



Are you ready for 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?

The 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.

MICRO MARKETS
CANDY SALES



25.5%*

INCREASE OF
CANDY SALES IN
MICRO MARKETS
CARRYING REGULAR
AND KING SIZE
HERSHEY'S PRODUCTS

* according to 2013 Micro
Market research

WITH REGULAR SIZE
CANDY PRODUCTS ONLY

WITH BOTH REGULAR
AND KING SIZE
HERSHEY'S PRODUCTS

RAISE THE BAR ON CANDY SALES

It's time to make room in your Micro Market for the king of the candy aisle. Offering both HERSHEY'S Regular and King Size products drives additional sales by offering consumers a choice of size and value.



CONTACT YOUR HERSHEY'S
REPRESENTATIVE TODAY.

HERSHEYSVENDING.COM

©2015 The Hershey Company

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, Lincens '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.) Large-size 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

BOOTH 1242

deORO
microMARKET

..a fresh approach to Micro Markets

800.580.3789
deoromarkets.com

MULTIPLE PROCESSORS **BILL AND COIN**

FINGERPRINT LOGIN **ENCRYPTION**

SMARTPHONE APP **SCALABLE BACKEND**

ELECTRONIC LOCK **AND MANY MORE...**

THE
EXPEERIENCE
OF THE YEAR

April 22-24, 2015



Las Vegas, NV > Las Vegas Convention Center



**YOU EXPECT VALUE
FROM EVERY DOLLAR
YOUR BUSINESS SPENDS**

**HE'S FOUND THAT
ATTENDING BRINGS
UNBEATABLE VALUE**

APRIL 22-24, 2015 • LAS VEGAS, NV • NAMAONESHOW.ORG

90% of your peers say the NAMA OneShow is valuable for business.¹



CONNECT WITH YOUR PEERS.

4,500+ PEERS Vending,
Coffee Service, Micro Markets, Foodservice



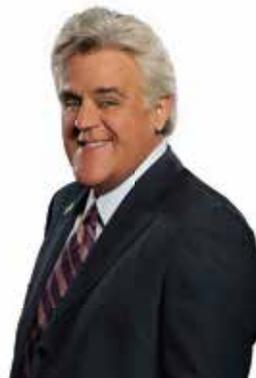
LEARN FROM YOUR PEERS.

20 PEER-LED education sessions



GROW WITH YOUR PEERS.

THOUSANDS of business-building
products, services and **NEW IDEAS**



**TWO HIGH-IMPACT,
HIGH-VALUE SPEAKERS**

OPENING SESSION
HEADLINER
JAY LENO
WEDNESDAY, APRIL 22

KEYNOTE SPEAKER
JULIE SEITZ
WORKPLACE 2020
THURSDAY, APRIL 23

¹2014 NAMA OneShow Attendee Survey

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.

REWARD YOUR FAVORITE ROUTE DRIVER FOR A JOB WELL DONE



Nominate your favorite route driver for *Automatic Merchandiser's* 12th 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 Merchandise* 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



1-855-202-3913



fs-snacks-desserts.com

Sign up online for **Snack & Dessert Solutions**, a free program designed to help build your business.

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

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

the complexity of offering variety, providing freshness, avoiding high

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.

THE EXPERIENCE OF THE YEAR
April 2015 - June 2015
San Diego, CA | A San Diego Entrepreneur Magazine Award

Point-Of-Sale for Manual Food Service Operators

Mobile P.O.S. for Line Busting!

Full-Circle Automation
So Much More Than Micro Markets

Executive Dashboard

Kiosks with Loyalty & Dynamic Promotions

bp breakroom provisions
Retail Within Reach

BreakroomProvisions.com

stales costs while minimizing out-of-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 profit-draining) 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 well-executed 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.

veriTM

**TRULI
DIFFERENT**

CRAFT SODA

www.verisoda.com

60 Calories

NON GMO Project VERIFIED

USDA ORGANIC