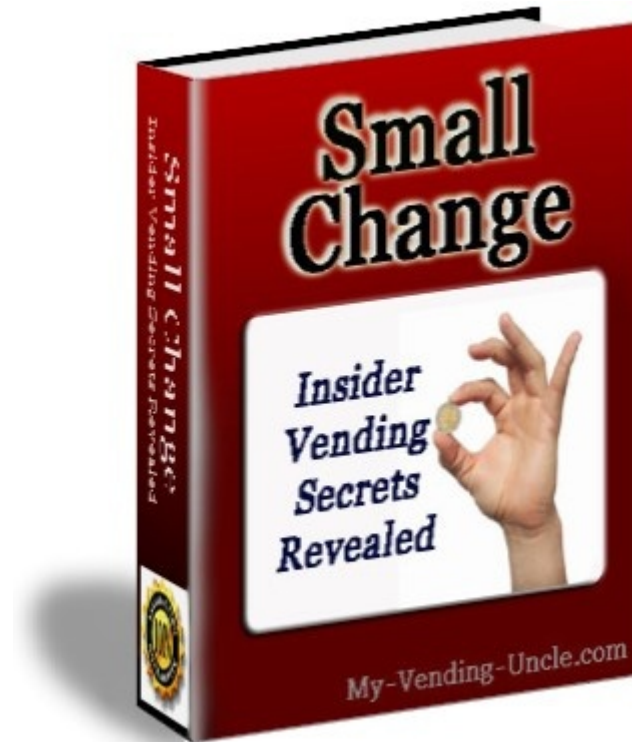


Small Change, Insider Vending Secrets Revealed



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Can You Really Make Money In the Vending Business?

The answer is:

Yes!

Hello, my name is Robert Farnham. Vending has produced a very nice living for my wife Patti and me for over 15 years. It was not a get rich scheme. It took time, patience and hard work. Just like any other legitimate business, there were many ups and downs. Looking back, if I were to do it over again, I could build a bigger, more profitable vending operation in a lot less time.

Why?

Now I know what to do.

I have the knowledge.

I learned what NOT to do.

This knowledge probably cost me tens of thousands of dollars in bad decisions and mistakes. Hopefully, this will give you some of that knowledge, without losing that kind of money.

My nephew asked if he could interview me for a high school project he was doing on entrepreneurship. Because of our geographic separation, this interview was done over the internet. His questions and my answers became the basis for this document. That's why I called the web site "My Vending Uncle". This is the same unbiased, opinionated advice I gave him. I wish someone had been around to tell me this stuff when we started.

Over the years I have had countless people come up to me on a location and say, "So-and -so is thinking about getting into vending. Is it a good business?" I have never been able to take the time to give them a 3 hour answer. I usually end up

saying, "It can be, but you need to be careful, there are a lot of sharks out there waiting to take your money."

In the next pages I hope to give you some deeper knowledge of vending.

I will leave out some of the most basic information, (I'll give you a list of resources to learn that stuff). I will concentrate on giving you the information you can't get anywhere else on the internet.

I will leave out the motivational, rah-rah stuff. If you want motivation, buy a Tony Robbins tape or a Norman Vincent Peale book. This is the inside scoop on how I would build a vending business if I were starting out today.

The one question that has bothered me for the last few years is, "Why isn't this information out there, on the internet, in a book, somewhere?" I found a couple of sites that were selling "Vending Start-up Information" packages. I couldn't find anything that was written by someone who actually did the operating side of a traditional vending business. They seemed to be salespeople or scam artists.

What knowledge do these people have about filling pop machines?
Why isn't the reality of the vending business being distributed?
Unfortunately, I think I know the answer.

It doesn't make as much money as selling get rich schemes!

Sad, but true.

Note: It is not my intention to dissuade you from pursuing your own vending business. I hope that you use this information to build a profitable business. However, after reading this, if you decide vending isn't for you, I feel that your \$20 was money well spent. I know many examples of people losing thousands of dollars because they didn't have the knowledge you are about to gain.

Our Vending Story

About 15 years ago, my wife and I had very flexible hours in our jobs. We went to a business opportunity show to see if there was something we could get involved with, to make a few extra dollars on the side. We found a booth that was selling "franchises" for small pop machines that went on the wall and held 60 cans of pop.

The sales pitch was that all the good big locations were taken, (Pepsi and Coke had

them all)

These machines were in great demand in all the smaller lunchrooms and offices. They told us that locations were begging for them!

They were only going to sell to 3 "representatives" in this area, at this show. We ran to the bank and arranged financing. For a little over \$15,000.00 we got a cheap coin counter, some business cards, an operations manual (that was more inspirational than operational), 5 brand new wall-mounted pop machines AND they gave us the name of our first 5 locations.

It wasn't until a few years later that we learned the reality.

- Pepsi and Coke don't have ALL the good large vending locations.
- Locating small machines is AS challenging as locating big machines.
- Customers don't beg for anything!

Back to our story:

We had talked to another "satisfied franchisee" on the phone. The sales people had arranged the call. He had a machine that was making over \$60.00 a week.

We figured that if we averaged only \$25 per machine, we would be bringing in about \$125.00 per week.

We calculated that after expenses we would have about \$70.00 a week profit.

We would pay off our bank loan and try to save enough to buy 1 extra machine as often as we could. We would just keep pyramiding our profits. The bigger we grew the faster we could expand. We would put a few of our hard earned dollars in until we could have the business finance this expansion.

If we didn't take any money out of the business, we could have 50 machines completely paid for, on good locations, in less than 3 years.

We would have our loan paid off.

We'd be grossing \$2,500 per week and be netting \$1,250.00 per week, free and clear.

We felt we were being realistic.

We were very excited.

We worked out our business plan on paper.

Our bank manager looked at the plan, my father, (an accountant and a VP), looked at the plan.

They all thought it made sense.

Then came the reality.

It was hard work installing the first 5 machines. I had to rent a van to get them to the locations. I talked a friend into helping me put them on the wall. We filled them with pop after we took a small survey of the customer's preferences.

During the first week, 3 of the 5 locations called and asked for different selections.

We ran out and bought different pop. These machines only had 3 columns so it was hard to please everyone.

At the end of the first week, we went on our first money collection run.

Grand total: \$43.00
Next week grand total: \$39.00
Following week total \$42.50

We later discovered we were lucky. In a lot of instances, this is better than the average for this type of situation.

We were discouraged.

We called the people that sold us our "franchise" and asked if we could get some better locations. They were polite, but explained that if we read our contract, they were only obligated to get us our first 5 locations. There was no guarantee how good these locations would be.

They can't guarantee locations.

They wished us well and hung up.

We went and found a couple of locations on our own.

When we told one location that we were removing our machine, due to lack of sales, they became quite hostile. They only had 4 employees but they really liked the machine. We had neglected to tell them that we might remove it if it didn't sell enough (actually we hadn't considered that possibility). When we took the machine out, you could see the holes and scratches on the wall. They insisted that we repair their wall (I guess that was fair).

It cost us almost \$75.00 to **remove** a machine.

At this point, as with most things in life, you can either quit and cut your losses, or dig down and see if there is a way out of this mess.

We decided to keep going.

I'm glad we did.

Over the first year we moved our five machines around until they were doing almost \$100.00 per week. We met other Mom&Pop vending operators in the wholesale supply stores and various locations (Costco, etc.) We started realizing that a lot of people spent a lot of money on machines that either weren't making much money or were sitting in boxes in garages.

We decided to put up a small sign in the wholesale supply store,
"Vending machines or routes wanted".

People started calling.

The typical conversation went like this,

"Hello, I bought 12 mechanical snack machines about 2 years ago for \$18,000. Nine are on locations and 2 are in my garage and one is broken. They do about \$75.00 per week gross. I don't want to do vending anymore because I have a full time job. I would sell them to you for \$9,000.00. That's half what I paid"

We started getting 1 or 2 calls a month like that. We would explain that we had been a victim of the same hype, but we could only consider paying about 20%-50% of the yearly gross revenue. We were interested in buying income, not machines.

In the above example, we would be offering $\$75 \times 52 \text{ weeks} \times 30\%$ or about \$1,170.00.

We also wanted the sellers to finance these deals.

We explained that we didn't want to insult them, but that is really what their business was worth.

They knew it too.

During this time we learned a valuable lesson about keeping your cards close to your vest.

While talking with one couple about buying their route, I happened to mention the name of one of our locations that was doing quite well for us. We agreed that we couldn't come to terms on price and wished each other well.

The next day, they went into our account and offered to vend pop for 10 cents less than what we were currently vending. We lost the account. They gained an account. This privacy and competition is one of the biggest reasons it's hard to get the truth about vending. No one wants to give something away to their competition.

One day we got a call back from a couple we had talked to 6 months prior. The wife explained to me that her husband had got an amazing job offer in Virginia. He had already moved there. She was stuck here until she sold the vending business (12 mechanical snack machines on location, 3 in her garage). She said we could have the

whole thing for \$4,000.00. I told her we didn't have \$4,000.00.

The next week she called back and I made her this offer. I gave her 18 post-dated cheques for \$75.00 payable on the first of each month for the next 18 months. She called her husband and called me back.

They agreed.

That weekend we took over their route. The first week we collected over \$80 from their 12 machines. We put the other 3 machines on locations where we already had pop machines. These 15 machines started to generate over \$100.00 per week, and we were only paying \$75.00 per month.

Good Deal!

We continued finding new accounts, moving slower machines and buying other peoples routes fully financed and a profit for us.

One day we got a call from a gentleman we had talked to a few times. He told us that he was moving and that he couldn't find a buyer for 4 machines in his garage (2 pop and 2 snacks). If we wanted them we could pick them up right now. If not, he was taking them TO THE DUMP!!!

We went and got them.

Sometimes we would buy more machines on location for cash, (if the price was low enough), but usually we had the buyer finance them.

It became quite obvious that these people had reached the same discouraged place we had experienced and were more than happy to cut their losses. Getting some money for these white elephants and getting them out of the garage was better than having to relive their mistake every time they parked the car.

We didn't cause their problem; we were once in the same boat. We just came up with a solution that worked for us too.

In most of these cases, if we didn't make them an offer, they couldn't be sold. Period!

There were a couple of places where our mechanical snack machines weren't providing enough selection for the location. (They usually only have 9 columns, 9 selection). For a lot of locations, 4 choices of chips and 5 choices of candy bars isn't enough. Occasionally we could put in 2 snack machines. However, most of these locations were not big enough logistically to handle 2 snack machines.

We came up with this solution.

We cut up some chip boxes. Put in some dividers and paper mache'd the whole thing. We painted our new creations glossy white. We then drove to Costco and found a variety of snacks and healthier choices in assorted packs. We made sure the unit cost was under 40 cents. We filled our honor boxes with a variety of snacks, put an old margarine container in the middle for collection of the money, and wrote a note to our customers explaining how an honor box system works.

We set these honor boxes on top of our regular snack machines.

We even put a few honor boxes in places that didn't have snack machines.

The results:

In an average of 8 out 10 places these boxes made us a lot of money. On average, if the snack machine was bringing in \$20 a week, the honor box would bring in another \$30-40 per week (on top of the snack). There were some problems and obviously some theft (sometimes major theft).

Remember, our equipment cost on this was \$0.00.

We kept expanding, my wife kept her job and I started vending full time.

A few of our locations just kept on growing; they would ask us for a full-size snack machine or a full-size pop machine. We didn't want to lose these accounts so we tried to find a way to buy larger equipment. We found distributors selling brand new equipment. Unless you have a very high volume account, I don't know how anyone makes a profit buying new equipment, (although some must). The prices are high and the time it takes to recoup your money is astronomical.

Even leasing new equipment from a tradition equipment leasing company is not very profitable.

Finally we found repairmen and distributors who sold "refurbished" equipment. Refurbished means older equipment that has been overhauled, painted or re-vinyl and cleaned.

We bought some refurbished equipment and put it on our locations. Whenever we would put bigger equipment on locations we would find new homes for the smaller stuff.

We kept up our expansion by adding larger equipment on great locations and buying owner financed routes.

One day a reputable vendor approached us. He had seen us build a good reputation for service, and cleanliness. He had decided that he wanted to retire from vending and pursue his real estate holdings.

He had sold off most of his out of town business, and was looking to sell off the remainder. He had had a tough time hiring good help for a few years now. (At one time, his annual gross was \$1.2 million). He liked the customers he had served for 8 years and wanted to make sure his clientele would continue to be served well. He didn't want to sell out to a large corporate company.
He offered us his route.

He was asking \$150,000 for locations that did almost \$300,000.00 per year.

We fell over.

We were grossing about \$120,000.00 by this time. He was trying to sell us about triple what we had. We politely declined and told him we didn't have access to that kind of money.

He told us to give him a small down payment (I mean small \$5,000!!) and he would finance the rest. He held the equipment as collateral until we paid off the note.
We accepted.

Now my wife and I became full-time vending people.

We improved locations, updated prices, moved equipment around. We kept expanding. Yellow Pages ads don't seem to bring in much business, but word of mouth sure does.
(If a company is unhappy with its vending provider, someone knows someone and you get a call.).

We kept growing our business.

Our company developed a personality and life of its own.

My uncle didn't like his job and was getting close to retirement so we hired him and my aunt.

They loved it.

We bought more vans.

Our Vending business now included, honor boxes, office coffee service, automated coffee machines, milk machines, pop machines, juice machines, food machines, chip

machines, compact pop machines, mechanical snack and pop machines and even a couple of hot dog carts.

WE WERE VERY BUSY!!

WE WERE VERY, VERY BUSY!!

In just 6 years, we had gone from our first \$43.00 week to thousands and thousands per week.

We kept expanding, kept self-financing acquisitions, kept working.

It was work and sometimes it was frustrating.

No-one ever calls to tell you how good a "snickers" bar is. They usually call because there is a problem that needs fixing.

Your customers just want good service and fresh product and no hassle.

You must stay on top of it.

We serviced our accounts well, our reputation grew.

We we're successful and profitable.

And then what happened Uncle.....

We got tired.

We had worked very hard building this business.

I was concentrating mainly on servicing the huge locations and repair problems. My wife was servicing the smaller locations, (honor box, smaller equipment, OCS) and handling inquiries and complaints.

We decided to sell off some of the business, take some profits, and slow things down, (My uncle and aunt wanted to retire for real).

We decided to sell of the smaller mechanical machines and honor boxes on location. We had 60+ snack machines, 60+ small pop machines and a bunch of honor boxes. We didn't owe anybody any money on these locations or machines.

They had all paid for themselves.

We got almost \$100,000.00 for these locations and machines.

Any person who had been to a business opportunity vending presentation would quickly realize this was a good deal. Although we didn't pay that much for most of these locations or machines. Getting started in the vending business with established accounts and machines for less than \$1,000.00 per account is a very fair deal. (although not what I would recommend)

We got a little better acquainted with our child.

(I was wondering what that little blonde thing in the house was!)

Last year we decided to sell the rest of the business, little by little, and pursue other ventures that are less demanding on our time.

Let's see how we did:

We got started 14 years ago with a bank loan for \$15,000.00.
After that, we only took \$3,000.00 out of our personal savings (it was a REALLY good deal we couldn't turn down)
We took no salary for the first 2 years.
After that we took over \$50,000.00 in salary for every year but 1.
We sold the business off in pieces for over \$300,000.00

Not bad!

- We could have done better.
- We could have done it faster.
- We could have been more profitable.

Can You Make Money In Vending?

Yes, You Really Can!!

What NOT To Do!!

Okay, let's take a look at what we did wrong.

We went to a business opportunity show to look for a business opportunity.

Bottom Line:

Don't do that!!

It's like buying a piece of real-estate in a different state. You can't get all the facts. These companies hire amazing sales people.

These people make a lot of money getting you excited about,

- "Making Money While You Sleep"
- "No Accounts Receivables"
- "Vending Machines, the perfect employees"
- "Millionaire: one quarter at a time"
- "Vending, the fastest growing industry in the USA"
- "Just Restock Attractive Displays in your area: No Selling Involved"

These companies make a lot of money selling you on your dreams! The reason they are at these business opportunity shows is because they have a willing audience. They know what you want to hear. That's what they tell you. Look around the exhibition. These sales people get paid very well. You have to pay sales people great commissions or they go somewhere else where they can make more. The fact that these salespeople are so good tells you how much commission they are making.

Secondly, look at the exhibit. Those booths cost money, BIG money. The company ships these booths and salespeople all over the planet, puts them in nice hotel rooms, gives them a meal allowance or expense account and pays them a nice commission.

Who ends up paying for that?

Go into the office of the exhibition hall. Ask to have a price chart for next years business opportunity show (tell them you might like to have a booth). See how much these companies are paying for the space, (you'll faint).

Who's going to end up paying for that?

By the way, ask one of those sharp salespeople,
"How many snack or pop machines have you personally maintained on a regular basis?"

One more quick thought about business opportunity shows. **All** the booths keep their prices up. It's an unwritten rule. That way the public isn't really comparing apples to apples. They are looking at one overpriced opportunity against another overpriced opportunity.

What about those ads in the paper?

You know the ads;

"Stock unique vendors in your area, no selling"

or

"Vending opportunity, brand new concept".

These ads usually have a 1-888 or 1-800 number.

At the end of the line you will be connected to another terrific salesperson, (who isn't attractive enough to be at the opportunity show). These people are wizards with the phone. They know exactly what you want to hear. They know how to draw you in. They know how to avoid questions and change the subject.

A common tactic is to offer you a video or more information. They tell you that this information is extremely expensive for them to produce. However, you sound like the kind of person vending would be perfect for. If you want to pay for the shipping and the video (express delivery) they will send it to you "overnight". It will cost

about \$20. If you decide to buy their opportunity the \$20-\$30 will be taken off your final purchase price.

This slick sales tactic gets you involved and “invested”. You've already started the process. You look forward to receiving the information. You go over it ten times. It's everything you thought vending would be. It's the answer you've been looking for! And, you get your \$20 back if you buy \$5,000.00 worth of machines.

What Are You Really Buying?

You aren't buying a **business** from these people.

You are buying vending machines.

These fly-by-night operators have given vending a bad name. They have bilked countless hard working people out of thousands of hard earned dollars. Worse than that, they have broken a lot of people's dreams. They are selling you generally inferior vending machines. There are garages everywhere full of unopened boxes. And yet, these ads still run everyday in our local newspaper. Check and see if you can see one of these ads today. (they are in the business opportunity/ businesses for sale section of your local paper)

Take note. Usually when you show some interest in the opportunity they start by giving you all this credit information on their company. Better Business Bureau, Dunn and Bradstreet Ratings, etc.,

Why are they giving you this information?

In a lot of cases, these companies fold after numerous complaints and reform with a new clean identity. Check the Attorney General of Florida's office for how many charges have been filed against vending telemarketers, in that state, for making unsubstantiated income claims.

Ask your "business opportunity salesperson" one simple question.

"Do You Manufacturer These Machines?"

If they're being honest, the answer should be "no".

There is only 2 or 3 companies that manufacturer mechanical snack machines and then re-brand them for other companies. This is also true for DVD vending machines, internet kiosks and many more types of machines. To top it off, some of these bizop companies insist you buy replacement parts through them (so they can mark that up outrageously too). They actually put it in the sales contract.

If they don't manufacture the machines and they don't provide ongoing business

training and advice (like a franchise), What do they do?
Oh yeah, they sell you **overpriced** vending machines!!

The 100% Financing Deal

A lot of opportunities raise your interest with this offer.
You purchase 2-10 machines as your initial order. You pay for these machines in full.

After you've established yourself as a "good" customer you can buy additional machines 100% financed through the company.

I don't think I need to go into much detail here. Most people are so defeated after placing their first few machines that they don't order any more. Secondly, the price of these machines (even 100% financed), they made big money on your first purchase, and anything else is gravy. And, check out the interest rates!

They Will Place Your Machines For You

Be afraid, be very afraid!!

Put yourself in **their** shoes for a moment. They are buying these machines in bulk, for very cheap. They are putting an enormous effort into marketing this opportunity to people who want a business opportunity.

What will make it easier for them to sell you?

They will find your locations for you. What a great idea!

And they will spend ALL their money finding you **great** locations (sarcasm)!

The truth:

They will find the easiest and CHEAPEST way to get locations!

This is how it usually works. A group of "locators" hits a town. They basically go door-to-door in an area trying to hardball businesses into "trying" this terrific machine. They will offer commissions and incentives to try and obtain as many locations in a day as possible.

The actual locator gets paid by commission.

I know of a few cases where these "locators" paid locations to let them place machines. A secretary got \$10 for agreeing to let a locator place a pop machine in her warehouse space.

This place had 3 employees.

That's what you may get when you pay for a locator through the biz op company.

My Advice (As your Uncle)

NEVER BUY A VENDING OPPORTUNITY OR EQUIPMENT THROUGH A BUSINESS OPPORTUNITY SHOW

OR

AN AD WITH A 1-800 NUMBER

OR

AN INTERNET SITE THAT SMELLS LIKE ONE OF THE ABOVE!!

- They aren't selling you a business, they sell machines.
- The machines are overpriced.
- They are making a lot of money off you.

What Would Your Uncle Recommend?

First I think it's important to look into the **future of vending**.

If you want to make a legitimate business plan you need to make some future projections.

Imagine this scenario:

A customer walks over to a machine. Inside the machine is a variety of famous beverages. There's Coke, Pepsi and 7up.

There are 3 types of milk and 5 types of juices.

There's bottled water (carbonated and not) and 4 sport drinks.

There is a selection of chips, candy bars and gums.

There is a selection of other famous brand names.

There's a Big Mac, KFC and Subway.

There is Taco Bell and Dominos.

Beside that there is a Starbucks and Dunkin' Donuts machine. The customer pulls out his debit card and swipes it across the front of the machine. A credit light goes on. The customer selects a Coke, Big Mac and a bag of Nacho Doritos. The selections come out of the machines. The customer takes his flash frozen Big Mac to a special microwave sitting beside the vending machines. He puts the Big Mac in. The machine automatically senses the content and, at high speed, evenly unflashes and heats the Big Mac. The customer's bank account is automatically debited the correct amount and the vending companies account is credited.

Scenario 2:

Around the corner at the local high school, a student walks up to a bank of machines. They pull out their prepaid debit card. They select a salad, taco and flavored milk. They place their taco in the special microwave and presto. In one minute they are eating a fresh taco and salad. Their debit card is reduced by the appropriate amount. The vending company bank account is credited with that amount. The vending company's inventory screen reports that those items have been sold and adds them to the "fill list" for tomorrow's route driver. If the machine runs out of any item, it automatically sends a notice to the head office computer.

By the way, the parent receives an email at the house informing them of their child's selection at lunch time.

It all seems so futuristic.

Okay, guess how many years until these scenarios happen on a regular basis?

Now the facts;

Although pop sales haven't declined, sales of alternative beverages (water, sports drinks and iced teas) have forced the major beverage companies to expand their product range. Newer vending machines that can vend cans, plastic bottles and glass have been available for a few years now. Vending sized flavored milks are also becoming increasingly popular. Boost, V8 and other healthy drinks are becoming more and more available to a more discerning customer base.

Frozen foods have increased dramatically in vending operations. It is now possible to flash freeze a hot item and then reheat it with a special hi-powered microwave.

Obviously once there is enough of a demand for this, and the technology has all the bugs ironed out, is there any doubt that the major fast food outlets will capitalize on it? Shutting down cafeterias and replacing them with famous branded foods in sleek looking vending machines will save the customer and institution time and money.

The quality can be ensured.

In Guelph Ontario, the University of Guelph tried an experiment with the Bank of Montreal. They offered terminals where students could buy pre-paid debit cards and then use them in the vending machines. They were called Mondex. They looked and worked like phone cards or credit cards. The customer could decide how much

money they wanted to load on their card from their bank account. Unlike a credit card or debit card, if your card was lost or stolen, you would have only lost the amount that was loaded onto it. Just like cash. The city even tried letting people use their Mondex card for parking meters. The result. It worked very well. Parents could put money on their children's card that they knew they could only use for food (even if it was junk food). The Mondex cards weren't accepted at local bars or record stores. Bank of Montreal states that they are evaluating the data and considering rolling out the program soon across all of Ontario, Canada.

Why?

Banks don't like money. The \$1 bill will soon go the way of the dodo (it already has in Canada, along with the \$2 bill). I am sure that the \$5 bill will also be gone in our lifetime. They will be replaced by a coin.

Why?

Coins last much longer. This means that the mint doesn't have to make as many. This saves the government money. But there is one problem.

The banks don't like coins. As a matter of fact, some back charge you a percentage if you deposit too much change per day. It's like a fine for them having to lift too much change. On the flip side (pun), some banks charge a service fee for giving out large amounts of change.

We have a friend who owns a large nightclub. On Friday he would put in a large order for change from the bank across the street from his nightclub. They wanted to charge him a service fee for this. They wanted to charge us for depositing too much change and they wanted to charge him for taking too much change.

Guess what we did!!

Bottom line: the banks like debit cards, credit cards and bank wires, ATM's and other services that deal with "virtual money." This takes less people to administrate. The banks would love to abolish actual money and only deal with strips of magnetic material. There is a change coming (another pun) and the banks are pushing for it.

Vending Machine manufactures have already installed devices in new machines that will allow companies to monitor these machines remotely. They also have sensor so a route driver can walk up to a machine and point a hand held computer at it and download what has sold since his last visit. Secondary parties are making retrofit equipment to connect vending equipment to the internet for constant monitoring of busy locations.

Now considering this information,
How long do you think until those scenarios are common practice?

Not long!

Why am I telling you this?

Make sure you don't get yourself in a situation where one change could put all your hard work in jeopardy.

Example 1:

In January of 2001, the government of the country of Greece banned all coin-operated video games, Lottery terminals and coin-op games of chance. Overnight video game operators lost their business.

Example 2:

Trying to cut down on the number of new young teenagers smoking, the province of Ontario banned coin-op cigarette machines. Cigarette machine operators went out of business overnight.

*Cigarette route operators in neighboring states were able to buy a lot of slightly used cigarette machines REALLY CHEAP!!

The Idea Is To Always Think Ahead.

When purchasing vending machines, keep in mind that soon, most machines will become obsolete.

See how the machine fits into the above scenarios. If it will be a dinosaur in a few years, what is its real value to you?

Knowing this information will give you a better approach to understanding the sellers' reason for selling.

That being said, a LOCATION doesn't become obsolete!

Value is in the location more than the machine.

The New Car Syndrome

A brand new car with 4 year financing. That is how most people buy new cars. That is also how most new vendors think about purchasing their first vending machines. However, the new vending operator doesn't think about the reality 4 years from now.

When you have finished paying the financing on your car, what will it be worth? Once your car is paid off (in 4 years) will it run forever and never need replacing? Why do people think that once a vending machine is paid off it never needs replacing?

Look at vending machines like cars.

- Once they start getting older they need more frequent repairs.
- Once the repairs and downtime start to cost you money, they need to be refurbished or replaced.

Think of vending machine obsolescence just like a car.

Before I stop ranting on about most BizOp salespeople (there are actually a few that have vending routes and know their stuff (very rare))

The **3 Questions** You Must Ask Before You Buy From Anyone

As I said before, there are 3 simple questions you can ask to see how much actual, hands-on vending knowledge a person has. This will give you a terrific idea of the experience of the person try to sell you something. It's also great to watch really slick salespeople try and fudge these answers and deflect these questions.

Question #1:

What is a SKU?

-Answer: This is a common term that the legitimate machine manufacturers and food suppliers use. It stands for **S**ingle stock-**K**eeping **U**nit. When you look at a snack vending machine, it would be one coil in a column. In a pop machine it would be one selection column. In a wholesale store it means an allotted shelf space. It is not uncommon to see ads and brochures for snack machines with 48 or 60 SKU's.

Question #2:

Have you personally ever managed a route or filled a machine?

-These answers will amaze you.

People who have never put pop in a pop machine, filled a row of chips or take the money out of an automated coin mechanism will tell you that they don't need that knowledge to help you succeed in your opportunity. Would you buy a house from a real estate agent who's never seen the property or a painting from a blind man? Or would you send your child to a person who's never been alone with children before? Of course not. You'll love the reasons that most salespeople say they don't need to have experience to sell you something.

Enjoy this one.

Watch them squirm a little bit!

Question #3:

If my refrigeration unit on a pop machine starts to ice up a little, and the compressor seems to be running a lot, what should I?

Answer:

There are actually 3 answers to this question.

- 1) It could be that the evaporator is clogged up with dust or needs better ventilation.
- 2) It could be that the thermostat needs to be turned down
- 3) It could be that the coolant (Freon) is getting low in the compressor

Try and press the salesperson to see how many of these they know.

If they don't know any, they're salespeople who don't know vending.

If they know all three, they know their stuff!

These are fun questions to ask.

Most reputable repairman or salespeople will answer them quickly and with hesitation. The sharks will really squirm.

These 3 questions make a terrific litmus test.

The **Least** Important Aspect of Successful Vending **IS THE MACHINE!!**

Unlike all those bizop gurus, the vending machine won't make you a success or a failure in the vending industry.

It's All About Your Skills!!

Ask yourself some questions

- Do people generally like me when they meet me?
- Can I communicate well?
- When someone calls with a complaint or a problem can I handle it?
- Am I handy with tools (or willing to learn)?
- Do I have a large circle of people I know?
- Do I like meeting new people?
- Am I good at solving problems?
- Am I organized?
- Do I enjoy working hard for rewards?
- Am I happier being a business owner than an employee?
- Can I hold my temper?

If you can answer YES to all the above questions, you will succeed in the vending business.

Depending on which questions you answered NO to, you might want to consider another business or opportunity.

Why?

First

-Decide that from the start, **you are the locator**. When you see a new business moving into a building or being built, you will walk in, introduce yourself and ask about vending. You will ask your friend, associates and family to keep their eyes and ears open for vending opportunities. You are responsible for finding locations. If you think that you don't want to do this, and you want to hire someone to do it for you. Don't!! I have never met a "successful" vending operator that didn't initially locate

themselves. How can you possibly hire or train someone to do it later, if you've never done it yourself?

You are the locator

Second

-When something breaks, or there's a problem, **You fix it**. You need to learn how to maintain your equipment, keep it clean and keep it working. If your machines are constantly malfunctioning or dirty you will lose customers. And sometimes, it's hard to get them back. It's hard to get a good account. It's easy to lose it if you don't take pride in your operation. Talk to your customer when there's a problem. Explain your situation. Most people will understand that the pop machine will be broken for 2 days because you need to order a part. If you don't tell them and there's an "Out Of Order" sign on it for a week. People will get mad. Communicate with your customers and handle the problems quickly and personally. If you move up to large machines there are courses to teach you the mechanics. These resources will be listed at the end of this letter.

Third

-Delayed Gratification. Sometimes when you're building your business you get to a cash crunch. This is especially true when you're in "expansion" mode. There might not be any money to take out of the business this week. You can't take a pay cheque this week. Some people get frustrated building a business that doesn't show a constant pay cheque. These people fail. You must look at a vending business in the **long term**.

Ask yourself:

- Is my vending business worth more today than it was 6 months ago?
- Do I owe as much on the business as I did 6 months ago?
- What will my business be worth in 1 year if I keep doing this?

These are the questions a successful vending operator must ask.

If you are missing too many pay cheques you are probably expanding too fast. Sell a couple locations and re-load. Focus on steady, long term growth. When you leave your job as an employee in 25 years, you won't get anything more than a gold watch. When you decide to retire from the vending business, you can receive hundreds of thousands of dollars. When you leave your job as an employee, you might have a company pension. Your vending business is your pension.

Fourth

-Be neat and be organized. You are a business. Look and act like it. If you want to succeed you need to give the impression that you are professional. When you go out on your route, don't wear jeans and an old T-shirt. Spend a couple of dollars, pick a good name and get an embroidered shirt, jacket and maybe a cap.

DON'T WEAR JEANS!!

Buy a pair of work pants and wear them.

Right there you'll look more **professional** than 90% of the "Mom and Pop" operations.

The appearance of success breeds success (I'm sorry, I said no Tony Robbins)

If you follow these simple principals you'll be successful in whatever area of vending you decide to specialize in.

The following is my personal opinion on specific areas of vending.

1) Video Games

We have a friend who does really well with this. He has a huge

investment but he actually got a bank on his side and they gave him a large line of credit. His machines are located all over. He does very well with them in bars and has 3 of his own arcades.

He has them in hotel, motel, restaurants and variety stores. He generally pays a commission to the location of 25-50% depending on the location.

The Down Side:

Most of these games have become high tech computers. You need to have someone around to fix them. They get abused. These types of games tend to need to be rotated a lot. People always want to try the "new" thing. Some games never really become popular. He seems to always be buying newer and fancier equipment.

Conclusion:

A good business if you have the start up capital and can get into some bars and restaurants.

2) **Mechanical Pop and Snack Machines**

These are the type that is generally sold by the bizop guys. There is no electrical coin mechanism. The coin goes in a slot and then the customer turns a knob. It works just like a gumball machine. These are usually 3-5 selection pop machines and 9-15 selection snack machines. Sometimes they are sold as combination units (Snack on top of pop). Some also have a small bill changer on the side (Put in \$1 get back 4 quarters).

These can be picked up very cheaply from people who got scammed by the bizop guys. People generally pay \$2,000-5,000.00 per combo unit (It should be illegal). They work fine in small office settings:

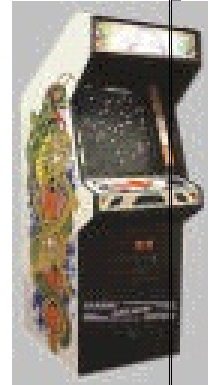
The Down Side:

It is extremely easy to steal from these machines. A certain size washer will work just like a quarter. People can stick coffee stir sticks in and get a free vend. If someone turns the handle hard enough it will release (most of the brakes are made out of plastic). Once the mech is broken the knob will continue to turn until the whole row is empty. The ad for these says it doesn't require electricity to vend. They think that's a benefit. I would prefer to have an electronic coin mech read the coin, check the weight and be sure it's a valid form of currency before it vends product. But that would take away from the bizop's profit.

Conclusion:

If you can get them cheap enough they work in smaller locations. Be prepared to fix the vandalism. A good unit to test out a location.

3) **Gum, Bulk, Sticker and Novelty Vending Machines**



The single coin/ one turn gumball machine has been around forever. Now you can also buy an assortment of other items from these machines. If you are bulk vending nuts, candy, licorice or mints be careful to keep your machines clean. To get locations, some operators team up with local charities. If you put a stick on your machine that says "A portion of proceeds donated to charity". Then do it. At one location a store owner asked to see charity receipts from 3 different vendors with those stickers on their machines. Not one could produce a receipt. Obviously, they lost their location. There is a terrific markup on these items which makes for a good profit.



The Down Side:

Locating companies are vicious about stealing these types of accounts. They will offer higher commissions or incentives. The overall gross per machine is low so you'll need a lot of machines. I mean a lot of machines!

Conclusion:

If you can find some of these machines on the used market, cheap enough, it is a profitable area.

4) Wall mounted Pop machines

These are usually made by Coinco and are called CT-48's. They only hold about 60 pop but are fine for smaller areas. Some have loud compressors which annoy customers. They have a variety of decorative prints that can be a bonus in getting locations in professional offices.

The Down Side:

They only have 3 selections. Parts are very expensive. People have been known to break the glass doors.

Conclusion:

If you can find these in good condition, and at a bargain price, they work well in small locations



5) Honor Boxes

Cheap to make (you can also buy them). Great for small offices. You will get a percentage of your profits stolen, but you have no overhead cost. If you only lose 20% from “shrinkage” (theft) it can still be a very profitable way to get started in vending.

The Down Side:

You will walk into a location and there will be no money and no snacks. When you ask someone to reimburse you they won't.

Conclusion:

Low cost, but can be frustrating.



6) Full Size Pop Machines

Pepsi and Coke place their machines everywhere. They look at placement as advertising. For this reason they focus on public places. You can do well with factories and offices, etc., You can offer your customer **both** types of products in your machine. The lunchroom that has room for only one machine probably has a clientele that wants both companies' products. You can provide that service. Once a machine is established in a location your customers become very loyal to it. Sales are very predictable.

The Down Side:

There is competition. Your supplier (Coke and Pepsi) is also your competitor. They will leave you alone on the smaller sites, but they want the larger more visible sites exclusively. (see the FREE machine section on how to benefit from this (below))

Conclusion:

These are profitable machines if you get a good location. Treat them like gold



7) Full Size Snack Machines

4 to 6 rows of chips, candy bars, and gums etc., Some rows are 10-12 selections some are 4-5. The machines have individual pricing for every selection. Although these machines are expensive when purchased new, glass front snack machines with large selections and variable pricing can be very, very profitable.

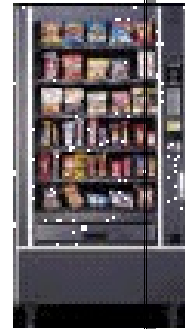
The Down Side:

Having a larger selection is great in a good location, but not so good in a slow location. If the machine doesn't get much use, product gets stale. Coin mechs need to be updated to accept new coins as they are introduced. These machines occasionally have product "hang up" on a coil. This is when people rock or bump the machine. People like to shake these to try and get free treats.

Conclusion

Great money makers on the right location.

Again, don't spend too much on a new machine, try to find a deal on a good used machine



7) Automated Coffee Machines

There are 2 basic kinds. The large machine that drops a cup and provides everything, and the personal one cupper that brews a cup where you have to place a cup or mug in a spot and add your own cream. Both of these machines make good money. The days of freeze dried machines are almost gone (except for cappuccino, etc.). There is a terrific margin on a cup of coffee. Probably even a better markup than bulk. If maintained properly it becomes the most used vending machine.

The Down Side:

No two people agree on the perfect cup of coffee. The condition of local water will determine your maintenance schedule. They need to be cleaned THOROUGHLY on a regular basis.

Conclusion

A terrific markup makes for a very profitable machine on the right location.



9) Food machines

These are large, very expensive machines that have trays that rotate. They vend hamburgers, sandwiches, fruit, pastries and milk. The items are all very perishable. The machines are usually placed in large facilities lunchrooms. You usually see these in a bank of machines with a pop, coffee, snack and food machine. You normally have to provide a condiment stand and microwaves with these machines. You often see these machines in a hospital waiting room.



The Down Side.

You end up throwing food out. I don't believe you can make any real money off these machines. However, you can't get the really big locations without them. You need to break even on them and make your money off coffee, snack and pop.

Conclusion:

Once they start offering flash frozen vending, these machines will probably be landfill. They require constant monitoring. However, if you have a few, you probably have a few very large locations.

8) OCS

Office Coffee Service is a little different from traditional vending. You rent a coffee machine and accessories to your customers business for a set monthly rental fee.

(They usually want very sophisticated equipment, thermal pots, etc.). Then you provide them with coffee, creamers, whitener, sugar, tea, filters, etc., on an as-needed basis. You markup your supplies at least 100%. You invoice your customer and they pay in 30 days (hopefully)

The Down Side:

"Hello, this is ACME business, it's 8:45 and we are out of coffee. We have some people coming from head office for a meeting at 9:30. Could you please deliver us some coffee supplies by then? Thanks"

Conclusion:

Very Profitable, but can be hard to schedule your day.



There are many other niche vending areas.

Although I haven't any experience in the following areas, I know people who have had some success.

- Hot nut machines -good in bars
- Popcorn vending machines -ditto
- Photo vending booths- good in malls and nightclubs
- Condom and perfume vending - good but high vandalism
- Pool tables - great profit but a lot of headaches and competition

There is also a ***"vending machine of the week club"***

It seems that these bizop guys try to think of new and innovative ways to sell the same old mechanical machine. For example there is a machine that sells nothing but Pringle cans, basically the same machine sells Knorr soups. I know of a location that has a small lunchroom, 12 employees and has both a Pringles machine and a Knorr soup machine. The last time the soup vendor came in he took out \$2. He hadn't been there in 6 weeks.

- Other "vending machine of the week club" gems:-
- a gumball type machine that vends cheap jewelry
- a medical supply vending machine for a small office
- cappuccino only machines for small offices (no regular coffee)
- alcohol tester (how do you like your average customer?)
- toothbrush vending machine
- French fry vending machines (these tend to catch on fire)
- wet wipe vending machine
- soup cup vendors (with no hot water (BYO kettle))

and the list goes on and on

There is a new trend towards high-tech vending as well. Internet kiosks and DVD vending machines are being advertised everywhere. Although we never entered this area of vending I do have one word of caution. Again, there are a few manufactures of this equipment and TONS of marketing companies marking up the prices 300-400% for their support and guidance. I suggest you make sure you are dealing with a manufacturer, not just a marketing company. And, NEVER buy a vending

machine that is advertised on late night TV. (What is up with that?) You will be paying through the nose for their advertising air time!

Whatever you do, investigate your area to see what type of vending there **is a need** for.

What would be the easiest type of vending to locate **in your area**?

Okay

How To Succeed In Vending For No Money Down

Or

“What I Would Do If I Started Over Now”

Imagine that I moved to a different city where I had no connections. I didn't have a lot of money, but I had a lot of ambition and energy.

This would be my game plan.

- I would keep what little money I had in the bank

- I would make up a handful of honor boxes. Big enough to hold 40-70 items priced at \$1.00

- I would get a membership at Costco or any other vendor supply place.

- I would find 10 locations that wanted to try my honor boxes.

- I would try to find smaller locations with about 10 - 15 employees



*(the boxes we made were about 3 times larger and held 3 times as much product as the above example)

- I would use the following pitch:

"Hi, I am an owner/operator of a unique vending operation. I'll leave a selection of snacks in your lunchroom for your employees. I won't even use your electricity. I will leave an open honor box. They can pay for these items on the honor system. I will try to include any suggestions from your staff regarding any favorites they may have. In a couple weeks, we will get together and see how it's working for both of us. If I don't get robbed blind and you have happier employees, we can continue. Do you mind if I leave a box in your lunchroom/staff room today." I would modify this pitch depending on the situation. It would be better in person, but might work over the phone if you prefer.

- I would continue to place honor boxes and monitor my progress.

I should be able to service 6 locations per hour. (Some 1 box locations, some 2 box locations). Visit them weekly.

*The biggest problem with the honor system is theft. EXPECT to be out about 20%. Unfortunately, the place with the biggest shortage is usually the places with the highest volume. Buy your inventory accordingly; put it in your business plan. Make it part of your percentages. And if you have a place that's always costing you money, pull it or put in a machine. Always tell whoever is in charge, what is going on. It's an unwritten rule, that if employees are stealing from the vending guy, they are also stealing from the company. Smart owners and managers know this and want you to tell them. Don't demand that they cover your shortages. You will lose the account. You decide if and when you wish to pull a location.

****Important****

By starting with an honor box route, you can test the market for your locating skills.

If you can locate, AND YOU ENJOY IT, you will be successful in the vending business.

If not, you can sell your little business, and still have made a profit.

Next Step:

- I would get to know my local vending industry.
- Introduce myself.
- Make alliances.
- Subscribe to some national vending magazines.
- Join a professional vending association. (NAMA)
- Go to conventions and meetings. The other vendors in your area won't give you too much info because you're their competition. At a convention you'll meet successful vendors from other states who will be more than willing to spill the beans.
- Stay up to date.
- Become the nicest guy/girl/couple in the vending business in that area.
- Let people know you're always looking to expand.
- Put up an ad up at different suppliers saying,
"Vending people, If you want out, I want in. Call Guy 555-1212".
- Wait for your opportunities and be ready.

* Note: We once went to a gentleman's garage to see about buying 2 full size pop machines he had advertised in the paper. When we arrived he had 6 mechanical snack machines stacked up in a corner. We thought he was asking too much for pop machines. In passing, we asked about the snack machines. He told us that they were thrown in when he bought a coffee machine from another vendor. He had no use for them. We asked him what he wanted for them. He said to just take them out of his garage. One of those machines ended up on a location making us \$50 a week. The location grew and we put a full-size coffee, pop and snack machine on that location. That location grossed almost \$350 a week and we got it because we had a small snack machine to put in their lunchroom when they asked for one.

We had the snack machine because this gentleman didn't want it!

- Evaluate all your deals based on what makes you money. Expand only when a deal makes you money.
 - If a vendor wants to sell you something but won't hold financing ask why.
- * I can only think of 2 reasons why someone won't hold financing in the vending business

1) They are lying about how much the location is making and they want their money before you find out.

- 2) They are in desperate need of immediate cash and should be selling at a fire sale price.

If these 2 options don't seem obvious, **pass on that specific deal!**

- I would be very patient, realizing that lots of opportunities will come my way. Only go for the ones that make me a good profit.
- I would look in the newspaper about 6 months after every business opportunity show comes to the area. That's when the latest round of shark victims will be selling.
- I would be especially nice to the established bigger independent vendors. Someday they might offer me their business. I want them to like me.
- I would make strategic alliances. For example: find an independent uniform or office mat supply company. These companies are always looking for new locations. Make a deal that they supply you with leads from their current accounts and you will reciprocate. Find a commercial real estate company and offer them your vending services. See if they will give you a listing of newly signed commercial leases (You will know about new locations before anyone else does). Find a small independent OCS service. Make a deal where you give them leads when you place an honor box and they return the favor when they place a new coffee account.
- Decide how much is enough.
- These opportunities will come your way if you stay alert and network. Eventually you will have a large asset and a comfortable income. Just don't buy anything that isn't profitable.

OR, if I was starting over

How to Build a Large Vending Route with FREE Machines!!

You can actually get FREE machines!

Okay, let me tell you the story about how we "tripped" over this. We had a full size snack and pop machine in a large furniture and appliance store lunchroom. It was an

account that did approx. \$150 per week between the 2 machines.

We got along **very** well with the location and they would ask us to exchange loose change for bills so they didn't have to go to the bank every time we serviced the machines.

On one of our visits I was asked to find the manager BEFORE I filled up the machines (uh-oh, never a good sign!).

He was upset as he explained to me that the National parent company had made a deal with Pepsi (sponsorship) and that we would have to remove our soda/pop machine because the new national contract called for a corporate Pepsi machine in every store.

I was stunned.

We were losing a profit center to someone who actually sells us our product!

Imagine a wholesaler becoming competition to the retailers it supplies (only in the vending biz)

Anyway, we had developed a great relationship with our local Pepsi bottler. For over a year we were having Pepsi deliver directly to our warehouse.

By the way, the price isn't necessarily better than you will get at a local Costco or wholesale grocery, BUT, they deliver and give payment terms. You don't realize the benefit of having your order delivered until you start realizing you are ordering 100-150 cases per week. In our area you had to have the product delivered to a commercial address, not residential. We know of one vendor who had the product delivered to the back door of his friends sign shop to get around this condition. Then he'd pick it up from there and put it in his garage or delivery van. Don't underestimate the benefit of getting cases of soda/water/juice today and not having to pay for them for 45 days. Suddenly your cash flow gets a huge boost.

Anyway, back to the story.

I was mad that we had lost our drink machine at this location so I called up our Pepsi bottler to express my displeasure at being cut out of an established account. at the hands our loyal wholesaler. Tim (the Pepsi guy) apologized and said that he didn't realize we had the account, and said he was sorry he already assigned the third party vending status to one of my competitors.

Now I had been vending for years now and had heard about 3rd party vending but I hadn't really investigated it or understood it. I immediately asked what the heck he meant by, "sorry, he already assigned the third party vending status to one of my competitors".

Here's what I learned, it came like a HUGE slap in the face.

Pepsi (and other large product manufacturers) have their own machines. They are interested in promoting their brand, wholesaling, sponsoring and competing with their rivals.

They AREN'T overly interested in going around stocking machines and dealing with the day to day issues of vending locations.

Whenever they are assigned one of these "corporate" accounts they provide the machine, and any mechanical support or maintenance, and find a current wholesale customer (like me) to fill the machine and deal with the location.

To become a third party vendor all we had to do was tell him that we wanted to be included on their list!

So here's what we had been missing out on.

They would give us a brand new (or almost) machine, deliver it to the location, handle any major mechanical problems (coin mechs, refrigeration, compressor, cams, etc.,) and we had to fill it with product, **AND COLLECT ALL THE MONIES!!**

What was their cut of the income? ZERO

Yep, they just wanted us to look after the customer, keep the machine stocked, and they didn't want any of the money!

It seems that the sole sponsorship and promotional cross branding off the two names is what was most important.

Of course, there were a few catches.

You could put ONLY Pepsi products in the machine and you had to order a minimum amount of cases from them each week. At that time the minimum order was 3 cases of product per week. Remember, the price of product direct from them wasn't necessarily cheaper than Costco or other sources, it was usually a little more expensive, but it was delivered. We were already ordering 100-150 cases so we didn't have to worry about the minimum.

We ran into Pepsi the following day to fill out an application to become a recognized third party vendor.

Sometimes, even in the vending business, there are happy stories and surprises.

We had removed our soda/pop machine from the furniture/appliance store and Pepsi had delivered the new one to the lunch room. Then the vendor Pepsi had assigned the

third party contract to went and filled up the machine for the first time. While filling the machine the route driver was told by the stores staff that we we're upset at having lost the drink account, and he recognized our name from the sticker on our snack machine (right beside the new Pepsi machine).

Later that week we got a call from our competitor.

He had spoken with Tim at Pepsi and was aware of the situation. He offered that we could take over the third party contract at that location. It only made sense for ONE vending company to travel to the store and fill the snack and pop machines. It was a nice gesture and we accepted.

By the way, in returned he asked that if we came across a location that was looking for ice cream vending from a machine, we would forward that lead to him. He had recently expanded into the ice cream vending. We later found out that was also a third party vending arrangement he had with Nestle.

Six months after he assigned us the furniture/appliance store drink account we called him with a great contact for an ice cream account.

Things worked out well for both of us.

But there's more.

While reading over the third party vending agreement it was obvious that this arrangement was for MORE than just the national accounts Pepsi picked up locally. We could walk in any time we wanted and ask for a brand new machine to put on any of our locations.

Originally there was a \$5 per month charge for the machine unless it was in a VERY public place. Then the policy changed and all our machines were free. Again, the conditions were that they had to contain ONLY Pepsi products and we had to order "X" amount of product directly from them.

The type of equipment that was offered to us was above and beyond what we could have budgeted and still remained profitable.

We received brand new Dixie-Narco machines. These machines were mostly 11 selections, individual pricing per selection, and could take bottles AND cans. We could price bottled water at one price, cans at another, and sports drinks and juice at another. Brand new these machines cost anywhere from \$4,000-\$5,500 (Canadian dollars).

Any mechanical maintenance issue was handled by them. If a coin

mech was broken, or need to be updated to accept a new type of coin, call Pepsi and they send out a repairman that day.

Beautiful!



We had a few locations with older pop/soda machines. Some of these older machines had developed unique "quirks". For example, one column wouldn't vend every 6th time, or a machine would drop multiple product with a single vend occasionally, or the compressors would freeze up if it became too humid. Our locations were overjoyed when we would replace a 5 selection, single price, old machine with a brand new, pretty, 11 selection machine that included beverages that EVERYONE was requesting.

What's The Catch?

Yep, there's always a catch.

For example, the furniture/appliance store was glad to have more selection and water and juice, BUT, they had taken a poll amongst the staff and wanted me to put in Diet Coke. This wasn't a problem when I owned the previous machine. We previously had a combination of Pepsi and Coke products. We put in whatever the location wanted. It was OUR machine.

I now had to inform the staff that I couldn't put Diet Coke in the Pepsi machine as per my third party contract.

In the next few years we learned of quite a few third party vendors who lost their machines for putting the "competitors" product in the machine to satisfy the location. In one instance the vendor called Pepsi and asked that a repairman go out to fix the coin mechanism on a third party vending machine. When the Pepsi repairman got to the location he found that out of 11 selections, only one was a Pepsi product. (Just goes to show that you don't have to be a nuclear scientist to be successful in vending).

In this particular case Pepsi recalled all 9 of this operators machines!
(What was he thinking?)

Another downside to third party vending is that the equipment owners policies can change (at any time without notice). We signed one year agreements. If the parent company decides to make major changes, (and isn't that what large parent companies do?), you could end up having your machines recalled, changed, or be charged for

them. What would happen if they changed the minimum weekly order from 3 cases to 12? That probably wouldn't have affected us, but a new vendor with just one machine would have to be sure he had a high volume location.

Also, have third party vending equipment obviously reduces the price you will get for your route when you try and sell it.

As an example, I spoke with a gentleman who was selling an established route in a town about 30 miles from us. We already had a few large account on the outskirts of this town so the purchase of his route (25 full size snack and 35 soda/pop machines), would mean that I could better monetize my travel to that city and establish a real presence.

He had his route up for sale for a year at what I thought was a reasonable price. I couldn't figure out why he hadn't sold. During our meeting I asked what the make of his soda/pop machines were. "They are all Coke machines!"

I realized why he hadn't sold for the price he was asking. He was pricing his route as if he owned all his equipment and he didn't OWN a single drink machine, they were all third party vending agreements.

YES...Coca-Cola does third party vending too!!!!

I believe the money is in the location, but when you are trying to finance the acquisition of a vending route banks and other lenders don't like to hear that they can't have the machines as collateral.

We ended up passing on the deal and his route was later sold for much less than he was asking when I originally spoke with him.

As a result of that conversation I ended up setting up a few Coke third party agreements as well. (Just made a call and had a meeting). We even had a few LARGE public venues with a third party Coke machine sitting beside a third party Pepsi machine.

That was one was to get around the preference/different brand problem. Unfortunately most locations don't run enough volume, or have enough space to justify 2 pop/soda machines.

Okay, so what am I suggesting?

If I were to start over again, from scratch.

Whenever I found a location that warranted a large snack and soda combination (my most profitable locations), instead of trying to find a REALLY inexpensive refurbished snack AND drink machines I would spend a few dollars more on the snack machine (zero on the pop machine), and get a reliable, large snack machine and then put in a third party drink machine. You could build twice the route for half of the money, cut down on repair problems and obsolescence.

OR

You could take this "No Money Down" idea to the extreme and just go out and find 50 locations that want a large beverage machine!!

Imagine having 50 locations doing around \$100 per week, \$5,000 per week gross, \$2,250 PROFIT (based on 45% of gross), **ZERO equipment cost** and the third party provider delivers and sets up the equipment (Yes, even including flights of stairs)

How to Get Started with Third Party Vending

I understand from talking to other vendors that the specifics of these third party arrangements change from area to area. Some third party suppliers still require a small rental/lease fee, others don't offer it in certain areas. Simply call the major company that you are interested in working with in your area and ask them for information on their third party vending program.

Be advised that they also have different names for this type of arrangement. Some companies don't call it "third party vending".

And by the way, don't think that this program is offered by Coke and Pepsi only. Effem foods offered machines the size of large pop machines that dispensed their brands of chocolate bars. Many bottled water companies (besides Pepsi and Coke's subsidiaries) offer third party vending. Milk companies, popcorn companies, French fry companies, and various ice cream companies all offer third party programs in various regions.

The BIG Warning

These large companies **don't** make this program public knowledge. They don't advertise it for a good reason.

We worked closely with Pepsi for years before we "tripped" across it. They don't want to setup third party vending arrangements with people who are not "business" people.

These programs are open to vendors who have proved their business reputations, or people who demonstrate that they can act in a "business like manner."

Obviously these companies don't want every Tom, Dick and Judy approaching locations with limited knowledge and inappropriate business etiquette, dress like a vacationer, and acting as if they are a representative of the parent company.

"Hey buddy, wanna buy a watch?....or how about a Coke machine?"

If you decide you want to find a third party vending program and establish a route I suggest you make sure you have your business module, presentation materials and all your ducks in a row BEFORE you go and ask for your first machine. If you are rejected for the third party program it might take you a long time before you are accepted.

It's fine to inquire about the program and learn the details but I would advise against actually applying for a machine until you have secured a GREAT location, established your business entity, and got more familiar with the area of the business you are entering. (Subscribe to some trade magazines, go to a vending trade show, learn the lingo)

So, if we were starting over today I would DEFINATELY use the third party vending programs to grow my business faster. Perhaps I would put out 50-100 honor boxes and then upgrade the best accounts by buying a good refurbished snack machine and placing a third party beverage machine.

(One more thing about third party beverage vending!)

There were accounts that we just couldn't put third party vending machines on. It was obvious to us that we would lose the account if we couldn't offer the full range and selection of products (Coke and Pepsi) that the location wanted. On these locations we used our personally owned machines filled with the varieties the client wanted.

During all of this we found a FABULOUS place to buy used soda/pop machines.

It seems that every few years these third party vending machines come off locations, or a location closes or relocates, or a machine is damaged. These machines are returned to the third party company.

We started buying these "returns" for cheaper than we could be "refurbished". And, because we bought them from Pepsi, they would warrantee them for 90-360 day (depending on who we were negotiating with).

These "return deals" seemed to be only offered to the third party vending associates. I mentioned to another vendor that Pepsi was selling their returned machines in our area. He went and looked at some machines and later reported he didn't get the same

"pricing" that we were receiving. Just another insider secret I guess!

At one point we had 16 third party beverage machines. At an average price of \$5,000 per machine (Canadian) that equals **\$80,000.00** worth of FREE machines!

Some Other Thoughts From Your Uncle

The story of 2 different operators:

Operator One:

Very driven, wanted to be the biggest independent vendor in the area. Decided that he wanted to have all the area school boards sign a contract with him. He went to all the school boards within 80 miles and offered them 30% commissions on all high school vending operations. They all signed up. He had to expand his warehousing. He had one full-time repair guy, an office lady, a money room person, himself and 6 independent route drivers. He and his wife ran around to suppliers and customers constantly putting out fires. Their operation grossed over 3 million annually.

Operator Two:

Laid back single guy. Picks accounts that only want pop, snack and coffee. No food machines or anything fancy. Provides good service and fresh product but pays no commissions to anyone. If an account was too stressful or intense he would sell it to another operator. He likes accounts that he didn't have to go to everyday. He ended up with a route of 20 locations doing about \$180,000.00 per year. He worked an average of 6 hours a day.

What's interesting is that both operators brought home about \$70,000 per year. The difference would be when they sold their routes.

However, who do you think would have an easier time cashing out when the time came?

That's another thought:

It is easier to sell of individual locations than a whole route.

You will get more money per location than if you sell a whole route.
Remember what your uncle says.
"Think about how you'll be getting out before you get in"

Make Contacts,

Get in good with the local equipment refurbishers, these guys will tell you who's doing well and who's looking to sell and who just lost an account. A lot of times these people offer moving services for equipment as well. If you're well acquainted with them, they might just tell you when they move some equipment off a location.

Do unto others:

We never stole accounts!! If an account called us because they were unhappy with their vendor, that was a different situation. We would never try and take a location away from a local competitor. If you do, it will come back at you. Play your cards tight to your chest but don't try taking someone else's bread and butter off their plate. A certain rapport and respect does develop between ethical vendors. (e.g. The furniture/appliance story above)

Look for the Golden Opportunities

We know a vendor that has only one account. He has vending at a horse race track. There is racing twice a week. 4 pop machines and 4 snack machines averaging about \$200 per machine per race day. He grosses about \$1,600.00 per week. He nets about \$850.00 since the machines have been paid for. On average he works 2 mornings a week plus "picking up inventory" time. About 10 hours per week, \$800 a week. He is a serious painter and spends the rest of his time working on his craft. He doesn't want to get any bigger.

Another Reality

Sometimes in this business you do everything right and things can still go wrong. We once lost a terrific account because the owners' nephew decided to get into the vending business. 2 years later we got the account back after the nephew decided to get out of the business. An operator in our area lost a \$3,000.00 per week factory account, when the home office decided to close this huge plant and relocate in Mexico. He lost \$150,000.00 gross income for something totally out of his control

Change is Inevitable

Little accounts are much more likely to change. They grow the fastest and they close

the most often. Keep in constant contact with your customers; let them know that as they expand you will to. Don't lose a relocating business opportunity just because you didn't speak up.

Another Opportunity Source

Bankrupt receivers are also a good way to pick up some very good deals. We got a call from a receiver that had taken over some very expensive machines from a vendor who defaulted on a bank loan. They wanted them gone quickly. We got a terrific deal. Circulate your business card to some bankruptcy receivers. You just never know.

You Never Know

Never pre-judge a location. Nothing is as it seems. We had an experience where we got asked to take over a large location, 200 people working in a belt factory. We put in 2 coffee machines, a bill changer, 4 microwaves, an 11 selection pop machine, a large snack machine and a large food machine. All those machines together NEVER combined for a \$200 week. It turned out that the workers were paid low piece work wages. They had learned to distrust the old vending operator because he had stale product and never refilled the machines. The coffee machines were constantly running out of sugar, or cups, or coffee. People were paying 65 cents for a glass of hot water and sugar. These low wage workers had given up on vending and all brought brown paper bag lunches and snacks from home. They even had little coffee pots set up between their sewing stations. It was a disaster.

Another example:

A small metal stamping plant. 30 people total between 2 shifts. One secretary and 3 guys in the office. A small lunch room. We put in a C-series pop, snack and coffee machine. 4 selections of pop, 9 selections of snacks and coffee, soup or hot chocolate. Two years later, they had 45 employees. We had a full-size pop machine, full size snack machine, food machine, bill changer and full size coffee machine. We filled these machines 3 times a week. Our best week was over \$600.00.

Bottom line: Never pre-judge a location.

You'll probably be wrong.

Try it and be flexible.

Don't Take It Personally

People generally look at vending equipment with disdain. On a recent episode of ER after a terrible night, the whole staff went out and shook the vending machines to get some free snacks. They all started giggling and laughing. People don't feel bad about ripping off a vending machine. Make sure your customers know you. Except for very public places, try and learn as many names of the staff as you can. They will be a lot less likely to rough up your machines if they know you. They will also be a lot less likely to replace you with another vendor if a problem arises. Become friendly with your customer.

Another Consideration

What about holidays? You can't leave your accounts unattended. Imagine a snack or pop machine that says, "I'm sorry you have no snacks this week, I'm on holidays until the 23rd. The machine will resume normal operations at that time. Thank you for your understanding."

They won't understand. You'll lose accounts. Unless you are the type of person that doesn't want to take a holiday for the next ten years, figure out an alternative so you can have your machines serviced when you go away. Beware. Cash is very tempting. Make sure you leave your accounts in the hands of someone you can REALLY trust.

Another Thought

You can't call the boss and say you're not coming to work today because you're sick. You're the boss. You can re-schedule one day and make it up the following but you cannot take a day off just because you're a little under the weather. I can't count the times my wife and I went to work on days that we would have called in sick if we had been "employees."

Internet Resources

I will give you a list of internet resources to further your education in the vending business.

The best source of advice is from NAMA (National Automated Machine Association).

If you decide to pursue vending as a business, I suggest you attend one of their conventions. You'll learn a lot from some successful vendors. By the way, they have links and companies on their website that PAY to be on there. These are paid advertisers. Be careful who you buy anything from. Keep your money in your pocket and watch for golden opportunities. They are out there.

To visit NAMA go to <http://www.vending.org/>
In the section "About Vending" there is a lot of good basic startup information.
Download the "Vending 101" section for future use. This is the best source for the most basic vending advice.
Grab a coffee and explore this site.
You'll get a better idea of what "real" operators concerns and interest are.

Your Golden Nugget

Your best reference for machine pricing is eBay
Go to ebay.com
go to the browse section
find the "Business, Office and Industrial" section
click on it
in the search box type "vending"
click on the box that says "search titles AND descriptions"
Hit the search button.

***Update:**

It is getting hard to navigate around eBay as it increases it's categories and expands into other areas like cars, half.com and other divisions. A reader sent me a link to a site that list all the current vending related auctions.

This is fascinating surfing: (Control and Click to open this link)

<http://vending.fromtheauctionblock.com/>

What you will find is a huge amount of machines for sale.
All types of vending machines.
Some people will be asking a lot for them, others will be fire-sale priced.
Notice what sells and what doesn't.
Check for sellers in your local area.
This is a bargain hunter's paradise. eBay is a terrific place to find great deals.
On eBay, there is a much higher supply of machines than there is a demand..
This keeps driving prices down. (That's a good thing for you)

Check out the completed items and current items to get an idea of what equipment is worth in the real world.
(You will notice that certain items don't even sell for a starting bid of \$10.00).

Keep in mind that shipping and possible repairs could be involved in any purchase you make.

Watch for local vendors try to sell.
If there auction ends with no bids (this happens most of the time), you can contact them privately and ask if they'd like to do a no-down deal.
(*Don't make this offer until the auction ends, it's against eBay policy and you will be kicked off the eBay site.)

An advanced eBay tips: If you go to <http://vending.fromtheauctionblock.com/> you'll also see an ebay search box.. If you are looking for a specific machine you can type it in there and find some "hidden" auction results.

Usually, these include "collectibles" and "antiques" but you can also find the occasional deal from someone who listed their auction in the wrong section.
These can be very lucrative.

You also might find someone who has an established route for sale.
Use e-bay as a tool for evaluating what different vending machines are really worth today.

The next resource is Happ Controls
Go visit them at <http://www.happcontrols.com>
They are a supplier of almost every vending part under the sun. For example, if you

decide that a snack machine needs cosmetic updating (it has that brown wood styling), you can by vinyl (sticky on one side) to recover the machine. They sell rolls of this specialty vinyl in different colors and textures. They will also send you a wholesale catalog and a "specials" flyer if you sign up for this service. They are simply the fastest, largest and least expensive online supplier I've found. (And no, I don't make a penny for saying that)

*This leads me to a thought about perception. When times got a little slower in our business cycle, we would use the opportunity to update some machines. We would take an older snack machine off a location (brown wood panel look), cover it with vinyl and put it on a different location. Take next machine and do the same thing. All of our customers would be delighted with their "new" machines. They looked better, they looked newer, and they looked cleaner. Our customers felt that we were looking after them really well. Sales increased. Sometimes a little paint or vinyl, and replacing a bulb, can increase profits as much as buying a newer machine.

Keep your eye on your local newspaper classified section. This is usually the first place dejected vendors advertise.

A Quick Tip

If you see a full-size vending machine with the light burnt out, take note. Go back a few weeks later to see if the light has been replaced. If after a month or two, the light still hasn't been replaced there is a good chance the owner/operator has lost his interest in his business. Give him a call. You just never know.

Another Last Thought

In a lot of ways, building a vending route is similar to those "No-Money-Down" real estate courses. Instead of buying buildings, you are trying to acquire locations and machines that produce an income. In both cases, you are trying to acquire an asset from someone who wants to get rid of it (for various reasons).

Go to your local library. There are a million "no-money-down" real estate course books there. Take one home. Read it to get a basic understanding of the negotiating philosophy. It will make your acquisition of vending routes much easier. Negotiate with the vending route owner the same way you would if you were buying his house for nothing down.

It works.

In Conclusion

Well, I hope you have found my little rant to be informative. If you decide to pursue vending you will be much more informed than all those people lining up for appointments at the next business opportunity show. In your town or city right now, there are vending machines still in boxes in someone's garage gathering dust. Don't become a statistic. Start a small honor box route to make sure you can locate. Find those garage bargains and make good deals. Grow your business to always be profitable.

My Most Frequently Asked Questions (updated)

Over the last year or so I've received dozens of emails from readers who have had "one more question" about vending before they get started, or decide NOT to get started. I have decided to take a few of the questions and answer them here in an attempt to answer some questions that might still be pondering.

Questions #1

"How Do You Find A GOOD Locating Company?"

Answer:

I don't know! A few years ago I was at a large national vending convention. There was a workshop/seminar that was attended by approx, 1,000 successful vendors. The speaker asked for a show of hands of vendors who had used locating companies. About 75% of the audience raised their hands. Then he asked how many successful vendors would recommend the company or service, or would use their locating company again.

Not ONE SINGLE HAND went up!

I'm sure there must be ONE decent locating company somewhere! I've just never heard of them. Since I published this ebook it is the number one question I receive. I get a ton of email from people who want to sue (or worse) their locating company.

"I have all these machines in my garage and my locating company's phone is out of service!"

I've heard this story over and over.

Think about it. Would you start a large house painting company without learning to paint?

The successful vendors I know have learned to locate, if for no other reason that they can teach it to someone else later.

How can you properly manage your business if you don't learn the most important aspect to long term success?

Learn to locate!

You'll be way ahead of the other vendors still searching for the illusive perfect locating company!

Most of these locating companies hire the scum of the earth to go in and blitz an area.

Obviously, they are paid on a per location basis. You have no idea what they originally said to the location to get them to let you "try" placing your machine in the location. The horror stories that have happened when you try to get a change in location are wide spread. There is also many cases where the locator gets a few accounts and the rest are "being worked on".

Here's my humble opinion.

If these companies can go out and get 4-5 locations a day by just knocking on doors with no fear, why can't you go out and get 1 a week by just being honest and asking people if they would like to try a machine?

Once you realize that locating is just a matter of looking for opportunities and asking questions to the location you will be able to find locations in you daily activities.

The guy who's the head of the locating company probably gets \$20 per location and

pays his people \$25. Imagine the caliber of person he employees that is willing to go into a strange town, stay in a cheap hotel, and knock on doors and plead with people to take your machines when he's making \$25 per location.

The only thing a locator knows that you haven't learned yet is this,

"It takes a lot of "no's" to get a "yes"

I get emails from people who bought machines at ridiculous prices who like to justify the over payment by saying, "locating was included". There is no magic secret to locating. You are paying a high premium for someone to do something that doesn't require an education or any special tools.

Do-it-yourself locating is the best way to become a successful vendor.

Question #2

“How EXACTLY Do You Find Your Own Locations?”

Answer:

Sorry, no magic pill here either. It's simply a matter of hitting the pavement and walking into possible locations. And no, it's not easy, (at least for most of us). It's a numbers game. The more people you talk to, the better chance you have of being in the right place at the right time. And remember that timing is important. We had many locations that we obtained that didn't need our services one year. When we approached them months or years later their circumstances had changed and they were interested in discussing our services.

Just keep at it.

You will have times when you talk to 100 locations and get zero customers. You'll have good luck if you just keep working it.

Patti once made 5 locating visits (cold calls) and placed 4 machines.

She should have bought a lottery ticket that day!

Talk to everyone you know and tell them you have a vending business. Ask them to tell everyone they know. Ask people about their vending at work. Start hitting the pavement and walking into stores, business, EVERYWHERE!!

To my knowledge, no-one has ever been killed for asking someone if they would be interested in talking about their vending needs! (If someone knows of someone who has met a tragic ending this way, please email me)

Of course, some people need a “script”.

Try this.

"Hi, I'm representing a new vending company in the area and I was wondering if there was someone I could talk to about your vending needs here today?"

Just do it. You'll get better at it as you go. Sorry, no magic pill

Question #3

"What Are The BEST Locations?"

Answer:

As I said earlier, if you pre-judge a location, you'll be wrong.

Simply get **ANY** location.

Then as your business grows you can decide to remove your vending from poor performing locations, or just keep growing with more locations.

We used this rationalization. We just kept finding locations. When we landed a location we would look for a "great deal" on equipment to fulfill the needs of that new location. If we couldn't find equipment at an acceptable price we would remove the needed equipment from our worst performing location (that had the type of machines we needed.) If we could find a deal on equipment we left the poor performing location until next time.

Sometimes dogs do turn into stars. It's better to have your equipment on ANY location than it is to have it in your garage.

The only exception to that statement would be locations where the equipment is being heavily vandalized, or you are being robbed.

Your motto should be: **"The BEST location is our NEXT location!"**

Question #4

**"What About A Bizop Deal With GUARANTEED Locations?
If they guarantee them how can I lose?"**

Answer:

The horror stories are too long to go into. Let's turn that question around. If they can guarantee profitable locations every single time why aren't they just vending instead of selling machines?

Question #5

‘What About Location Contracts?’

Answer:

When we started we drafted up a location contract. And some locations will actually ask you for them. If they do, simply write up what you want and they want and have both of you sign it. Don't make it too wordy. Here's why. When you get to the point of asking for the contract to be signed we always felt awkward. We eventually stopped using contracts after a particular incident.

Here's the reality.

If you don't provide good service, your machines are constantly not working or empty, and you don't develop a rapport with the location, someone will ask you to leave sooner or later. On the flip side; if you provide great service, if your machines are in good working condition and serviced regularly, if your product is fresh and what the location wants, and if you develop a rapport with the location. You will keep being their vendor.

Here's an example with another story that happened to us.

We got a call from a local factory that was fed up with their current vendor. The pop machine was broken more than it was working, the chips were stale dated and the chocolate bars we always out of stock. On top of all this the current vendors employee seemed rude and distant when these problems were brought to his attention.

(Keep in mind we only got one side of the story). This location had heard of our reputation and asked us to come in and discuss their vending requirements.

At the time of the phone call I didn't realize they had another vendor.

When Patti arrived and realized there was another vendor currently servicing the location she made our usual ethical statement. Patti suggested that they inform the current vendor they were unhappy and give him a chance to fix the problem before

we would agree to put our equipment in.

We did this because we hoped that another vendor would do the same for us if the tables were turned.

They informed Patti that they had given the current guy ample warnings, in writing, detailing their concerns, and they wanted him gone immediately. We could either take this account (2 pop, 1 large snack machine, 2 coffee machines) or they would find someone else.

We took it.

Apparently when they informed this vendor that he needed to remove his equipment he showed up in a flash. He was waiving his location agreement in their face. His contract stipulated that he needed 120 days in writing before they could terminate his agreement and take the machines out.

They “honored” his agreement.

They took all his equipment and put it in an old cleaning supply room for 120 days.

We put our equipment in and did very well.

His equipment sat in a locked utility room generating zero income for 4 months. (I think he actually removed after just a month and a half)

The bottom line with location contracts:

If they want you gone, you're gone. If you want out, you'll find a way.

That being said there is one thing you should always do to protect yourself. Always put a sticker on the bottom or back of the machine stating that the equipment is 100% yours. It's best if this sticker is out of sight of the general public so it doesn't get torn off.

In the event that a location closes, goes bankrupt or into receivership, it is VERY difficult to convince a sheriff or receiver that you own your equipment. This sticker can be a life saver.

Don't place equipment without it.

It should simply state:

**All equipment and proceeds are the property of
Blah, Blah, Blah BlahVending
Your address
Your phone number**

Question #6

“Do You Pay The Location Rent or Commissions? How much should I pay?”

Answer:

Some locations want a commission, others want a rental fee, and some just want a better price on product. Start by finding out what prices and services the location wants. Simply ask the location what THEY want.

Here's the technique that REALLY worked for us!

Say to them,

"Why don't I put in the equipment for a month to see what the revenues actually are. At the end of the month we'll sit down, look at the real numbers, and come up with something that is fair and works for both of us."

This gives you a month to create a relationship with the location. This is a tremendous benefit when it comes time to finally negotiate any fee structure. Initially they are asking for monies from a stranger. Now they are negotiating with a friend, or at least someone they a familiar with.

In a lot of cases, if they enjoy the machine you might not have to pay ANY commissions, and if you do, you know what the numbers are so you can give a percentage without giving away all your profit.

Check around in your area and see what other vendors are paying.

The higher the commission the higher the retail price of the product. For example, if a high school wants a soda machine but wants a 35% commission you will want to negotiate a retail price of over \$1. However, when you tell some locations that the retail price will go up in direct correlation to the commission, some will prefer a lower price with lower commissions, or even lower price with no commissions.

Never pre-judge. We were generally wrong if we tried to estimate what a location would do before hand. Once you have the real numbers you can decide what profit you are willing to settle for.

This also allows the location to see you as an honest business person with a fair arrangement. This relationship will help shield you from losing the location to another vendor or locator who comes through their door and offers a higher

commission. Once you've established a fair working relationship, delivered good service, and are paying them what's fair, they won't likely change for a slightly higher commission and unknown service from a competing vendor.

On the same subject:

Don't ever pay upfront for a location. In other words don't pay for the "right" to put your machines somewhere.

You want to work out a commission structure with the location based on actual sales volume and profit. We usually paid monthly or quarterly, again, depending on the volume.

On some machines we paid as high as 25% (high schools and hospitals) and on many we paid 0%. There are a too many dishonest bulk vending operators who use stickers that says, "a percentage of these sales go to Children Diabetes Foundation" (or some other charity). Unfortunately, some of the time these are scams where the vendor donates \$5 total a year and puts these stickers on 50 machines. If you are trying to locate bulk machines or charity affiliated products it doesn't hurt to ask a location, "Has your current vendor shown you actual charity donation receipts? Do you know how much he actually sent from this location last year?" In one particular situation we got a call the following week from a location saying the vendor couldn't produce a single receipt.

Please, don't start your presentation with, "I'd like to place my machine here and I'll give you a 10% commission." That's what locating companies do and it gets lots of locations, but not very profitable or long term ones.

Find a location where you can be open and honest with the owner/manager, offer good, clean service and make the rest negotiable.

Question #7

“What about licenses, permits, taxes, etc?”

Answer:

Every area is different. You need to find out what your jurisdiction requires. Here's a few links that might help you out if you live in the US or Canada

How to setup with the IRS and get an EIN and links to the state licenses:

<http://www.irs.gov/businesses/small/article/0,,id=98350,00.html>

Small Business Administration Website

This website includes a free start up guide:

<http://www.sba.gov/>

Information on setting up your business in Canada:

<http://bsa.cbasc.org/gol/bsa/interface.nsf/engdoc/0.html>

Question #8

“What if I lose a location?”

Answer:

Yes it WILL happen. It is part of doing business. Simply ask yourself whether you did something wrong, is it a problem that you are also having at other locations. If you can identify that specific problem, see it happening at other locations and then correct the problems at those locations before you lose them, it was a good lesson. If you just lose the location through no fault of your own, chalk it up to the cost of doing business. If you don't have a few setbacks from time to time, you want enjoy the victories as much.

Question #9

“Have you heard about these games that shoot coins and if the customer wins they get a prize (or a discount at the store or restaurant)?”

Answer:

An interesting area of vending. these can be profitable but there can be a possible legal problem coming.

First, here's the good part: the profits are fairly good and you don't need to stock them with product. The product doesn't get stale dated or run out. **Zero** product cost means large percentage profits (usually only have to pay location commissions).

Unfortunately, there's a down side. First, it can be hard to find good locations

because you need to put them in a place where people are waiting (pizza shop, waiting rooms of restaurants, etc.,) and where people have change in their pocket. This requires a lot of "no's" to get a few good "yes" locations.

But there is a larger concern.

A few states and a Canadian province have outlawed those "plush crane" children's toys. If you are not familiar with them, I will try to describe one. You put in your dollar and try and maneuver a crane over to a stuffed toy animal or capsule. If you can successfully pick up the "prize" and take it to the drop shoot before you run out of time, you win the prize. Some law makers decided that this was "gambling". In a few states and in Ontario (where I now live), they decided that unless the plush cranes could guarantee a prize every time, they would be illegal (gambling). They labeled "plush toy cranes" as "Games Of Chance" just like video lottery terminals and slot machines. It has sure cut down on the quality of items you can put in them, and the profit that can be made.

I received an email from a gentleman who is in New York state. Apparently they, and a few other states, are looking at coin shooters under the same regulatory light. Unless a customer can be guaranteed of a compensation for their money, it's gambling. As you know, the lawmakers like to keep all gambling profits in their pocket.

That being said, as of today I know of no area that has officially banned them. But it might be coming.

One gentleman bought 180 coin shooters of eBay for \$800 and his 2 sons placed them all in 3 months, then sold the route for \$7,000.00 and moved into other areas such as kids amusement rides.

I am not trying to scare you out of starting out with shooters, just trying to make you aware of the possible upcoming problems.

Question #10

“You seem to talk mostly about snack/pop, I’m interested more in bubblegum, bulk, multi/single-head candy vending?”

Answer:

We did some bulk machines but mostly concentrated on snack/pop. The number one question seems to be,

“How many vendors do you need if you go the bulk route?”

It is our experience that the average machine will do between \$4-\$10 per week. If

you have just 5 or 10 you can move them around until you get your average up to \$15 a week, but in reality you want 250 machines averaging the \$4 per week to start making money.

Most of the bizop pitches say you will make \$25-60 gross per week. Maybe we weren't good at finding the best bulk locations, (we usually put them in factories with our other equipment), but I suggest you go to a mall and do some "market research". Go on a Saturday and watch just how many vends a machine will do. Base your numbers on your own research not that of the people trying to sell your machines.

Here's an email from a customer that graphically details another major concern if you wish to profitable with bulk vending. If you aren't watching your product cost as your wholesaler changes prices, you don't know what you're really earning.

Here's the email

Hello Rob:

I bought your book yesterday and you asked for comments.

I thought the book was honest and well written. A bit too negative at times. You don't mention bulk food costing.

I got into the bulk vending business 10 months ago.

I bought 60 machines from (^&\$**\$); then another 60 which I am still locating. I also bought a guy's route which gave me 30 more machines. I am glad to be in bulk.

The only real problems I have had is (^&\$**\$) telling me in their sales literature I could average \$100.00 per machine per month when I was writing my business plan, and then 8 months later saying the average is now only \$62.00 (which of course I had by then found out.)

I'm afraid what they'll tell me next month.

Their manual says to set the quantity setting at 8 for

M & M peanuts. Yes but, a box of M & M's in the certain states is \$52.00.

Here in Canada it is \$77.00. After months of losing money I finally did a food costing on all of the products based on the wholesale price in my area and then changed all the settings to give out less candy.

(M & M's is now at 3)

I fired the first locator and the one I have now is three months behind. I will make a decision over the next few months as to whether I will get bigger or not.

I just need to get good locations and this business is very profitable.

--(Stan (email on file))

I thought I'd end this update with 2 emails that demonstrate what I've been saying. Sometimes it helps to emphasize a point when you hear it in other people's words.

Email #1

Hello Rob & Patti,

I did receive your ebook and found it very informative & I only wished I had it 6 weeks ago. Unfortunately I am one of the statistics who falls into the, I got taken group. I am currently in the process of sitting down with my attorneys on a deal that I signed with a vending company in Dec of this past year.

I purchased 10 combo machines with 10 locations for \$18k and I am getting a screwing on the locations. I made it very clear to them that the locations had to be part of the deal and it was written in the agreement.

I was allowed to pick the areas of my choice. Then the location co. sent me 10 locations of which 7 were outside the area I picked and I have had nothing but headaches since. I refused to take shipment of the machines and they refuse to give me back my money which I am fighting for.

Do you have any advice for me as far as getting my money back? Myself & my wife are very upset over this situation. We laid out \$18K over 5 weeks ago and we have no machines and can't get our money back, it's sickening.

We would appreciate any help or advice you can give us.

Sincerely

(I am withholding the name (email on file))

Email #2

Rob,

I just wanted to thank you for taking the time to put together "Small Change" and "Vendings Dirty Little Secret." I signed a contract to purchase five machines that would have cost nearly \$30,000 after visiting after visiting one of the bizop shows. The presentation was very good, and my sales rep actually has run his own vending routes for over 12 years.

However, when I pushed him, he revealed that many of the 80+ machines he had purchased over those 12 years were NOT manufactured by the company that now employed him as a sales person.

I also went back and re-watched the promotional video tapes I was given after the seminar. In it there are disclosure statements stating that "some" of the vendors appearing in the video had purchased vending equipment not distributed by this company.

The statements go by so fast that I didn't catch them the first time.

I was probably too caught up in the dream to notice. Moreover, the disclosures went on to say that they were all compensated for their time.

I suspect they were given steep discounts on the machines, or perhaps given machines outright!

Like you, I imagine they quickly learned that while one type of machine (mechanical vs. electrical, etc.) might be better suited for a particular location, the manufacturer really doesn't matter. It's easy to lose track of that during the bizop's presentation.

After reading "Small Change," I went on to eBay and found machines that could be had for far less than I was asked to buy them brand new (about 20%). So the only thing I would be giving up would be the locator service, which in my contract states the company will not guarantee, anyway.

Fortunately, I have time to exercise my right of rescission and get my \$3000 deposit back. I plan to start small as you suggested with a couple of honor boxes and see if the demands on my time are enjoyable. If so, I suspect in a few months I'll be able to pick up some machines cheaply from other attendees who joined me

at the seminar!

Again, thank you so much for taking the time to do this. While I know you are making a profit on it (as you should), there are many millions of vendors who undoubtedly knew what you did and neglected to share it. It was maybe the best \$20 I spent all year!

Sincerely, (I'm withholding the name (email on file))

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**There are some GREAT (positive) truths
about owning your vending business.**

- You get paid cash (that's still a beautiful thing)
- You can set your own hours (if you want to golf this afternoon you can re-arrange your schedule without having to ask permission).
- You'll get to know your boss really well.
- You can get a great feeling of accomplishment.
- You can actually make money while you sleep.

Vending has been very good to my wife and me. I wish I had had this information when I started. I hope you benefit from it!

Finally (again!)

If I could sum up my advice for you I would state it simply as:

- Concentrate on building your route and finding more locations (not buying machines).
- Build good personal relationships with your locations.
- Provide terrific service.
- Find the best deal on the machines you need to build your route.

You will become profitable if you don't overpay for equipment.
It can be the difference between success and failure

Best of Luck

Rob Farnham (and Patti)
Your Vending Uncle (and Aunt)



pps. If you didn't read the email report entitled "Vendings Dirty Little Secret" you can read it now by clicking on this link

<http://www.my-vending-uncle.com/vendingsdirtylittlesecret.htm>

pps. Don't forget to surf around ebay (or vending.fromtheauctionblock.com) **BEFORE** you give your hard earned money to a vending machine salesperson.

ppps. No, we don't have a consulting or advice service but we really do care how you make out. Please drop us an email at <mailto:comments@my-vending-uncle.com> and

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"Small Change: Insider Vending Secrets Revealed"

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let me what you think of this information and what choices you've made. We might even publish your testimonials on the website.

Whatever you decide is right for you, we wish you good fortune to you and your family, in everything you do!.

