

# The Modern Vending Imperative

How to Leverage Technology to Increase  
Margins and Improve Efficiencies



## OVERVIEW: THE CURRENT INDUSTRY SITUATION

Although the vending industry has struggled during the post 2008 economic recession, it remains a \$20 billion industry. As the economy has begun to recover in fits and starts, the outlook for the industry has brightened. There is reason to be optimistic that the industry will see growth over the next five years as the recovery continues and customers begin to loosen their “discretionary income belts.”

To seize growth opportunities, however, vending operators will need to respond to changes in consumers’ product preferences as well as their payment preferences. That means meeting the unique demands for products for different demographics and locations and adjusting as quickly as possible as those preferences change (both in machines and in micro-market environments). It also means attending to consumers’ expectations that machines be more reliable in terms of being fully and appropriately stocked and operable and that they accept cashless payment. Merely accepting paper currency in addition to coins is no longer sufficient to assure customer satisfaction. Simply put, the right products must be available in the right machines at the right price points at the right times, and those machines must be in working order when customers approach to make purchases.

Ensuring these levels of business intelligence, business process efficiency, machine reliability, desired product mix and availability, and customer convenience is critical to making it in the 21st century.

## THE MODERN VENDING IMPERATIVE: REQUIRES AN END-TO-END APPROACH

***“People who don’t adopt technology will fail. They won’t be around because the cost of distribution is going to kill them.”***

– Royal Vending

***“Commissions were a differentiator at one point but that is the old model. Now with technology, we can start offering new things, loyalty programs, product mix and selection. We deliver a better experience.”***

– CRH Catering

It’s undeniable that the vending industry has made quantum leaps beyond the old hand cranked gumball machines that were once the face of the vending industry. Still, the industry has lagged significantly behind other industries that have employed technology to automate business processes and gather data for analytical purposes in order to increase business efficiency, reduce costs, and increase revenues and profitability by catering to customer preferences and buying habits.

While some operators have begun to implement some technology to address the industry’s new and evolving business landscape, to date, they’ve largely taken a piecemeal approach to this. The rationale for this is partly economic; implementing technology can be costly and many operators remain apprehensive about the return they will see on their technology investments. While that is understandable, industry analysts and astute operators know that technology will enable and drive the future of the industry. Yes, it’s true that new technology implementation requires investment and a willingness to reach beyond operational comfort zones, but conducting business as usual is not an option if growth is important.

Technologies, like those we will discuss shortly, will help vending operators differentiate themselves from competitors, capture customer attention, improve the customer experience, and increase sales and profitability. This has been the promise of information and business process automation technologies for decades now, and that promise has been fulfilled in virtually every industry sector and geography.

*"People don't carry cash anymore, so the cashless solution pushed me over the edge. I will make 10% more sales with cashless."*

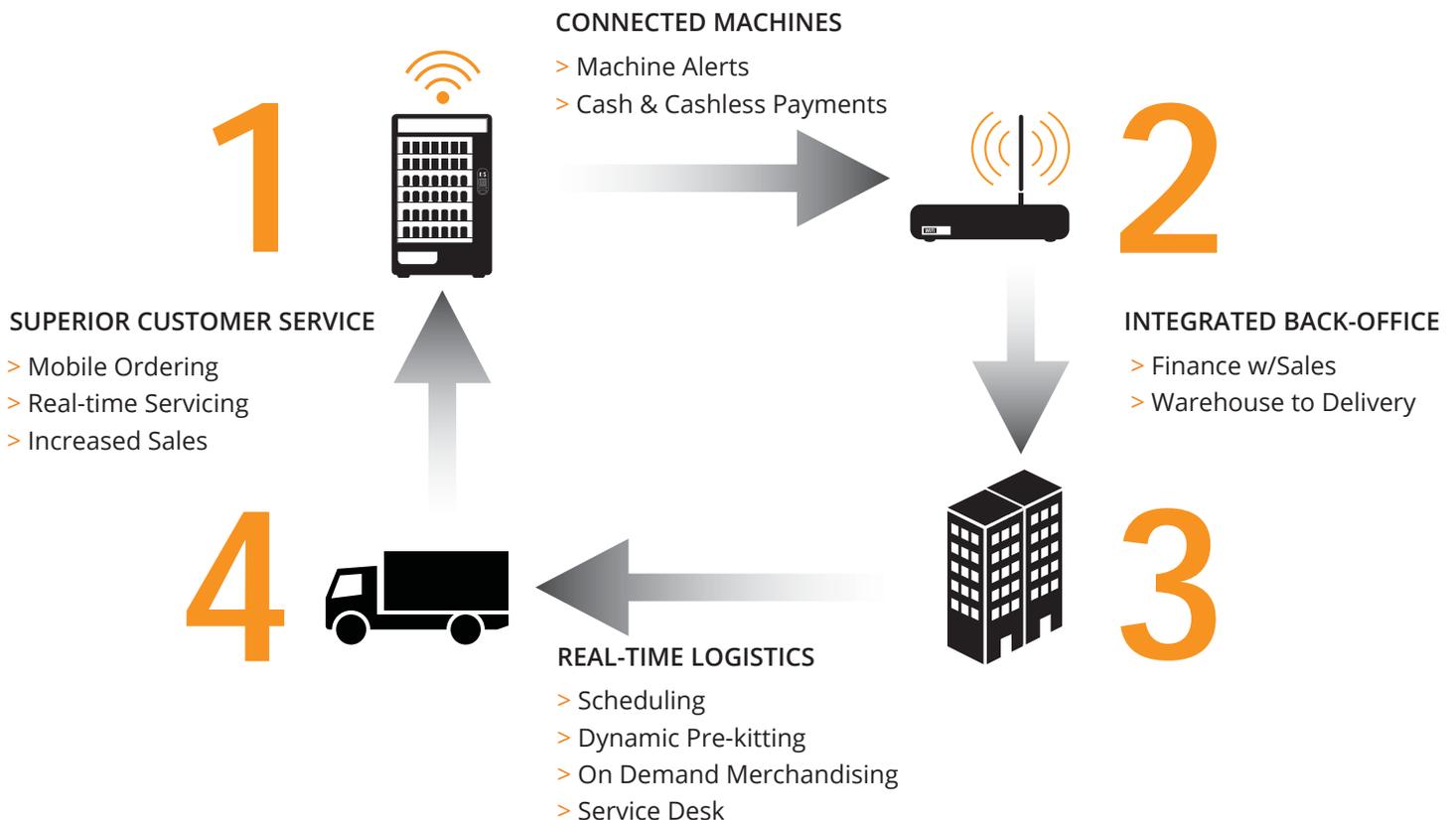
- VendEdge

Mobile field automation solutions, employing wireless connectivity and mobile devices such as smartphones and tablets, have already been deployed and proven effective in a variety of industries. They've increased the efficiency of sales and service personnel, improved customer service and driven significant increases to organizations' bottom lines. Now, these cost-effective, real-world proven technologies are beginning to transform the way vending operators run their businesses. In addition to delivering productivity and profitability increases, the fact that most employees are already comfortable using smartphones means that transitioning to the use of these new solutions requires very little training.

That's why the big winners in the vending industry over the coming decades will be those operators who understand this and commit to adopting modern, anytime, anywhere vending solutions that seamlessly integrate vending enterprises in a closed loop that encompasses customers, route drivers, maintenance personnel, warehouse workers, back-office staff and executive decision makers.

The decision is not whether to implement new vending technology. Rather, it is what technology to deploy – either all at once or in strategic phases – in order to create an end-to-end, highly efficient, increasingly profitable vending enterprise that rapidly responds to – even anticipates – customer preferences and expectations, and structures its business operations with them in mind.

What does such an enterprise look like? This diagram shows a typical, end-to-end model. It highlights the various integrated technologies that attract and retain customers, enlighten and empower decision makers, and increase efficiency at every step across the operational structure that lies between those two "end-points."

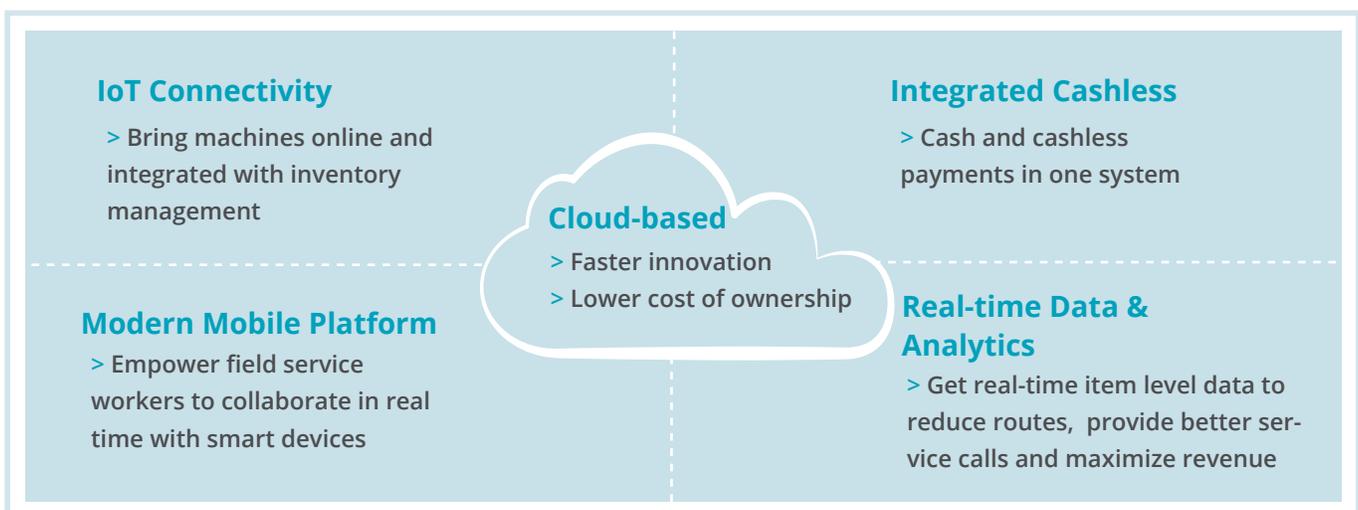


## TECHNOLOGY DEPLOYMENT CONSIDERATIONS

Deploying any technology can be costly and risky. Therefore, it is important to carefully evaluate your current operational schematic, existing and emerging business challenges and customer demographics before any deployment. You should also clearly articulate your business objectives and ROI expectations and keep them front and center when evaluating various technology options and implementation strategies.

To this end, it's very helpful to have an approach proven in comparable real-world situations. Based on over a decade of experience developing and implementing vending technology systems and on the experiences of hundreds of customers, we've found the following technology criteria to be a very effective guide. It provides operators with a proven approach produces positive returns on investment and positions them to address continuing evolution and innovations in the vending industry.

- **Internet of Things (IoT):** Bringing your machines online to enable you to be proactive rather than reactive in terms of inventory management, pre-kitting operations, machine maintenance and route optimization.
- **Cashless:** Allowing payment by means other than coins and currency such as credit card, debit card and smartphone payments to drive incremental unit sales, offer higher priced items and encourage increased customer spending.
- **Analytics:** Making real-time data and providing automated, actionable insights to meet business operational goals.
- **Cloud-based:** Relieving operators of the need to purchase, manage and maintain on-premise hardware and software systems while ensuring those business critical systems are always available and up-to-date. As an added benefit, cloud-based solution providers typically update their products at least twice a year, transparently delivering new features and functionality without the need for users to perform any installs, updates or on-device modifications.
- **Mobile:** Making field-service workers more efficient and more collaborative in real-time with office-based colleagues (while also significantly reducing equipment costs by providing them with powerful, less expensive devices than traditional brick style handhelds).



As you evaluate solutions intended to significantly improve your overall business performance, it's important to ask direct questions about whether the solution(s) will enable you to:

*"If a machine or device can report it needs refilling, that saves a field-force employee driving around checking on these things. Because of the improved visibility [provided by the technology], they only need to go where the attention is needed. That has a hard ROI for operators."*

– Rodney Gedda, Senior Analyst, Telsyte

*"We're seeing anywhere from a 10 to 30 percent total lift in sales."*

– Duncan Smith, Vice President of Operations, All Star Services (Speaking about the impact of cashless technology.)

- Reconcile cash and cashless transactions in one seamless process, and product inventory for every machine service visit.
- Dispatch service techs for machine malfunctions like failed bill validators, cashless readers, power outages, etc. alongside customer complaint call-ins.
- Calculate commissions and taxes without having to manually track the myriad of sales programs encompassing product type or incorporating cash discounting for cashless machines.
- Minimize the number of vendors you have to call to implement, manage and support your technology solutions, merchandising, scheduling cashless and route accounting.
- Deliver dynamic scheduling that leverages real-time data not latent data.

These are just some of the considerations vending operators need to look at to minimize complexity, consolidate reporting into one view of their business and automate operations for both cash and cashless vending. Piecemeal solutions can not offer this unified view of the business as compared to a tightly integrated system.

Operators who have recognized that leveraging technology is now an industry imperative have seen the benefits in terms of operational efficiencies and increased margins.

## SMARTER VENDING = MORE PROFITABLE VENDING

All Star Services, Inc. is a family run, Michigan-based business founded in 1963. Currently, the company has 16 vending and 3 office coffee service routes as well as 15 micro-market locations. Its vending enterprise includes more than 2,000 machines. All Star Services operates throughout Southeast and Mid-Michigan in 23 counties from four service locations.

Up until 2006, the company ran its operations based primarily on data it collected from its various route cards. Without up-to-the-minute visibility across its vending enterprise, however, its operations were not very efficient. For example, it knew how much product it was selling overall, but did not know what specific brands and items it was selling at each location. Without that kind of real-time inventory information, route drivers tended to overstock both their trucks and their machines. As Duncan Smith, the company's vice president of operations recalls, "We knew what we were buying, but we didn't know where we were selling it." The company was routinely making merchandising decisions based on guesstimates rather than on reliable, up-to-date data.

Faced with the challenges of increasing competition and costs and driven by the desire to create a smarter operation powered by new vending technology, the company took what some might consider a leap of faith in 2008 with the deployment of a vending management software system (VMS). The company equipped its route drivers with handheld devices, which allowed them to track item level sales by machine in order to get a better sense of what was selling and where.

All Star Services then decided to implement Cantaloupe Systems' Seed solutions for dynamic scheduling and routing. Shortly after that, recognizing the need to have a fully integrated, end-to-end technology solution, the company decided to implement Cantaloupe Systems' complete Seed Cloud vending solution to provide it with machine-to-machine connectivity, real-time telemetry, daily online reports of sales data and machine health. The benefits of implementing this end-to-end system have been positively transformative.

*All Star Systems technology investments have delivered impressive bottom line results. The company expects continuing innovation and technology investments to make it even more efficient and more profitable in the future.*

With current visibility across its operational enterprise, pre-kitting is now significantly more accurate. This has enabled the company to save money by eliminating 30 percent of its routes. At the same time, Duncan says, "Our drivers are doing 50 percent more dollar volume and going to an equal amount of machines, if not less, per day." With current information on machine health, fewer visits have to be made to check on them, which also saves money. With the ability to accept card payments provided by Seed Cashless, All Star Services has realized a 30 percent sales increase on its cashless enabled machines. Currently, about 50 percent of its machines are cashless. The company intends to increase that to 100 percent over a short period of time.

Looking to the future, All Star Services is very bullish on the growth it foresees thanks to its Cantaloupe Systems technology infrastructure. Duncan comments, "The more you promote, the more interest you create for your customer. Telemetry and cashless coupled with loyalty reward programs have allowed us to offer promotions to the customer that are similar to retail."

IoT/Telemetry/Analytics	Reduced routes, realized better merchandising, less out of stock product and less overhead with fewer and smaller vehicles on the road.
Cloud-based and Mobile VMS	Achieved real-time instant inventory adjustments, simplified IT infrastructure and greater accessibility.
Cashless	Saw 30% sales increase in locations just by adding readers.
Micro-Markets	Increased sales 20-25% doubled growth in fresh food sales.

## ABOUT CANTALOUPE SYSTEMS: SMARTER VENDING

Cantaloupe Systems is the vending industry's premier provider of cloud-based, mobile technologies that deliver an integrated end-to-end vending solution for cashless vending, dynamic route scheduling, automated pre-kitting and merchandising and inventory management — all accessible from any mobile device. Cantaloupe Systems' solutions enable vending operators to deliver better customer service, reduce costs and generate larger margins.

Using Cantaloupe Systems Seed Cloud products enables vending operators to know how to generate the greatest revenue and margin from each machine with optimized service efficiencies and the least operational cost. Operators using Seed Cloud average \$35,000 in annual savings per route; can replenish 80 percent more machines per week and can reduce their carbon footprint by 40 percent through the elimination of unnecessary truck travel and smaller loads per truck.

More than 200 customers, with some 125,000 machines connected, rely on Cantaloupe Systems' innovative solutions to give them full control and visibility over their operations, their inventory and their people, so they can run their businesses more proactively, predictably, competitively and profitably.

## INTERESTED IN INCREASED REVENUES AND LARGER MARGINS?

Cantaloupe Systems is the vending industry's premier provider of cloud-based, mobile technologies that deliver an Implementing advanced vending technology is no longer a matter of choice. Industry trends and larger economic pressures have combined and evolved to make it an imperative. The only decisions to be made are regarding what technologies to deploy and how quickly and in what order to deploy them. Hundreds of vending operators worldwide have already made the choice and made the decision to run their businesses using Cantaloupe Systems' innovative solutions.

To learn how Cantaloupe Systems can help you modernize and maximize your vending business, contact Cantaloupe Systems today at (415) 525-8100 or for more information, visit us at: [www.cantaloupesys.com](http://www.cantaloupesys.com).

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