+ EQUIPMENT Re-Imagine The Machine page 20



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# ACTOSS Lathrop Vending Inc. CENERAL OF STREET OF STREET

A THIRD GENERATION SUCCESS STURY >>> In addition to a solid vending

In addition to a solid vending foundation, Mark Lathrop has grown his family's operation by focusing on other lucrative segments.

nage 1

2015 NAMA OneShow

On the show floor

page 28

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## Contents MAY 2015 VOLUME 57, NUMBER 3



SUCCESS STORY OPERATION PROFILE

## 12 - Across generations

In Eastern Connecticut, a 44-year-old vending company has grown up thanks to three generations of Lathrops and their ability to change with the times.

FEATURES

### 20 ► Re-imagine the machine

Whether purchasing new machines or retrofitting old ones, vending operators are upgrading equipment to create a total customer experience.



## 26 ► SmallOp: Vending vehicle maintenance checklist

Don't overlook the importance of keeping the life blood of your business in good working order. Regular vehicle maintenance should be a top priority.

### 28 NAMA OneShow showcases trends

This year's expo for vending, micro markets and OCS offered a tremendous array of solutions centered on the core business aspects of the future.

DEPARTMENTS

### 6 ► Editor's Note

Workplace trends highlight unattended retail

### 8 ► VendingMarketWatch News

### 18 ► OCS Update

Room for growth

34 ► Marketplace



## **Online Exclusives**

AVAILABLE ONLY AT VENDINGMARKETWATCH.COM

### **BLOGS, PODCASTS & VIDEOS**



► VIDEO: Confidence In The Vending **Industry Remains High** 

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### **BUSINESS STAFF**

PUBLISHER Ron Bean
Telephone: (920) 568-8386
E-mail: Ron.Bean@ VendingMarketWatch.com

INTEGRATED MEDIA Michelle Scherer

CONSULTANT Telephone: (920) 568-8314 E-mail: Michelle.Scherer@ VendingMarketWatch.com

LIST RENTAL Elizabeth Jackson

Merit Direct LLC Telephone: (847) 492-1350, ext. 18 E-mail: ejackson@meritdirect.com

EUROPEAN SALES Julian Maddocks-Born

+44 (0)1442 230033

**Benedict Hume** REPRESENTATIVE, Sales Manager ITSL MEDIA benedict@itsluk.com +44 (0)1442 288287

### **EDITORIAL STAFF**

EDITOR Emily Refermat

Telephone: (920) 563-1615 E-mail: Emily.Refermat @VendingMarketWatch.com

MANAGING EDITOR Adrienne Zimmer

Telephone: (920) 563-1651 E-mail: Adriennne.Zimmer @VendingMarketWatch.com

#### SUPPORT STAFF

ART DIRECTOR Erin Brown

PRODUCTION DIRECTOR Steve Swick

PRODUCTION SERVICES Barb Evenson

REPRESENTATIVE Telephone: (920) 563-1629 Fax: (920) 568-2392 E-mail: Barb.Evenson@cygnus.com

AUDIENCE DEVELOPMENT MANAGER **Debbie Dumke** 

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CHIEF EXECUTIVE OFFICER Paul Bonaiuto PRESIDENT Chris Ferrell CHIEF FINANCIAL OFFICER Ed Tearman **EXECUTIVE VICE PRESIDENT Gloria Cosby** VICE PRESIDENT, TECHNOLOGY Eric Kammerzelt VICE PRESIDENT PRODUCTION OPERATIONS Curt Pordes VICE PRESIDENT, HUMAN RESOURCES Ed Wood VICE PRESIDENT MARKETING Gerry Whitty DIRECTOR OF DIGITAL BUSINESS DEVELOPMENT Lester Craft

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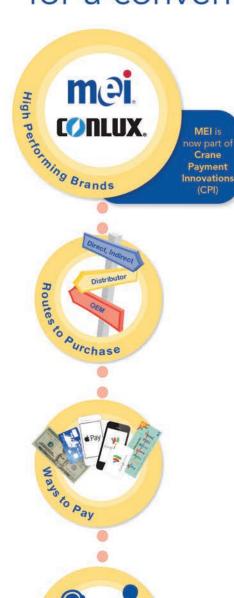
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# Workplace trends highlight unattended retail

The future of the workplace will require flexible food and beverage options at all hours of the day — an idea upon which vending was built.

ne of the more uncommon concepts discussed during the 2015 NAMA OneShow was the idea of the evolving workplace. During a keynote presentation on April 23, Julie Seitz, director, Workplace 2020 from the Coca-Cola Co., talked about how large companies are finding their employees work differently today than they

did 30 years ago when many of the offices and breakrooms were built.

Walk around any office and you hear complaints about the grayish beige walls, the lack of natural light, the closed off spaces that make workers feel crammed and give them a false sense of privacy.

The breakrooms are no different — the same drab design, uncomfortable chairs and fluorescent lights or, worse, merely a vending machine tucked away in a dark corner.



REFRESHED breakrooms can create opportunities to sell.

### Usher in a new era

According to Seitz, that is all changing due to the advancements in technology, a younger workforce that has had flexibility and extensive travel opportunities before they even enter a full-time job as well as few employer-funded benefit programs that inspire the lifetime loyalty of the past. What does the future look like? Open, sun-lit breakrooms, more flexible work spaces that include large, open lounge areas with strong WiFi and plenty of outlets for charging electronic devices. It might even include flexible offices where multiple entrepreneurs are sharing space as they build their companies.

Vending, micro market and office coffee service operators admittedly don't have a lot of input in how a breakroom is designed or updated. However, there are ways to take advantage of this trend. Share studies and research about breakroom design via social media, for example. Perhaps you will want to partner with an interior designer whose services you can offer if a location seems interested in renovating the break area. Large vending companies are already exploring ways of becoming breakroom experts and enjoying the rewards.

### Reasons to support better breakrooms

First and foremost, operators should support this evolving workplace trend because it benefits their businesses. More "break" spaces mean an opportunity for multiple ways to deliver refreshments. Consumers are already nearby, rather than at their desks. And all of this actually makes employees more productive, not less. Synergies and creative thinking are fueled by collaboration done in these new environments and supported by vending service.

The shared office space opens up new and non-traditional location opportunities for operators. Seitz suggests networking with commercial real estate brokers or the local chamber of commerce to see where these untapped locations may be. Because founders of start-ups tend to work long hours, these could be very lucrative locations.

One last reason why the workplace evolution is great for vending is that companies are trying to entice employees back to work. Seitz says that because the upcoming workers have choices and freedom to change jobs, workplaces can't demand they return to the office, but instead are trying to coax them in with great benefits (like tasty food and gourmet coffee). This is a new trend, starting at the coasts in the U.S., but one that promises a positive industry outlook.

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### VendingMarketWatch Top News Stories

## McDonald's Closes 350 Underperforming Stores

cDonald's is struggling with declining sales.
According to a recent financial statement, the company made the decision to close about 220 underperforming restaurants, primarily in the U.S. and China and about 130 restaurants in Japan. These closures are in addition to 350 stores the company originally planned to close in 2015. "The immedi-



McDonald's attempts to regain previous revenues.

ate priority for our business is restoring growth under a new organizational structure and ownership mix designed to provide greater focus on the customer, improve our operating fundamentals and drive a recommitment to running great restaurants," CEO Steve Easterbrook said in a prepared statement. The company plans to reorganize management, eliminating layers that prohibit fast decision making. McDonald's will also give franchisees more control to better react to the demands of today's consumer.

### A different McDonald's

Already McDonald's is trying different ways to attract customers back to its restaurants. In Southern California, freshly baked Bundt Cakes and Petite Pastries are available with a McCafe in the morning. In New York, McDonald's is offering food delivery in certain areas with the help of Postmates delivery service.



### The Coca-Cola Co. Announces Additional Letters Of Intent With U.S. Bottling Partners

The Coca-Cola Company announced that it has taken additional steps toward the implementation of a 21st Century Beverage Partnership Model in the United States.

As part of this model, The Coca-Cola Company has agreed in principle with three U.S. bottlers to continue granting new, expanded territories. These bottlers are Coca-Cola Bottling Company High Country, Coca-Cola Bottling Company United and Swire Coca-Cola USA.

Additionally, The Coca-Cola Company has agreed in principle to the granting of expanded territories to four new expanding U.S. bottlers. These bottlers are Atlantic Coca-Cola Bottling Company, Chesterman Company, The Odom Corporation and Ozarks Coca-Cola Bottling Company.





### D.E Master Blenders 1753, Mondelez International Coffee Business Receives Conditional Approval

D.E Master Blenders 1753 B.V. (DEMB) and Mondelez International, Inc. announced they have received conditional approval from the European Commission to combine their respective coffee businesses and create the world's leading pure-play coffee company — JACOBS DOUWE EGBERTS (JDE). The European Commission's approval follows JDE's commitment to divest the Carte Noire brand throughout the European Economic Area, the Merrild brand in Denmark and the Baltics, and licensing of the Senseo brand to a third party in Austria.

### VT Bill Would Place Vending Machine Sales Under The State's 9% Rooms & Meals Tax

Vermont's Senate
Finance Committee is
looking to overhaul the
state's tax system to close a
large budget gap, and that
includes making changes to
how vending machine sales
are taxed. Beginning in July
vending machine sales could
be subject to the state's 9
percent rooms and meals tax
if H.489 passes.

Industry member Brent Farrell of Vitality Vending located in Essex Junction, VT, spoke out against the proposal at a public hearing. "I absolutely oppose this bill and the way it is written," Farrell told VendingMarketWatch. "I appreciate the challenge of the state needing to close the budget gap, but it's targeting vending unfairly." He continued, "I can live with a tax on products across all retail segments because then the price would go up everywhere, but right now they are taxing the method of purchase, not the product."

The committee's proposal comes from its need to raise \$35 million in new revenue to close a \$118 million budget gap this year.



### AVT. Inc. Files For **Court Protection Under** Chapter 11

AVT, Inc., a manufacturer of automated retailing systems and custom vending machines, announced that it has commenced a voluntary filing for restructuring and court protection under Chapter 11 of the United States Bankruptcy Code. AVT expects the court will authorize the company to conduct business as usual while it develops a reorganization plan. AVT management states that the company's core vending and automated retailing business remains strong, and that the filing is related to past attempts at diversification into unrelated businesses.

### Vagabond



### Vagabond, PayRange **Partner**

Vagabond and PayRange are integrating data and mobile payments in a manner that allows operators to simultaneously optimize sales and reduce operating expenses using the Vagabond VMS. "PayRange is a perfect fit with Vagabond's strategy of offering choices through partnerships. Vagabond customers are now able to use a PayRange BluKey device at any machine they want to enable cashless for a much lower cost while reaping the benefits of Vagabond's best of breed mobile VMS technology," said Vagabond

Founder and CEO Michael Lovett. "Our partnership with PayRange allows for more and exciting ways for operators to engage with consumers, talk to their machines and improve their businesses through technology."

### PepsiCo To Switch Diet **Pepsi Sweetener**

PepsiCo North America Beverages recently announced it is changing the calorie-free sweetener in its Diet Pepsi carbonated beverages from aspartame to a combination of sucralose and ace-K. The change is due in part to concern consumers have surrounding aspartame as well as to spur sales of Diet Pepsi. The newly sweetened beverage will be available in August and be labeled "Now Aspartame Free."

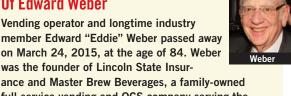
### Club Coffee **Launches Compostable** Coffee Pods

Canadian coffee roaster, Club Coffee, announced the PurPod100, which will be a 100 percent compostable, fully certified single-serve beverage pod. The Pur-Pod100 is made from renewable, bio-based materials that are 100 percent compostable, and the ring of the pod is made using coffee chaff — the skin of the coffee bean that comes off during the roasting process. The PurPod100 is compatible with most Keurig brewing systems, including the new Keurig 2.0 brewers. The PurPod100 will initially be available for purchase from Kauai Coffee, Chock full o'Nuts, Hills Bros. Coffee, Copper Moon, Boyd's Coffee and Paramount Coffee.

### People in the News

### **Vending Industry Mourns Loss** Of Edward Weber

Vending operator and longtime industry member Edward "Eddie" Weber passed away on March 24, 2015, at the age of 84. Weber was the founder of Lincoln State Insur-



full-service vending and OCS company serving the Chicagoland and surrounding areas. The National Coffee Service Association recognized Master Brew Beverages as the best in the coffee/vending industry by awarding the company the "Silver Service Award" from 1990 to 1991. In 1997, Weber and his sons, Ron and Joey, were named Automatic Merchandiser's "Operators of the Year". Weber was one of the first OCS operators in the market when he launched Master Brew with a partner in 1966. Weber's sons continue to operate the business.

### AMS Group Appoints New CEO

Roger Tovar, president of AMS Group, Inc. has announced the appointment of Nicolas Abuid as the AMS Group's CEO. Abuid has, most recently, been the vice president of U.S. and international operations for CC1 Companies.



### H.U.M.A.N. Names Ryan Schneider As President & COO

H.U.M.A.N. (Helping Unite Mankind And Nutrition) announced that it has named Ryan Schneider as president and COO. Most recently, Schneider served as the vice president of sales and business development at FoodLink, a Northern California-based technology company that provides supply chain and commerce solutions to the grocery and food industry.

### NAMA CEO Carla Balakgie Featured On CEO Update's Association Newsmakers

NAMA announced that President and CEO Carla Balakgie has been featured in a new interview from CEO Update's "Association



including Matthew Shay, National Retail Federation; Tim Pawlenty, Financial Services Roundtable; Dawn Sweeney, National Restaurant Association; and Susan Neely, American Beverage Association, all of whom have been featured on the program.

# PayRange Unveils Vending Industry's First Point-Of-Purchase Offers Platform

ayRange made several announcements during the NAMA OneShow in Las Vegas. Most notably, the company unveiled a new version of its mobile payment app that includes functionality for special offers. The new app features virtual cards for each machine that is in "PayRange." The reverse side of the virtual machine cards include rebates and offers that are specific to each machine. The company has partnered with Pep-



PayRange Founder and CEO Paresh Patel announced several new features at the OneShow.

sico Foodservice, General Mills, Mars and Hershey's for the initial launch of the offers program. A new Web console was also introduced which allows operators to manage their PayRange devices, run reports, as well as create and deploy offers (effectively re-pricing selections) remotely. The site will also allow consumers to add funds to their PayRange account using Bitcoin. Lastly the company introduced a new BluKey device called "BluKey Plus," which will work seamlessly in machines with card readers even when the machine itself does not support two cashless payment devices. The BluKey Plus features patent pending "splitter" technology which allows it to register as a single cashless payment device on the machine, but support both a card reader and PayRange. This enables operators to support mobile payments and offers across their machine fleet.

### NAMA Foundation Scholars Program Taking Applications For EDP Scholarships

The NAMA Foundation announced that the 2015-2016 NAMA Scholars Program will award three

\$3,275 scholarships to NAMA members to attend the Executive Development Program (EDP) at Michigan State University this fall.

Applicants must be a full-time employee of a NAMA member company in good standing and currently hold a position of senior-level manager or higher and preferably have been involved in the vending or refreshment services industry for 5 or more years.

In addition they must provide a letter of recommendation from their

manager and a resume. Applications must be received June 30, 2015.

To learn more about eligibility requirements and to apply, visit http://www.vending.org/NAMAScholars.



### Breakroom Provisions, USA Technologies Announce Partnership

Breakroom Provisions Company, Inc. (BP) announced its partnership with USA Technologies to offer micro market and manual food service point of sale (POS) processing services. "Through our new partnership with USA Technologies, we now provide our operators with the food service and micro market industry's most cost-effective, simple and secure card processing services," commented Kevin Bailey, president of Breakroom Provisions, "as well as the ability for customers to streamline their business utilizing USAT as their payments provider for all lines of their business."

### Melitta USA Launches Keurig® 2.0® Compatible Coffee

Melitta USA announced that its Melitta Café de Europa gourmet single-serve coffee capsules are now compatible with all Keurigstyle machines, including the Keurig® 2.0® brewer. They are not, however, affiliated with or approved by Keurig Inc.

### CALENDAR OF EVENTS

JUNE 26-28 KAMC/OAMA Annual Meeting

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### Operator Confidence Index Reaches 130.60 For September 2013

U.S. operator confidence is middle of the road with a more positive feeling over last year. Vending, micro market and OCS operators report being...



### 2014 Employment Law Alert

Was your New Year's resolution to confirm you're up-to-date on new employment laws for 2014? It should have...



### Sneak Peek: 2013 Route Driver Of The Year Winner

More than one hundred drivers, Only one winner, Announcing the 2013 Route Driver of the Year - Mike Edwards of...

### 5 Tips for Family Business Succession Planning

These tips will help you develop a plan that helps the senior generation leave with ease and welcomes the...

### Breakfast trends: Changing with the consumer

In 2014, consumers want convenient, healthy and good tasting morning meals.

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OneShow Preview 2014 With the 2014 NAMA OneShow only weeks away,

Joann DeNardis, director of education/certification at NAMA offers tips...



2014 NAMA OneShow Attendee Reflections Operators showed positive feedback at this year's NAMA

OneShow. Many were interested in finding new products...



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# Across generations

By Emily Refermat, Editor

In Eastern Connecticut, a 44-year-old vending company has grown up thanks to three generations of Lathrops and their ability to change with the times.

ow do you keep a legacy alive? For Mark Lathrop, current president of Uncasville, CT-based Lathrop Vending Inc. the answer is both simple and complex, but can be expressed in one word — change. Since he took over the family vending business in 2011, Mark has successfully added micro markets, card readers, invested in GPS and is now offering more office coffee-related options that increase same-store sales.

The evolution of untapped revenue sources and use of new technologies were strategies Mark already knew would work to grow the company, as he had seen his father utilize similar measures in the years Mark was growing up. In fact, being raised inside the company his grandfather started over 40 years ago is one of Mark's greatest prides. He was there as it grew from about one route to today's 18 plus. And Mark doesn't believe it's done yet.

### The legacy operation

Mark grew up doing ride-a-longs and filling vending machines in the family business. "I worked in the summer for my grandfather when I was 8 years old," he recalled, "so I've been able to watch and be part of growing the business from my grandparents to over 30 employees in 43 years."

In 1971, Mark's grandfather, Lawrence Lathrop, was making deliveries for a beverage company and the clients weren't happy with the business agreement. They told him that they would rather work with just him. Based on their comments, Lawrence set out on his own and formed Lathrop Vending. Unparalleled customer service was his mission from day one.

Lawrence's son, Larry, became head of the business in 1989 upon his father's retirement. Larry had goals of making Lathrop Vending the largest vending company in Eastern Connecticut. Under his direction the company

44 I've been able to watch and be part of growing the business from my grandparents to over 30 employees in 43 years. 99

Mark Lathrop, president of Lathrop Vending, Inc.

Mark Lathrop, left, took over the family business from his father, Larry, right, in 2011. Mark's grandfather started the company in 1971. LATHROP VENDING, INC.



purchased other vending companies, invested in a vending management system and expanded heavily into the office coffee service business.

Larry officially hired his son in 1992, allowing Mark to learn the business from the inside. He worked in several positions, including route driver, vending machine maintenance technician, route supervisor and then operations manager. When Larry retired in 2011, Mark became owner and president of the thriving family business. His years of experience helped him to keep the core of the business — vending — strong. However, he had also seen enough change and expansion by his father and grandfather to appreciate the value of other revenue areas. Mark kept an open mind about other segments, which led him straight to micro markets.

### Market growth for markets

When Mark first saw the micro market concept, he knew it would be a great move. The consumer would consider it new and fresh. Mark could see the potential, so the company installed five micro markets in the first year, 2011. The revenue at each location grew substantially. Lathrop Vending is now servicing 40 markets in the Eastern Connecticut area, which comprise 13 percent of Lathrop Vending's annual revenue.



A team effort: Mike Reynolds, VP of operations, far left; Justin Grimm, route supervisor; and Kirk Hanson, equipment manager work together to keep things running smoothly.

"I think micro markets are working as much as they are because it's different," said Mark.

He finds that consumers like the concept and will purchase a greater variety of products at higher prices.

In fact, in the last 6 months to a year, he has noticed locations are not only more familiar with micro markets, but actively seeking this type of foodservice.

While there are many micro market operators with concerns about theft, for Mark it isn't an issue. He admits there are some locations with theft close to 5 percent. However, in every location Mark had vending that switched to a micro market system, he has had revenues go up 50 percent. "We focus on the profitability of the markets," said Mark, "especially because even vending has a one to two loss percentage."

Food sales are what drive a lot of Lathrop Vending's micro market revenue. People don't buy as much from food vending machines, even the same item, indicated Mark. However, con-

### Micro markets inspire refreshed breakrooms

When a micro market proposal is on the table, locations will invest in updating their own breakrooms in order to add to the employee experience. At least, this is what Mark Lathrop, president of Lathrop Vending Inc. in Uncasville, CT, has experienced. He has placed over 40 micro markets in the Eastern Connecticut areas.

"What we have found is when we present the micro market concept, most customers want to paint and update the breakroom. They want to add to the experience for their employees," said Lathrop. He has seen locations install new floors as well as bring in new chairs and tables. "They decide – 'hey, if we are going to make this nice thing happen, we're going to make the breakroom nicer too'," he said.

sumers will buy food from a micro market and pay more for it. Mark believes the key is being able to pick it up and examine it. He also notes that there are many top-selling items that just won't fit in a vending machine, like soups and bigger candy packages. "Those are the items that sell a ton

Lathrop Vending's biggest micro market seller is salads. They outsell any salad in his vending machines — even if it is the exact same salad.

— increasing your volume," he said.

Lathrop Vending offers some of the same products in vending and micro markets, but much of the food is specially prepared for the micro markets by a local caterer. "The micro market-only items might be a different size or have different breads," said Mark. "They are also often wrapped differently than food for the vending machines." A challenge to managing fresh food sales is to minimize the waste. Lathrop Vending has one of its micro market supervisors dedicated to analyzing and reducing the out-of-date food. "He tries to minimize stales to 5 to 7 percent," said Mark.

"Micro markets have changed the business quite a bit," said Mark. It's not just at the point-of-sale, but in how the operation works. Mark has dedicated micro market-specific coordinators, supervisors and warehouse staff to prekit the micro market products, inventory and clean markets and set planograms for new products. "It's time-consuming to do all the inventories and to watch cameras. It's changed the landscape of how we do things, but revenue-wise it's helped grow the business," he said. Mark thinks it will be interesting to see how far micro markets can go and

how technology will make them more viable for smaller locations.

Despite the large difference in both the products that sell and how the segment is run, micro markets have brought at least one unexpected benefit to Mark's vending segment. "When we're looking for new items, specifically healthier items, we look at those that sell well in a micro market and ask if it will fit into a vending machine," said Mark. If the answer is yes, since the company already has a SKU of that product in the warehouse, Mark will try it in vending and measure its success.

### **GPS** has many benefits

Another change Mark decided to make was to install GPS on all his vehicles. He looked at the different systems and decided to use Fleetmatics. After 6 months, he's finding it

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ime and keeps Eric Babcock, micro market coordinator, focuses on minimizing fresh food waste, a constant job since it is a top seller in micro markets.

really deters wasted time and keeps fuel costs down.

"Our original problem was how to stop drivers from going out of the area they are supposed to be or 'hanging out' to waste time," said Mark. "That behavior stopped once the drivers knew GPS was installed. And it really keeps the fuel efficiency in line."

Mark can see the trucks on the computer in real-time, which allows him to find a vehicle close to a location that may be having a machine issue. The system also texts and emails Mark, and the other managers, if a vehicle is idling for more than 15 minutes. Mark can then have a conversation with the driver, who might have been stuck in traffic or might need to understand how idling can affect fuel costs. The GPS also alerts the company about speeding violations, which can be reviewed by managers. Higher speeds are less fuel efficient.

### **Untapped OCS lines**

In the 1990s, Mark's father decided to look at OCS to broaden the company's offerings. "We've always offered OCS, but we never focused on it," said Mark. "We changed our focus...



Single-cup has been a strong growth segment for Lathrop Vending in recent years.

dedicated some revenue towards it and it has grown significantly."

OCS now makes up 6 percent of Lathrop Vending's annual revenue. For the past 8 years that segment has seen double digit growth.

Mark doesn't credit the increase to any one type of coffee item or added service. It is a combination of all the items including offering single-cup options. "You can't knock single-cup. Everybody seems to be going towards that," Mark said. Although he offers multiple types of coffee equipment, both bulk brewers and single-cup, single-cup has driven the majority of Lathrop Vending's OCS growth as the brand gained popularity. "The Northeast is a strictly Green Mountain area," Mark joked. He makes sure those

varieties are available even before clients ask for them.

Mark has also tapped into consumer hot beverage customization. Ancillary products, such as sugaralternatives, have been a great way for Lathrop Vending to increase same-store sales. "Splenda has been a popular add-on," said Mark. He has customers that ask for it over other brands they perceive as having more chemicals.

Offering ancillary products that are in high demand is important to Mark as it gives the opportunity for more same-store sales. In fact, adding items to a location's invoice is a key growth strategy for Lathrop Vending. "It's like money in the bank," said Mark.

These additional lines for OCS encompass many types of products and equipment. Right now Mark is

starting to offer point-of-use coolers. "It's a nice business. It adds to cash flow," he said. The company charges locations a rental fee and includes a filter change once a year.

### **Change is necessary**

Vending still makes up the bulk of Lathrop Vending's revenue, a fact that Mark is proud of. It's the core of his business and remains viable. However it isn't the only business. That's why Mark believes operators need to stay focused and change with the times. "If you don't, you'll get left behind." he said.

It's this positive attitude about change and excitement about future opportunities that has allowed him to maintain a family legacy business and grow Lathrop Vending Inc. into a powerhouse operation that will last far into the future.

### Operation Profile: Lathrop Vending Inc.

Headquarters: Uncasville, CT

**Founded:** 1971 **Owners:** Mark and Lynne Lathrop

Routes: 18

No. of employees: 35 Software provider: Crane Streamware

Micro market provider:

Avanti Markets

**GPS provider:** Fleetmatics **Annual Revenue:** Not revealed



# Room for growth

By Adrienne Zimmer, Managing Editor

A new report from the NCA finds that coffee is the second most consumed beverage. It also identified an opportunity for operators to increase employee satisfaction in the workplace hot beverage segment.

coffee consumption

has slightly declined over the last year, but it still remains a top-beverage choice second only to water. In fact, more than three-quarters (78 percent) of Americans drink coffee according to new research by the National Coffee Association (NCA). In 2015, the NCA's National Coffee Drinking Trends report shows that 59 percent of respondents consume coffee each day versus 61 percent in 2014.

### **Good news for operators**

Breakfast remains the dominant daypart where coffee is consumed, but that is changing. In 2012, 87 percent of coffee consumers drank coffee at breakfast compared to 81 percent in 2015. Meanwhile, there is a slow increase of coffee consumption in later dayparts. This shift could mean an increase of coffee consumption at the workplace.

There is also an opportunity for operators to provide hot beverage options that will increase employee satisfaction. Fifty-four percent of employees claim to be less than "very satisfied" with at-work coffee options. NCA research found that espresso machines and single-cup brewers continue to drive the highest satisfaction among locations. The desire for at-work single cup brewers and espresso machines, however, currently outweighs their availability.

NCA reported that in 2015, 71 percent of working consumers have a workplace coffee area, while 29 percent do not. It also found drink coffee at that having to breaklast pay for coffee does not meaningfully affect satisfaction with the workplace coffee. The study writes, "Employers who offer a less satisfactory brewing system might benefit from upgrading to a more preferred brewing system and asking employees to cover at least part of the cost."

The consumer desire for coffee vending machines increased three percentage points over the last year, from 9 percent to 12 percent.

### **Gourmet coffee consumption down**

After a spike in 2014, gourmet beverage consumption settled to 31 percent in 2015, compared to 34 percent in 2014, driven by a decline in espressobased beverages and traditional coffee made with premium beans.

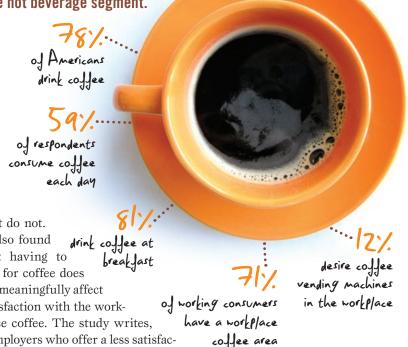
Traditional coffee made with standard beans is consumed by significantly more people over 60 years of age. Espresso-based beverages are significantly more popular among those 18 to 39. Conversely, an overall

decline in non-gourmet coffee consumption is more pronounced among those 18 to 24. Coffee consumption among those ages 25 to 39 is down 5 percent from last year (62 percent in 2014 to 57 percent in 2015).

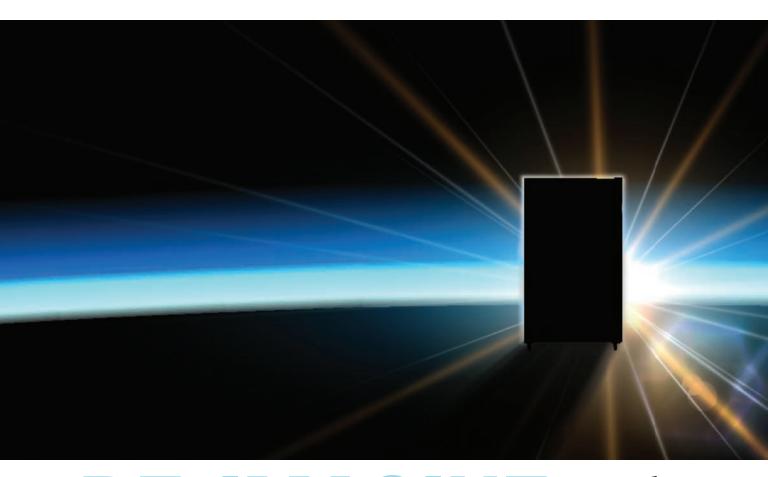
Consumption of tea remains unchanged, while that of soft drinks has steadily continued to decline.

### **Coffee preparation methods**

Coffee preparation methods continue to be important and shifting. Drip coffee makers are still dominant in the market, with 54 percent of consumers making coffee through this method. Both single-cup and espresso brewing methods declined slightly from 2014, however, singlecup brewers are the second most utilized method of preparation.







# RE-IMAGINE The

By Adrienne Zimmer, Managing Editor

Whether purchasing new machines or retrofitting old ones, vending operators are upgrading equipment to create a total customer experience.

he vending machine is not what it was ten years ago. Changing consumer retail experiences have challenged vending equipment manufacturers to create a total consumer experience at the machine that includes more flexibility, customization, digital advertising and multiple payment methods.

Operators are increasingly seeing the need for "connected" machines that enable them to manage new aspects of their business — promotions, advertising and merchandising — remotely. All with an emphasis on their return on investment. Now, more than ever, the machine is tran-

sitioning from a static black box and becoming a retail destination.

### **Integrated approach**

New and retrofitted machines can help grow same store sales and grab locations from competitors. In order to show that differentiation, vending manufacturers have been creating machines with total integration. "Integrated to us is about ensuring an intuitive and simple experience from both a consumer and operator perspective," said Tom Glomski, vice president of sales & marketing at Crane Merchandising Systems. "In regard to our newest Media equip-





# Machine

The dawn of an integrated consumer experience at the machine is here.

ment, which encompasses snack, cold beverage and hot beverage machines, this means driving new consumers to vending and increasing the value of the average vend ticket through the use of new features like touchscreens, lighting, and professional graphics; integrated payment that includes cashless; shopping cart; and digital product advertising," he said.

Digital advertising is an additional and important revenue generator for operators. It allows advertisers to gain impressions and is one thing that should be considered when purchasing or retrofitting machines. "The operator's location can get eight minutes every hour on diji-touch® (15 second increments) to advertise their product or their venue, and we've found that to be a success for operators," said Frank Guzzone, business developing manager, strategy & innovation at Mondelez International. He noted that at least in one instance, the main reason diji-touch ® was able to win a California location was because the venue could advertise their events on the machine.

"However, the operator doesn't have the time or skillset to be selling advertising, to create engaging promotions, to create content, no matter how big or how small, they need a helping hand when it comes to advertising on the machine," Guzzone said, which is where diji-touch® is able to help as it offers a platform for vendors to create their own digital advertising.

### Technology that drives growth

Within the last five years, the addition of various forms of cashless acceptance has increased dramatically, and that includes at the vending machine. It's no longer just a trend, but a necessity. Pepi Companies in Dothan, AL, has installed cashless devices on 100 percent of machines since 2012. "In order to create a great consumer experience, new equipment needs to provide bright lights, access through multiple payment systems, screens that inform and promote and mobile connections that connect personally," said Vic Pemberton, Pepi Companies CEO.

Although cashless technology has been around the vending machine for years, the adoption rate within the last 12 to 24 months has accelerated at an unprecedented rate. "Operators want to accommodate how their customers interact with the machines, pay for their merchandise and view the vending industry as a whole. Screens, credit card readers and cashless devices play a big role in getting this accomplished," said Stephanie Begley, director of marketing at Vendors Exchange International, Inc. Cashless not only gives operators the ability to sell higher ticket items and in return, drive a higher margin, but it also alleviates some price sensitivity the consumer might have.

So what's driving this cashless trend? Consumers. "Retail drives consumer preferences to pay at the vending machine," said Jim Chico, vice president of global sales & marketing at U-Select-It. "Trends are wrapped up in technology, in digital. The machines today are more versatile than they were ten years ago and not only is cashless growing, but so is the demand for loyalty promotions at the machine."

Consumers will also drive mobile payment acceptance at the machine. "It's imperative that you offer the mobile option to your customers," said Maeve McKenna Duska, vice president of marketing at USA Tech-

### **Business in a box**

Machine manufacturers are practicing what they preach; diversifying offerings to become multi-solution businesses. This includes offering flexibility in and around the machine. "New entrants to the automatic retailing market are driving the need for increased flexibility, as they look to offer products outside of the traditional vending product range," said Angela Olson of Seaga Manufacturing, Inc. "Today's machines are better positioned to be 24/7 retail units rather than just a black box selling crave-busting snacks. As our operators want to meet their customer demands for the latest trends, manufacturers have to design flexible systems to address all the variables. Flexibility is ever more important, as equipment provides retail solutions for different products, with different sizes and increasing the need for better on-board technology."

AVT, Inc. has seen a niche in retail vending, particularly of non-traditional vending items. "I thought vending was stagnant and needed to be livened up. It needed to become a destination," said Shannon Illingworth, founder of AVT. Illingworth started building machines with PC technology around the idea of the "vend-osk", the vending machine that meshed with the kiosk. Illingworth's focus has been to partner with brands, to put a business in a box. "We have a lot of people who came here with great ideas and concepts and have grown their business from automated retail," he said. "What we see in the automated retail side is that more people are getting involved because there are no limits to what you can dispense, from cupcakes to electronics. It has vertically integrated into the right locations. The big brands who used to look down at automated retail are now seeing it as a viable and affordable option."

nologies. "This growth curve that is mobile will continue to increase over the next few years. Anyone who has made the investment into cashless will benefit."

Angela Olson, marketing manager at Seaga Manufacturing, Inc. notes that her operators are showing more interest in new types of payment such as Apple Pay and Google Wallet, "As long as they provide a benefit to them, either in greater sales or easier operation," she said.

Although cashless and mobile are growing payment options in the industry, Chuck Reed, senior director of sales & marketing operations at Crane Payment Innovations, cautions operators not to abandon cash. "A recent Boston Federal Reserve study confirmed that across all consumer age demographics, 65 percent of consumers still use cash as the preferred method for purchases under \$10 in value," Reed said. "Vending shouldn't limit payment to cash or cashless, but instead cash AND cashless."

### The connected machine

Cashless acceptance requires a machine to be connected, something that is picking up speed in transforming the machine. "Once connected, a vending machine is much more than an isolated 'retail outlet," said Reed.



Trends are wrapped up in technology, in digital.

Jim Chico, vice president of global sales and marketing at U-Select-It.

"It is now part of an ecosystem that can deliver cashless acceptance, digital advertising, price or bundled promotions, and new revenue streams for operators selling targeted advertising at their machines. That same connection can enhance operational performance by providing machine alarms, remote monitoring via DEX of sales performance and enabling

dynamic route scheduling that increases operating efficiency by as

much as 25 percent."

Connectivity also allows operators to take advantage of additional revenue through digital advertising. "The presence of a screen is only the first requirement for digital advertising. The machine must also be connected to enable seamless content management over the air and to deliver required "proof of play" data to the advertisers. Being able



# Operators are showing more interest in new types of payment. As long as they provide a benefit to them.

Angela Olson, marketing manager at Seaga Manufacturing, Inc.

to update them easily has been the biggest breakthrough in the last year, and it's going to be important in terms of going forward with everything from a digital perspective," said Brendan Kehoe, vice president and general manager at Crane Streamware.

"We see the vending marketplace having a significant increase in connected devices in the future because understanding and utilizing real time information about the machines increases efficiency and profitability," Begley continued.

All of this — the integrated, connected machine, cashless options, advertising, etc. — does no good to the operator, however, unless he or she is able to attract consumers and see a return on investment.

### Sound investment

Affordability is the key when purchasing new equipment or retrofit-



ting used equipment. Many operators ask 'Will I see a return on investment? If so, how quickly?' Not only are operators concerned with investments, they are also concerned with investing in a technology that might just become a "fad" and dissipate with time. "Technology for technology's sake isn't going to cut it. It has to make them a return on investment," said Glomski. "So what we focused on was really that same store sales growth because that is the fundamental issue our entire industry faces. We have to drive new consumers to vending."

Tom Murn, CEO at The Answer Group in New York, NY, believes that it takes a little money to get a lot back. For Murn, investing in technology, especially consumer media interaction at the machine, has helped him see a quick return on investment. "All equipment manufacturers are doing great things, in their own way," he said. "There are many options, all at a price point for any size operation. It's important for operators to remember that selling the higher ticket items and spending more up front will get you more in return."

One solution that has worked for Pepi has been retrofitting old machines. "We are taking the basic vending machine and turning it into a retail store, and I'm seeing a return on investment quickly," said Pemberton. "The prices for retrofitting equipment haven't risen significantly and the cost to create a retail type experience is worth the additional investment." Pemberton notes that Pepi will not stop purchasing new machines; it just comes down to the right location. "New machines have a place, and we'll continue to buy them where it makes sense and where we can get a return," he said.

### **Future-proofing machines**

There is no such thing as "future-proofing" a machine. It is possible,

### What does the future look like?

This is how industry veterans sum up the trends driving unattended retail.

**Stephanie Begley**, Vendors Exchange International, Inc: The number of connected devices will grow and operators will then be able to better understand real-time information about machines that will lead to increased efficiency and profitability.

Jim Chico, U-Select-It: Consumers, especially Millennials, will continue to drive the retail experience and we will see vending equipment mirror that. I also think that energy-efficiency will continue to be important to the machine. But the number one trend I see is improved style and dispensing at the machine. Traditional vending will always be around, it just might look different.

**Tom Glomski,** Crane Merchandising Systems: In the near-term, I think you're going to continue to see growth in cashless deployments and digital product advertising — two proven applications for improving same store sales.

Frank Guzzone, Mondelez International: Our whole business model for diji-touch® is a twenty first century machine for the times we live in, not for the past. It can be current now and with enough technology it will stay current at least 5 years in the future. I envision a machine that will expand with different formats including large screen, small screen and combo. I also see the ability to become a sampling machine, to be in different venues from retail to supermarkets. Instead of getting a hand-to-hand product, you could get a sample from a machine, a recipe and instant coupons.

**Shannon Illingworth**, AVT: Creating destinations is the future. In the future I also see more companies realizing that their business has to be 24/7.

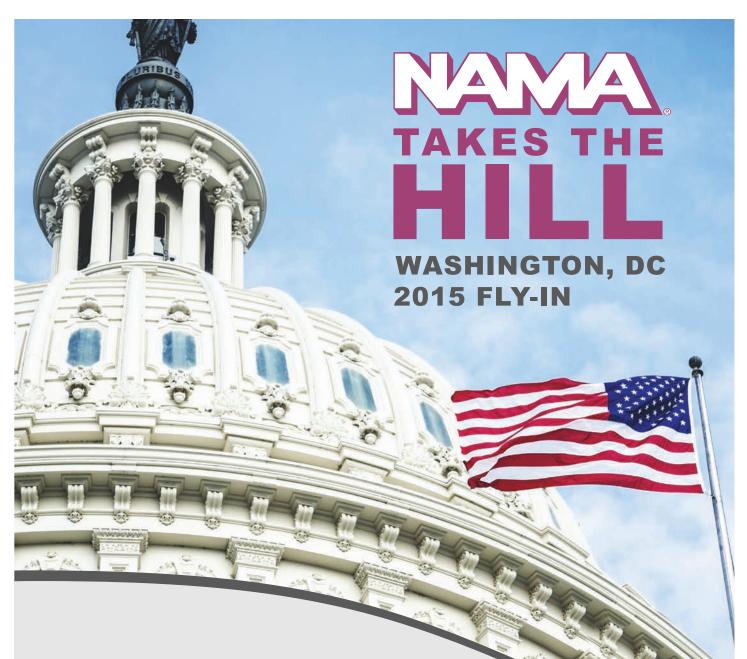
Brendan Kehoe, Streamware: The trend is getting real-time data at an increasingly granular level to operate more efficiently and effectively; however, I think it's hard to see beyond the next two years. As the rate of change in technology and consumer trends increases, our ability to predict it decreases. It will evolve over time as technology advances, and we learn how to use it to continually grow our businesses.

Angela Olson, Seaga: These new retailing solutions offer operators new opportunities and threats. They are opening up the opportunity for vending to become a much more profitable retailing solution but this will require learning new skills and competing against new entrants to this market.

however, to monitor consumer trends and see changes in their retail shopping experience. Machines of today, and those that will meet the needs of the future, allow for digital advertising and multiple types of payments. They draw the consumer in with bright lights, customization and the ability to vend nontraditional items. They also engage the consumer in a total interactive experience that looks far different

from the vending experience of ten years ago.

"Semi-attended or unattended engagement at self-checkout lanes, airline check-in kiosks, train ticket kiosks, etc. are now so common place they are preferred by customers," said Reed. "Providing that same interactive experience at a vending machine with touchscreens and connectivity is fast becoming the new normal."



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# Vending vehicle maintenance checklist

By Dominic Finelli, Contributing Editor



Don't overlook the importance of keeping the life blood of your business in good working order. Regular vehicle maintenance should be a top priority.

hat would happen if your route truck broke down? Perhaps you are one of those operations that has a spare vehicle that the driver can use to service his or her accounts? Perhaps there is a reliable repair shop that can come to the operation's aid quickly? Unfortunately, the answer to both these questions is generally "no" leaving the operator without a vehicle. This means accounts won't get serviced, the operator's customers may become angry and most importantly, there won't be any collections for that day.

To add insult to injury, when the mechanic is finally able to look at the operator's vehicle, the report comes back that there is no oil in the crankcase and the engine is cooked. Now what? Replacing an engine is costly, not to mention the additional expense incurred for a rental truck for the driver to use while his or her vehicle is being fixed. All of this could have been avoided by understanding one simple truth — the route truck is the life blood of an operator's company. Keeping the vehicle in good running order should be one of an operator's highest priorities.

### Schedule regular checks

Let me ask a simple question: Who is checking your route vehicles? Is it the route driver? Is it you, the operator? If an operation is large enough, perhaps there is support staff — is one of them checking? In the end, some-

one should be assigned to check each vehicle on a regular basis and a log of those checks should be made. Allow me to offer some suggestions.



Individual vehicle files
Give each truck a

number and then create a folder for every vehicle

in the fleet. Within that folder operators should keep a log that shows the date and mileage every time that particular vehicle was checked. A record of what was found, if anything, and what work was performed at that time should also be noted. In that same folder, operators should keep a copy of all receipts for parts purchased and outside repair work performed. This way operators can easily go back and check how much money they are spending on each vehicle.



Minimum service

-schedule

The basic maintenance for any vehicle should

be regularly changing the oil, checking all the fluids, examining wiper blades and ensuring interior and exterior lights function normally. I'm sure that there are mechanics out there that will add to this list but this is a very basic list to start the process and keep vehicles in good running condition.

The regular oil change is a must no matter what else operators may or may not do. Look for a repair shop near the warehouse where drivers can take the vehicle for an oil change and fluids check. If operators have more than one vehicle, they can likely work out a deal to bring in all their vehicles at once, every 3 months, to get the basics done. This is what our company did. We negotiated with the local Jiffy Lube to set up a day to bring all our vehicles in to get them checked. We continued to do this until we grew to over 20 vehicles, at which time we decided to hire our own mechanic to take care of our fleet from changing oil to changing engines. After the initial start-up costs of the first 2 years, the in-house mechanic more than paid for himself by what we saved.

I know most operations are not large enough to hire their own mechanic. Instead, operators can create a program that will allow them to stay on top of vehicle maintenance. This is what will save them money.



Weekly driver checklist

Another important

maintenance component is to create a checklist

for drivers to fill out on a weekly basis or anytime something is wrong with the truck. The checklist can be small, perhaps half a sheet of standard paper. On the paper, type or write a list of items that need to be checked. Leave a space next to each item where the driver can place a checkmark and any comments. Some items to consider for the checklist are: check oil and other fluids, windshield wipers, headlights, turn signals, back lights, brakes, battery, tires, mirrors, locks, etc. Make sure to put the truck number at the top and leave room for the date and mileage. Mileage can serve a dual purpose, first to see when repairs were made and second to see how much that truck is traveling each week or month. If operators find one vehicle is traveling a great deal more miles than another, they might want to consider switching it with another truck in the fleet every 6 months. This will ensure wear and tear is more evenly distributed.



one other item and that is a wash. Yes, a wash. Always remember how a vending operation needs to look to customers. Believe me, a clean truck says a lot about an operator and his or her company. Get a service to come to the warehouse every 2 to 3 weeks, to wash all the vehicles. It will be quick, easy and not very expensive.

By now, I'm sure many operators are saying 'wow that's a lot to do for just one or two trucks.' Yes. It can be, until you think of the alternative. Besides the obvious costly repairs a vehicle may have when it has been neglected, imagine a driver gets in an accident. When the police or insurance company is determining fault, it may come out that the vehicle turn signal wasn't working, the brake pads were worn or the windshield wasn't as clean as it should have been. This may impact findings and ultimately lead to fines or increased insurance premiums. Operators will be able to rest a little easier if they can present the insurance company with a folder on the vehicle in question that documents all the maintenance done with the date of completion. Everyone involved can then eliminate vehicle negligence as a possible cause of the accident. A vending business relies on its delivery vehicles — give preventative maintenance a high priority.



About the Author Dominic Finelli is a 43-year veteran vending operator in the Washington,

D.C. market. Along with his partner/

brother-in-law, John Sartori, he helped grow a family start-up, Custom Vending, to 30 routes. Finelli served 23 years as a director of the MD/DC Vending Association, and 10 years as the president. He sold his vending company in 2011. Finelli can be reached at dom@askfinelli.com.



263 exhibitors shared the latest technologies and hottest products on the largest show floor in the history of the OneShow.

# NAMA OneShow showcases trends

he 2015 NAMA OneShow in Las Vegas, NV, was record-breaking, according to Chairman Pete Tullio. With 263 exhibitors, 75 of those attending for the first time, this year's expo for vending, micro markets and office coffee service (OCS) offered a tremendous array of solutions centered on the core business aspects of the future.

Technology integration was one focus of the show. Operators talked candidly about the necessity of adding technology not only to accept whatever payment the consumer has, but also to manage the operation. Vending management systems (VMS) are no longer 'nice-to-haves', but instead have become 'need-to-

haves.' The ability to both visit a machine only when necessary and prekit products for the route driver, are allowing tremendous growth and unparalleled control over the business by the operator. Suppliers presented systems to meet this opportunity with more sophisticated and robust features.

Technology innovation in the form of mobile payments and promotional offers within vending apps was another area that increased. Suppliers pushed the boundaries of the traditional vending offers and payment models, making it more similar to retail with the same digital advertising and consumer packaged goods rebates other segments enjoy.



Carla Balakgie, CEO of NAMA, had a technology-focused message in her opening remarks to OneShow attendees. "Keeping up with technology is today's cost of doing business," she said. "Every deferred opportunity puts you further behind the competition."

There were also more micro market suppliers who entered the space in 2015, many focusing on the healthy selection side of the micro market business.

The busy OCS area of the tradeshow floor illustrated the outstanding increases in the coffee segment. In fact, single-cup options launched by smaller roasters was at an all time high at the OneShow.





### 4 Tips To Stay Ahead Of Micro Market Regulations

On Wednesday, April 22, NAMA Senior Vice President of Government Affairs Eric Dell hosted a panel discussion on the current issues impacting micro markets. Dell was then joined by panelists Chuck Walton of Ace Vending located in Arizona, Ron Urbano of Aramark located in Ohio and Chip English of Continental Vending located in California. Each micro market operator spoke about their own experiences facing changing regulations and fees in the micro market segment, as well as recommendations on effectively dealing with local, state and federal regulators.

Opening a micro market can be an exciting process, but it can also bring challenges, the panelists note. In order to avoid violating health and food regulations, operators should be proactive and follow these four simple steps.

- 1. Get to know your local regulator
- 2. Bring the regulators to a current, active micro market
- 3. Be forthright with regulators, don't lie if you forgot to do something
- 4. Stay on the process and be proactive To read the rest of the story, visit www. vendingmarketwatch.com/12069719.



Rodney Montgomery of Imperial, LLC was presented with the 2014 Route Driver of the Year award on April 22 in Las Vegas, NV. Montgomery, one of four quarterly winners in 2014, won the overall award due to his outstanding work ethic and passion for excellence. Montgomery takes each day to provide the best service at his locations, finds new ways of becoming more efficient on his routes and uses technology to increase profits. The Route Driver of the Year competition is presented by Mondelez International. To view a video of this year's Route Driver of the Year ceremony, go to www.vendingmarketwatch.com/12068281. To nominate a route driver for the 2015 award, please go to www.vendingmarketwatch.com/11288298.

### What's Trending In Vending, Refreshment Services & Micro Markets





Ron Spinella, executive vice president of strategic accounts at Apriva and Lori Salow Marshall. president of Avanti/BYNDL were part of an eight-member panel discussing trends in vending, refreshment services and micro markets. Panelists discussed that in order to attract new consumers to vending while retaining current ones, operators need to create an integrated consumer experience at the vending machine including focusing on loyalty, rewards points & discounts; monitoring machines remotely; and attracting consumers with cashless, to name a few. "The new mobile revolution opens the door to consumer engagement through affinity programs," said Spinella.

Other panelists included Anant Agrawal of Cantaloupe Systems, Donna Embry of Payment Alliance International, Bryan Godwin of Crane Merchandising Systems, Mike Lawlor of USA Technologies, Alan Munson of ParLevel and Neil Swindale of Vend Central. The panel was moderated by Dr. Michael Kasavana and was part of the OneShow's educational sessions.

### **FDA Calorie Disclosure Update**

A small group of OneShow attendees listened intently to a calorie disclosure update given by Dr. Claudine Kavanaugh, an interdisciplinary scientist in the Office of Foods and Veterinary Medicine at the U.S. Food and Drug Administration. Kavanaugh discussed a few of the FDA calorie disclosure posting rules that will be enforced in December of 2016 and appropriate ways to meet the requirements. For the full list of current calorie disclosure rules, visit www.namavoice.org.





NAMA CEO Carla Balakgie, center, is pictured with the 2015 winners of the NAMA Industry Awards including Paul Schindelar, Mondelez International; Mark Deiffenbach, The Hershey Co.; and Alan Recher, Five Star Food Service awarded on the second day of the OneShow. "Mark, Alan and Paul have performed above and beyond, helping their companies achieve success while devoting their time and talent to NAMA, overall industry efforts, their colleagues and communities," said Dan Mathews, NAMA executive vice president and COO. To learn more about each individual winner, go to www. vendingmarketwatch.com/12059104.



Howell Wechsler, EdD, MPH, Chief Executive Officer (CEO) of the Alliance for a Healthier Generation, was a featured speaker during Thursday's general session at the OneShow. Weschsler focused his keynote on how the food and beverage industries can become part of the childhood obesity solution. To watch an exclusive interview between *Automatic Merchandiser* Editor Emily Refermat and Wechsler, go to <a href="https://www.vendingmarketwatch.com/12071306">www.vendingmarketwatch.com/12071306</a>.





Advancements in technology are changing the way current generations work. In fact, many office spaces today look rather different than they did 30 years ago. Or at least they should. That's the message Julie Seitz, director of Workplace 2020 for The Coca-Cola Company discussed during her keynote speech. Laptops and WiFi make it easy for many employees to work from anywhere. In order to get them back into the office, some companies are recreating spaces, like breakrooms, that are well-lit and modern with access to WiFi, electrical outlets for devices, comfortable seating and many food options. She addressed the importance of working with locations to create a cafe-like feel.



"The conundrum of the nation is that we want our snacks and to eat them too," said David Grotto, Sr. Nutrition Marketing Business Partner, Specialty Channels, Kellogg's during his presentation at NAMA OneShow April 22, 2015 in Las Vegas, NV. Grotto explored how product innovation and marketing should be aligned with modern eating to meet the demand of today's 'any food, any time' snacking consumer.



NAMA announced the recipients of advocacy awards, presented by the NAMA Government Affairs division at the OneShow to ELN members who went above and beyond to help in advocacy efforts. Jeff Smith, All Star Services, left, and Eric Dell, far right, presented awards to: Max Elliott, Tomdra; Mickal McMath, Moore Haus Coffee LLC; Chris Hart, Southern Refreshment Services; Juan Jorquera, Vagabond Vending; Elyssa Allahyar-Steiner, Avanti Markets; Paul Tullio, Gourmet Coffee Service (not pictured); and Mike Kelley, Quality Brokerage (not pictured).



Jeff Smith, All Star Services, left, and Eric Dell, NAMA, right, shown with Advocacy Award Recipients Robert Donahue, Canteen -Sacramento, CA; Chuck Reed, CPI; Kimble Carter, Kimble's Food by Design; Nicky Gacos, Colorado Cafe.







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EazyCoin<sup>TM</sup> is a new way to purchase and interact with vending and other machines using a smartphone. Users simply download and use the EazyCoin™ App, completely free of charge. They can even transfer funds to other users. Meanwhile, the vending machine is equipped with an intelligent controller designed and developed by EazyCoin™, which

communicates with the vending machine controller and the smartphone, using Bluetooth (BLE 4.0) technology. The smartphone in turn communicates with EazyCoin servers via WiFi or cellular network using a highly secure encryption software to protect the customers and their information. EazyCoin™ was launched on April 22, 2015 at the NAMA OneShow.

VendingMarketWatch.com/12072184

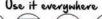
Microtronic US is bringing an online payment and marketing system to the vending industry. Called **E-vending**, the new system is a mobile application able to be downloaded by end users that can be used anywhere a QR code scanner has been added,

















such as a vending machine or other retail area. Consumers can pay using the app as well as receive special promotions from the vending operator, such as a coupon for a free birthday treat.

E-vending can be used in a single workplace or at

multiple point-of-sale locations allowing for a greater value to the consumer. The information stored on the app is secure and deposits funds directly into the operator's bank account.

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for vending and micro market. Quinoa Puffs Sea Salt Truffle are made with quinoa and are packed with complete protein, non-GMO project verified, gluten-free certified, and vegan, soy-free and dairy-free. The puffs are a great afternoon snack or sandwich side.



VendingMarketWatch.com/12060440

On Track Innovations Ltd. (oti) has released CONNECT 3000, a new compact, modular machine-to-machine





(M2M) telemetry controller. It has three primary onboard communication channel options and a mini USB socket for other communication methods. Additionally, the CONNECT 3000 offers physical and logical implementation for vending machine specific interfaces, like MDB and DEX.

VendingMarketWatch.com/12063789









## Marketplace

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