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WHICH SIDE ARE YOU ON?

In the legacy vending industry, healthy vending is regarded with skepticism. Here's a look inside.

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* Source: Time News Feed, Time Inc., January 14, 2014

For more information about White Castle: contact Timothy Carroll at 614-559-2453 or carrollt@whitecastle.com

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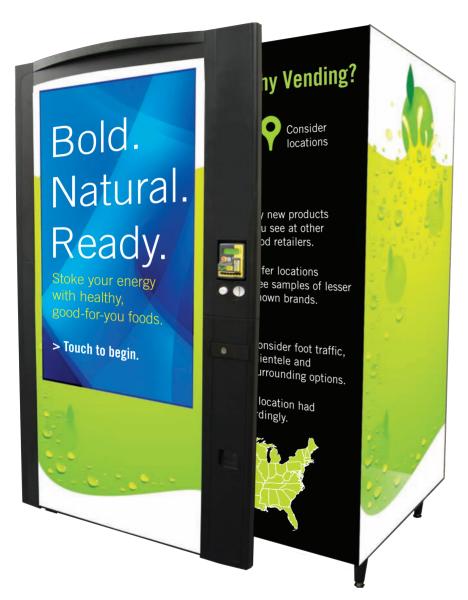


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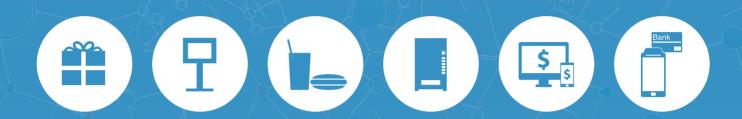
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KAMC/OAMA Combined Annual Meeting

Lake Cumberland State Park Resort Jamestown, KY www.kyvending.org



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The value of education

Continuing to learn has helped me become a better manager.

hrough all the years I've worked in publishing, I've attended at least one annual trade show. I've listened to roughly 60 keynote speakers and hundreds of educational sessions. It's an interesting part of my job and I didn't realize how valuable it would be until I became a manager.

Those of you who have gone from running a company yourself or being promoted to a manager can likely relate to how it requires a



HIRE people that will complement your strengths, weaknesses.

different set of skills. You find yourself trying to balance being a mentor with setting clear requirements and goals. It can be difficult to delegate the tasks that you either most enjoyed or believe to be most important. How do you even decide the right candidates to hire? How do you analyze their performance — being fair, motivating and also getting what you want?

Get tips from trade shows

I asked questions of other managers, but I also turned to the tips and tricks I collected along the way from

keynote speakers. They provided a great framework as I gathered experience.

One of my earliest educational sessions was given by a basketball coach who talked about how he felt we shouldn't encourage everyone to learn everything. Sure, a basic knowledge is fine, but a point guard shouldn't be trained as a center. He made the argument that each member of a team, including business teams, has certain skills, and the boss's job is to put those skills together to form a productive whole. Business owners would be better to hire employees who

excel in the areas they are weak, rather than try to be strong everywhere. For example, an owner who enjoys talking to people but doesn't have more than a basic understanding of sales data can create a dream team by hiring a highly analytical person who is great with data.

One of the focuses of at least eight of the speakers I remember, including a couple of prominent sports figures and the CEO of a pizza chain, was the idea of positive reinforcement. It's one attribute to good management that some bosses disregard. However, numerous surveys show that recognition is what many employees seek. One speaker used to keep 10 pennies in his right pocket. Each day, he would try to compliment someone on his staff. Each time he did, he moved one penny to his left pocket. Often it was job related, but it could also be about a new hair cut or anything. Another speaker used to aim to compliment people in his life once every seven days. He had concluded that amount of time was the sweet spot for positive reinforcement.

Aim to motivate individually

Motivation is another key duty of a manager and it changes with each employee. I recall one speaker who used what looked like a web of words to determine motivation. He asked employees to write down words that were important to them. He did the same thing. They would compare "webs" and then he would ask what they wanted from their work. In this way, he was able to provide the right type of motivation.

Yet another speaker tried to make employees feel united with the cause of the company. He would encourage them to participate in decisions and share input. The employees felt as though they had a stake in the future and felt valued. It made company success personal.

This issue is featured at NAMA OneShow, a great place to see what more you can learn.

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VendingMarketWatch Top News Stories

Apple Pay Expands In The Industry

cceptance of Apple Pay is growing quickly with more than 2,500 participating banks and 700,000 merchant locations. "Apple Pay has forever changed the way we pay for things," said Tim Cook, Apple Inc CEO at a live event March 9. "One of the cool and convenient places that has come up out of Apple Pay are vending machines," said Cook. He noted that Coca-Cola has 40,000 vending machines in the U.S. that accept Apple



Apple Inc CEO Tim Cook highlighted the use of Apple Pay at vending machines at a March 9 event.

Pay, with plans to grow that number to 100,000 by the end of 2015. "If you're like me, you've stood in front of those machines too many times trying to uncrinkle your dollar bill and get it to be recognized," said Cook. "Those days are over."

Mobile at the machine.

In addition to the Coca-Cola Co., vending cashless payment providers have been steadily adding the Apple Pay option. In Nov. 2014, VendScreen announced that the company's retrofit touchscreen devices were verified to support Apple Pay. Similarly, Cantaloupe Systems announced that Apple Pay would be supported by all machines running Seed Cashless and in Jan. 2015 USA Technologies also announced support for Apple Pay. Apple Pay was released in the fall of 2014.



Quench Launches Office Coffee Service

P Quench USA announced that it has launched a full-service office coffee program. Quench's coffee machines incorporate the same water filtration and purification technologies used in the company's water coolers and ice machines. In addition to offering thermal and single-cup coffee brewers, Quench also provides a full-line of brand-name coffees, teas and related supplies.

State Senator Proposes Tougher Nutrition Standards

Maryland State Senator Ronald Young has proposed three bills, one of which is aimed at tightening the nutrition standards for vending machines in schools. The bill would require a county board of education to develop and implement a policy that requires vending machine products sold in public schools comply with specified nutrition standards and a wellness policy for the entire school day rather than

just part of the day.

The other two bills are designed to reduce sugar intake in school meals and form wellness committees to recommend physical, mental and social health programs for students. Young's bills are being considered by the Senate Education, Health and Environmental Affairs Committee.

AVT Partners With PayRange To Enhance Vending Systems

AVT, Inc. announced that it has partnered with

PayRange to allow customers to pay for products using their smartphone at AVT-built machines. AVT plans on using its network of multimedia screens that are integrated into its automated retailing systems to present the features and benefits of the PayRange system and provide customers with instructions on how to load the application on to their smartphone and start using that device to pay for products.



Starbucks To Introduce Cold-Brew Coffee

Starbucks announced that it will be offering cold-brew coffee in 2,800 locations beginning March 31, 2015. The move comes following successful cold-brew tests in Boston, MA, and San Francisco, CA, in 2014.

Coffee Cost Slumps To One-Year Low Despite Global Deficit Forecast

The downward trend in the coffee market over the last few months continued in February, the International Coffee Organization (ICO) reported in its monthly Coffee Market Report. The ICO composite daily price dropped to a low of just under \$1.30 per pound, more than \$.50 less than its most recent peak of \$1.85 in October 2014. Despite this downward pressure on prices, world production is expected to come to 142 million bags in crop year 2014/15, 4.6 million less than 2013/14 and its lowest level in three years.



Smart Vending Machines May Be New Marketing Platform For Brands

Based on the idea of Campbell's Snackbot machine, vending machines with touchscreens may be a way for big brands to market to consumers in an engaging way. George Ward, senior vice president of innovation at Allen & Gerritsen told Philadelphia Business Journal that today's big brand companies need to find ways to market and advertise themselves, but through a useful and practical way where consumers are actively seeking the brands. An example would be vending machines, as vending machines already add value to consumers' lives, explains Ward.



Fresh Healthy Vending Inks New Deal With UNFI

Fresh Healthy Vending International, Inc., announces its signing of a new three-year deal with United Natural Foods, Inc. (UNFI) offering its franchisees an additional discount on food purchases.

Legislator Proposes Health Warnings On Soda Ads

In San Francisco, CA, lawmakers in support of a failed sugary drink tax are taking on the issue again. Supervisors Malia Cohen, Eric Mar and Scott Wiener have authored legislation that will target advertising of sodas, by requiring health warnings on posted ads in San Francisco and banning ads on publicly owned property, and prohibiting the use of city funds for the purchase of sugary beverages.

KEURIG GREEN MOUNTAIN

Keurig Green Mountain, DS Services Announce Partnership

Keurig Green Mountain, Inc. and DS Services of America, Inc. announced a multi-year agreement to offer DS Services' Javarama® coffee in K-Cup® packs for use in Keurig® hot brewing systems. Exclusively available to DS Services customers, the companies plan to launch the new Javarama® K-Cup® packs featuring Javarama® Signature Medium Roast and Dark Roast profiles.

Ex-Vending Employee Accused Of Stealing Thousands From Ohio Vending Machines

► A 35-year-old woman is accused of stealing more than \$3,000 from several vending machines in the Akron, OH, area, Cleveland. com originally reported. She was reported to be a seasonal employee of a local vending company where it is believed she stole a master key before the end of her employment, gaining access to the vending machines. The accused also has two previous theft convictions on her record.

People in the News

Vending Pro Mark Bentley Joins PayRange

PayRange Inc. has appointed Mark Bentley as the director of strategic partnerships. Bentley joins PayRange with a background of more than 13 years in the vending industry as an operator, supplier and manufacturer.



CLEANLIFE Energy's Founder & CEO Receives Top 25 Under 35 Award

CLEANLIFE President and CEO Justin Miller was honored by The Cleveland Professional 20/30 Club as one of the Top 25 Under 35 Movers and Shakers of 2015 at their annual awards ceremony on Friday, March 13, 2015.



Art Dunham Joins Star Food Healthy Express

Art Dunham has joined the educational services team at Star Food Healthy Express. "Art has the capability to see what is happening on the national scene now and coming down the pike, and marry that to what is available at the school district level — for us it is a perfect match and we are excited to have him join our team," said Joe Gilbert, VP/GM of VE South, the parent company of Star Food Healthy Express.

Vending Industry Mourns Loss Of David Sustman

David R. Sustman passed away on Tuesday,
March 17, 2015. Sustman owned Webb's Candy
Store in Boerne, TX, and was a national field
sales manager of vending. Originally with Austin
Quality Foods, Sustman also worked for Biscomerica and served on the Trade Show Advisory Committee. He was named Automatic Merchandiser's 1995
Manufacturer of the Year.



Aramark Names Stephen P. Bramlage, Jr. New EVP, CFO

Aramark announced that Stephen P. Bramlage, Jr. has been named executive vice president and chief financial officer. His appointment is effective April 6, 2015 and he will report to Chairman, President and Chief Executive Officer, Eric Foss. Bramlage succeeds Executive Vice President and Chief Financial Officer Fred Sutherland who will retire after nearly 35 years with the company, including 17 years as CFO.

ive Star Food Service located in Chattanooga, TN, celebrated the opening of its 400th micro market at a Jostens production facility in Clarksville, TN. The Jostens installation marks the 133rd micro market Five Star has opened this fiscal year. Headed by Vice President of Micro Markets Mark Stephanos, Five Star has a team of more than 50 employees solely dedicated to the success of its micro market business. "Five Star's rapid growth to 400 markets in just over four



Senior leadership foresees micro markets making up 50% or more of the total business.

years has been an exciting challenge," remarks Stephanos. "Our team of micro market professionals has done an outstanding job of consistently delivering on our promise of quality service and products to our customers."

Future investments.

Investments in technology have helped with the company's rapid micro market expansion. "We see continued growth in the micro market space," said Five Star Food Service President and CEO Alan Recher. "I believe improved technology will play a key role in the future expansion of the industry." Senior leadership at Five Star foresees a future where micro markets comprise 50 percent or more of the total business.

PayRange Announces Compatibility With Apple VoiceOver

PayRange Inc. announced that the PavRange mobile app for iOS is now enabled to work with Apple VoiceOver. VoiceOver, a gesture-based screen reader, allows visually impaired users to hear a description of everything happening on their screen, from battery level to who's calling to which app their finger is on. PayRange's iOS mobile app will notify VoiceOver users of the dollar amount allotted to them, in addition to letting the user know with which machine the app is

communicating. The app will speak phrases such as "Apply payment," "Cancel payment," and "Snack machine near elevator."



New Greenlite Option For Card And Mobile Payments Available On All USI Products

U-Select-It announced that its new Greenlite Solution will be offered on its new vending platforms. This turnkey package provides operators with state-of-the-art card and mobile payment acceptance and includes remote monitoring and management tools to help reduce the cost of servicing machines. Greenlite is powered by Cantaloupe Systems.

SuzoHapp Acquires SCAN COIN

SuzoHapp announced that it has completed the acquisition of SCAN COIN, a provider of advanced cash handling technologies, software and services. SCAN COIN, headquartered

in Malmö, Sweden, offers customers in the retail, bank, cash center and public transportation markets, full service solutions to optimize their cash handling through automated processing of coins and notes. This represents SuzoHapp's fourth acquisition of cash handling technologies over the last 15 months, SuzoHapp Chairman James Brendel reports.

Keurig Launches K-Mug® Pods

Keurig Green Mountain, Inc. announces the addition of Keurig® K-Mug® pods: pods that brew a large travel mug-size of beverage within the Keurig® 2.0 brewing system. K-Mug® pods are recyclable.



USG Hosted Successful Member Seminar March 10, 11

Unified Strategies Group (USG) conducted a USG Membership and Technology 101 Seminar in Atlanta, GA, on March 10 and 11 at the Renaissance Concourse Atlanta Airport Hotel. More than 32 representatives from 26 USG member companies were in attendance. Tutorials regarding new Web programs such as Performance Central, PurchasePower 3.0 and the USG Order Center were presented along with seminars on telemetry and cashless vending.

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Telemetry technology lowered operating expenses 25 percent for Houston, TX-based Rome Refreshments, and allowed the operation to grow while continuing to provide the personal service of a different era.

n a world of doing more with less, exemplary attention to customers stands out. That dedication to service was the aim of Dominic Macerola when he started Houston, TX-based Rome Refreshment Services in 1979. Growing from a single man operating out of his garage to a second generation, 15 employee business, Rome Refreshments boasts of being one of the top three largest vending operations in the Houston area. The company continues to grow, in part, due to the conviction that technology is a game changer, especially for the widespread service area that Rome Refreshments serves. With approximately 500 machines in its footprint, Rome Refreshments regularly operates five routes that encompass an area that stretches from near Galveston in the South Bay, all the way up to the Woodlands north of Houston. Macerola has found that adding technology to more efficiently service this area has been a great way to move the company forward without losing the ideals he began it with.

Italian roots

Macerola was born in Rome, Italy, near the Apennine Mountains. Growing up, he spent his days at his uncle's coffee shop where he learned about great coffee and how to provide great service. After living in Canada, Macerola saw potential in the Houston area and decided to move there to start a family in 1979. He opened Rome Refreshments out of his garage as a way to use his service background and earn a living. It is a family company that has been in

Biggest challenge facing vending is staff

Gianpaolo Macerola, vice president of Rome Refreshment Services is optimistic about the future of vending as long as operators are willing to accept change and invest in technology. The biggest issue facing the industry will be the work ethic of employees entering the work force. "You need to find ways to motivate your employees," he said. It will be a critical issue to success in the next 5 years.

business more than 35 years largely because it was always about more than just *business*.

"Dominic really wanted to create an environment of old world values when he started Rome," said Gianpaolo Macerola, vice president of Rome Refreshments and Macerola's son. With many vending competitors in the 1980s, the distinction in service wasn't as apparent, but with the changes to the industry and retail in the last 10 to 15 years, Rome's commitment to service has kept customers and brought previous customers back.

"Our prices are higher, but we're still getting business," explained Gianpaolo, who goes by G.P. The dedication to service might involve making another trip to a location when an order is missed, responding to emails immediately, giving personal Christmas gifts or operating under the motto 'the customer is always right'. "We treat customers like they are part of our family," explained G.P.

The company has not strayed from its roots; in fact, Macerola and most of his children oversee the day-to-day operations to ensure that the ideals and objectives that Macerola set when he opened Rome Refreshments are regularly exceeded. Gianpaolo Macerola is head of sales & marketing, Piccola Macerola is head of purchasing and Saverio Macerola is head of operations.

"We work in a commoditized, highly competitive environment where good products and responsive customer service set us apart from other providers," said G.P. "Our customers rely on us to make sure our machines are stocked, in good working order and deliver the experiences that consumers expect. This is our livelihood. Our customers won't settle for anything less, and neither can we."

Technology helps find the time

Personal service takes time. Last year Rome Refreshments made a change that would increase the time its staff could dedicate to customer attention — technology. In June of 2014, the company started looking at telemetry systems to maximize personnel and resources across the territory the company services.

66 Dominic really wanted to create an environment of old world values when he started Rome. ??



Rome Refreshments already has eight micro markets and is steadily adding more.

"We have customers that can be seventy miles apart, so it is imperative that we carefully schedule service calls to ensure that we cover as much ground as efficiently as possible," said G.P. "Since we can't physically be in all places at once, we recognized that we needed to bring a route management solution in-house that would give us continuous visibility into the machines we operate, and make sure our drivers and back office staff are working as efficiently as possible. It was a necessary component for maintaining operational control of the business."

G.P. set out to identify a suitable telemetry solution, and evaluated a number of available offerings.

"One of our primary motivations was finding a tool that did not require a great deal of time to set up or learn," he said.

Rome Refreshments launched ParLevel Systems, a cloud-based telemetry and vending management system, in June of 2014. G.P. appreci-



Dominic Macerola provides single-cup coffee with bean-to-cup machines (shown) and pod brewers.

ates the cloud-based infrastructure because it requires no onsite servers or software downloads, eliminating a major barrier for Rome Refreshments. It also allows him to show potential clients how he would ensure their machine was never empty — real-time status reports from anywhere.

The results of adding telemetry have been outstanding. By leveraging the data provided by the technology, Rome Refreshments has been able to consolidate several of its routes, reduce its transportation costs, inventory, insurance rates and other overhead. Personnel can be reassigned as required, eliminating the expense of sending drivers to locations where inventory or service was not needed. Instead, Rome Refreshments can now focus its attention on locations that need service.

"In terms of hours, technology has streamlined our operation, allowing us to focus on other things," said G.P. "I have more time now to see my customers face-to-face to address any concerns they may have, and I do that on a monthly basis. Dominic does it every two weeks."

With the addition of the telemetry solution, Rome is experiencing a 25 percent reduction in operating expenses. "Also, by increasing our efficiency in vending, we've been able to grow in other segments of the industry, which are frankly, more profitable," added G.P.





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Micro markets provide more sales

Another profitable and growing segment for the company is micro markets. Rome Refreshments added its first one in February of 2014. Now with eight in operation and four more planned, G.P. considers them a good move. "It is a piece of the puzzle that is office refreshment services, but I wouldn't say it's the end of vending," said G.P. He likes that micro markets bring in more revenue per week, but at the same time the margins are tighter. "Usually vendors want to double the cost price of an item, like in vending, but that's the old way. If you bought the item for \$3.50, you can't double it. No consumer will pay \$7."

Rome Refreshments has success with micro markets at closed, white collar locations with more than 200 employees. In mostly blue collar locations with high turnover rates, G.P. still pushes for vending machines regardless of the number of employees.

Water is strong OCS contender

Water has been another area of growth for Rome Refreshments, especially since Macerola saw its potential early on. In the early 1990s, Macerola was convinced that reverse osmosis (RO) filtration was the future when other companies were offering just 5-gallon water delivery. When G.P. joined the company, Macerola got him trained in water filtration and G.P. is now certified and licensed to install the RO units by the State of Texas, which has added a line of repeat sales to Rome Refreshments' bottom line. "A great thing about water is it's a reoccurring rental. You can bank on it every single month," said G.P.

Water is a growing part of Rome Refreshments' OCS lineup, but an even greater portion is coffee. The company offers frac pack and single-cup coffee with bean-to-cup systems and prepackaged in the form of pods. They do not offer the cartridge-style single-cup options.

The best cup of single-cup coffee I've tried is bean-to-cup.

"We do encounter resistance with customers inquiring about single-cup," admits G.P. He finds this is mostly because customers have a specific brand in the back of their minds. However, the company has been successfully breaking that stigma for years.

"Another thing Dominic brought from his country of origin, Italy, was his love of coffee. He will not drink a bad cup of coffee. And the best cup of single-cup coffee I've tried is beanto-cup," said G.P. This is part of the reason Rome Refreshments offers these types of brewers. It also keeps a regular maintenance schedule for its bean-to-cup systems. "If they are a regular account, once every two weeks we clean that machine — it's not just a wipe down," explained G.P. He has the driver take out the brew mechanism, the whipping bowls, all of it. On high volume accounts, the equipment is cleaned weekly. Otherwise, G.P. finds the equipment prematurely ages, decreasing life expectancy, and often clogs, requiring a service call.

Profile: Rome Refreshment Services

Year Founded: 1979

Headquarters: Houston, Texas

Owner: Dominic Macerola

Number of employees: 15

Number of routes: 5

Software provider: ParLevel

Micro market provider:

3 Square Market

Annual sales: Not revealed

"Bean-to-cup machines are more work, but your margins are so much better than [cartridge] single-cup," said G.P.

If the customer wants more variety available at a location, Rome Refreshments opts for pods. "Pods taste better," claims G.P. "In a pod, it's coffee in a paper filter, that's it...it is what coffee is supposed to taste like." Rome Refreshments also selects high quality coffee, in either the grade of bean going in or the packaging. The company believes in pods so much, it will drop off a pod machine for the location to try as a single-cup alternative and the pod machine nearly always wins.

Breaking the mold of other coffee providers has been successful for Rome Refreshments. Coffee service and water sales make up over 40 percent of the company's annual revenue, equal to vending sales. Rome Refreshments is working with ParLevel Systems to build an OCS module so it can be operated on the same solution as vending, which will make it even more profitable and easy to use. "One screen — one program for all," said. G.P.

Houston, TX, presents a unique challenge for a vending operator. Some of Rome Refreshments' drivers travel 90 minutes before they reach a location. Therefore, making more service trips than necessary became a drain on resources. Because Rome Refreshments saw the potential of telemetry, they are now reaping the rewards. It has allowed the company to save money, grow other segments and create time for the personal attention at the heart of Dominic Macerola's dream — Rome Refreshments.



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Use coffee to boost micro market sales

By Adrienne Zimmer, Managing Editor

There is no set standard for hot beverage delivery in micro markets, but operators agree it is a segment that continues to grow.

any factors go into the type of hot beverages operators provide in a micro market. Coffee and coffee-related offerings depend on an operator's region and their previous OCS history; they also depend on the type, size and demographic of individual locations. There is no standard yet on ways to maximize hot beverage sales in a micro market and the majority of operators are struggling to find the best solution for their micro markets. One thing many operators agree upon, however, is that hot beverage offerings provide an opportunity to drive micro market sales.

What type of operator are you?

Although there is not yet an industry standard in terms of offering hot beverages in micro markets, the segment should not be overlooked. Brad Bachtelle, president of Bachtelle and Associates, finds that coffee programs vary widely between micro markets and are often based upon the type of coffee available prior to

the installation. Multiple approaches are being utilized effectively around the country by operators including the use of single-serve brewers, hot beverage vending machines and liquid coffee equipment.

Nearly every large business and industry location has coffee available in some form prior to a micro market installation, generally either OCS offered on a no charge basis to employees or a single cup, vended product. Considering this, when a micro markets is installed, Bachtelle finds that coffee is generally handled in one of four different ways.

Option 1: No micro market coffee

The pre-micro market OCS system is retained as the sole option for location coffee, often providing freshbrew coffee at various points at the account and with no incremental coffee program within the micro market. The "no micro market coffee" is the lowest micro market hot beverage volume environment.

When you offer people a good hot beverage in micro markets, they will pay for it.



Option 2: Augmented OCS, employee paid

Retention of the prior OCS system as it existed, augmented within the micro market by the installation of an employee-paid upscale, multivariety, coffee system. The popularity of upscale, quality coffee shops has proven that consumers often prefer a better coffee product, and will pay for better or different coffee blends as well as other types of hot beverages.

Option 3: OCS in market, company sponsored

Addition of micro market coffee as an OCS inclusion funded by the location and at no charge to the employee. This provides the highest micro market hot beverage volume, but with increased employer cost.

Option 4: Upscale OCS, employee paid

Replacement of the prior OCS and/or coffee vending with an upscale system installed within the micro market area all provided on an employee-paid basis. Where vending existed, it is a relatively easy and direct conversion with perhaps an increase in per-cup costs justified by the higher coffee





Micro market hot beverage offerings can increase sales of companion items.

Bachtelle also pointed out that cof-

fee sales alone are not the only ben-

efit from having a micro market hot

beverage program. "Every time a con-

sumer comes into their micro market

for any beverage, there is always the

opportunity for incremental, 'bun-

dled' purchases. Convenience stores

know that coffee is the number one

breakfast hour 'destination product',

which is often combined with some

type of breakfast food or snack. Micro

market operators should also be

working towards increasing morning

quality. Where OCS existed previously, locations often translate prior OCS costs to a per-employee monthly market card load to help offset some of the higher employee coffee cost.

Bachtelle recommends avoiding the first option. "Clearly, not having any coffee in a micro market is the least preferred option. Increased samelocation micro market sales over prior vending installations can be sourced in great part to the increased variety of products available, and there is really no difference in terms of driving increased hot beverage volumes by offering better, higher quality products than the increase in micro market food sales that has occurred from an improved fresh food program," Bachtelle said. Matt Caston, CSO of 365 Retail Markets, agrees. "When you offer people a good hot beverage in micro markets, they will pay for it," he said. "Make sure you're not leaving money on the table when it comes to offering coffee in micro markets." Caston has found that for 365 Retail Markets operators, coffee is a top-5 seller in micro markets, consistently.

food purchases in combination with providing in-market coffee," he said. From micro market research conducted by Bachtelle in 2012, two-thirds of sampled micro market locations did not have a hot beverage program of any type available in the market area. Of those locations with hot beverage programs in place, a number of sites delivered between 6 percent and 10 percent of sales from hot beverages. Today, coffee in micro markets is more prevalent, and

Bachtelle projects that in the U.S., the 10 percent hot beverage share of sales "will become the industry standard in terms of location sales objectives," he said.

Current challenges and solutions

John Ward of Serenity Vending located in Rockford, IL, witnessed the benefits of a hot beverage program firsthand when he noticed coffee became the number one seller in 70 percent of his micro markets. In 40 percent of his micro markets, French vanilla gourmet coffee became the second-best seller. Ward looked into pod and single-serve brewers when he first got into micro markets, but they weren't right for his locations. Most of Ward's locations are on a limited time schedule, and he found they would not have time to make their own coffee in the micro market. "I came across liquid coffee early on and I had machines for it," he said. "So I've been using that in micro markets." He likes this option, and so do his locations. He also places a 3to 5-head cappuccino unit alongside the liquid coffee dispensers. Ward has found this solution to be effective; the machines are low maintenance and he gets good margins. He sells 16-ounce drinks for \$1.00. Customers pay for their drink by selecting their drink option at the kiosk. Ninety percent of Ward's micro markets provide coffee that is employee-paid for. "We do what works for us and we are utilizing equipment that we already have," he said.

Pete Johnson of Quail Mountain Vending located in Klamath Falls, OR, opened his first micro market in 2013 at a location of 600 employees. "I got into coffee right away," he said. "With our associated vendor group we created a high quality proprietary coffee cup with UPC labels and we offer a premium coffee, similar to that of a coffee house." Along with changing to a premium coffee,

Johnson increased the gram throws on coffee and cappuccino to create a "coffee house" coffee and cappuccino. All of Johnson's micro market locations are high-volume, with more than 450 employees, so he needed a solution that did not require a lot of maintenance and could accommodate the numbers. His solution was to place a hot beverage machine on free vend with 12- and 16-ounce cups that the customer then scans at the kiosk. The 12-ounce cups are \$1.00 and 16-ounce cups are \$1.50. He has seen sales slightly increase. Johnson will continue to use a hot beverage machine for locations with 400 to 600 employees. "When I open a micro market with 150 people or less, I will need to figure out another method, but I'll cross that bridge when I come to it," he said. Since 2013 Johnson has bought two new hot beverage machines; he has also taken some hot beverage machines from vending locations and updated them with new sign panels and fixed brewer parts and placed them back into micro markets.

For many operators, finding a micro market coffee solution depends on the individual location. Single -serve and bean-to-cup machines work well in many smaller micro market locations, although some single-serve cartridges do not have UPC labels. Operators can get around this by either printing off their own UPC labels and placing them on the item or by making each single-serve drink one price. "Single-cup has been doing well in micro markets because the customer is already in the micro market purchasing items," said Kevin Searcy of deORO Markets in Odessa, TX. That was not true for all of Searcy's locations, however. "At one location the company was already offering 5 to 6 different brands of high quality coffee through airpot brewers. When we moved to micro markets I tried a higher-end single-



Some operators use UPC labels on hot beverage cups.

serve machine and it busted because the employees were used to good, free coffee," he said. In other locations he has found pod machines to work the best, especially because pod packages can fit well onto shelving.

Searcy charges either \$.45 or \$.50 per cup on the lower end and about \$.80 for higher quality hot beverages. In each of Searcy's micro market locations, the employer is providing either cups or mugs for the coffee,

overall micro market sales and is the number one selling product, even above fresh food. "I was hesitant at first to get into coffee in micro markets, but since I've put resources into it we make about \$3,000 per month in seven locations just off of coffee sales." Booth prices cups of coffee at \$1.00 at the majority of his locations. "The right location makes all the difference when it comes to maximizing coffee profits

in micro markets," he said.

Future forward

Although operators are making coffee a part of their strategic plan in micro markets, many are waiting for other operators to move, to find the best option. It is unlikely that one standard will work for every location and operators are quickly finding that it takes trial and error. "Operators should be aware of their customer profile in selecting what coffee solu-

Marrying coffee service and micro markets should be an emphasis for full-line operators.

which has helped keep the end sale price down. He noticed that some locations are more willing than others to pay for gournet coffee.

In Utah, Trevor Booth of Fuel Vending has seen tremendous success with single-serve coffee in micro markets. "I use a single-cup brewer in every location with the exception of two highrise office locations. At those I use a bean-to-cup machine which is much more expensive, but they are willing to pay for it," he said. Coffee makes up 5 percent of Booth's

tion to offer in a micro market location and how to price it," said Caston. "It's a question of understanding the customers." Caston advises that operators avoid looking at coffee service and micro markets as two separate entities. "Integrate coffee service into your micro markets and into initial micro market design," he said. "There is an opportunity for cross pollination, so to speak," he continued. "Marrying coffee service and micro markets should be an emphasis for full-line operators."



*Inside the HEALTHY BUSINESS

By Emily Refermat, Editor

Operators providing branded vending machines from some of the most recognized healthy vending franchises and suppliers share their secrets of a niche segment that the traditional vending industry regards with skepticism.

n recent years, the request for healthy products and location wellness programs has dramatically increased from the business and industry sectors as well as schools and government facilities. NAMA launched FitPick in 2005 to help member operators find products designated better-for-you and before that it had a program called Balanced for Life.

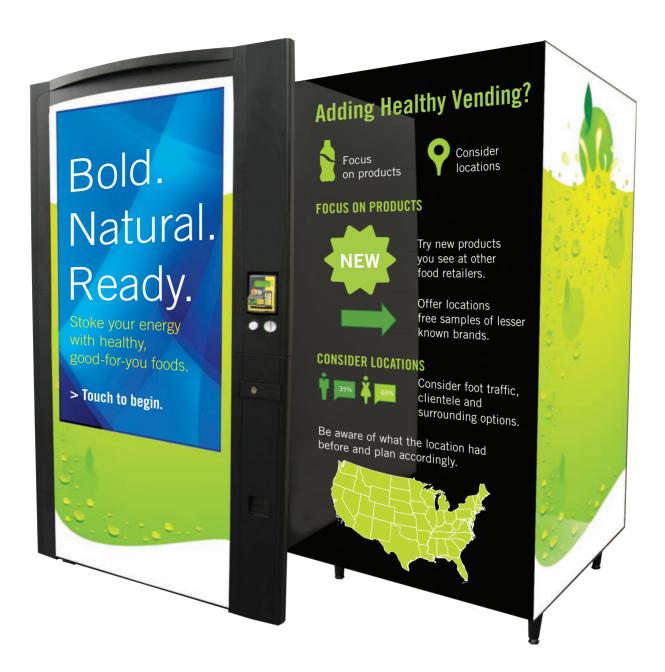
In today's environment, operators are searching for good-tasting prod-

ucts that meet nutrition requirements either for schools or communitybased wellness programs. The concept of healthy vending has continued to grow, and that includes healthy vending companies.

Within the legacy industry of vending, those suppliers, franchisers and vendors that label themselves "healthy" have a negative reputation. Ever since they were first introduced 10 years ago, healthy vending franchises have been called fads or scams

by many people in the traditional vending business. Oftentimes they are cited as displacing traditional vending operators and offering products that are debatably healthy.

Despite skepticism from traditional vending operators, healthy vending franchises continue to grow and gain locations. The combined factors of additional better-for-you products in retail and more locations looking for wellness-focused solutions have no doubt helped operators who run



healthy vending companies. In fact, some traditional operators have even begun branching into healthy vending in order to cater to changing location requests. How does the healthy vending industry survive and what can the traditional operator take away from it? Here is a look inside the complicated niche segment of healthy vending.

Niche that creates partnerships

Traditional operators and healthy operators face similar challenges

and successes when it comes to business growth.

Dan Trainor who operates a Grow healthy vending business in Southern California sees the advantage of offering both healthy and traditional vending. "I'm predominantly a healthy route operator," he said. "But I've slowly added some traditional locations."

Trainor started in October of 2010 with six machines. He now has 60 machines, a full-time driver, a part-

time employee who prekits and himself to run the business.

For Trainor, a big part of a successful healthy vending business is finding new products to place in his machines. Besides the products he can get from Grow's distributor network, he also looks at grocery stores, online retailers and discount stores. Some products, like organic, squeezable apple sauces, are available from multiple retailers allowing Trainor to shop around for the best price.

How do micro markets fit into the healthy vending industry?

While most healthy vending companies began with vending machines, many are branching out to micro markets, a natural extension according to the franchisees.

Julie Guirguis, owner of Treat Yourself to Health, LLC, a H.U.M.A.N. franchise in Sarasota, FL, only offers micro markets. She saw the H.U.M.A.N. name in Entrepreneur magazine and decided to check out the idea, however, she quickly discovered vending machines required frequent restocking and mechanical maintenance skills. "I realized it wasn't for me," said Guirguis. However, when the concept of a micro market was described, Guirguis saw the potential. She has placed three micro markets since June 2014, all with products approved by H.U.M.A.N. She also partners with local food providers for fresh food. "I sell things from my local caterer, like salads, wraps, protein boxes and soups," said Guirguis.

Guirguis isn't blind to the importance of the right location for these markets. "Either the company and employees want it or they don't," she said. If people aren't dedicated to eating healthier products, they won't buy them. However, Guirguis also believes there is a lack of education about what healthy products can taste like. "There's a learning curve

to healthy vending," she said.

A background in finance helped Guirguis assess the business and understand the need for support from the franchise. "I feel like I'm my own boss, but I'm not alone. I have the support of the staff of H.U.M.A.N." She also knows that any new business takes a lot of work and attention to detail. "You can't just join a franchise and have someone do it all for you," she said. "Only you can make your business successful."

HEALTHY MICRO MARKETS OFFERED TO THE INDUSTRY

Can traditional vending and healthy mix? Maybe with a micro market. A two-man team in Los Angeles, CA, saw micro markets as a huge opportunity for both. Ben Thomas and Michael Johnson, friends since college and co-founders of Delicious Nutritious Markets, were at the gym and couldn't find a healthy snack. A light bulb went off. They made it their mission to get healthy food into the hands of the people and the partners see the vending industry and micro markets as the perfect way to do that. "We opened our first micro market in June to prove the concept," said Thomas.

"Our business model is to help vending operators grow their business through healthy micro markets, bridging the gap between what they currently offer and what consumers are begging for — healthy food," said Johnson.

Instead of a kiosk, the partners developed a self-checkout payment platform called Pavz, which uses the consumer's smartphone device or a wall-mounted iPad to accept payment. "We made our software agnostic," said Thomas, "allowing Payz to communicate with any open API inventory management or VMS." On top of that, Delicious Nutritious Markets offers their own Cloud-based inventory management solution, providing real-time access to inventory levels, sales data and analytics, "Healthy food is exploding. It's what consumers want and they are willing to pay a premium for it," said Johnson.

Fresh Healthy Vending is also looking to partner with traditional operators. Nick Yates, chairman of FHV, indicated that the company will be at the NAMA OneShow in April previewing its proprietary micro market concept which has a modular build and proprietary technology. This will be a way for operators to purchase product from the company, a request Yates says he gets regularly, and be a one-stop shop for installing a plug-and-play micro market option.

He finds that healthy vending machines can be a profitable business. "It's all about the locations, in addition to the products you put into the machine," said Trainor. Locations where there are no other snack options other than the healthy vending machine products seem to work best and consumers certainly develop favorites. "They find a product they like and stick to it," observed Trainor who has seen his sales increase to the point where he has outgrown his

warehouse space and is struggling to maintain inventory levels of his top selling items. His average vending price is \$1.50. His annual revenue for 2014 was over \$300,000.

Products identified as better-foryou and a recognizable healthy brand name on the machine are what will drive partnerships between healthy and traditional vending, according to Chris Wyland, president and CEO of Grow Healthy. "I don't think this should be an 'us versus them'," said Wyland. "I think over a period of time there could be synergy."

Grow is not a franchise, but an equipment distributor with a healthy brand name and location finding service. Already the company has at least one operator who has run a traditional route for years, but recently bought into the brand for the equipment and product sourcing. "It's the same equipment, but different product," said Wyland, "the best quality products."

John LaRoy, co-founder of Coach-Vend, LLC, experienced first-hand how consumers feel about switching traditional products for healthy ones. He placed some H.U.M.A.N. vending machines in a local high school and got pushback from the students, including some vandalism of the machines. "I then did some tasting events, so the kids could see that healthy doesn't mean it has to taste bad," said LaRoy. It worked.

Price is another issue. "The price of a typical vending item will jump from 55 cents to \$1.25," he said. The products LaRoy sells are just more expensive and sometimes difficult to get reliably. The distributor can be out of a hot product for 3 or 4 months at a time, says LaRoy.

In an attempt to offer the student athletes he coaches healthier snack options, LaRoy opened his H.U.M.A.N. franchise in 2014. He has surpassed 30 machines already this year and plans to install two micro markets. His machines average \$1,000 a month, so he forecasts his annual revenue to be around \$360,000 without the micro markets.

How does LaRoy see the healthy vending segment in relation to the larger vending industry? Currently a unique, separate and small segment, but not for long. "In the next 4 or 5 years, it won't be a niche anymore," he said.

It all hinges on receptive locations

Selecting a location with the right clientele is also of paramount importance to Craig Walters, owner of a Fresh Healthy Vending franchise in Pennsylvania. "Not everyone is receptive to healthy food," he said. "And sales volume is critical in this business." Walters aims for high traffic locations with physically active individuals like those at martial arts studios, gymnastics and dance studios as well as local schools. "Customers at these locations are more health

Once people become familiar with the brands and products, they find something that fits their taste palate.

Craig Walters, Fresh Healthy Vending Franchise Operator, Pennsylvania



conscious — aware of fats and preservatives — things like that," said Walters. Distribution centers, factories

and other traditional locations did not perform well for Walters, despite being staffed 24-7.

Fairly new to healthy vending, Walters opened his first round of machines in 2014. Previously he worked in the financial sector and currently consults in that area as he grows his healthy vending business. The franchise concept was a plus for Walters, although he knows he could have bought the equipment for a less



expensive price and sold healthy products on his own.

"As I thought about it, brand was important and brand extensions would be important," he said.

The franchise gave him access to an established healthy brand name. Currently, Walters services 23 machines. His average item sells for \$2.50. "A lot of these food items are significantly more expensive [than traditional vending items]," he admitted. His biggest hurdle is that consumers are not as aware of the products or brands he offers in his machines, especially when they previously had traditional vending. Many of the products are produced by smaller companies that aren't national name brands.

To give consumers a chance to taste the products, Walters offers a box of product free to a location for events, usually a lesser known brand.



I won't take
a location
that isn't a
good fit.

Todd Weishaus, Fresh Healthy Vending Franchise Operator, Michigan

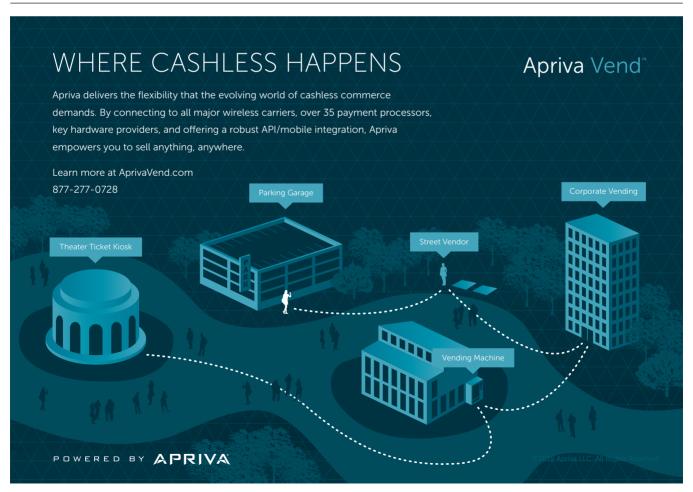
"Once people become familiar with the brands and products, they find something that fits their taste palate," explained Walters, "which drives organic growth at a single location."

Walters feels very positive about his business and is expecting to make \$350,000 in annual revenue with his current projections.

Schools are another location where healthy vending machines are

very popular, especially with the new Smart Snacks in School Standards in place. Mandated by the federal government, these standards establish minimum nutritional guidelines for snacks in school vending machines.

Todd Weishaus, a Fresh Healthy Vending franchisee in Southeast Michigan, has been placing machines for 3 years and finds middle and high schools ideal locations. "Schools are



a home run," he said, "even though it takes a long time to get into a school due to existing contracts and the many levels of decision makers there are."

Weishaus employs a full-time driver to fill his 50 machines. He performs the accounting for his company, Fresh Healthy Vending of Michigan, maintains inventory in the warehouse and reviews location leads provided from Fresh Healthy Vending. This last duty has been imperative to his success. "We need to find locations that maximize sales. I won't take a location that isn't a good fit," he said. He believes this is why other franchisees may fail and opt to sell their routes and equipment.

"Everyone [the franchisee and franchiser] has incentive to place the machines as quickly as they can," he said. "When you do that, you get locations that aren't so great."

Weishaus is picky about his locations, aiming for high traffic places that produce a high volume of sales. "These machines perform very well in the right location," he said. Each vender brings in over \$60 in sales per day with an average item price of \$1.50. If the location turns out to bring in less revenue than expected, Weishaus has an optimistic view. "That's the beauty of this business. It's a machine, not a brick and mortar business that you're buying. You simply pick it up and move it," he said.

Take-aways

Traditional operators should be able to relate with what healthy vending operators know to be true — that the preference of a location can mean big sales of better-for-you products, or few. Schools are a prime place to sell healthy offerings in a vend-

ing machine as there are few snack alternatives. Fitness related locations or businesses that are health-focused are also good potential locations for this type of selection.

Finding new products that meet guidelines and have a popular taste profile is difficult and the products can be more expensive. The industry will have to look at multiple distribution channels to meet this need, some of which have been cultivated by the healthy vending franchises. This represents an opportunity for the traditional industry to partner with healthy vending providers, as does a growing brand awareness among consumers. Can traditional vendors overcome their convictions about healthy vending and form partnerships? Can healthy vending operations grow into multi-generation companies? Time will tell.



Is it time for an employment attorney?

By Heather Bailey, Contributing Editor

Avoid the anxiety and rush to act when employment issues develop — choose the right time to get a legal professional involved in your business.

"I'm Late, I'm Late For A Very Important Date, No Time To Say Hello, Good-bye, I'm Late, I'm Late. I'm Late!"

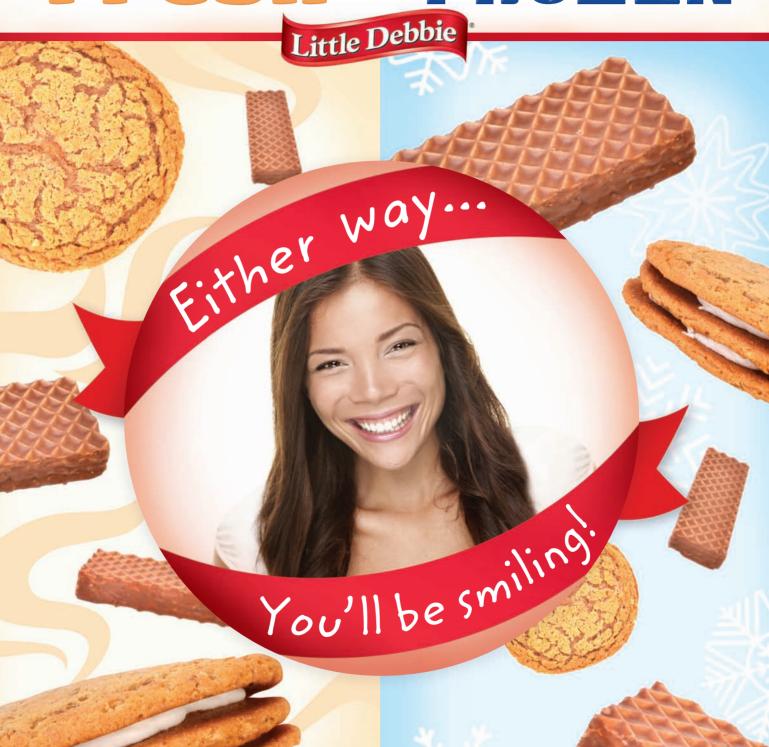
- The White Rabbit from Alice in Wonderland (1951)

hen to hire an employment attorney is a dilemma many employers — large and small go through when trying to run their companies. Fortunately for some, this is a non-issue because the company never needs to deal with a lawsuit, a Department of Labor audit, an Immigration and Customs Enforcement (ICE) or Occupational Safety and Health Administration (OSHA) investigator knocking on the door, or a Union campaign. But, let's be realistic. Unfortunately for many, the need for counsel just comes too late, lead-

> heads of owners and human resource professionals include: Am I paying my employees correctly (like salaried or commissioned route drivers and overtime)? Did minimum wage change again? Can I deduct uniform costs or shortages from my



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employees' paychecks? What is family medical leave? Is my handbook a contract? Am I fine to discharge this employee? What makes a disability accommodation reasonable? Is my warehouse safe for employees? What notices do I have to post in the break room? Do I have to give my employees benefits?

While you do not want to be like The White Rabbit from *Alice* in *Wonderland*, there really is not a clear answer as to when is the right time to get an employment attorney involved in your business. However, this article can offer some guidance to ensure better protection. There are a number of phases to take into account.

New companies benefit from counsel

First phase. For companies just starting out, having an employment labor attorney to consult with is key. Again, any missteps upfront lead you down the path of The White Rabbit when issues occur later. For example, an employment attorney can prepare a sound handbook, advise you on the required employment notices that must be posted at your establishment or risk fines (e.g., OSHA Form 300A summary of injuries log, Equal Employment Opportunity (EEO), wage and hour, pay day and FMLA notices) and even explain to you the different types of reporting requirements for laws such as OSHA's new reporting requirements for 2015, requiring that



Have knowledge and skill set in employment law — A good employment attorney is going to have resources available to him or her to stay on top of the changing employment laws in your state. It is not an overstatement to say that federal, state and local employment labor laws change on a daily basis. You want your attorney to appreciate this and be one step ahead of the game.

Be referred by someone — Asking for a referral from a fellow business owner is a great place to start. "If it ain't broke, why fix it?"

Contribute to the industry or community — Most industries have their own trade organizations that can make great recommendations of attorneys they have worked with or who have contributed to their publications. Again, the mindset of keeping with the experience and knowledge in your industry is important. If those resources fail you, contacting your local chamber of commerce is also a great way to network since many chambers work directly with experienced employment labor attorneys who focus on businesses.

Be an approachable advisor — A good employment attorney makes you his or her priority, becomes a trusted advisor and counsels you with confidence and efficiency.

Open discussion of fees — It is also good to address attorney fees and the scope of work to be done ahead of time so there are no surprises.

employers report to OSHA all incidents requiring in-patient treatment for just one employee and the deadline to file your EEO-1 report. If you've been in business for a while and have not done this, don't fret. You can always stay ahead of the game and have an employment attorney audit your policies and practices now to make any necessary adjustments to reduce any exposure or risks in the event your employment practices are not up to snuff.

Second phase. I call this phase "maintenance". Once you know

you have all the bells and whistles in place, you can feel confident to run your business and do what you do to make money — that's why we are in business, right? Now you shouldn't feel the need to have to run to your employment counsel on every single employee decision (let's be honest — attorneys cost money). However, employment issues will rear their ugly heads, like drug screens or background checks gone bad, complicated employee discharge decisions, or keeping up with the changing employment and labor laws. For these complicated situations, that's when you can seek guidance once again from your attorney. I always say, we cannot stop employees from suing, but when they do, we'll have



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the best defense as possible. When you are this ahead of the game, you are that much more prepared for any issues that come down the rabbit hole later.

When the worst happens

Third phase. The final phase is the dreaded confrontation with the process server where you are handed a complaint and summons or a charge from the EEO Commission or the surprise visit from OSHA or ICE. If you've done your homework up until now, these instances do not seem so scary. You know exactly who to call

— it's not Ghostbusters — it's your employment attorney with whom you've already consulted and trust to handle this bump in the road. This attorney now knows your business and knows what systems, policies and practices you have in place to protect the company. You're not caught with the Pandora's box of employee evils because you are equipped to defend the company to dissolve these types of employee disputes, hopefully sooner rather than later.

In the end, as a business owner, you want to focus your energy towards operating a successful com-

pany, not defending yourself against employee issues. Unlike The White Rabbit, have the time to say "hello, good-bye" with your customers and vendors and leave the employee issues to the professional who is there to make your life easier so you can sleep at night.

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UNLIKE The White Rabbit, have the time to say "hello, good-bye" with your customers and vendors.







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Are you ready the future?

By Paul Schlossberg, Contributing Editor

A lot can happen in five years. Here's what the vending, micro market and **OCS** industry might experience will you be ready?

he business we are in today is not the same business we will be come the year 2020. Our channels are up against competitors driving change and innovation at an accelerating pace. Instead of simply trying to catch up, the industry has no choice but to move aggressively. Jack Welch, formerly the CEO of General Electric, said, "If the change outside your business is happening faster than the change inside your business, you are going to be out of business."

Don't let that be your business. Plan for the future, even if it is as soon as five years down the road.



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Millennials will cause the change

Perhaps you've heard about 'disruptive technology or innovation.' A great example is video rental stores. Blockbuster stores were relegated to history's trash bin by Redbox and Netflix. Other brands following Blockbuster's lead include Kodak, Radio Shack, Border's Books, Linens 'n' Things, Circuit City and F.W. Woolworth Company.

The most disruptive event for vending right now is the people we are serving. They are changing. According to an article in *Fast Company* magazine, in 2015 Millennials (those born from 1981 to 1996) will be the majority of the workforce. They are remarkably different from their parents' generation. Their eating habits, shopping behavior and high-rate of technology usage will force our industry to change. Already technology has

taken hold in the U.S. at a faster rate than in recent history. (See *Technology usage is increasing* sidebar.)

Although as an industry we are not very quick to innovate (it's not a flaw, just a fact), there have been successful developments including: (A.) The BevMax bottle-drop machine, which allowed operators to expand product offerings as the cold drink category exploded with more product alternatives. (B.) Single-cup brewing, which gave OCS operators a way to compete more effectively against the coffee shops. (C.) Largesize single-serve snacks, which were all but instantly accepted at sandwich shops and on-site foodservice locations. They took years to gain traction in vending (spirals had to be changed out to accommodate the larger bags), but allowed the industry to compete with retail.

The forecast for the next 5 years

Early each year there are predictions and forecasts exploring the trends for the next 12 months. Given the disruptive events and the technologies that did gain traction in vending, this is what the year 2020 might hold for us:

Beverages:

We will be selling few if any 12-ounce cans or 20-ounce bottles. It will be individually customized beverages from equipment like the Coca-Cola Freestyle or the Pepsi Spire. There are also other innovative developments which will impact our cold drink sales such as the Keurig Kold™ system.

> What does this mean for us?

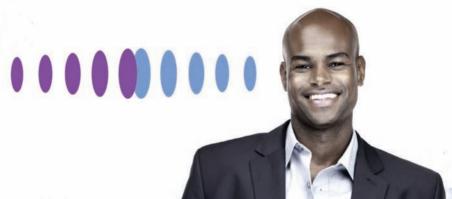
You can deliver far more variety and offer customized beverages at every location. You can do it with less space and without the need for vending





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machines or refrigerated cooler doors. Daily operations will change dramatically. No more hauling the weight and bulk of packaged cold drinks. That leads to smaller vehicles in your fleet. Service times will be much faster since bottles and cans won't have to be merchandised in machines or on shelves. Route techs will be able to service more locations each day. If single-cup brewing revolutionized the hot beverage categories, imagine the impact of cold single-cup drinks in the \$50 billion+cold beverage business.

Cashless:

Many, maybe all, locations will stop accepting bills and coins. Payments will be dominated by pay-by-phone or from other smart devices. Odds are that credit and debit card payments will have a much smaller share of transactions in all retail channels.

> What does this mean for us?

Daily operations and accountability will be simplified. Fewer bills and coins to handle — maybe none. Security and theft issues will be, hopefully, minimized (maybe eliminated). Daily transactions at locations might increase just because people can complete transactions faster than dealing with bills or coins. Again, route techs will be able to service locations at a much faster pace — meaning real productivity gains for operators.

Private label products:

This is difficult for me, because all of my experience, insights and beliefs come from branded products. But, and it's a tough one, the huge retail brands and the convenience retail brands are headed towards a greater emphasis on "own label" business models. These products will be much better than 'cheap, poor-tasting products in drab packaging.' Expect to see really good products and highly-appealing packaging.

Why our industry tends to be slower to innovate:

The broader industry we are in, which is foodservice — or food-away-from home — is similar in being somewhat slow to innovate. There have been four primary factors holding back the pace of change:

- Heavy investment in "sunk costs" for the assets we have deployed. Consider our "hardware" the vending machines, peripheral devices, OCS brewers, foodservice equipment and merchandising display racks at our locations. Today's equipment has more functionality, more features far more versatile than what we used 20 years ago.
- Similar sunk costs for the companies supplying our industry. Think about the factories which manufacture all of the equipment and devices we use. That's a lot of "metal, wires and electronics" to be produced and assembled. Today's equipment is more reliable longer useful asset life versus what we used 20 years ago.
- The products and packages we sell are essentially unchanged for decades. This is not a negative. Until recently we've been limited to selling products which must fit in a vending machine. That is a tough packaging constraint for product suppliers. While there have been changes in packaging sizes, shapes, and net weight/volume we still sell bottles, cans, bags and some boxes. There have lots of line extensions some have become hugely successful. Micro markets have changed our product mix in ways few expected.
- Our time perspective must change. We tend to look backwards, perhaps a year or two to see how we are progressing, better or worse, versus the most recent trend line. When we look forward it's not much beyond the next year. Like the restaurant business tomorrow morning is risky for us. For a restaurant manager, the day will be bad if the produce order does not come in or if the staff does not report as scheduled. It's similar in our business we're in trouble if the next product delivery is late or if the warehouse or route personnel are not in that morning. That 'tomorrow morning-time hurdle' is critical for us on a daily operations basis. We need to raise our eyes and look a few years ahead to see what we must do to survive and prosper in the future.

An excellent quote describes the challenges we face. The source, (the late) David Carr, who wrote in *The New York Times* about technology and media, said, "...a legacy industry will default to legacy assets and ride them down to the bitter end."

The question we must answer is "Will our legacy assets be adequate for our industry to succeed in 2020 and beyond?"

> What does this mean for us?

Club store giants have successfully established their own brands across many product categories. Some convenience store chains are offering branded snacks and beverages in single-serve packages. Recent data from syndicated market tracking services shows that retail private label is increasing marketshare in many

product categories. The real test in our industry will be in the cost/margin/value/taste framework. If operators can acquire credible products, they can offer these products at "lower" price points, a better value versus branded products. My advice? Watch the convenience store channel. What happens there will be a signal for what we should expect in the future.



Annual Route Driver of the Year Awards and a chance to win a trip to the 2016 NAMA OneShow in Chicago.

He or she could be the lucky winner of one of four quarterly cash prizes, or the grand prize winner of a trip to Chicago to attend the 2016 NAMA OneShow.

Every route driver nominee will receive a baseball cap embroidered with the *Automatic Merchandiser* logo and the words: Route Driver of the Year nominee.

Quarterfinalists will be featured in a one-page profile in **Automatic Merchandiser** magazine in 2015. They will also receive a \$250 cash prize.

The grand prize winner will receive a trip for two to Chicago, Ill., to attend the NAMA OneShow and receive their award. The grand prize winner will also get a TV. The 2016 Route Driver of the Year winner will be profiled, along with the winner's company, in the April 2016 issue of *Automatic Merchandiser*.

To nominate a driver or view complete contest rules, visit vendingmarketwatch.com/awards/route-driver-of-the-year















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Nominations must include route driver name, company name, address and telephone of the nominee, as well as the name, company name, address and telephone number of the person submitting the nomination. Nominees must be employed as a route driver of a vending operation on April 30, 2016. Entries will be reviewed by *Automatic Merchandiser* personnel ("the judges"). Determination of the winners shall be made by the judges in their sole and absolute discretion, and such determination shall be final and binding.

Transparency:

That means that shoppers get to see and know more about what they are buying. It is bigger than just food and beverages — but we will keep it to the categories we sell.

> What does this mean for us?

We must go beyond providing nutritional information and allergen details. It won't be due to government regulations. People are really interested about the sourcing of the things they eat and drink. Part of it is about food safety. A newer angle is to know that what we consume has been responsibly sourced without 'exploiting' farmers or workers. If our industry doesn't do this well, we risk turning off potential shoppers.

Food (and snacks too):

Micro markets have helped us raise

Technology usage is increasing

A look back at technology and how much faster new technology has taken hold in the U.S.

When?	The innovative development
1930	Half of America had a radio
1946	Half had a telephone
1981	IBM introduces the personal computer
1988	More than half of America has Cable TV
2007	Apple introduces the iPhone
2011	Media proliferation: 1,700 television channels and 14,700 radio stations
2013	More than half of Americans have a smartphone
2015	The Apple Watch will be introduced – not the first "wearable" device – but it is the most awaited – while our industry is working on accepting credit and debit cards – before we know it young people will be figuring out how to pay from their wrists.

our horizons for food and snacks as part of our menu. We must address

the complexity of offering variety, providing freshness, avoiding high



stales costs while minimizing outof-stocks and seeking ways to deliver on customized foods. That last point, customization or personalization, is a critical purchase decision factor among the shoppers we serve, especially Millennials, Gen X and Gen Y.

> What does this mean for us?

Convenience stores are ramping up their foodservice programs — especially made-to-order sandwiches, salads and more. This will be the most demanding and potentially profit-building (or maybe profitdraining) menu issue in the next five years.

Delivery:

Here is something you're not thinking about as a competitive threat. It is the "last mile" with a new ending. You've seen the news stories about drone delivery by Amazon (and other companies). Maybe it will be drones. Maybe not. It doesn't matter. What they want to accomplish is same-day delivery — probably in less than two hours after the order is placed. People at locations we serve will be able to order beverages, snacks and possibly fresh food for delivery in two hours or less. They'll see it as even better than brown-bagging. Why bring it from home if you can get it delivered (at prices comparable to what it would cost at a supermarket)?

> What does this mean for us?

These companies want to steal share from other channels of distribution. In a Fortune magazine article, Jeff Bezos, the Amazon CEO, said, "Your margin is my opportunity." The companies pursuing home delivery will eventually realize that they can sell and ship to the people at the locations we service. You're saying, "That will never happen." It is happening now. People have packages shipped to them at work — because no one is at home to accept the package. Before we

know it, those packages will include beverages, snacks and food.

This view of the future is meant to be thought-provoking. It is not an absolute prediction of the future. Our competition is far in front, but we can leapfrog ahead with very wellexecuted strategies and tactics. Don't wait for tomorrow. Start right now.



ABOUT THE AUTHOR Paul Schlossberg is the president of D/ FW Consulting, which helps clients merchandise and market products. He can be

reached at Paul@DFWConsulting.net or 972-877-2972; www.DFWConsulting.net.





By Adrienne Zimmer, Managing Editor



We asked and you voted for the must-have products that were introduced in 2014.

ew products invigorate the vending industry. They also drive sales for vending operators and keep the customers coming back to the break room. This year Automatic Merchandiser and VendingMarketWatch.com asked readers to vote for their most profitable, best-selling or most requested new products in nine separate categories. And readers answered. More than 450 people went online to cast their vote for their favorite products, and chose from more than 60 nominees to pick only nine winners: the must-have products of the year.

Health conscious consumers

Leaders in retail segments are oftentimes leaders in vending, too. That includes the consumer shift towards healthy-focused items. In 2014, Packaged Facts found that consumers continued yearning for food that is fresh, fast and healthy. Consumers are not only paying attention to the food that they purchase, but they are putting an emphasis on the ingredients that are included within their food. Health-focused winners included Biscomerica's Sun-Maid Blueberry with Greek Yogurt Chips Cookies and Mondelez International's WHEAT THINS Popped. These products meet a growing demand for "healthy" items with a powerful flavor profile.

AdvancePierre™ Foods continues its reign as the food category champion with its BIG AZ® Chicken Bacon Cheddar Club, reflecting Technomic's find that in addition to healthy eating, sandwiches are a key platform for lunchmenu innovation.

Although healthy eating is up, consumers are continuing to retain a sweet

tooth. "Health and wellness is a big trend, but it is not the *only* trend," said Stacey Inglis, senior vice president of marketing/research & development at Steuben Foods, Inc. "Everyone needs something indulgent now and then." Chocolate is still a majority winner with Mars Chocolate North America's MILKY WAY" French Vanilla and Caramel, Flowers Foods' Mrs. Freshley's® Peanut

Butter Flavored Swiss Rolls and Steuben Foods' Cold Stone™ Creamery Chocolate Fudge Brownie Milk Shakers™ taking gold in the candy, pastry and cold beverage categories, respectively.

A segment that continues to be a power player for vending, office coffee service and micro market operators is the hot beverage category. The National Coffee Association found that coffee is Americans' favorite daily beverage next to water, with 59 percent of Americans saying they drink coffee

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Products of the Year

CHOICE

each day. It comes as no surprise that a must-have product in locations — and the overall hot beverage category winner — is **Kraft Foodservice's Gevalia Pumpkin Spice Espresso**.

This year reader votes reflected a move towards technology innovation and consumer engagement with the wins of the **PayRange System** in the technology category and **Crane's Merchant MEDIA** in the equipment category.

Customer engagement

PavRange

Technology

Merchant MEDIA

machine by Crane

Mobile payment is slowly growing with consumers and vending won't be left behind in the mobile payment race. Mobile app and hardware

PayRange was voted the best new product

in the technology category. "We hear from our customers that because our solution was developed for operators by an operator, the simplicity and pricing is allowing them to offer a payment solution desired by consumers that works

for them as well," said PayRange CEO and Founder Paresh Patel. "We're happy to play

our part in ushering the vending industry into the mobile era."

PayRange was announced at PYMNTS Innovation Project 2014, held at Harvard University in Cambridge,

MA. The PayRange system includes Blukey™

hardware, a mobile app and service. It also enables existing vending machines to accept mobile payments simply and economically. "We're honored to have been voted by readers to be the no. 1 technology product of the year,"

said Patel.

Not only is machine payment expanding, but consumer engagement with and at the vending machine is expanding,

too. Crane's Merchant MEDIA was awarded the best new product in the equipment category. "Merchant MEDIA offers operators a breakthrough vending solution with integrated cashless, a 7-inch media screen and shopping cart features all designed to provide a game changing consumer experience," said Steve Turner, vice president of snack, food and cold beverages at Crane Merchandising Systems. "Our MEDIA platform, which includes applications for custom storefront, digital product advertising, healthy solutions and Intelligent StoreTM, attracts and engages consumers and has proven to drive same-store sales growth for operators."

Food flavor trends

Biscomerica's Sun-Maid Blueberry with Greek Yogurt Chips

Cookies was voted best new product in the cookie category. Biscomerica expanded its licensing partnership with Sun-Maid Growers by creating a variation off of its line of Sun-Maid raisin cookies. Sun-Maid, a leader in the retail dried fruit category, introduced a unique, quality cookie recipe using Sun-Maid blueberry pieces combined with popular Greek yogurt chips at only 210 calories per pack and 0 grams

Trans Fat. "Biscomerica is honored to receive the award for best product cookie category as it is voted on by the vend operators — a true testament that the product has been very well received by the vend industry consumer," said Kathy



IN 2014, there was a move towards technology innovation and engagement.

MRS. FRESHLEY'S WINS 2015 PASTRY PRODUCT OF THE YEAR



O'Brien, vice president of sales/vending at Biscomerica Corporation. "Thank you for voting for Sun-Maid Blueberry with Greek Yogurt Chips Cookies."

In line with consumer demands for better-for-you products,

WHEAT THINS
Popped was voted
the best seller in
the salted snack
category. WHEAT
THINS Popped are
available in two flavors, Sea Salt and
Sour Cream & Onion
with each serving
containing only 90
calories, no cholesterol, no HFCS, no

partially hydrogenated oils and no artificial flavors or colors. WHEAT THINS

Popped deliver a light and crunchy popped chip with 7 grams of whole grain per serving.

AdvancePierre™ introduced to its BIG AZ line its first grilled chicken offering, the BIG AZ® Chicken Bacon

Cheddar Club, which was voted

the best selling product in the food category.

According to Technomic, chicken sandwiches are one of the fastest-growing sandwich segments and have gained popularity in the quick-service restaurant and casual dining industries. "AdvancePierre™ Foods is

honored that our BIG AZ® Chicken Bacon Cheddar Club was voted to be the 2015 food product of the year by *Automatic Merchandiser* readers," said Nancy Todys, vice president of convenience marketing at AdvancePierreTM Foods. Todys believes that the company's newest addition to the BIG AZ line reflects consumers' growing preferences for grilled chicken and club sandwiches as well as their continued desire for big value.

Partnership and innovation

Manufacturers are looking outside the box to innovate products and drive sales for operators. Brent Bradshaw, Flowers Foods' vice president of marketing, believes that innovative products and new partnerships with popular brands are what drive excitement. **Flowers**

Foods' Mrs. Freshley's® Peanut Butter Flavored Swiss

Mrs. Freshley's®

Peanut Butter

Flavored Swiss Rolls

By Flowers Foods

Pastry

Rolls won over the voters in the pastry category. Peanut butter enthusiasts appreciated the product's variation on the traditional cremefilled cake, which combines REESE'S® Peanut Butter filling with chocolate cake covered in a peanut butter-striped, choco-

late-flavored coating. "I'm proud of our team's hard work and we're thrilled to receive this recognition," said Bradshaw.

In the candy category, the winner Mars Chocolate North America added a new twist on a customer favorite with the MILKY WAY® Brand French Vanilla and Caramel Bar. The new flavor is a combination of creamy caramel and smooth French vanilla-flavored nougat covered in milk



Wheat Thins Popped

By Mondelez International

Salted Snack

CONSUMERS are putting an emphasis on ingredients.

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chocolate. It expands the brand's reach and entices consumers to taste an exciting new flavor from a brand

they already know.

Milky Way® Brand
French Vanilla and
Caramel Bar
By Mars Chocolate
North America
Candy

Cold Stone™ Chocolate

Fudge Brownie

Milk Shakers™

By Steuben Foods

Cold Beverage

"We're thrilled that MILKY WAY® Brand French Vanilla and Caramel Bar won the Automatic Merchandiser 2015 Product of the Year award," said Heather Kang, senior director of progressive markets for Mars Chocolate North America. 'Vanilla flavor is a grow-

ing trend, and consumers are excited to taste it in their favorite candy bar."

In order to reach a market of consumers looking for both a beverage and a snack, **Steuben Foods** partnered with **Kahala Brands** to create a new shake, **Cold Stone™ Chocolate Fudge Brownie Milk Shakers™**, winner of the

cold-beverage category. "Spe-

cialty shakes are hot in desserts right now," said Inglis. "They straddle the line between beverage and snack, and have all kinds of markets. So, we partnered with Kahala Brands and decided to make the best shake there is — something really worth indulggin. Not only this, we led to do it aseptically, here are no real limits

ing in. Not only this, we decided to do it *aseptically*, so that there are no real limits to where you can enjoy it. Cold Stone™ Milk Shakers™, our first

licensed product, is the result." The product contains a blend of reduced fat milk, cream, brownie and fudge flavors. The new ready-to-drink beverage offers an opportunity to bring consumers the authentic and distinctive taste of Cold Stone Creamery in a convenient bottle.

The NCA found in its 2015 National Coffee Drinking Trends report that 59 percent of Americans drink coffee each day. Espresso-based beverages are significantly more popular among consumers ages 18 to 39. It comes as no surprise then that readers voted **Gevalia Pumpkin Spice Espresso** as the winner of the best hot-beverage drink. "We are honored that our customers voted Gevalia Pumpkin Spice Espresso as *Automatic Merchandiser's* hot-beverage product of the year," said Paul Kinter, senior

associate business manager, Kraft Foodservice. "It creates a delicious pumpkin spice specialty beverage that embodies what our customers love about Tassimo Professional."

Don't miss out on an opportunity to provide your customers with these musthave products.



Methodology

Products of the Year were voted on by more than 450 *Automatic Merchandiser* and VendingMarketWatch.com readers in a period between January 2015 and February 2015. All winners honored were introduced in a 12-month period from January 2014 to December 2014. All nominees were submitted to editorial staff throughout 2014.

OVER 450 readers voted for 2015's New Products of the Year.



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Rodney Montgomery Imperial, LLC, Tulsa, OK

Rodney Montgomery of Imperial, LLC crowned Route Driver of the Year

By Adrienne Zimmer, Managing Editor

WHEN RODNEY Montgomery

stepped into his first day of high school Algebra, he saw a sign on the chalkboard that read, "Never settle for mediocrity. Always ask yourself *Why not excellence?*" Dur-

ing his last twenty years as a route driver for Imperial, LLC in Tulsa, OK, Montgomery has been working by that motto.

The overall 2014 Route Driver of the Year winner, Montgomery treats each day as a new opportunity to surpass mediocrity by providing the best service to his customers, finding new ways of becoming more efficient on his routes and using technology to increase profits. "I don't want to be mediocre," he said. "Whatever I do, I want to be the best."

The five year plan

In 1995, Montgomery came into the vending industry by chance. At the age of 25 he had been working nights as a manager for

UPS. He liked the work,
but he and his wife,
Jenny, were expecting
their third child and
working night hours
was not going to
be an option. An
opportunity to
take a job with
more flexible
hours and better
pay came one
day when an

old friend called
Montgomery and
told him that Imperial LLC had an area

rial, LLC had an opening for a route driver.

"Working in the vending industry was part of my five year plan," Montgomery chuckled. "At 25 I was headstrong and confident that I could do anything I put my mind to," he said.

As it turned out, Montgomery enjoyed vending. He enjoyed the freedom and pride it gave him and his five year plan became a thing of the past. On Jan. 3, 2015, Montgomery celebrated his twentieth anniversary at Imperial, LLC.

Technology transformations

One thing that has kept Montgomery going as a route driver has been the transformation of his job due to technology. It has become easier, he says. "When I first started as a driver I'd have to turn in my own orders," he recalled. "I'd pull up to a stop, go in and count my machines down. I'd come back to the truck, pull the product and then go back in. It was set up static so I had a schedule of when and how often I'd go to stops."

Profile: Imperial, LLC

Year founded: 1979

Location: Corporate
Headquarters in Tulsa, OK
Offices in OKC, OK; Lawton,
OK; Muskogee, OK; Fort Smith,
AR; Russellville, AR; Mtn.
Home, AR; and Springdale, AR

Number of employees: 500 Number of routes: 112 Annual sales: More than

\$55 million

66 I don't want to be mediocre. Whatever I do, I want to be the best. ??

Today, telemetry and the vending management system (VMS) work together to tell Montgomery which machines need to be filled. Pre-kitting has also helped streamline the process when he gets to the warehouse at 4:00 in the morning. "We have a crew at night that pulls all of the orders and loads our trucks. Now we grab the exact product that we need and go in the building one time," said Montgomery. "With technology I can do double the work in the same or less amount of time."

Montgomery believes that all of the technological advancements have helped the longevity of route drivers. He doesn't see a lot of turnover anymore. But he does see a difference with the hiring of the younger generation. "Millennials want what I have immediately, instead of sticking around for a few years and working their way up," he said. Nicknamed "the old man," Montgomery says he likes to regale the younger crew with stories of the 1990s, when technology was minimal. "When I used to go into locations and carve things on stone tablets," he joked.

Montgomery knows that being a successful driver means more than coming in for the job. "You have to show up on time, do a good job, be friendly with customers and always look for ways to be more efficient," he said.

Until the job is done

Montgomery tries many things in order to find the most efficient way to service a location. Rather than splitting two cases of soda, he will



The 2014 Route Driver of the Year award will be presented to Rodney Montgomery at the NAMA OneShow in Las Vegas, NV, on Wednesday, April 22 at 4 p.m. Sponsored by Mondelez International and *Automatic Merchandiser*, the contest nominees are given a score based on years as a driver, miles traveled, customer satisfaction and nominator comments.

take both cases into a location. He also keeps his truck clean as he goes through the day and works with the pre-kit crew in planning the best location for product in his vehicle. "That way when I get into my truck everyday I know exactly what I have and where it is," he said.

Montgomery's passion for excellence led him to leave route driving for a management role early on. After six years, however, he came back; he missed the independence and satisfaction of being a route driver. He also missed his customers. "I liked my route and I enjoyed being responsible for my machines," he said. "The best part of my job though is interacting with my customers."

When Montgomery began at Imperial, owner Paul Tims would say, "We never want the customer to suffer any longer than they have to," which is why customers are Montgomery's number one priority. In fact, he has never missed a day of work and has serviced locations with a hurt back, sprained ankle and broken hand. "My responsibilities are mine to handle," he said.

Looking ahead

When asked about the hardest part of his job, Montgomery says there is no hard part. "Technology has solved so many problems and hardships that used to come with route driving. When I think back to what it used to be versus how it is now, there really is no hard part," he said.

"For me, I never come in dreading this job," he said. "I know I'm going to come in and see the same people everyday, but I know them by name, I know their kids and what they are doing in school." Montgomery has in every way excelled beyond mediocrity. His attitude and actions have led him to become the 2014 Route Driver of the Year winner, a distinction that would not have been made possible without his nomination by Imperial General Manager George Berry. "I am thankful to Imperial for everything they have done for me," Montgomery said. "Despite my hardheadedness early on, they saw something in me and kept me on staff." He also thanks his family for their continued support.

Montgomery does not know where vending is headed, but he is excited to be attending his first NAMA OneShow in Las Vegas to see the newest innovations and technology for the future.







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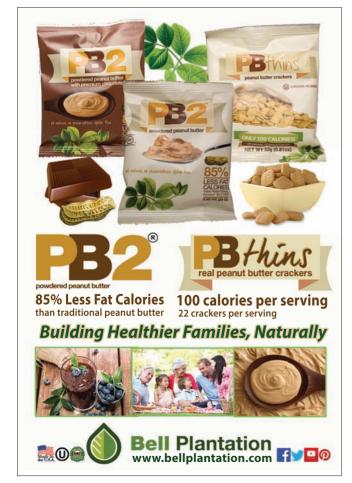


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PRODUCT NEWS



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Mrs. Freshley's Cinnamon Twirls combine a classic sweet roll swirled with a ribbon of Cinnabon cinnamon. New Cinnamon Twirls made with Cinnabon cinnamon are available in a 3-ounce single serve 3-pack for vending and micro markets. The entire Mrs. Freshley's made with Cinnabon cinnamon line features new eye-catching packaging.

vendingmarketwatch.com/12050106



Crane Merchandising Systems announced the launch of VOCE Media, its newest hot drink machine that features coffee shop-quality taste. The VOCE Media range of up to 32 selections has the very latest retail coffee menus. VOCE Media employs proven Crane technology delivering class-leading reliability with customer data confirming up to 59 percent less service calls than competitor models and an extremely high operational up-time rate.

vendingmarketwatch.com/12052608

Pentair Foodservice has introduced the Everpure® Endurance® SC High Flow Water Filtration System which offers a capacity of up to 200,000 gallons and a flow rate of up to 15 gallons per minute. The system features two water outlets: one for fountain and drinking water applications, and one for coffee brewers and/or ice machines. The system both backflushes with clean water and forward flushes to remove built-up particle contaminants.

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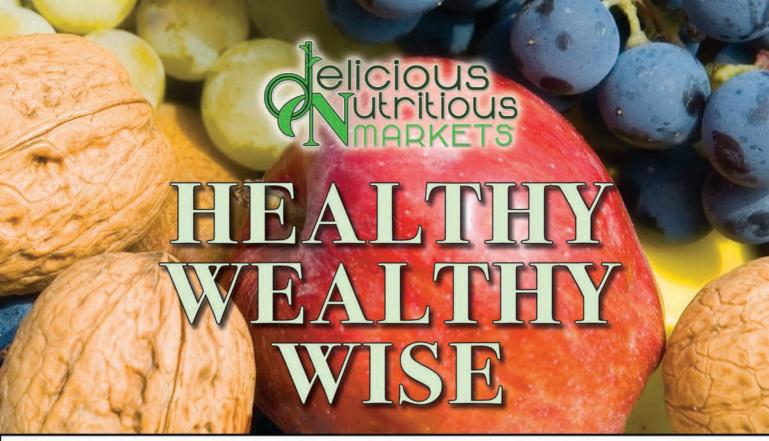
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