

Increasing Prices

INTELLIGENT VENDING®

Real Challenges, Real Solutions.

*Credit and Debit Helps Push Prices
Even Higher at High-end Accounts*

Success Stories



Executive Summary

Market opportunity:

The customer of a major bottler in Charlotte had just mandated a price increase at their amusement park account—an account that had already enjoyed higher-than-average prices.

At the same time, the bottler was in the midst of market testing consumer response to credit/debit systems in machines with one dollar price points. Based on the success of preliminary testing, the bottler wanted to expand the test to other locations, with even higher-priced vends. With newly increased prices threatening volume, it was determined that this amusement park account would be an ideal additional test site for credit/debit payment systems.

Before adding credit/debit	After adding credit/debit
<ul style="list-style-type: none">▶ The customer wanted to increase prices at this location.	<ul style="list-style-type: none">▶ With the credit/debit system in place, prices rose from \$2.50 to \$3.00 over the course of 12 months.
<ul style="list-style-type: none">▶ The bottler was concerned about the possibility of decreased volume once a higher price went into effect.	<ul style="list-style-type: none">▶ The location saw a 78.9% increase in sales from the previous year, only 20% of which can be attributed to the price differential.
<ul style="list-style-type: none">▶ The bottler had limited experience with credit/debit vending systems and wanted to continue to test consumer response to the alternative payment option and the usefulness of the technology behind the device.	<ul style="list-style-type: none">▶ By the end of the market test, one third of all transactions were cashless, 16% of which were for more than one item per swipe.

Market Conditions

Amusement and theme parks are great applications for credit/debit card vending because they have the higher vend prices and volume that supports the investment in technology. But even these locations have room for volume and sales growth. Unsure of the effect that raising prices from two and a half dollars to three dollars would have on volume, a major bottler in Charlotte felt they had exhausted their opportunity to grow the business at their amusement park location.

Background

Already interested in credit/debit card vending, this bottler had enjoyed a successful initial market test in 2003 and choose to extend that test into 2004 at locations with higher-priced vends. It was their hope that the addition of the credit/debit system would help facilitate consumer acceptance of the price increase at this amusement park account.

Challenge

- ▶ To increase vend prices without negatively impacting volume
- ▶ To successfully combat out-of-change conditions that often occur with higher vend prices
- ▶ To conduct a market test of credit/debit card payment systems and consumer acceptance of at higher vend prices

Consumer price sensitivity is greatly reduced with credit card payments, making raising prices less likely to negatively impact sales.

USA Technologies' Solution

Because parks and other accounts in the entertainment channel are locations where credit cards are already a preferred method of payment, both the bottler and the operator believed that their North Carolina location would provide an ideal setting for a market test of the system. In addition to wanting to test the payment system, the park wanted to increase vend prices at this account from two and half-dollars to three dollars. USA Technologies was perfectly suited for this application because:

- ▶ Consumer price sensitivity is greatly reduced with credit card payments, making raising prices less likely to negatively impact sales
- ▶ Sales loss due to out-of-change conditions is minimized because credit/debit card payment does not require that change be made
- ▶ Access to data available through e-Port® and the USALive® reporting system makes it easy for operators to view transaction information and respond to out-of-stock, out-of-change and other operational issues
- ▶ The convenience of credit/debit card systems broadens the consumer base
- ▶ People who make purchases at vending machines using credit or debit cards are more likely to purchase multiple items, resulting in increased volume potential

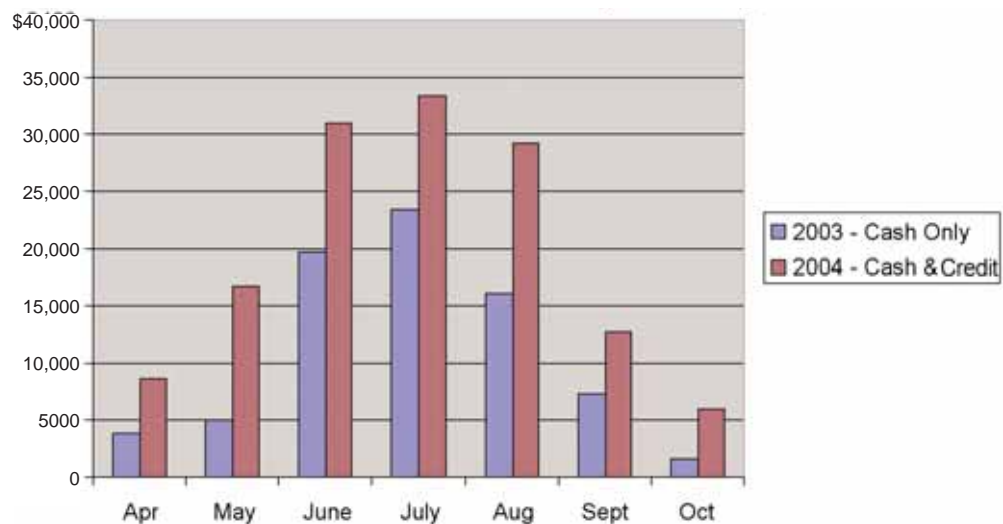
Implementation

The bottler chose a bank of six beverage machines located centrally in the park's "Cool Zone" where continuous water spray mist provides a refreshing area for visitors to relax and cool off. This was the main vending hub of the park, realized the highest volume and was ideally suited for credit/debit payment systems. Vend prices were increased from two and a half dollars to three dollars and credit/debit card readers were added in time for the start of the 2004 peak season.

Results

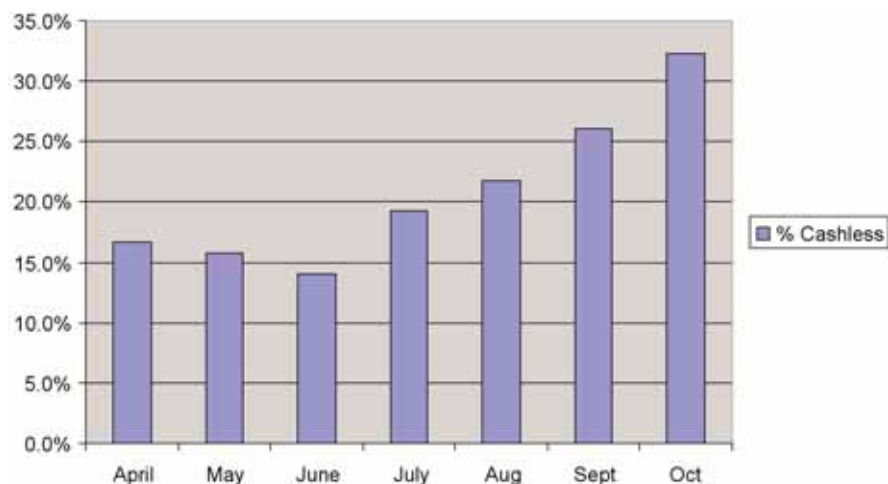
A. Sales for this location increased 79% when compared to the same period the previous year.

The Bottler's Sales: Cash/Debit vs. Cash Only Sales by Month



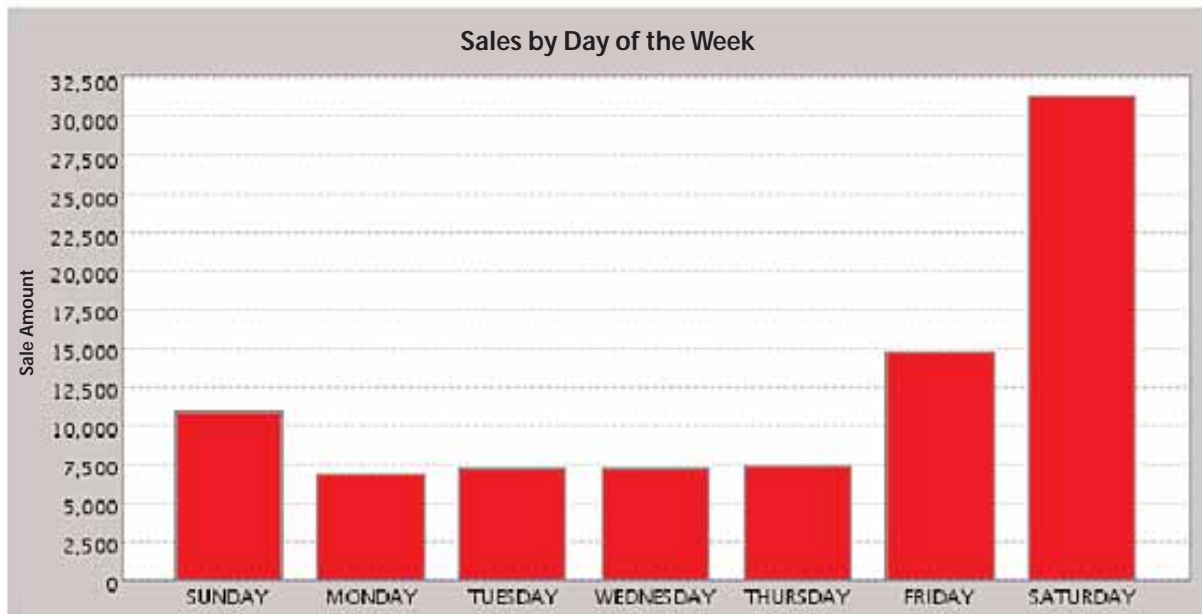
C. The percentage of credit card transactions continued to increase throughout the season, from 17% to 32% by October, an 88% increase in credit card activity

Percent of Transactions That Were Cashless



Additional points to note:

- A. Additional benefits to the account came from operational improvements gained through access to transactional data from all machines, for any given time period. This information enables operators and bottlers to identify out-of-product and out-of-change conditions that often plague high-volume, high-priced accounts.
- B. The bottler and operator was able to easily analyze consumer spending patterns to predict peak sales, and ensure ample product was available.



Scalability

Using results gathered during this market test, we can conclude that:

- ▶ Amusement and theme parks are good candidates for the addition of credit/debit card payments. Higher vend prices, coupled with the fact that credit/debit cards are already the preferred payment method in the entertainment channel, create ideal market conditions for volume growth by offering consumers the added convenience of cashless payments
- ▶ Any account with vend prices over one dollar is a good candidate for credit/debit card payment systems
- ▶ Credit/debit card systems enable accounts to increase vend prices to above-market prices without the typical resulting volume loss.
- ▶ Studies prove that consumers are less price sensitive when making purchases with their credit or debit card, and sales losses due to out-of-change conditions are minimized when credit/debit systems are introduced

For more information contact a USA Technologies Sales Representative at 800.633.0340 or visit us at www.usatech.com