



8 Essential Strategies to Increase Spend in Micro Markets

The ultimate guide that discusses how merchandising, unique product offerings, and consumer programs can increase sales and decrease operational costs, all while giving a positive customer experience.



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Micro markets continue to be one of the fastest growing segments within the convenience services industry. In 2016, **61% of operators were “blended,”** offering more than one business line, reported NAMA in their 2016 State of the Industry Census Report. The most prominent growing segment was micro markets, **growing in revenue size of 154.1% from 2014 to 2016.** With the expansion of micro markets, traditional vending operators are having to expand product offerings, including fresh food and specialty items to appeal to the ever-changing workplace demographic.

In order to understand how to merchandise in vending or micro markets you must first understand your demographic. **Millennials** are expected to constitute **over 50% of the workplace by 2020**, so how are you preparing for the future? Well, data is key. Data can tell you a lot about consumer preferences and trends that are occurring today, what to expect tomorrow, and how to take those insights to implement actionable change that ultimately increases sales and makes your operations more efficient.

This brings us to the question: how exactly should we **merchandise our micro markets** to maximize the projected **increase in consumer spend?** We’ve put together these **eight essential strategies** that will help you get creative with your product offerings, consumer programs, and merchandising.

Determining the Right Product Mix

Just like in vending, having the right product at the right time is important in every micro market. Yes, you increase your overall SKU count from an average of 45 selections in a machine to 250 – 300 SKUs in a given micro market, but you still need to ensure that you maximize every inch of valuable space in that market. Following these steps will help you tailor your initial offerings to the consumers:



Know Your Customer – What type of location are you going into? White collar, blue collar, distribution center, university, young tech company, call center, etc. Each location type has a demographic. If it is a combination of Millennials, Generation X, and Generation Y, find out what the ratio of each demographic is.



Create Standard Planograms per Demographic – Use the information you collect on your location types to create standard planograms for various demographics. If you are going into a high-tech location, you know your demographic is made up of millennials, and generation Z so be sure to stock more fresh food options, organic, gluten free, local brands, as well as name brand products.



Don't Set It and Forget It – Provide a comment box at each location so that consumers can provide feedback on product recommendations or flavor selections. Evaluate after the first 1 – 2 weeks to learn more about how products are performing, and based on category trends, as well as specific product trends, make adjustments to your par levels, or planogram. Ensure that high selling items are getting enough real estate in the market so maximizing space to sales is done quickly.

The Power of a Grand Opening

There is no better way to kick off a market opening than to make it into an event for your client and their employees. Make it an experience they won't forget. Here are some ideas to really get your grand opening off on the right foot:



Ribbon Cutting – Consider wrapping the market with a ribbon and having a giant pair of scissors for your HR or main contact to use when cutting the ribbon. Not only is this exciting for your client, but it makes them feel like they are really doing something good for their company and their employees.



Time it Right – If you can't get into the location early enough to have the market ready for mid-morning breakfast, typically about 9am, then focus on trying to have your grand openings right before lunch starts for employees. This helps to boost sales on the first day as employees may want to try some of your unique product offerings.



Raffle Market Bucks – Take advantage of employees getting signed up with loyalty cards for the market and hold a raffle. This can encourage all employees to sign up for an account and then at the same time get their name in the hat for a free \$20 credit (or whatever amount you decide) added onto their new stored value card/account.



Sample Station – Consider inviting a supplier to each grand opening so employees can sample new products your suppliers are testing or specific products you are considering merchandising in that market demographic. It's a great way to get direct customer feedback and not take on the cost of purchasing all the sample station product yourself.



Don't Forget to Promote It – Doing all this planning for the big day is useless if you haven't promoted it. Send your client grand opening signs to post in the breakroom. Also, consider asking your client to send an email out to employees with details of the market and inviting them to the grand opening. Build the excitement, you only have one chance to do so!

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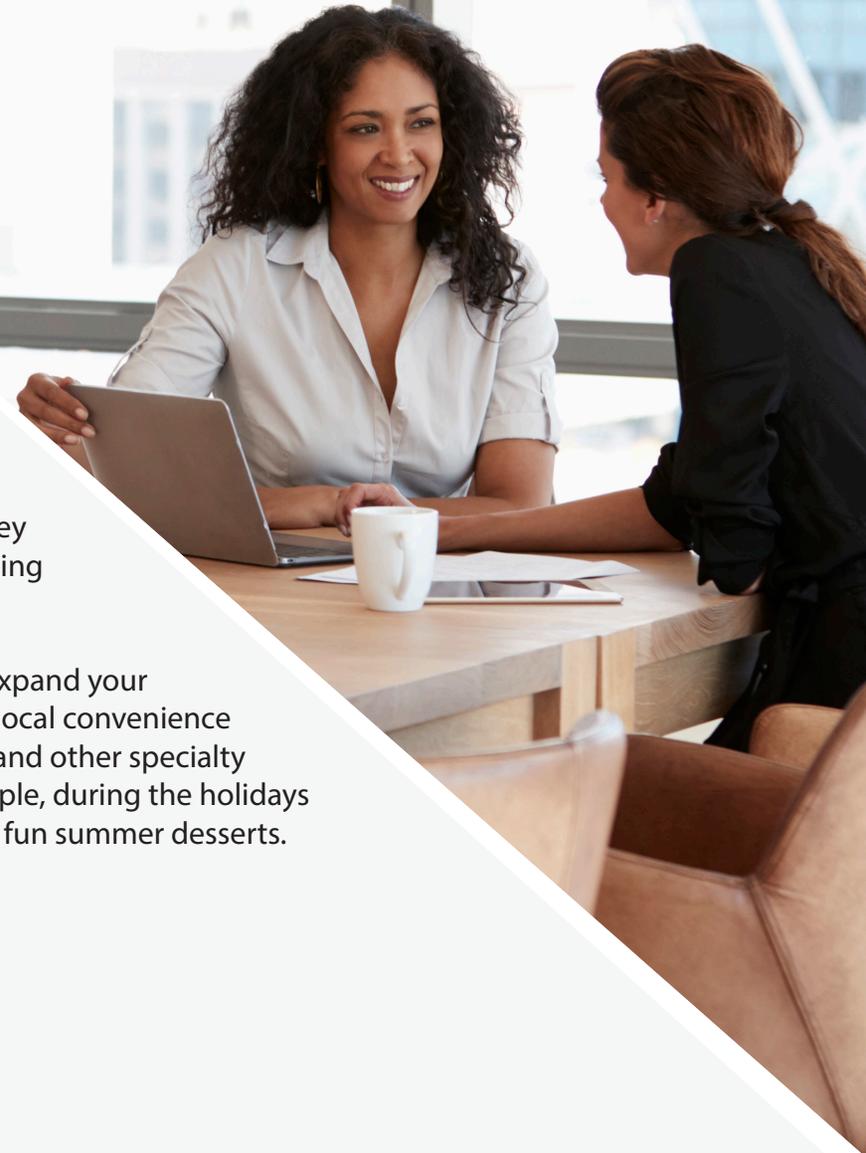
Partner with Suppliers

It is important to look beyond your traditional vending products and consider new product offerings or sizes when you merchandise a micro market. One of the biggest reasons you see an increase in sales in micro markets is because of the fresh food options. A traditional packaged food vending machine would end up being a money pit for operators, but with micro markets, fresh food is most often one of the biggest selling categories.

Consider sourcing both long shelf life options, and shorter, more local options, as well. Expand your suppliers to local vendors. The best way to find these vendors might be by going to the local convenience stores or coffee shops to see which brands or suppliers they use for sandwiches, salads, and other specialty fresh food items. Take into account seasonal trends on your fresh food options, for example, during the holidays consider turkey cranberry sandwiches, during the summer think about pudding cups or fun summer desserts.



The famous kid dessert known as a “dirt cup” isn’t just for kids, consider items that really are specialty items you would have never placed in your traditional vending machines.



4 Merchandise Margin Grossers & Premium Items

Micro markets are the one place where customers are willing to pay more for a premium product. Most micro markets do not display price tags on the items so use the mentality that a consumer has when they go into a convenience store. Consider a situation where, if you need a bottle of water and run into a convenient store to get one, the likelihood that you will remember what you paid for that water ranges from slim to none. That is because you wanted the item, you walked in and you purchased it. Consumers are used to this mentality in convenience stores. Think of your micro market as a mini-convenience store for them right in their breakroom.



Use the real estate wisely

Make sure that your premium items are displayed at **eye-level** for consumers. Items like **salads or sandwiches** should be displayed in the **center of your fresh food cooler**, because you want people to see these first and ideally purchase them. Use the real estate wisely. Consumers will always find that Coke they buy every day, but if you are carrying a new line of specialty beverages or energy drinks place those in your most valuable real estate locations so that you can move it and truly test if consumers at that location want the product.

Don't forget to maximize on your margin grossers and place those in supportive eye-level positions within the market as well. One of the top 10 SKUs in markets is string cheese, and the margins are remarkably high on this little add-on item. Take advantage of this by merchandising it effectively and displaying it in a way that consumers can easily find it.

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Reward Your Consumers

There are two ways to execute this strategy:

- 1) leverage an existing partner to take advantage of their consumer rewards program
- 2) make your own program for your locations

Consider doing **quarterly loyalty account drawings** if you need to get creative on your own reward program, but really take the time to consider how you can increase spend in your market by building more loyal customers.

The easiest and probably most effective way to reward your consumers is to leverage your existing partner's rewards programs. Consider **USAT's MORE loyalty program** that not only works in vending machines but also in micro markets. Why not **cross-promote**, especially if you have a market in a location that also has ancillary vending machines in another part of the building. Starbucks has one of the best loyalty programs in the world, consider taking a play out of their playbook on why you should have a **loyalty program**.



6 Offer Flexible Payment Solutions

It is important to offer flexibility to your consumers beyond just standard **payment options** like cash or credit. While **mobile payments** may not consume much of your transactions today, mobile payments are on the rise and will continue to grow as we see Millennials and Generation Z take over more of the workforce in the coming five years.



Studies have also shown that people tend to spend more when paying with an option other than cash.

Why not offer multiple payment options to let your consumer choose how they want to pay? Don't miss out on revenue opportunities by not offering virtually every way to pay. If you can even expand on how they pay with fingerprint or other unique offerings like a custom app, then you can continue to provide an experience that feels customizable to each consumer who interacts at your micro market.



7 Showcase New Products or Test Products

You should always rotate in new products each quarter that replace your lower performing items. What better way to test a new product, especially if a supplier wants to partner with you on a quarterly promotion to test that new product in your markets. Make sure to have proper signage in the market that identifies a new item or limited time only item. Signage helps draw the consumer's eye to seeing that product.

Also, consider holding quarterly product demos at your markets that allow you to test products before even bringing them into the location. By doing this you can get direct consumer feedback instantly before making the investment of bringing a new item into your warehouse.

One easy way to build excitement around quarterly demos is to hold events in the markets.



Partner with a supplier to do a promotion to win a new BBQ or tickets to a local baseball game. Whatever the item might be, it will create excitement around coming to the market and purchasing an item to get entered to win.



8 Leverage the Power of Digital

Consumers are on their phone more than ever these days. Sometimes they leave their house without their wallet, but wouldn't leave their house without their phone. To say it's attached at the hip is saying it lightly. With that said, why not maximize on the very tool that consumers have with them every day. If your micro market provider offers an app for their market, be sure to leverage it with your consumers. Consider pushing **promotions, notifications, or loyalty programs** all through the app.

The power of digital also resides in your company's hands as well. **Engage with your consumers** on social media so that you can continue to provide an **exclusive experience** that your competitors may not be able to when it comes to service.

In summary, strategically working on your merchandising, consumer programs, and new product offerings could significantly increase the revenue you get from micro markets. Understand the core concepts that make micro markets such an attractive proposition to consumers and leverage those findings to improve your product and service offerings. This could go a long way in not just increasing sales but in also building confidence that micro markets are here to stay!





About USA Technologies

USA Technologies, Inc. is the leader in integrated cashless and mobile payment technology for the self-service and unattended retail markets. The company's industry-leading customer engagement platform, ePort® Connect, has powerful synergies with Cantaloupe Systems' Seed Cloud™ Platform for cashless vending operations, combining to create the first truly comprehensive enterprise platform for the self-serve retail space. With 73 patents and agreements with Verizon, Visa, Chase Paymentech, and others, USAT is powering better experiences between brands and consumers and actively reshaping the new, consumer-driven retail environment.

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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.

