bags of snacks, submarine sandwiches, TV dinners, fresh fruit, boxed candies, boxes of K-Cups, utensil packs, single-use laundry detergent packs, and seasonal items.

The company also has single-cup brewers in the market where customers serve themselves a cup of coffee for 75 cents.

“Things that normally wouldn’t sell through a vending machine are selling through the markets,” noted Brian Foley, customer relations manager.

While customers can pick up the products and read ingredient and nutrition information before buying, they can also view this information on the touchscreen.

The touchscreen allows the servicing route driver to quickly view inventory needs while he is at the location. He can also input sales.

“The inventory has to be constantly monitored,” Brian Foley noted.

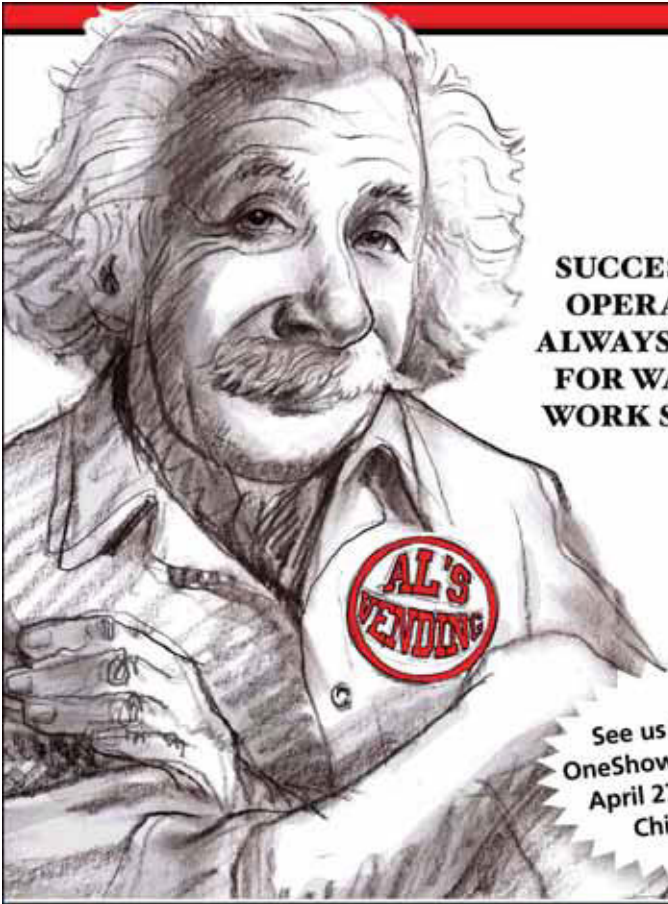
Because of the increased inventory, Foley has added warehouse staff, but this investment has been more than justified by the sales gain.

WAREHOUSE ORGANIZATION CRITICAL

The Avanti Markets comes with its own software, and there is extra management time required for the markets. The system generates its own pick list.

Foley sources product from Vistar and a convenience store distributor.

CONTINUED ▶



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Foley noted that the warehouse has to operate with maximum efficiency to service the self checkout markets accurately. “The warehouse has to be 100 percent dead accurate in getting stuff into the field,” said Ken Foley, vice president. “It has brought item level merchandising to a whole new level.”

The brothers credit their warehouse inventory organization for being able to combine the vending and self checkout market deliveries on the same vehicles. They have dedicated pickers in the warehouse for each main vending product category: cold drinks, snacks and food (refrigerated and frozen). There are also pickers dedicated to self checkout markets inventory.

Kevin Bailey, vice president of sales at Avanti Markets, said his company recommends dedicated drivers for servicing the markets. He said vending companies that assign the markets to vending drivers must advise them to take sufficient time in servicing the markets.

Bailey said about half of the vending operators that operate Avanti Markets have dedicated drivers for the markets.

Even though Foley now has more products being delivered than prior to having self checkout markets, pre-kitting has allowed for smaller truck loads. Foley has been able to downsize from trucks to cube vans.

To improve item level merchandising, the company is in the process of investing in a “pick to light” system in its warehouse, whereby pickers are notified by lights above the product bins how much of each item to pull.

The self checkout has won several new accounts for the company. The sales gain has allowed Foley to add a new route this past year.

So far, Foley has not paid commission for a self checkout market.



Kevin David picks products in the Foley warehouse. The routes are pre-kitted.

PROFILE: Foley Food & Vending Co.

Headquarters Location:
Norwood, Mass.

Founded: 1973

Owners: Steve, Ken and Brian Foley

Number of Routes: 7

Number of Employees: 19

Software provider: Crane Streamware

Annual sales: Not revealed

The company recently installed a self checkout market at an account with 500 workers. Because there are short meal breaks at this account, Foley installed two payment kiosks to allow workers to buy their food faster.

NEXT GOAL: REMOTE MACHINE MONITORING

The company’s experience with self checkout markets and Quick-store24 has fostered an appreciation for remote machine monitoring (RMM). In both cases, Foley accesses a Website that collects data via RMM to get sales information and fill reports.

Hence, one of the company’s next objectives is to introduce RMM to all of its vending machines.

RMM will provide more timely data than handhelds and it will eliminate the need for drivers to download data from the machines.

Steve Foley believes RMM will make it possible to implement dynamic scheduling, whereby accounts are scheduled for service on an as-needed basis. The company has already introduced dynamic scheduling for some accounts.

Foley is aware that dynamic scheduling does place new demands on management. Someone must monitor machine needs constantly or it can create uneven work loads for drivers.

Foley’s use of technology has required large investments for a company with seven routes. He credits a good banking relationship with providing the company the capital it needs.

With all of the money the company has been investing in technology, Foley is happy to report the company is profitable. He sees rising product costs as the biggest challenge to his profitability at present and in the future.

He believes the investment in technology will allow Foley Food & Vending to be profitable for many years to come. | ◀

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PRODUCT NEWS

Eco-Products®, a brand of foodservice products made from renewable resources and recycled content, announces a unique product offering for coffee shops, restaurants and office break rooms. The **"EcoLid® 25"** is a recycled content hot cup lid, containing 25 percent post-consumer recycled polystyrene. There is twice the amount of plastic in a hot cup lid than there is in the lining of an average cup, making this an important step. The EcoLid 25 is available in white, black, and printed options in 8- ounce and 10- to 24-ounce sizes. A complete recycled content hot cup and lid solution is available by pairing the EcoLid 25 with the company's Evolution World™ line of industry best 24 percent post-consumer fiber hot cups, and its 90 percent post-consumer fiber EcoGrip® hot cup sleeves.

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The new chocolate chip muffin is studded with HERSHEY'S® semi-sweet chocolate chips.

The chocolate filling between the sweet, glazed crust of Mrs. Freshley's Chocolate Pie also is now made with HERSHEY'S® cocoa.

Both the bells and muffins are available in single-serve two packs and 6-count, individually wrapped multi-packs. The Chocolate Pie is available in a 4.5-ounce single-serve pack.

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CyberLock, manufactured by **Videx**, provides route accountability and key control by auditing vending machine entries and restricting each driver's access to specific machines during certain times of the day. The audit report allows management to investigate incidents and head off potential revenue shrinkage problems.



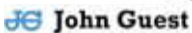
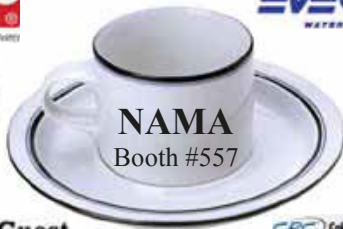
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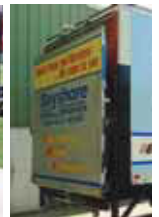
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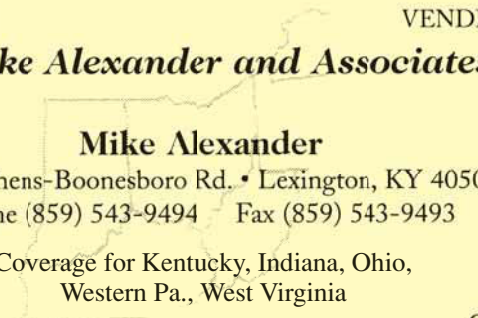
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*Service Manager
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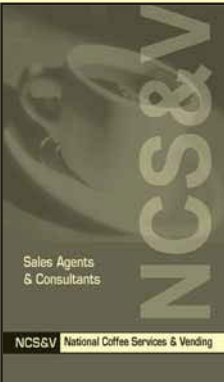
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2010

2010 WINNER

Siluvathasan 'Eddie' Ravienthira, Culinary Ventures Vending, Union, N.J.

By Emily Refermat, Managing Editor

The 7th annual route driver of the year contest drew more than 200 nominations. The winning candidate is a friendly and technology savvy driver.

TO BE RECOGNIZED as the route driver of the year takes more than just filling vending machines. It takes people skills, an open-mind to technology, and a positive outlook. These attributes are why Siluvathasan Edwin Ravienthira, who goes by "Eddie," won the 7th annual route driver of the year award from *Automatic Merchandiser*, sponsored by Kraft Vending and OCS. The 200 nominees in 2010 were scored in the following areas: years as a driver, number of machines serviced, miles traveled, accidents and citations, days missed, speed, thoroughness, customer compliments, truck condition, empty spirals and sales.

A 'PEOPLE' PERSON AND A ROLE MODEL

One of the things Ravienthira enjoys most about his job is meeting different people. Providing quality service is something he takes seriously. "He is great with our customers and is always one step ahead of their needs," said Steve Mistretta, operations manager at Culinary Ventures Vending, who nominated Ravienthira.

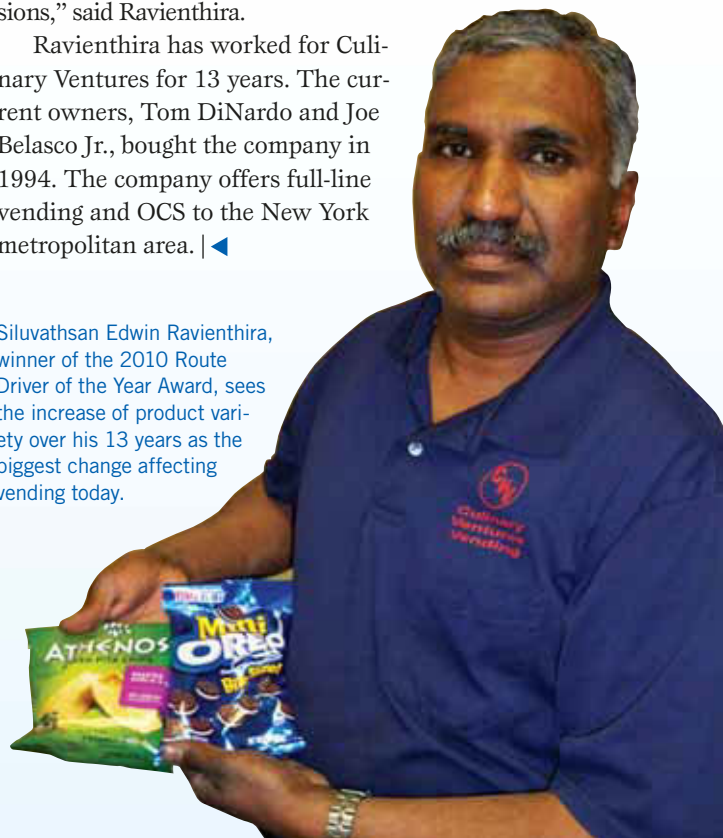
Considered an excellent route driver role model by management, Ravienthira has perfect attendance, top marks in machine cleanliness, accountability, a professional appearance and a clean driving record. He has even become a mentor to the other route

personnel as the company makes the transition to prekitting routes.

"As the vending industry implements more technology, we as route drivers are able to service additional customers on our route per week and at the same time increase the products sold, which increases our commissions," said Ravienthira.

Ravienthira has worked for Culinary Ventures for 13 years. The current owners, Tom DiNardo and Joe Belasco Jr., bought the company in 1994. The company offers full-line vending and OCS to the New York metropolitan area. | ◀

Siluvathasan Edwin Ravienthira, winner of the 2010 Route Driver of the Year Award, sees the increase of product variety over his 13 years as the biggest change affecting vending today.



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