

Industrial Vending Opportunities: Overcoming Barriers to Entry

Why it's time for industrial distributors to reconsider automated vending solutions.

It wasn't long ago that vending machines were still known for dispensing candy and cold beverages to consumers. For the majority of vending's history, that was its role — providing retail customers fast and easy access to products.

While the fast and easy part of vending is still at its core today, vending technology has evolved rapidly in a short time to expand its industry immensely. Since merging with inventory tracking software, vending machines are capable of far more than simply providing products. They've now taken on the role of providing money-saving inventory control systems.

This is especially apparent in the industrial distribution and manufacturing world, where vending solutions have helped slash time spent searching for lost tools and small parts, and time spent waiting for product bins to be refilled once they've run empty. Beyond that, modern industrial vending machines provide facility managers with instant information about who checked out what item, when, and how much, automatically order products that are running low.



Presented by:

INDUSTRIAL
Distribution

Sponsored by:

AVM
1sourcevend.com

Since 2008, industrial vending has gone from essentially non-existent to one of the fastest-growing commercial markets. Fastenal — widely credited with sparking the movement — installed its 10,000th FAST solutions machine worldwide in April of 2012. A little more than three years later, the company surpassed 50,000. Even so, there is still plenty of unclaimed market share.

“Distributors realize that buying a capital piece of equipment is a necessary cost of doing business,” says Mark Hill, president of Memphis, Tennessee-based **1sourcevend**. “This has been an evolutionary process. Some of the early adopters have 100 to 200 machines out now.”

Here, we’ll discuss why industrial distributors and manufacturers should consider installing vending solutions in their facilities, the barriers such potential customers have seen to entering the market and an alternative vending solution to some of the more popular options in today’s market.

Why Industrial Vending?

Popularity of industrial vending has grown considerably over the past five years, as there are many features that benefit a distributor. Before industrial vending, commercial facilities were full of consigned stock from suppliers. Distributor salespeople would visit customers and actually physically check on product bins to see what needed to be refilled. Typically, these products would be the critical items — those that needed to be refilled frequently. In that setup, a salesperson wouldn’t gain information on who took an item, and when. Worse, if a salesperson came by once a week, but that customer’s product ran empty within that week, that customer could be out of a critical product stock and not even know it.



Modern industrial vending takes care of all these issues. Automated vending solutions are integrated with software designed to provide real-time data to distributors. These systems can show who took an item and when. As a result, the distributor can be alerted when a product is running low. These systems can also automatically reorder product when it reaches a set inventory minimum, and they can provide data on what an item was dispensed for and from what department.

“It doesn’t really boil down to just pennies and savings on a product, it comes down to not letting a line shut down because a tool has run out,” Hill says. “Information is valuable when you can feed it back to the customer and show them ‘here is whose been misusing these products.’ The customer appreciates it, and a lot of them are demanding it now.”

With the old method, a distributor’s salesperson visiting a customer 100 miles away might see that they are out of stock on a critical item. Even if the salesperson reorders that product immediately from the distribution center, that creates lead-time and adds to the time spent shipping that product 100 miles to the customer.

“From an end user perspective, it’s going to decrease tool consumption and provide clarity with reporting — core benefits to the customer,” says Brett Canale, sales and marketing

manager of **1sourcevend**. “From a distributor perspective, it’s going to help increase wallet share of the client. It’s going to prevent the requote process of making the salesmen go through the same quotes week after week.”

Canale adds that automated vending solutions can help customers with sales training. When there is turnover in a sales team, automated vending helps ensure that customer order history and ordering habits don’t leave with that salesperson. This makes an inside sales team more efficient. The salesperson taking over an existing account is able to view an order report and know exactly the quantity and price at which customer has been ordering.

Barriers to Industrial Vending Entry

While many industrial distributors are getting in on the automated vending solution market, others have been watching from the sidelines. One reason is implementation. For some distributors who like to keep operations as simple as possible, vendor managed inventory (VMI) is too complicated and difficult to use. An automated vending solution can have all the latest features, but if it’s not easy-to-use for the end-user, they simply won’t use it.

The other obvious barrier to entry is price. With multiple well-known vending solution providers in the market now, a single vending solution machine can start out in the \$8,000 to \$10,000 range and go as high as \$30,000. For customers not 100 percent convinced that such a machine would provide them a rate of return to outperform that cost, that price range is often too steep.

“It’s hard, unless you’re a Fortune 500 company, to justify spending that much on a machine and not getting the return on it,” Hill says. “There’s a lot more small customers who are the bread-and-butter customers of distributors. Every distributor has a handful of very large companies that can command the most expensive vending machines, but there may be hundreds of smaller ones that can’t make it feasible.”

A Different Solution

1sourcevend, a supplier of automated fulfillment services, sought out to provide a solution to these entry barriers for distributors of all sizes and make automated vending a viable solution to a greater portion of the market. What resulted was the Automated Vending Manager AVM — a solution that combines the features customers are demanding, with a price point that even conservative distributors can afford. At \$4900, the AVM provides distributors of all sizes a comprehensive vending solution that competes with the national players.

“We feel like it opens a new market,” Hill says of the AVM, launched Sept. 1, 2015. “Our goal when we rolled out this new unit was to make it more cost effective for distributors to put these out. We worked very hard to get the price point below \$5,000.”

1sourcevend is able to offer excellent price points because they streamlined the manufacturing and software dynamics in a very efficient fashion, and are passing those savings to the customer. By developing the software from an existing, stable, automated vending platform, and then partnering appropriately to specify and choose high quality components and equipment constructions, **1sourcevend** can deliver extremely competitive pricing on great quality products.

1sourcevend makes the AVM even more affordable with its leasing program.

Along with the affordable cost, the cloud-based AVM eliminates the 'too complicated' pain point for end users with its touch pad interface loaded with software that's flexible and reliable instead of hosting an individual computer for each machine.

Within 30 seconds, users can download a replenishment report on items that hit a minimum count. The customizable software can also send red flag alerts via texts and emails to salespeople, managers, or whomever wants to be alerted. By using either Wi-Fi, Ethernet or the Verizon network, the AVM will connect to the cloud.

The helix coil AVM is completely secure. No one can get an item from it without inputting a pin number.

1sourcevend also offers an AVM Locker solution, which gives users total secure vending on larger, bulkier items.



A look at the touch pad interface of the **1Sourcevend** AVM.



1Sourcevend's AVM solution.

There is no "one-size-fits-all" when it comes to vending solutions. There isn't a model that can be used for all product sizes. Hill and Canale said **1sourcevend** chose a coil-type machine for the AVM as it provides ease-of-access and storage of customers' critical items within their facility — the ones with the highest usage, or the highest cost. Coil machines tend to be the most popular among industrial customers because they are built to smaller and more expensive items. The 6-tray standard unit AVM holds up to 60 SKUs.

With the AVM as a new vending solution — the most affordable one on the market — **1sourcevend** says what it's offering more than holds its own against other solutions from prominent national brands.

"We feel ours is as powerful and robust as any machine out there," Hill says. "We'll go up against anyone."

About i-Reports

The information in this report was researched and produced by *Industrial Distribution* in conjunction with **1sourcevend**. Statistical data was compiled by *Industrial Distribution* in June 2016.

About **1sourcevend**

1sourcevend is a strategic supplier of automated fulfillment services to the supply chain, providing vending and scanning technology along with cloud computing software to help manage inventory from anywhere and report replenishment needs via the internet.

