



5 EFFECTIVE WAYS TO MASTER PRODUCT MERCHANDISING FOR VENDING



One of the primary ways to increase revenue at your vending machines is by implementing the right product merchandising plan.

Customers are almost always willing to pay for the right product, displayed at **the right vending machine, and at the right time**. More often than not, vending machines cater to a captive audience like employees or college students. This **captive audience wants to see new variants of top-sellers**, more options in the category they show a clear inclination for and packaging changes. The only way to keep them coming back for purchases is with a **tailored product mix and a periodic merchandising plan** that leverages the most recent sales patterns. Analyzing sales data not only tells us what sells, but also gives clear direction on which categories to expand and what trends to capitalize on.

Here are 5 specific ways to get more out of your product merchandising initiatives:



THINK ABOUT THIS!




If there is a rising trend towards healthier products like antioxidant beverages or water, then merchandising your machine with more brands of healthy beverages and water will help with increasing consumer spend per transaction.



1. Capitalize on Gains

The product mix should **stock more of what sells**, and in machines/geographies that it performs best in. A close **analysis of past demand trends**, with emphasis on the past one month sales average could reveal insights that could be used for planning the product mix. With operators **focusing on expansion** and adding **new locations**, analyzing more recent trends could be key to building your best-sellers list.

TRY THIS

-  Study the sales patterns that occurred between service dates, so as to capture demand accurately.
-  Past sales data which is smoothed out over months might not reveal the sharp peaks and troughs in demand patterns.
-  A deep dive into sales trends occurring between service dates ensures that the product mix is most tailored to your highest revenue-generating segment.






2. Eliminate the Bottom SKUs

There are several situations when personal choice takes over merchandising of a vending machine. Sometimes, we might hold onto our **personal preferences** when creating a **product assortment**. At other times, we carry past preferences (regional or seasonal) forward. Letting the data do the talking and not inclining towards biases is an effective way to create a **customer-centric merchandising plan**.

Common Merchandising Mistakes

- 1. Personal Bias:** Your preference for Butterfingers might not necessarily match consumer preferences.
- 2. Seasonal Bias:** Well into the winter you might continue stocking Gatorade or Mountain Dew, when these are commonly seen as trendy summer products.
- 3. Geographic Bias:** You might stock your machines in Georgia with Dr Pepper even though it is not a high performing product, but in the state of Texas you would find it in the top 5 best-selling items.

TRY THIS

-  Analyze the skus that contribute to the bottom 5% of revenue on a weekly basis. Do this by sub-route to see the subtle differences in performance.
-  Compare the bottom 5% skus with the actual space they occupy in the vending machine on those sub-routes.
-  Ideally, the bottom skus should get less than 5% of space in a machine.







3. Create a Margin-Driven Assortment

While the obvious choice of an effective merchandising plan would be to have a **high-margin focused assortment plan**, but considering vending machine operators spend 52% of their cost on products*, the focus might be on inventory and cash turnaround rather than margin. More often than not, **the fast-moving products** might not necessarily bring in high margins to the operator. It is important to **analyze by machine**, products that are **top margin-earners**, the **number of facings** they get and also if they are **getting placed at eye-level**.

Vending machine operators
spend 52% of their cost
on products.

TRY THIS

-  Create a replenishment report for your high-margin skus that shows frequency of sale and replenishment schedules. You might find that these skus are not replenished enough.
-  Change your planograms in an incremental manner to include more of your high-margin products.
-  Be sure to add these high-margin products at eye-level. Products at eye-level should be those with higher price points, shorter shelf life, or higher margins.
-  Watch the high-margin grossers to see if they sell as projected or not. Ensure they are moved out if they don't perform well.



4. Analyze Geographic and Seasonal Trends

Product preferences could manifest in **brand, volume or variant inclinations**. Geographically, even though most vending machine operators might service within a state where preferences don't change much within sub-routes, it is **smart merchandising** that could tap into subtle consumer preferences and enable the operator to increase profits. Preferences can also vary based on the demographics of a location.



THINK ABOUT THIS!

A blue-collar factory location will have different purchase trends than a white-collar high-tech location. Being able to identify your demographic at a given location is key to identify trends.



TRY THIS



The time between seasonal transitions are critical since they could lead to a sales loss or could create excess inventory.



In the month of July, operators could observe every machine closely to see if there is a slight upward trend for carbonated beverages and energy drinks.



Further, do a brand preference study to find top preferences by county. Correlate the lift percentage to the increase in number of facings or increase in replenishment times per week.



For example, 10% increase in sales of Mountain Dew could lead to 2 facings from the current 1 facing or to 4 times a week replenishment cycle from the current twice a week replenishment cycle.



5. Create a Merchandising Calendar

Regularly revamping merchandising of your top selling machines could help drive more customers to your machines and thereby increase sales. Creating a calendar with **routes, sub-routes, number of machines and days of the week/month** they would be serviced could help organize your merchandising efforts.



How often do you merchandise your vending machines?



TRY THIS



Do a comparative study between two routes.



On one, create a once a week merchandising task, where the assortment would be changed based on one month's sales.



On the other, follow your regular merchandising routine of changing the assortment once in three months.






On the first route, you would immediately see a lift in sales and also in customer satisfaction since you've been agile in reacting to consumer preferences.

When you take the time to understand your consumers and understand their buying behaviors you can better use merchandising tactics to ensure you provide an optimal customer experience.

Think about it, if you have the right product in the machine at the right time, your sales will naturally go up!

DON'T JUST "SET IT, AND FORGET IT!"

-  Be sure to **pay attention to the changes in geographies, demographics, and overall specific product performance based on the location it may take up in a machine.**
-  Be sure to change out those low performers monthly and try new items that may appeal to your buyers.
-  Be sure to double-down on the items that constantly are selling out.

Leveraging technology can help you accomplish all of these great merchandising tips! Take a closer look at [USA Technologies' Seed Pro solution](#), a cloud-based vending intelligence solution that automates thousands of decisions including merchandising, required to optimize your business every day. It's an integrated solution that helps you with [dynamic scheduling, merchandising and pre-kitting](#), so all your business decisions are coherent and deliver results. With [Seed Pro's Merchandising Wizard](#), you can now [maximize revenues while minimizing operating costs by acting on your information](#), rather than drowning in endless data.



The Merchandising Wizard ranks each item sold from first to last, makes recommendations on which skus to eliminate or to stock more of, and the best part is, it pulls all this data from your machines which makes the recommendations very tailored to your consumer preferences.



The Merchandising Wizard provides a great way to start implementing more product merchandising tactics without having to start from scratch.



If you want more control of your individual machines, take over the merchandising changes anytime with the [flexibility of Seed Pro](#).

Pro User Tips

Here are 3 ways in which USA Technologies' Seed Pro Merchandising Wizard helps you gain control of your operations:

- 1. Reduce Spoilage:** The Merchandising Wizard helps you **identify slow moving items** where the par needs to be reduced, bringing inventory levels of slow moving items down, resulting in a **reduction of spoilage**.
- 2. Increase Revenue:** The Merchandising Wizard **identifies fast moving products** and makes recommendations to increase inventory of fast movers. By increasing the number of coils allotted to these products you would **increase revenue significantly**.
- 3. Increase Customer Satisfaction:** The Merchandising Wizard enables you to **stock your machines** based on **customer demand**, thereby ensuring they always find the product that they are looking for. In short, it ensures an **increase in customer satisfaction**.

*Source: IBIS World Report

<https://www.ibisworld.com/industry-trends/market-research-reports/retail-trade/nonstore-retailers/vending-machine-operators.html>

This case study was created during the Company's tenure as USA Technologies, Inc. The Company rebranded to Cantaloupe, Inc. April 19th, 2021. For contact information please visit www.cantaloupe.com.