VENDING 101

VENDING 101 is comprised of materials designed for recently established vending operators with relatively new operations. This material will not go into great depth about any one area of the vending business, but rather is designed to give an overview of the business as a whole. The material was conceived and designed by the NAMA Education & Training Committee.

TYPES OF VENDING OPERATIONS

First, let's attempt to define what we're talking about when we use the word VENDING. According to WEBSTER, a vending machine is “... a coin-operated machine for selling certain kinds of articles & refreshments...” That by its very nature is now becoming an obsolete definition, since the use of paper money, plastic money etc. have become so much more widespread in recent years.

Perhaps a more commonly accepted definition is to view vending as "providing service at an unattended point of sale through the use of monetarily-driven equipment".

If we look to the NAMA Membership Directory for help, we find the term VENDING OPERATOR defined as: "...companies providing vending/foodservice management services to business, industry, educational, healthcare and public locations.." When we informally define the term internally at NAMA, we say people who are in the business of buying, placing on location, filling with product, removing the cash and maintaining vending equipment.

Our industry is not just made up of Vending Operators, however. Some of the other major categories include MACHINE MANUFACTURERS, PRODUCT & SERVICES SUPPLIERS, DISTRIBUTORS & BROKERS (both equipment and/or product), CONSULTANTS and others I'm sure we could identify if we wanted to go into more detail here.

This industry of ours tends to segment itself by the kind of service provided by the vending operator. Some of the major categories, in industry terminology are:

1) 4 C's 5) Bulk
2) Full Line 6) Music/Game
3) Specialty 7) Street
4) OCS

Let's attempt a definition of each.

1) 4C's: an abbreviation standing for what were the basics of vending as it evolved; i.e. COFFEE - CUP SODA - CANDY - CIGARETTES.

2) FULL LINE: as equipment evolved and the customers demanded more alternatives, operators who began to offer such things as HOT CANNED FOOD, CAN SODA, REFRIGERATED FOOD,
FROZEN FOOD, DAIRY, etc were said to be "full line", meaning that they were still concentrated in food and refreshments but offered a broader service than the basic 4C's.

3) **SPECIALTY**: As the technology and sophistication of vending grew, amine operators either got into the business or chose to concentrate their efforts in one particular line of equipment or product. Having its roots in routes that focused in just this way on items such as dairy, cigarettes, soda, etc., today's specialty operator is more often offering service in equipment such as french fries, pizza, popcorn and other tightly focused items.

4) **OCS**: the commonly used abbreviation for the OFFICE COFFEE SERVICE marketplace, wherein operators provide equipment and "kits" containing coffee and related items such as sweeteners, creamers, stir sticks, etc. It is very common for full-line vending operators to migrate into OCS and for OCS operators to migrate into vending, serving the demand of their customers.

5) **BULK**: a broad category used to define vending of candy, gum, novelties, etc. This segment has evolved from the small, commonly sited machines into a broader approach using oversize equipment. Once again, it is not uncommon for there to be cross-over between full-line and bulk operators in both directions, but not as frequently as the OCS-vending connection.

6) **MUSIC/GAME**: another broad-based term used to describe what began as the juke box/pool table side of the business, but today has evolved into music machines, video games of all sorts, coin-operated amusement devices, etc. This is another area that often sees diversification to/from full line, but most often in the form of a separate operation within a company due to the specific needs of this market.

7) **STREET**: In many quarters, Street vending is viewed as a subset or a combination of specialty, full line and music/games vending. Most often it is used to describe the type of location being served, that of "public" such as restaurants, taverns, etc. The service can encompass cigarettes, snacks, jukeboxes, video games, pool tables or any combination of these.
Vending in its earliest known form dates to 215 BC in ancient Egypt, where a device has been identified that dispensed holy water at places of worship when a coin of the day was deposited. In the U.S., vending is generally conceded to have begun in 1888 with the ADAMS GUM company and their penny gum dispensing machines. From this early evolution came today's wide variety of equipment and products vended by what some sources estimate as over 8,000 companies nationwide. For more information about the development of vending as an industry, request the NAMA book "A Concise History of Vending in the United States", available for order.

Let's take a look at the industry and some broad-based descriptive facts about it. The information cited was taken from several sources, including trade publication industry surveys and NAMA research.

Current estimates of industry size range from $19 - $28 billion in the full-line segment, which is the focus at NAMA and in this material.

The industry mix of products sold is about as follows:

- HOT BEVERAGES 8%
- COLD CUP BEVERAGES 8%
- CANNED BEVERAGES 40%
- SNACKS 19%
- FOOD 10%
- CIGARETTES 2%
- OTHER PRODUCTS 13%

Taken as a whole, these products are served to the following kinds of locations:

- MANUFACTURING 41%
- WHITE COLLAR 26%
- EDUCATIONAL 12%
- HEALTHCARE 7%
- OTHER 14%

Vending is very much an entrepreneur’s business. It started that way and for the most part, it still is that way.

Industry research suggests that:
- 75% of operators = less than $1 M
- 18% = $1-$5 M
- 4% = $5-$10 M
- 3% = more than $10 M
INDUSTRY PROFITABILITY

By surveying a wide sample of operating companies, industry profitability varies with company size, as well as with a variety of other factors such as management style, geographic labor market costs, product mix concentration, etc. The NAMA Operating Ratio Report compiled annually shows the following, based on company sales:

(Not current year info)

<table>
<thead>
<tr>
<th></th>
<th>&lt;$1M</th>
<th>$1-3M</th>
<th>$3-$5M</th>
<th>$5-$10M</th>
<th>&gt;$10M</th>
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<tr>
<td>Sales</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
<td>100.0%</td>
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<td>Product Cost</td>
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<td>47.4</td>
<td>47.5</td>
<td>44.5</td>
</tr>
<tr>
<td>Gross Margin</td>
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<td>50.1</td>
<td>52.6</td>
<td>52.5</td>
<td>55.5</td>
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<tr>
<td>Labor Costs</td>
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<td>22.6</td>
<td>21.8</td>
<td>23.8</td>
<td>21.7</td>
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<tr>
<td>Commissions</td>
<td>5.2</td>
<td>6.4</td>
<td>8.0</td>
<td>7.6</td>
<td>10.1</td>
</tr>
<tr>
<td>Other Costs</td>
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<td>19.9</td>
<td>19.2</td>
<td>18.1</td>
<td>18.4</td>
</tr>
<tr>
<td>OP.PROFIT</td>
<td>(2.5)</td>
<td>1.2</td>
<td>3.6</td>
<td>3.0</td>
<td>5.3</td>
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</tbody>
</table>

For the total industry, on average, on companies over $1M in size, the figures look like this:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Sales</td>
<td>100.0%</td>
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<tr>
<td>Product Cost</td>
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<td>Gross Margin</td>
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<tr>
<td>Other Costs</td>
<td>18.6</td>
</tr>
<tr>
<td>OPERATING PROFIT</td>
<td>4.3%</td>
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</table>

ACTIVITIES OF A VENDING OPERATOR

Let's review in fundamental fashion the activities that are a daily part of an established vending company. You can refer to the flow chart in your handout as another partial reference to these activities.

ROUTE DRIVER
Load truck at warehouse
Travel to locations
At the Machine: open
  rotate/pull/restock
  collect
  paperwork
  clean
  close
Travel to warehouse
Paperwork
End of day

WAREHOUSE
Order stock
Rotate Product
Restock Product
Pull Orders
Inventory
Paperwork
### OFFICE
- Route Paperwork
- Accounting - Accounts Receivable
- Accounts Payable
- Statements
- Accountability Reconciliation’s
- Personnel Paperwork
- Management Reports

### MONEY ROOM
- Receive
- Count
- Report Totals
- Deposits
- Changer Banks
- Imparts Funds

### MECHANICS
- Service Calls
- Parts Inventory
- Machine re-fits
- Machine Maintenance

### ROUTE MANAGERS
- Route Structuring
- Route Relief
- Route Supervision
- Route Reports
- Counseling
- New Accounts
- Account Retention

### SALES
- New Account calls
- Existing Account Retention/Relations

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## VENDING AS A RELATIONSHIP-BASED BUSINESS

### OVERVIEW

**IMPORTANT RELATIONSHIPS FOR SUCCESS!!**

*** A look at **Yourself**

*** **Financial** relationships

*** Your **Team**

*** Your Clients/Customers

*** Your **Family**

*** NAMA & State Councils
COMMUNITY INVOLVEMENT

*** City/County/State/National/Government
*** Chamber of Commerce
*** Industrial Development
*** Education - Schools/Colleges/Universities/Vo-Techs
*** Civic Organizations
*** Entertainment Activities
*** Church

COMPETITIVE FACTORS IN VENDING

*** OVERVIEW
*** PRODUCT
*** PRICE
*** SERVICE .........vending
.........mechanical
*** Commissions
*** Equipment
*** Personnel

PITFALLS

Some key points to keep in mind:

*** Business Opportunity Ads - Be wary
*** Locators - Be Wary
*** "Warehouse Club" Machines - Be Wary

IF IT SEEMS TOO GOOD TO BE TRUE, THEN IT PROBABLY IS!

ADVICE SOURCES

*** EQUIPMENT MANUFACTURERS
  1) See NAMA Member Machine Manufacturer List
*** EQUIPMENT DISTRIBUTORS for machine manufacturers
  1) Contact NAMA for member company names in your area

*** SUPPLIERS
  1) Product Manufacturers
  2) Vend Product Distribution Companies
NAMA

NAMA is the only national association representing the interests of the vending industry. In addition to our national headquarters in Chicago, we maintain full-time regional offices in the Washington, D.C., Los Angeles and Atlanta areas.

In the past 12 months, more than 12,000 industry people took advantage of opportunities to seek new ideas and network with their peers at NAMA's conventions and educational programs. NAMA offers extensive industry-specific education programming at the Western Expo, the National Expo, the National Education Conference, the Financial Management Seminar and at various regional seminars as well. NAMA also provides education support at a wide variety of state vending association meetings, and helps with program development and speaker selection.

NAMA's 2000 Western Expo was held March 30 - April 1, 2000 in Las Vegas, NV. NAMA's National Expo, in conjunction with its National Education Conference, will visit New Orleans on October 5-7, 2000.

NAMA staff attorneys work with members and state vending councils to help fight restrictive laws and regulations and to promote legislation more favorable to our vending industry. The Government Affairs department analyzes bills at the federal and state levels affecting the vending and contract foodservice industry. Information is distributed to members through bulletins, reports and semi-annual summaries. NAMA continues to lead the effort to procure a circulating dollar coin in the United States. In coalition with other interested organizations, as well as heavily in its own right, NAMA is the industry's advocate for this critical currency change that would strongly benefit the vending industry.

In addition to the administrative and legal counsel services provided to affiliated state associations, NAMA provides financial support to those councils that meet their affiliation requirements. This program allocates funds to these state councils based upon the numbers of NAMA member operator companies located in their states and directly benefits members through the activities these councils perform on their behalf.

NAMA has a comprehensive collection of resources for the vending industry. Publications include: Wage & Benefit Survey; Operating Ratio Report (complete with optional personalized reporting); Profit Improvement Handbook and Chart of Accounts; Direct Product Profitability manual and computer software; Vending and Foodservice Sanitation Policies and Procedures for Health Care Institutions; Commissary Food Labeling Guideline; International Multi-Drop Bus Interface Standard; Safety and Loss Control Self-Audit Form; and Handling Foodborne Illness Calls. In addition, NAMA offers a library of education program audio tapes on current topics from recent conventions and conferences, as well as a Video Training Guide offering industry-specific training videos as well as other sources for such materials. The NAMA Foundation sponsored industry-wide research on consumer attitudes and preferences toward vending, the results of which are available from NAMA.
NAMA makes available to the industry quality technical training opportunities, including mechanic certification for proper refrigerant gas recycling and disposal, and the popular Mechanics Training and Certification program, in use industry-wide for the past 15 years. NAMA's Technical Standards Committee also continues to work on a variety of equipment and electronic hardware and software issues for vending in an effort to find mutually beneficial common ground for all interested parties.

Many operators have now signed up with the NAMA partner Allstate Business Insurance Program, taking advantage of competitive insurance premiums, loss control and safety services, and, in some program years, receiving a dividend (return of premium) as well. A comparable number of operators took advantage of the labor relations advisory services provided by NAMA to its members through the lawfirm of Connelly, Sheehan & Moran. Members continued to enjoy FREE ADMISSION to the NAMA Expos and also received member's discounts on the numerous NAMA publications and education programs. NAMA members also benefit from a car rental discount program with Hertz.

NAMA's activities continue to be guided by a Long Range Plan which was established, and is updated regularly, by its Board of Directors. The Plan addresses issues including, but not limited to, taxation and licensing; coinage and currency; health and sanitation regulation; industry profitability; state council relationships; technical standards; supplier/operator relationships; industry image; cashless vending; and, global industry considerations.

Consistent with the Plan, NAMA will continue to provide you with the many services that you have grown accustomed to, and will continue to represent the industry's best interests in legislative and regulatory matters.

You can also access a great deal of vending information by visiting our home page on the Internet. You'll find information about the vending industry, a list of upcoming events, a publications catalog, online ordering and other items, visit us at www.vending.org.
SOURCES OF CAPITAL

MACHINE MANUFACTURERS: most of the machine manufacturers and many distributors offer their own financing plans. Terms may depend on your credit rating and, as you become established, on the lender's knowledge of your locations and your proven ability as a good vending operator.

BANKS: many banks handle daily deposits for vending operators and this has alerted them to the soundness of vending companies as borrowers. The vending operator should approach his local banker and pursue negotiations based on the following: 1) number of machines; 2) type of operation (single operator or multi-branch operation); 3) type of equipment; 4) value of equipment.

COMMERCIAL FINANCE COMPANIES: these companies usually provide financing for and through the machine distributor, based on paper generated from their customer's vending operators. In many cases, their dealings are direct with the operator. Typically there is a down payment required (10-20%) with the term and rate set by the finance company, depending on the current economic conditions and the operator's credit worthiness.

EQUIPMENT LEASING COMPANIES: offer vending machines (service vehicles as well) to the vending operator on a lease basis, with options by which the operator may purchase the equipment under certain conditions. Most leasing plans are better suited to established vending operators than to new, start-up operators. Some key benefits of leasing are:
*** additional source of capital that keeps existing lines open and conserves working capital.
*** fixed term and fixed payment budgeting lets the operator budget equipment costs from operating cash flow versus worrying about lump sum payments.
*** flexible payment plans & purchase options match monthly payments to operating cash flows.
*** eliminates heavy downpayments since usually only one or two payments in advance is required.

DETERMINING WHICH ONE TO USE: examine several possible sources of capital. Compare the cost and conditions of obtaining the loan or lease before you make the formal application. If borrowing is necessary and a commercial lender is not suitable, you may wish to pursue the Small Business Administration. Just get in touch with the nearest SBA Field Office. Check with equipment manufacturer or distributor for a listing of independent financing and/or leasing companies. Also, check with NAMA to see if such a list might be available.
MACHINES

TYPES:  
A. Snack (glass front)  
B. Can Drink  
C. Cup Drink (post mix)  
D. Hot Drink (coffee, hot chocolate, tea, etc.)  
E. Refrigerated Food  
F. Frozen Food  
G. Combinations of above

SOURCES:  
A. Refer to the NAMA listing of vending equipment manufacturers earlier in this material.  
B. Automatic Merchandiser Blue Book  
C. NAMA Member Directory  
D. Vending Times Buyer's Guide  
E. Check local industry publications, such as Vending Times, Vending & OCS and Automatic Merchandiser.

WHAT TO LOOK FOR: in an equipment manufacturer

A. sells equipment at an established uniform price  
B. has the ability to supply parts, service manuals, troubleshooting tips and conversion kits.  
C. U.L. Listed equipment  
D. Various approvals under State, Local and National Health Codes  
E. NAMA approval  
F. willingness to demonstrate equipment (open houses, training sessions, etc.)  
G. manufactures work through local distributors or factory-direct sales channels.  
F. assistance to vending operators in start-up business  
G. upgrading machinery, developing new types of machines and technology  
H. timely response to vend operator needs

TRAINING & SUPPORT:  
A. NAMA conventions  
B. State Vending Councils  
C. Manufacturer-sponsored seminars, regionally  
D. Distributor open houses - regionally  
E. Manufacturer/Distributor VCR training tapes  
F. NAMA Education Cassette Tape Library Program  
G. NAMA In-House Mechanics Training Program  
H. Manufacturer-Marketing Support  
1) sales literature operator can use with proposals  
2) service manuals  
3) sales-service bulletins
PRODUCTS

*** CATEGORIES: Today's 4 C's
--Coffee & hot beverages
--Cold drinks, soda, juice, water
--Candy & snacks
--Cold Food, including frozen

*** SOURCES
--National, Regional & Local Vend Distributors & Brokers provide full-line of all products specific to vending

*** CUSTOMER DEMAND
--Candy, Salty Snacks, Cookies
--New Age Beverages-water, flavored coffees, juice drinks (including big bottles)
--No Fat, Low Fat, Reduced Fat Products
--Frozen Foods & Novelties
--Large size snacks & confections

ACCOUNTABILITY

Key items to remember:

I. INVENTORY
   A. Vending machine at each service
   B. Truck weekly
   C. Warehouse monthly

II. ROUTE RECORD KEEPING
   A. Record adds & pulls on machine card
   B. Collect machine
   C. Product requisition for next day
INDUSTRY DEFINITIONS

INDUSTRY

4C’s: An abbreviation standing for what were the basics of vending as it evolved; The industry started with i.e. COFFEE- CUP SODA- CANDY- CIGARETTES and grew to almost 8 C’s (Coffee, Candy or Confections, Chips, Cold Drinks, Canned Drinks, Cigarettes, Cold Cup, Commissary.

Account Executive: A representative of the foodservice company who deals directly with the liaison designate of the client.

Account Retention: In order to maintain customer accounts, a vending company usually has to provide excellent service. For most customers, this includes clean, working machines, and an ongoing professional relationship.

Account Supervisor: A representative of the foodservice company involved in the day-to-day operations of several accounts.

Accountability Reconciliation’s: Reconciliation of a machine, truck, and/or route at the end of a period (could be daily, weekly, or monthly). Usually compares cash and inventory expected to the cash and inventory.

Accounting Period: Intervals on which accounting reports are based. Usually monthly or every four calendar weeks if a 13-week accounting period is used.

Accounts Payable: Amounts due to a vendor for the delivery of inventory products.

Accounts Receivable: Amounts due and charged for the delivery product to non-vending locations.

Activity Based Costing: An accounting method that enables a business to better understand how and where it makes a profit. In ABC, all major activities within a cost center are identified and the costs of performing each are calculated – including costs that cross-functional boundaries.

Administration Fee: A fee paid to the foodservice company by the client to cover a portion of the foodservice company’s overhead (general and administrative expenses) relating to supervision, accounting provided by the foodservice for the location.


Bank: 1) Two or more bending machines in a row; 2) Amount of money stored in a coin/dollar mechanism; also refers to a routeman’s change fund.

Bar Code: A combination of parallel lines of bars and spaces that communicate data about the product or shipping container to which it is affixed. (e.g. U.P.C. Code). Bar codes allow for tracking, management and control of physical product flow.
Broker: A person who is paid to act as an agent for others, for example, in negotiating contracts or buying and selling goods and services.

Bulk: A broad category used to define vending of candy, gum, novelties, etc. This segment has evolved from the small, commonly sited machines into a broader approach using oversize equipment. Once again, it is not uncommon for there to be cross-over between full-line and bulk operators in both directions, but not as frequently as the OCS-vending connection.

Bulk Operator: specializes in vending machines offering gum balls, trinkets and charms, usually at one cent or five cents with larger offerings at ten and twenty-five cents.

Bulk Vending: Sale of unwrapped or unsorted merchandise through coin operated vending machines.

Buy-Back: Equipment purchased for a client by the foodservice operator; the cost is repaid through withholdings of commissions earned an/or through direct payments by the client.

C.S.A.: Canadian Standards Association. A testing laboratory which is equivalent to the United States’s U.L. (Underwriters Laboratory.)

Caterer: Offers foodservices at specialized locations and event; is essentially a foodservice operator. Some offer only manual service, such as airline caterers and mobile caterers. Many foodservice operators are entering the social and special function catering business, using their commissary as a base.

CFC: Chlorofluorocarbon – compound used as a refrigerant, cleaning solvent, or propellant.

Change Fund: coin carried by a routeman and used to replenish the change in changes and coin mechanisms. Also the coin in those machines.

Changer Banks: Most vending machines have a coin mechanism that delivers change if a customer puts in too much coin or cash. In order to keep this change supply constant, vendors will maintain a regular bank of coin in the machine. Usually the route personnel are responsible for keeping this change supply at a consistent level as determined by management. In addition, there are some Bill Changer machines that make change for customers. The route person will bring a replacement bag of coin, pick up all remaining cash and coin from the machine.

Channel of Distribution: Refers to the “retail sector” in which product is being sold through (e.g. Vend, Grocery, Convenience, Food service, Warehouse Club, etc.)

Charge Out: Requisition form to record merchandise received.

Class of Trade: (Also referred to as location) the classification of the site where the machine is placed by sector (e.g. schools, public, factories, etc.)

Coin Room: The theft-protected facilities at the operation where sales are counted and coin used to replenish change funds is maintained under the supervision of the vault cashier.

Collections: Revenues that are received on account for previous Accounts receivable transactions. Combined Automatic And Manual
**Commissary:** (Central Kitchen) Specialized food production facility from which the operator serves multiple locations. Used primarily for vended food installations, mobile catering trucks and social catering. Facilities may range from small family-run operations to modern plants that include bakeries and mass production equipment.

**Concession Advance:** Large commission advance (generally in cash) made by concessionaires in obtaining new locations. See Location Advance.

**Concessionaire:** specializes in serving the general public under a contract with the owner of recreational or cultural facilities, such as amusement parks, sport arenas, museums, convention halls, opera houses, public parks and beaches. Service is predominantly manual and may include alcoholic beverages

**Contract Foodservices:** The providing food and vending services for profit by independent contractor.

**Contract Vending:** The installation and operation of vending machines by a private contractor, who retains title to his vending equipment while performing his services.

**Contract Feeding:** Manual operation utilizing kitchen on client’s premises (e.g. factories, schools, hospitals, etc.) to serve the client’s dining halls. The client usually provides the kitchen equipment, tables, chairs, etc., although by back or other arrangements may be made. Silverware, dishes and similar items usually are provided by the client; however, the operator often is responsible for the normal replacement of these items.

**Counseling:** If a route person is not doing the route work as expected, the route supervisor may do some counseling. As in any management review, the route person is trained on correct procedures and encouraged to comply.

**Count:** In the money room, each bag of money from the vending machines is counted individually with the totals recorded. Coins are usually counted with a coin counter, and the bills usually counted with an automated bill counter. The total count for each bag is usually compared against product sales or a meter reading for that vending machine.

**Delisting:** Dropping, or discontinuing the stocking of a product at a machine, or aggregate warehouse level.

**Deposits:** The money counted for each day is then usually sent to the bank for deposit. At other companies, there may be a security service that picks up the money on site. At other companies, money is transported to the bank. In many companies, the deposit is tracked through the daily management reports.

**Distributor (Product):** A representative for the Manufacturer who sells the product to various Vend Operators.

**Distributor (Equipment):** A representative for the Equipment Manufacturer who sells the equipment.

**Employee Feeding:** A general term. See In-plant Feeding.
**FDA Model Code 1978:** “The Vending and Beverages.” Model ordinance and code developed specifically for vending in 1957 and revised in 1978.

**FIFO:** First in First Out.

**Foodservice:** Provision of foodservice by a combination of vending machines and manual counters at the same location. Usually employs vending machines to sell beverages and snack items. Sandwich counters, steam tables lines, etc., are used to sell soups, entrees and got sandwiches such as hamburgers, hot beef, hot dogs, etc.

**Food Service Contract:** A contract awarded on the basis of the specifications for proposals and the submitted proposal.

**Food Service Operator:** specializes in providing food services; may emphasize manual service, vending or a combination of both. Office coffee service (OCS) specializes in placement and operations of conventional non-coin-operated and coin-operated units in small office, business or industrial locations to serve employees or customers. The operator furnishes the equipment and product, and the client stocks and services the machine.

**Free Standing:** A single machine installation, distinguished from a bank.

**Free Vend:** A machine adjusted to vend product at no charge.

**Free Line:** Complete food and refreshment service through vending machines.

**Full Line:** As equipment evolved and the customers demanded more alternative, operators who began to offer such things as HOT CANNED FOOD, CAN SODA, REFRIDGERATED FOODS, FROZEN DAIRY ETC, were said to be ‘full line”, meaning that they were still concentrated in food and refreshments but offered a broader service than the basic 4 C’s.Glass Front Snack

**Machine:** A vending machine which utilizes a full glass front to merchandise the product selection inside the machine. Most often product is delivered via spirals and is dispensed to a delivery pan located at the bottom of the machine. Products vended typically include snacks, chocolate confections, and pastries.

**Hostess:** See Resident Vend.

**Income Statement:** An actual operating statement of all activity in a foodservice location for a specific period.

**In plant Feeding:** Any type of foodservice performed in an industrial or institutional setting. A general term that makes no distinction between independent contractors and company operated facilities.

**Installation:** Placing a vending machine(s) for operation at a particular location.

**Installer:** A person used in the installation of vending equipment.

**Inventory:** A physical count of product and or equipment.
Invitation to Bid: A request to various companies to submit proposals to provide food and vending services.

Impart Funds:

Joint Replenishment: Ability to buy two or more items from the same supplier on a single purchase order.

Jump Route: See Route Vend.

Letter of Compliance: Letter stating conformity in fulfilling official requirements.

Liaison Man: A person employed by a client who has the responsibility from coordination the activities of the food and vending contractor with the need of the company’s employees through the account supervisor.

Location: Specific place within the site where the machine is. (i.e. Cafeteria, Breakroom.)

Location Manager: A responsible representative of the foodservice company who is permanently assigned to one particular client installation.

Location Acquisition Costs: Term used in financial statements to demote the excess of cost over net assets of purchased businesses (also called goodwill or cost in excess of net tangible assets of business acquired).

Location-Owned Operations: Services similar to the contractor’s but owned and operated by a college or factory on its own premises by its own staff. Includes location-owned cafeteria, dining and vending operations.

Machine Maintenance: Routine work completed by a mechanic to ensure the machine is working properly.

Machine Manufacturer: Firm that produces coin-operated vending machines for vending and OCS type equipment.

Machine re-fits: To configure shelves inside the machine to fit a given product.

Management Fee: A fee paid to the food service company by the client for providing the manual foodservice operations at the location. Normally, a percentage of manual sales.

Management Reports: Either manual or computer-generated report to give managers an overall picture of accountability, product sales, staleage, profitability and/or route performance.

Manning Chart: The graphic representation of a number of cafeteria employees, their duties and time schedule.

Manual Foodservice: Conventional cafeteria, short order, or table service where the customer is serviced by manual delivery rather than through vending machines.

Manufacturer (Product): Refers to the company that makes the product.
**Manufacturer (OEM):** Refers to the company that makes the equipment (i.e. Original Equipment Manufacturer.)

**Marginal:** Applied to vending machine locations where traffic of potential customers is so small as to make vending machine placement feasible only if equipment is fully depreciated, fills a gap in route scheduling or is subsidized by the location so that operating costs are reduced to the point where the operator can make a profit.

**Mechanics:** A person trained in the repair of various types of machinery.

**Mixed Route:** A route that is planned to handle several types of products.

**Money Room:** Location where revenue from vending and non-vending sales is counted.

**Music/Games:** Another broad-based term used to describe what began as the juke box/pool table side of the business, but today has evolved into music machines, video games of all sorts, coin-operated amusement devices, etc. This is another area that often sees diversification to/from full line, but most often in the form of a separate operation within a company due to the specific needs of this market.

**NAMA:** National Automatic Merchandising Association is the national associate of vending and food service management industry founded in 1936.

**New Accounts:** After a contract is signed with a new customer site, the vending company sets up vending equipment, loads the products, and begins regular servicing of the account. In order to get the new account, the vending company often has to submit a proposal outlining the services to be offered, the contractual agreement, and the monthly or quarterly commission agreed upon. Such proposals may be very competitive with several companies vying for that customer's business.

**OCS:** An acronym for Office Coffee Service, a specialized service provided by an operator who offers equipment, coffee products, and related (allied) products to offices and other locations. Some OCS is very basic, offering traditional burner machines and a minimal selection of other products, while other services are quite sophisticated, using high-technology equipment that brews each cup individually and offers a variety of other hot beverage selections.

**Operator:** An established company set up with trained personnel to service and maintain vending machines.

**Order Stock:** Placing an order for products.

**Out of Stock:** A product temporarily unavailable due to demand/sales exceeding inventory. (Application at a machine, VO warehouse, VPD warehouse, for product supplier warehouse.)

**OSHA:** The Hazard Communication Standard of the Occupational Safety and Health Administration (OSHA) requires ALL companies to inform their employees of the potential dangers of any hazardous chemical substances used in their operations.
Par Out: 1) The process by which the routeman collects sales, fill the coin mechanism with change and loads the vending machine with product (also called machine service stop). 2) The process by which the merchandise and sales in a vending machine at any point in time are reconciled to the par or fixed level of the machine to determine if any overage or shortage exists. Sales plus the retail value of merchandise remaining in the machine should equal exactly the retail value of the par or fixed level (also called machine settlement).

Parts Inventory: Most vending operations maintain an inventory of common parts and replacement equipment to handle basic vending machine repairs.

Payout: Length of time required for a location to return in profits the investment in the location.

Prepaid Card: A card for a set amount of money which is then debited for each purchase.

Pro-Formula Income: An anticipated operating statement of potential activity in a foodservice location.

Product: The item vended.

Product Mix: The relationship of each item sold as a percentage of the total sales and as a weighted cost of sales.

Promotion/Deal: Off-invoice price reduction offered by Product Supplier either directly or through VPD for a defined window of time. (E.g. Often accompanies new item introductions, new packaging, etc.)

Proposal: A complete description of the type of foodservice to be provided.

Pull Orders: In order to move product from the warehouse to the route trucks, product is pulled from the inventory. In some companies, the route personnel order product from the warehouse staff who subsequently pull orders. In other companies, the route personnel pull their own orders and load the inventory onto their truck. In almost all cases, there is some accountability of what is taken from the warehouse inventory.

Rebate/Incentive: A reimbursement for a portion of the original purchase price for an item offered by a Product Supplier to both VPD’s and VO’s as a “reward” for meeting predefined criteria (e.g. increasing sales vs. YAGO, increasing number of facings, achieving volume targets, etc.) Rebates are usually issued by check quarterly.

Refund: An exchange of product or money for a malfunction of equipment.

Report Totals: Many money room operations maintain a total money count on their coin counting equipment. At the end of the day, the total amount of cash and coins counted is compared to the machine count.

Resident Vend: A vending operation at a client location that has one or more resident routemen or hostesses. It is thus distinguished from a route or street vend location, which is serviced by traveling route personnel.
**Restock Products:** Usually products are ordered at least once a week. Usually using a formula of usual usage minus current on hand, a company will submit an order from its supplier and then receive delivery within a day or two.

**Return on Sales:** The amount of money earned after taxes by a company at a particular location in relation to the total dollar investment required to operate in that location. Usually expressed in percentage form.

**Return of Investment:** The amount of money earned after taxes by a company at a particular location in relation to the total dollar investment required to operate in that location. Usually expressed in percentage form.

**Rotate Product:** Because many vending products have a short shelf life, companies want a regular rotation of products. Older products will be brought forward and loaded to the route trucks, allowing for reordering of new product.

**Route:** A sequence of locations services by a traveling routeman.

**Routeman:** The person who services one or more vending locations. See Resident Vend, Route and Route Vend.

**Route Accountability:** A bookkeeping system whereby the retail value of merchandise issuances to a routeman is equated to cash sales turned in by that routeman to determine if overages or shortages exist on his route.

**Route Driver:** A person trained to fill, clean and balance various vending equipment.

**Route Manager:** The route manager is usually responsible for seeing that the vending machines at customer sites are clean, full, and working. Many times the route manager also maintains contact with customers on a regular basic and gives input to the route person of there are ways to service an account better. The route manager will also work with the general manager to increase profitability by increasing sales and decreasing expenses.

**Route Paperwork:** Paper work filled out by the route person, usually for accounting purposes. It may include stops visited, the number of products added to each machine or store, stale product picked up, and/or items loaded to the truck.

**Route Persons:** A trained person in proper merchandising and servicing technique in routeservice. Prime responsibility is to fill, clean and balance (cash) in vending machines on designed route.

**Route Relief:** If a route person cannot work on a particular day due to illness or vacation, a relief worker may work the machines. Often called a Utility person, this individual usually has knowledge of several routes and can work any of the routes as needed. If staffing is short, sometimes route supervisors may do the route relief work.

**Route Reports:** Depending on the software package used, many companies look at some kind of route reports. These may show the stops worked, the time that the stops were worked, what product was added to the machines, and how much inventory the route truck should have.
**Route Structuring:** In most companies, route managers set up a route sequence that gets the most machines worked in the most efficient manner. The number and order of stops are part of route structuring. In order to maximize profitability, managers work to structure routes so that machines are refilled at just the right time.

**Route Supervision:** Similar to the route manager, the route supervisor makes sure the route personnel do their job efficiently and effectively. The supervisor may work with the route person on better procedures, or speak with the route person regarding accountability issues.

**Route Vend:** A group of individual vending locations serviced by a routeman (also referred to as jump route or street vend).

**Satellite:** A site removed from the main location but serviced by the same resident vend.

**Service Calls:** When vending machines do not function as expected, either a customer or route person will report a service call. Most companies have personnel on call to perform the needed repairs.

**Shelf Life:** The length of time a product will keep without deterioration that makes it unusable.

**Shopper Mode:** Allows customer to pick his or her particular product.

**Site:** Restaurant or area where a machine is located.

**SKU:** Stock/Shelf Keeping Unit – a distinct unit of inventory uniquely distinguished by an individual color, size, flavor, or pack of product that requires a separate code number.

**Slotting:** A “fee” charged by a Vend Operator to a Product Supplier “for machine real-estate” to guarantee placement/distribution in agreed upon number of machines.

**Slugs:** A coin shaped object not recognized as a U.S. coin.

**Snacks:** Convenience items, such as chips, which can be eaten between meals.

**Specialty:** As the technology and sophistication of vending grew, amine operators either got into the business or chose to concentrate their efforts in one particular line of equipment or product. Having its roots in routes that focused in just one way on items such as dairy, cigarettes, soda, etc., today’s specialty operator is more often offering services in equipment such as French fries, pizza, popcorn and other tightly focused items.

**Specifications for Proposals:** A uniform set of specifications to insure a reasonable basis of comparison for various proposals.

**Speed Line:** Merchandise (product) which is beyond code date.

**Standard Menu:** A menu which includes a certain entrée which is served with certain appetizers, vegetables, desserts, etc.

**Statements:** Billings for Account Receivable amounts indicating the current balance due.

**Stops:** Term used for different locations, accounts (stops).
Street: In many quarters, Street vending is viewed as a subset or a combination of specialty, full line and music/games vending. Most often it is used to describe the type of location being served, that of “public” such as restaurants, taverns, etc. The service can encompass cigarettes, snacks, jukeboxes, video games, pool tables or any combination of these.

Street Operator: Specializes in “street” or public locations. This includes cigarette, soft drink, coffee, candy and snack machines in restaurants, taverns, filling stations, transportation terminals and stores. Such operators, unless they are part of a large national firm, seldom operate food equipment.

Subsidy Contract: Contracts that guarantee the operator a specific level of profit, normally a fixed fee or a percentage of sales. When the operation doesn’t generate the guaranteed revenue, the operator bills the client for the balance. If the profit generated is greater than the contractual amount, the excess is generally returned to the client.

Supplementary Vending: Small banks or individual pieces of vending machines scattered throughout a location to provide back up service for a more complete centralized manual or automatic foodservice operation.

Test Vends: A device used to give away products (for promotional use).

Trade Shows: A place when exhibitors (machine manufacturers, product suppliers, computer companies, distributors and many other display their wears to the vending operators.

Truck Caterer: Serves food from a truck designed to dispense hot and cold food and beverages as well as sundry items. Generally services installations not large enough to support a vending or manual foodservice operation. Can provide an additional service for a large plant. Food and beverages prepared in a central commissary. The driver handles sales.

U.L.: Underwriters Laboratory – A testing organization that certifies that electrical. Requirements of a piece of equipment meet federal standards.

UPC Code: Universal Product Code – A numbering and bar coding system for product identification of consumer items, typically scanned at the retail point of sale or as part of the Vend process to manage inventory.

USPHS: In 1957, NAMA initiated a vending machine evaluation program to enable vending machine manufacturers to build equipment in conformity with U.S. Public Health Service (USPHS) sanitary requirements. Such a program also provides a means by which vending operators, customers, public health, military and other user groups can identify those machines, which meet USPHS design and construction standards.

Vault Fund: The coin used to replenish change funds; assigned to the cashier.

Vending (Automatic Vending): Retail selling of merchandise and services by means of coin-operated dispensers.

Vending Operator: Specializes in vending machine services.
Vending Cafeteria: A location where all food and beverages are dispensed through vending machines.

Warehouse: The storage location for inventory products to be distributed to routes or to in-house sales.

**DATA**

Blue-Sky: (adj.) having little or no value.

Category: A group or set of things, people or actions that are classified together because of common characteristics.

Client: The management group of an industrial plant, hospital, college or institution who negotiates a foodservice contract with the foodservice company.

Commissions: Payment of a percentage of vending sales by the vending machine service company to the client organization for the privilege of operating on its premises. Payments are usually on a monthly basis. Rates differ according to size of location, types of products vended and competitive factors.

Consumer: End-user (“customer” is a term referred to by the vend operators).

Customer: An employee, guest or member of an industrial plant, hospital, college or institution who utilizes the services provided by a food and vending company.

Customer Advance: See Location Advance (also called prepaid commission or commission-debut note),

Dollar Share: Indicates the share of total dollars for this line item (higher priced items will have a Dollar Share that is higher than it’s Unit Share).

Dollars: This measure indicates how many dollars (sales) were reported by this product or category per day or per week.

Efficient Assortment: To optimize the product mix and space allocation than thereby increase sales productivity and inventory turnover.

Fair Share of Sales: Fair Share is a way to evaluate Category and Product opportunity. It is the relation of a product’s performance (unit or dollar share of a total machine) to its share of space. This calculation is used to better determine when products can support multiple facings.

Sales: The total sales of a product during a specified time period. Sales are expressed in Units, Volume (equivalized units) or Dollars.

Segment: Any one of the parts or sections into which an object or group is divided.

Share: The sales of a product expressed as a percent of a Total Category (E.g. Snacks, Beverages) or Aggregate of Categories (E.g. Total Snacks and Confections). Applicable to Units, Volume, and Dollars.
**Space Share:** Indicates the share (%) of daily facings for this line item. This measure is related though not the same as distribution, since this measure deals with columns and daily facings, and not machines.

**Spoilage:** Indicates the percentage of Spoils/Vends. A product that spoils 1 product for every 100 vends will have a spoilage % of 1%. This measure is not weighted.

**Sub-Category:** Any one of the smaller sections into which a main category is divided.

**Turnover:** Indicates the percentage of services where this product was replaced in the plan-o-gram with another product. If every 5 services a product is replaced with another item, turnover % will be 20 %. This percentage will not be weighted.

**Turns:** Measures the average units sold per machine per period (a.k.a. sales velocity)

**Unit Share:** Indicates the share of total vends for a line item.

**Units:** This measure indicates how many units (vends/turns) were reported by product or category per day or per week.

**Vends:** The number of times a product is sold in a machine.

**SOFTWARE**

**Build-ups:** The inventory level of product that should be on the shelf, or in the vending machine, after the location has been restocked.

**Capacity:** Maximum # items that any given slot (spiral or column) can hold.

**DEX/UCS:** A term used for route delivery/store direct data exchange.

**DEX Compatibility:** A term used for a machine that does not come equipped with a “DEX” box, but this type of machine is capable of having a DEX box installed inside it.

**Financials:** Financials can include several aspects of accounting information, but usually focuses on cash receivables, cost of goods, inventory movement, and profit and loss.

**Merchandising:** In order to maximize sales at a location, merchandising is very important. For a vending machine, this may be choosing the best mix of products for the target audience or placing these products in an attractive way in the machine.

**Non-Par:** A fluctuating fill level that can vary from one restocking visit to another. Inventory remaining at the time of restocking must be counted to determine product movement since the last restocking visit.

**Par:** The normal or standard fill level when restocking inventory. Restocking only replenishes inventory sold since the last restocking visit.

**Plan-o-gram:** In order to maximize sales and increase profitability, many vending companies have begun using plan-o-grams. Plan-o-grams may be based on a target audience or type of account, but they specify which products will be put into a machine and in what row/column.
Often plan-o-grams are rotated on a monthly or quarterly basis to give variety. In addition, even in highly structured plan-o-grams, there may be some “wild card” slots for route person to choose a product or two that would be good for that location.

**Purchase Price:** Price per item/good paid by reseller (VPD or VO) for item to be resold.

**Product Distribution:** The % of machines that an item is stocked over a defined time period.

**Retail/Selling Price:** Price per item charge to the consumer at the vend machine.

**Revenue (dollars):** Money that comes into a business from the sale of goods or services.

**Route Accounting:** Route accounting can include several aspects of management information: product sales, cash accountability, machine inventory, truck inventory, and truck inventory accountability.

**STD LEVELS**

**Taxes:** The portion of revenues due to the municipality, county or state as a result of doing business.

**Telemetry:** The science or activity of gathering data about remote objects and transmitting the data electronically.

**Vending Software (Enterprise):** Type of software used to run the business. (I.e. Windows ’98, NT)

**Vending Software (Machine):** Type of software built inside the machine.

**Volume (Sales):** Total quantity of things sold.

**Volume (Dollars):** Total unit of currency.

**Vortal:** A portal for a vertical industry commonly used to define internet search engines or gateways to other sites. (E.g. www.Yahoo.com is a portal, www.allaboutvending.com is a “vortal” for the Vend Channel.)

**Weighted Distribution:** The weighted % of machines that an item is stocked over a defined time period. (machine is weighted by average 52 weeks sales for that machine – so larger, high volume machines get heavier weight.) Similar to ACV weighted distribution measure for other retail channels.

**MECHANICAL**

**Accumulator:** A specialized vending machine coin mechanism that controls a wide range of selling prices within on machine or will accept different coins to equal selling price.

**All-Purpose Food Vendor:** A vending machine that sells a variety of items (sandwiches, salads, entrees, vegetables, canned juices, fruits, etc.).

**Belt:** That part of a machine that carries the product on a circular, revolving belt to the point of delivery.
**BIB:** Bag-in-Box; term for delivery system of syrup in cold cup drink machine.

**Bill Validator:** A device used for accepting $1, $5, $10, & $20’s and making necessary credits through and electronic controller to enable a purchase through the vendor.

**Changer:** A machine that makes change for coins or bills without a vend of merchandise (also called a bill changer).

**Cash Vault:** A coin & bill handling secured room for the purpose of counting coin and bills through automatic counting equipment.

**Coin Mechanism:** That mechanism within a vending machine that dispenses change and counts coins deposited.

**Coin Return:** A lever or button for the purpose of returning your money.

**Coin Slot:** A slot or opening to deposit coins for purchase of product.

**Cold Cup Vendor:** Machine which dispenses soft drinks.

**Cup Mechanism:** A device that feeds cups in a drink vending machine.

**Cycle:** Length of time a machine takes to vend one unit.

**Cycle Menu:** A food menu that repeats itself after a certain interval of time. Most common cycles are two week, four week, 20 day and six week menus.

**Décor:** The non-functional trim and decorative work installed around vending machines.

**Delivery Tray:** Area of the machine where customer receives the vended product.

**Double Hopper:** Coffee machine which dispenses two types of coffee, regular and decaffeinated.

**Down Time:** Time during which operation of machinery is stopped.

**Drum:** Horizontal rotating shelves in a machine.

**Jackpot:** A malfunction within a changer or ending machine whereby part or all of the change and/or product in the machine is incorrectly dispensed. See Free Vend.

**Legs:** A leveling device on the bottom of a vending machine.

**Meter Reading:** A device used to automatically count vends.

**Meter:** A machine-attached device that records the number of vending cycles.

**OOO:** Out of Order.

**Rehab:** (Or renovate) To rebuild a changer or vending machine. Also refers to the rebuilt machine.
**Single Hopper:** Hot beverage machine, which dispenses only one type of coffee.

**Snack Machine:** Machine specializing in individual portions of chips, pretzels, etc.

**Throw:** The amount of product, usually liquid, dispensed per vending cycle.

**Vend:** The delivery of a single unit of merchandise.

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**FINDING NEW CUSTOMERS**

Here are some key points to remember for sources:

*** Chamber of Commerce membership list
*** Personnel Associations
*** Industrial Development Organizations
*** Referrals from existing clients
*** Newspapers
*** Parking lots -- pay attention to them!
*** Suppliers
*** Yellow pages advertising

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**EVALUATING THE OPPORTUNITY**

Once you've created the opportunity to look at new business, the next step is to figure out if you can make a fair profit, and if so, how and how much.

Even though we're oversimplifying the process in order to fit in the Vending 101 context, we can still break it down into 2 basic steps:

**GETTING THE DATA & MAKING A DECISION**

Before we go into each of these a bit, let's start by touching on some basic financial ideas that most vending operators use to help them evaluate account performance, whether it be new or existing locations. The 3 concepts are RETURN ON SALES; PAYBACK and RETURN ON INVESTMENT.

Simply put, RETURN ON SALES (ROS) means profit -- how much of each dollar collected will eventually be left over after expenses are paid. It is expressed as a percentage of sales on the P&L statement and it calculated by dividing the profit dollars by the sales dollars.
If you think you've got the answer when you've calculated ROS or profit, let me suggest that you need to look further. Another concept to consider is PAYBACK, or, simply put, how fast will you earn back your original investment? It is calculated by dividing the investment by the yearly expected profits to get a numerical figure expressed in years & months. Thus if there is a $10,000 investment and it earns $5,000 per year, then the payback will be 2.0 years. It is a way of expressing some of the risk associated with an opportunity, at least in terms of how long the money will be out-of-pocket.

Finally, consider RETURN ON INVESTMENT (ROI). Again simplified, it is the profit divided by the investment. Expressed as a percentage, it gives a measure of the relationship of profits to the assets used to make that profit. Using the example above, the ROI would be 50%, a handsome return indeed. If you want to get some sense of what's a good ROI, consider what the prime rate is at your local bank, see what a similar "safe" tie-up of the funds at the bank would earn or consult the NAMA industry statistics which indicate an average ROI of about 15% right now.

Now let's return to the 2 steps we identified earlier:

**GETTING THE DATA & MAKING A DECISION**

**GETTING THE DATA:** otherwise known in the industry as a SURVEY, here are some of the questions that need answers:

1) How many people work at this location? what is the mix between male & female? how much is the average paycheck?

2) Present sales information: how much is the present vendor doing in volume? what is the mix of product sold? do you believe your sales and product mix will stay the same?

3) Present Equipment: how much equipment is on site? what type of equipment does the client want? how creative can you be in coming up with an equipment package? (i.e. mix of used/new/idle)

4) Pricing: what are the present selling prices? is there room to move prices up with a change in operators? what is the present commission structure?

**MAKING A DECISION:** The PROFORMA pulls it all together in an organized fashion. Here are some additional items to consider:

1) What doesn't have to change? do you have to follow the rules the present vendor is using? is there room to raise prices? what are the real commission needs of the client?
2) What are the equipment needs and costs? will you be able to use used equipment? can you reduce equipment needs through combination machines or other approaches?

3) how much business will you do per person? what is the product mix you will sell?

4) how much direct labor will you need? how much indirect labor cost will there be? what is the overhead factor for your company?

5) is there a "difficult customer" factor?

**ADDITIONAL TIPS:**

1) Make sure there is a positive cash flow. All businesses run on cash. Having a bottom line but having a payback period that runs longer than your contract is asking for trouble.

2) use your present accounts as a basis for what you expect a new similar account to do. Use between 48 and 50 week years for annualized sales. Expect and factor in a sales dropoff with layoffs and downsizing in the location's future.

3) consider attending the NAMA Seminar "HOW TO MAKE BETTER PROFITS IN VENDING" held each year, where the above is given a comprehensive treatment and discussion.

**SELLING SERVICES TO CUSTOMERS**

Key points to remember in the sales process:

*** Introduction/Get-to-know-you stage
*** Asking questions of your prospect
*** Presenting information on your company
*** The Demonstration
*** The Proposal
*** Follow-up
**CONTRACTS**

What's a contract in the vending business? A written agreement between a vending operator and a client spelling out such things as services to be provided, account pricing, commissions, cancellation provisions and anything else relevant to the business relationship. It provides a written foundation backing oral commitments about what both parties are agreeing to.

Vending is a relationship-based business. Many operators today do not use contracts, but in today's very competitive environment, the protection that a contract can afford is well worth the time to develop it and put it in place.

A contract doesn't have to be complex. It can be as simple as one page. Based on NAMA's experience, contracts can contain the following provisions:

**EXCLUSIVITY OF SERVICE RIGHTS**
**CLEANING & MAINTENANCE DUTIES**
**SPECIFIED EQUIPMENT**
**INSURANCE PROVISIONS**
**SERVICE/STORAGE DETAILS**
**HOLD HARMLESS CLAUSE**
**UTILITIES**
**LICENSES/TAXES COMPLIANCE**
**REASONABLE ACCESS RIGHTS**
**FINANCIAL ARRANGEMENTS**
**PRICING**
**TERM OF AGREEMENT**
**CANCELLATION PROVISIONS**
**REPORTING REQUIREMENTS**

You can contact NAMA to get some sample contracts for your reference. PLEASE REMEMBER THAT THEY ARE JUST SAMPLES AND ARE NOT MEANT TO BE USED WITHOUT ADAPTATION FOR YOUR COMPANY'S CIRCUMSTANCES. We urge you to seek local counsel in developing a contract that works for your situation.

**CUSTOMER RETENTION**

Key points to remember:

*** Meet or Exceed your Proposal
*** Keep machines clean, filled and working
*** Management inspection of locations on a regular basis
*** The customer is KING
*** Upgrade equipment voluntarily
*** Keep products fresh

**TRAINING**

I. **NEW EMPLOYEES**
   A. Develop procedures
   B. Follow-up at specific intervals

II. **PERIODIC TRAINING FOR CURRENT EMPLOYEES**
   A. Machine sanitation
   B. Customer relations
C. Safety
D. New Products
E. Employee feedback

III. EQUIPMENT
   A. Machine manufacturers & distributors
      1. Field serviceperson
      2. Equipment schools
   
   B. Changing Equipment Suppliers
      1. Training available

**FACILITY LAYOUT & FLOW**

Key points to remember:
*** Depends on type of location
*** Outside well-lighted & fenced for security
*** Separate alarm systems for money room, operations and office
*** Adequate electricity and water
*** Visit competitors for ideas
*** Plan for growth
*** Keep facility clean and well-organized
*** Truck height covered docks

**MONEY ROOM CONSIDERATIONS**

Key points to remember:
*** Limited Access
*** Drop chute into secure holding
*** Currency counter
*** Automation...time is money
*** Daily deposit
*** Pay someone to pick up your money
*** Separate security systems

**VEHICLE TYPES & USES**

Key points to remember:
*** Rolling advertisement...keep clean & in good repair
*** Minivans; step vans and special vehicles
*** Good shelving
*** Truck safe for cash
*** Importance of safe driving...MVR & drug test
INSURANCE

Like any other asset you own, you must take steps to protect your vending business through proper insurance coverage. Let's take a look at a couple of things you'll want to keep in mind in this area:

**COVERAGES:** The following are typical coverages that a vending business requires:

COMMERCIAL PROPERTY - protection for your physical property, including buildings, inventory, office equipment, supplies and furnishings.

COMMERCIAL LIABILITY - protects daily operations liability risks. Not product liability.

COMMERCIAL AUTO - physical damage protection for vehicles used in the operation, as well as liability for bodily injury and property damage.

WORKER'S COMPENSATION - standard (by state) workers comp and statutory employer's liability coverages

**OPTIONAL COVERAGES**

BUSINESS INTERRUPTION - just what it implies

COMMERCIAL UMBRELLA - extra layer of catastrophe coverage

COMMERCIAL CRIME - just what it implies

**SOURCES**

NAMA partner ALLSTATE BUSINESS INSURANCE PROGRAM

1-800-859-0247

YOUR LOCAL ALLSTATE INSURANCE AGENT