

Increasing Volume in High End Accounts

INTELLIGENT VENDING®

Real Challenges, Real Solutions.

Cashless adds up where high vend prices exist

Success Stories



Executive Summary

Market opportunity:

- ▶ The top 100 performing vending accounts in the USALive® reporting system are machines with vend prices above one dollar. These machines generate more than \$6,000 a year each in credit/debit transactions alone.
- ▶ Machines with higher price points that are well suited for credit/debit vending are often found in the travel, hospitality and entertainment channels, including airports, hotels/casinos, cinemas and amusement parks.
- ▶ Credit and Debit cards are already the preferred method of payment for consumers in these channels.
- ▶ Many of the biggest successes with credit/debit payment systems are on glass-front beverage vending machines that are typically only placed in high-end accounts with higher vend prices and higher sales.
- ▶ Most vending operators and bottlers who manage these high-end accounts face special challenges that the USA Technologies' credit/debit payment and reporting system is uniquely designed to overcome.

Before adding credit/debit	After adding credit/debit
▶ Accounts can experience sales below break-even, despite high vend prices.	▶ Accounts experience substantial volume increases.
▶ There seems to be little room for sales and volume growth at these above-market vend prices.	▶ A cinema in the north east saw an increase in volume of 139% at a three dollar vend price; A theme park in North Carolina saw a 79% growth in sales on top of a 20% increase in price.
▶ Poor sales are often due to frequent out-of-change, out-of-product or breakdown conditions.	▶ Data visibility that comes with the cashless system enables operators to identify out-of-change, out-of-product or breakdown conditions.
▶ Cash-conscious consumers limit potential customer base at higher vend prices.	▶ Consumers are less concerned with price when using credit/debit cards.
▶ Consumers are already predisposed to using credit cards at many of these locations, but are unable to do so at vending machines.	▶ Consumers at these locations quickly embrace the technology with some of the more successful locations enjoying over \$6,000 a year per machine in credit & debit transactions alone.

Market Conditions

USA Technologies recommends its credit/debit payment and reporting system for high-end vending accounts that have vend prices over one dollar and high sales volume. Accounts that fit this description are most often found in the travel, hospitality and entertainment channels, and include airports, hotels/casinos, cinemas and amusement parks.

Credit and debit cards work well at these locations because consumers are less sensitive to higher prices when paying with plastic than they are when paying with cash. The same is true for vending. For this reason, a location that already supports high vend prices increases its volume potential by expanding the number of consumers willing to pay two dollars or more for a 20oz. beverage. In addition, vending in these locations is driven by convenience.

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Consumers are looking for quick and easy refreshments and snacks when and where they need it, and they will pay more for convenience and ease of use. This environment provides the perfect setting for operators and bottlers to grow volume with higher vend prices, or to increase prices in select accounts using credit/debit payment systems as the primary enabler.

Background

Using the USALive® reporting system, USA Technologies analyzed the sales performance of their existing customers to identify market trends. They discovered that the 100 top-performing accounts had the following conditions in common:

- ▶ They had vend prices over one dollar, with most at two dollars or higher
- ▶ They were already enjoying revenues of \$6,000 a year or more
- ▶ They were typically found in the travel, hospitality and entertainment channels, such as hotels, amusement parks, airports, and cinemas.
- ▶ Many featured glass-front beverage vending machines.

Challenge

Operators and bottlers with high-end accounts face special challenges. Although market research supports high vend prices in these locations, many find that the high profit margin does not make up for the low sales volume or high customer commission. It may also be difficult to increase volume even at successful accounts due to perceived price sensitivity on the part of the consumer. In addition, operators and bottlers experience increased out-of-change conditions at these price points, which negatively impact sales.

USA Technologies' Solution

The USA Technologies' credit/debit payment and reporting system is a natural solution to the challenges that operators of high-end accounts face every day:

- ▶ Consumer price sensitivity is substantially reduced or even eliminated when offering credit card payments, making higher vend prices more widely accepted.
- ▶ Consumers are willing to pay higher prices for the increased convenience of using their credit/debit card at a vending machine.
- ▶ Sales loss due to out-of-change conditions is minimized because credit/debit card payments reduce the need for change and provide an alternative payment method when this condition does exist. Real reports show cashless transactions replacing cash, one for one, when a machine is out of change.
- ▶ Access to data available through e-Port® and the USALive® reporting system makes it easy for operators to view transactional information and respond to out-of-stock, out-of-change and other operational issues.
- ▶ Many people who make purchases at vending machines using credit or debit cards take advantage of the multi-vend feature—the ability to purchase multiple items with one swipe of their card. This results in significant incremental sales growth.

All of this adds up to increased volume potential, operational and financial efficiencies, increased profits.

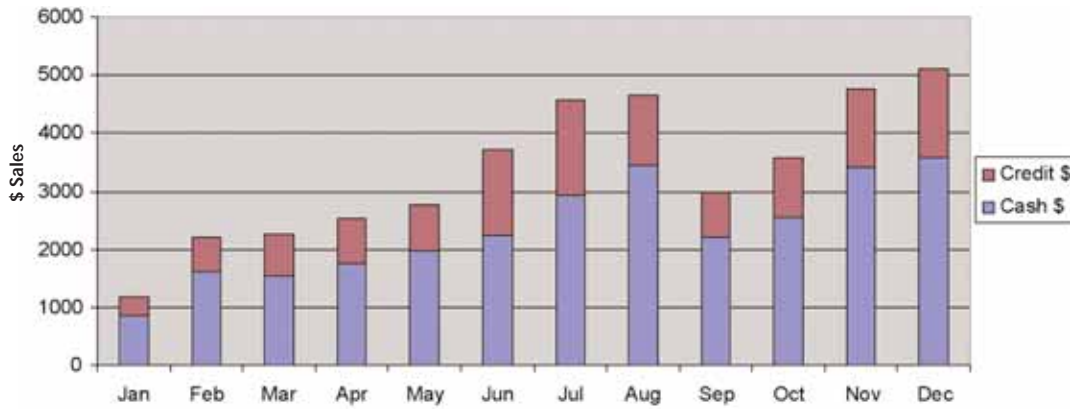
Implementation

USA Technologies e-Port® credit/debit card readers have been installed on a thousand machines in high-end accounts, typically located in the entertainment, travel and hospitality channels. As with all vending machines, successful volume growth depends on location. As a rule, machines that are already experiencing high revenue or a location that has high revenue potential, will most likely achieve the highest rate of consumer acceptance for the credit/debit system.

Results

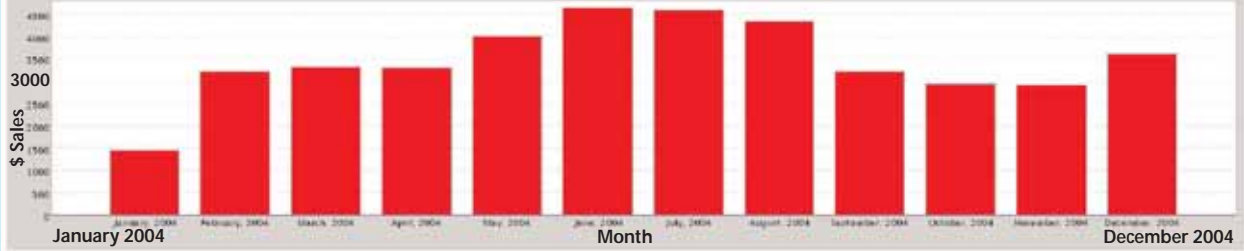
- ▶ A large cinema chain in the northeast added credit/debit payment systems to the vending machines at several of their accounts in an effort to transform the business case. What began as a losing proposition quickly became successful placements. The chart below illustrates the 139% increase in sales realized over a 12-month period. In this location, convenience was the key to success. Consumers were able to use their credit/debit cards to make fast multi-vends, bypass long lines at the concessionary and not be faced with an out-of-change machine.

Cash and Credit Sales Growth



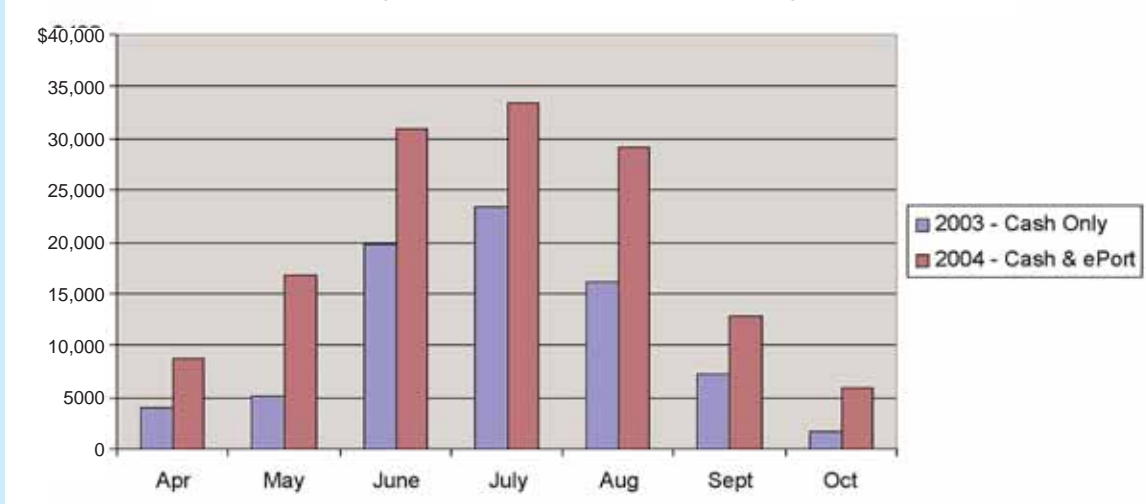
► The graph below illustrates five vending machines in a national airport that are realizing annual credit/debit transactions totaling more than \$6,000 per machine. In locations such as these, consumers want something quick and convenient and are already predisposed to using credit cards while traveling. Credit/debit card vending is a perfect fit.

Credit/Debit Sales by Month



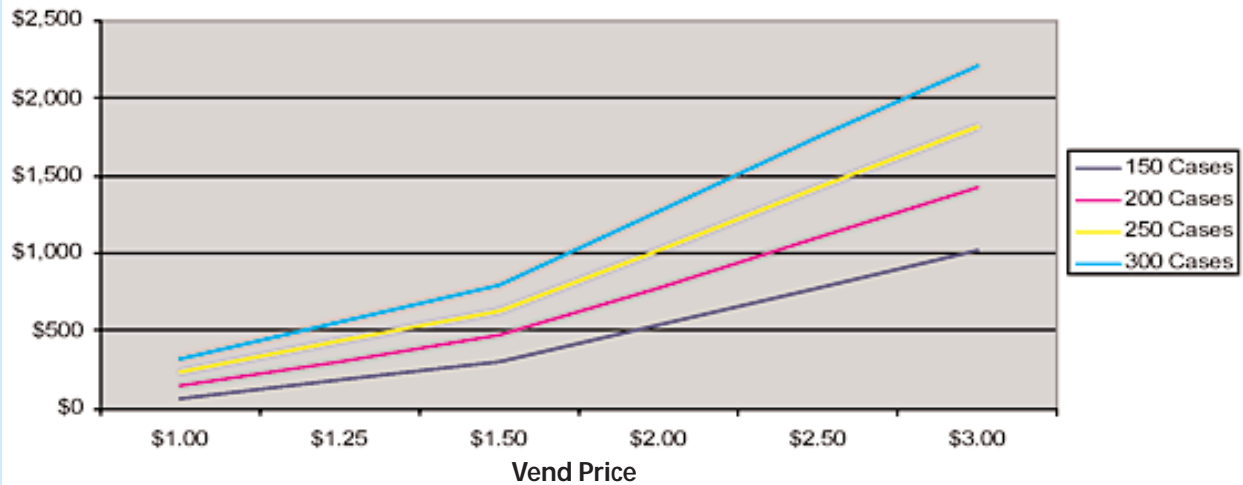
► A theme park in North Carolina added credit/debit to six machines located centrally in a “Cool Zone” and was able to increase sales for the season by 79% despite a 20% increase in price. Consumer acceptance for this payment method grew steadily throughout the season and by October one out of every three purchases was cashless.

Cash Only vs. Cash and Credit/Debit Sales by Month



- ▶ Financial models for a typical high end-account that support vend prices of \$1.50 or more shows that operators can realize incremental profit of up to \$2,000 a year with the average volume lift of 15% typically seen after adding credit/debit payment systems.

Incremental Operating Profit for 15% Volume Lift
On Machines Selling 150 to 300 Cases Annually



Scalability

Based on the experiences of these customers we conclude that:

- ▶ Any machine located in a high-end account that supports vend prices over one dollar is a good candidate for credit/debit
- ▶ The higher the existing price point, the greater the opportunity for cashless
- ▶ All glass-front beverage vending machines are a natural choice for credit/debit
- ▶ Accounts where consumers already prefer to pay using credit cards and where convenience is key are good candidates for credit/debit on vending machines. These include airports, hotels, theme parks and entertainment venues
- ▶ Any machine currently averaging \$6,000 a year or more in revenue may be a good candidate for credit/debit
- ▶ The combined benefits of e-Port® used for credit/debit and transactional data within USALive® used to manage operations, sales and financial settlement, delivers substantial incremental operating profit and quick ROI in these high-end accounts

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