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V/T VISITS BRADENTON, FL

## Snackworks Builds On Success Of Fast-Growing Full-Line Business By Rolling Out Complementary Upmarket Coffee Service Program

By EMILY J. JED

BRADENTON, FL — Like many Northeast-ers yearning for a sunnier life in Florida, Josh Leuchter was living in New Jersey, pursuing a career in commercial real estate, when he found an attractive offer of a route distribution business in a *Wall Street Journal* classified ad.

Josh moved south in 1990 and joined his father, stepmother and stepsister, who were living in Bradenton, to purchase the Tom's Foods distribution business that he saw advertised for sale by a local Tom's distributor. The family distributed the "Tom's" snack brand to supermarkets, convenience stores, mom-and-pop groceries, and through vending machines for a year.

The operation included 300 snack venders, merchandised exclusively with "Tom's" branded products. Although the "Tom's" brand (which dates back three-quarters of a century) has great recognition in most of the Southeast (and much of the Southwest), the increasingly cosmopolitan Florida market has developed a less regional taste profile.

"Customers started wanting Frito-Lay and Mars products," Josh explained. "As we saw the strength of the demand for nationally recognized snacks and candy in vending, that became our push. We turned everything except the vending back to Tom's, and we pared the business down from 12 routes to just five. We then built it up as a vending operation."

Josh's sister left the business, and soon thereafter he met Lisa, a stockbroker in Boca Raton. She joined the business in its third year, just before she and Josh married.

Lisa and Josh bought the elder Leuchters'

share of the business in 1998. Today, the operation consists of seven vending routes and one OCS route, with a staff of 16.

"Our goal has never been to be the biggest, but to stay proud of what we do for our customers, and the way we treat our employees," said Josh. "We consider ourselves a 'big small' vendor; we're the largest locally-owned vending company in our area." Snackworks' territory spans Manatee, Sarasota and North Charlotte counties in Florida's booming central Gulf Coast region.

Since buying the business from Josh's parents, the second generation has doubled the amount of equipment in the field to more than 1,000 pieces. The company has expanded systematically through a combination of internal growth and two acquisitions: one small snack and soda vending company and the OCS route.

### STEADY EXPANSION

Snackworks has been in a steady growth mode since its inception, and the Leuchters have just completed enlarging the company headquarters to accommodate expansion. The renovation included doubling the size of the parts room, increasing office space and adding air conditioning in the warehouse, which makes for a much more pleasant work environment and ensures integrity of the product in the hot, humid Florida climate.

The business remains a family enterprise, and is training up a third generation: Josh and Lisa's daughter, Richelle, 7, and son, Ethan, 4. "We're very family oriented; Lisa and I really value spending our days together, and we set up a nursery here in the office so the kids could be here from the time they were newborns," said Josh. And their three dogs – Buster, Otis and Marcus

– also are at home in the company's headquarters. The Leuchters also embrace their close-knit staff as extended family members.

Although Snackworks always has offered coffee service as an amenity to its vending clients, the company set its sights on expanding its OCS business in earnest just over a year ago. Snackworks acquired a small OCS business, and retained Brian Mahoney, a 13-year OCS veteran, to serve as director of OCS.

Mahoney's first task was to develop and introduce high-end private label coffees. As a private label is an operating company's brand, the Leuchters chose identities for these coffees that communicate the family-oriented human values of the company. Thus, the Snackworks line is called "Rooster's"; Richelle's infant nickname was "Rooster," because her baby hair would not lie flat. At the top of the line is "Richelle's," a 100% Colombian coffee. The other choice, "Ethan's Blend," named for the Leuchter's son, is a high-quality blend. Both are offered in a variety of package weights.

The operators spent a good deal of time and effort designing packages that set the coffee apart and convey an upscale image. The story behind the coffee is detailed on each package.

Customer response has been phenomenal, according to the operators. "There are still 'Folgers' and 'Maxwell House' loyalists, but among new customers, we have a 95% acceptance rate of our own brands," said Josh. "Peoples' taste for coffee is very subjective; you can't take it personally if they don't like your private label, but most of our clients do like ours.

"People are used to the national coffee brands; as with 'Coke' and 'Pepsi,' what you know is what seems good to you. That's why we find it very use-



**MAN'S BEST FRIEND:** Lisa and Josh Leuchter strive to maintain family spirit that has helped their full line vending business to flourish since they purchased it in 1990. Customers are always welcome at headquarters, where they are greeted by family pets Buster, a Havanese (on couch) and Irish wolfhounds Otis (left) and Marcus.



**ON THE ROAD:** Snackworks route driver Mike Jepsen sets out to service one of the company's seven vending routes in box truck boldly marked with company name and contact information. Thermo Solutions vacuum-insulated transport units safeguard the integrity of fresh food on full-line routes.



**IN CONTROL:** Lisa Leuchter meets with office manager Karen Stewart to review daily reports generated by Rutherford & Associates vending management software. Snackworks has been converting its vending routes to handheld computers, and six of the seven now are benefiting from automatic data transfer.

# SNACKWORKS WEBSITE BOLSTERS OCS AND VENDING PRESENCE

ful to go in and do a demo," added Lisa. "We're thrilled with OCS; it's a top priority for us. It's still a very new part of our business with a lot of potential."

The local OCS business that was folded into Snackworks a year ago began as a route with twice-a-week service; the driver is now on the road daily. Snackworks complements its coffee service with an assortment of nationally recognized allied products including not only such staples as hot chocolate and tea, but also office supplies and paper goods. In-line point-of-use water filtration also is in great demand among Snackworks' OCS customers.

"Our customers really like airports, which we recommend and promote, and the wide variety of equipment we offer," said Lisa. The operators rely on Bloomfield for conventional brewers, and install Zanussi "Brio" countertop machines from Vendors Exchange International as well as "Café System 7" single-cup brewers from Crane Merchandising Systems in mid-sized accounts. These serve as high-quality complements to the firm's "Café Diem" full-house coffee venders from Automatic Product international, which are favored for high-volume vending stops.

The Leuchters have become adept at determining the right match between account and equipment. "We just installed 11 car dealerships, placing 'Café System 7s' in three of them. A fourth received a 'Brio' because the manager loves decaffeinated coffee, and the 'Brio' enables us to devote one channel to decaf, while still offering enough other selections," Lisa reported. The other seven are equipped with conventional automatic brewers.

While coffee service is the fastest-growing portion of the business because it is the newer and smaller part of the operation, vending is also on a steady upswing, thanks to Snackworks' booming market. According to Josh, the west coast of Florida, from Tampa to Naples, has been developing rapidly over the past decade or so. This development has followed the extension of Interstate 75, which has been open south of Tampa for 22 years.

Snackworks serves accounts with populations as small as 35 people, as well as hospitals, schools and industrial sites with populations into the thousands.

Josh and Lisa are of the firm belief that interacting personally with their customers as much as possible is the key to keeping accounts for the long term.

"We always emphasize to our staff that customer service is crucial, and that it's more difficult to get new customers than it is to keep existing ones," said Josh.

The operators are proud of their website – [snackworksin.com](http://snackworksin.com) – which went online last November, helping them stay connected to their customers.

The Internet provides another way for clients to contact Snackworks; they can submit customer service requests by clicking on "OCS" or "Vending" and describing the problem, and be assured a speedy response. "It fits in with our philosophy of keeping things as problem-free as possible for the patron," added Josh. Snackworks is in the process of adding stickers to all its machines, prominently displaying its Web address.

"The website is very professional, and it talks about our personal approach – our concern for the customer. I think it substantiates us to some clients. We're a local venter, with the small 'mom-and-pops' below us and nationals above, and it helps us make our mark," commented Josh.

The husband and wife team also stay connected to their community through their involvement in a wide range of community organizations and activities, and serving on a number of committees and boards.

Snackworks makes a point of regularly running customer appreciation programs, which range from handing out free snacks or drinks on-site to holding periodic drawings for bigger-ticket premiums. "While we're doing an on-site promotion, we talk to customers to find out what they're happy with and what annoys them. We get to know the people who use our equipment. In some accounts we do it once a year, in others

three times a year," reported Lisa.

The company conducts a formal annual survey to gauge satisfaction with the products in its machines, which also has proven a valuable tool.

In addition to cultivating existing relationships, Lisa spends much of her time soliciting new accounts, working with a full-time salesperson. Josh oversees the company's finances, the warehouse and the merchandising. Together, the couple tackles administrative responsibilities and marketing initiatives. The operators rely heavily on the expert skills of general manager, Blackie Ouellette, a long-time industry veteran.

Lisa also oversees the company's route drivers and sees to it that equipment in the field is clean, filled and working. "I'm not technical, but if it's not working, I make sure it gets fixed immediately," she told V/T. "We use all new, state-of-the-art equipment, which ensures that things are at the best performance possible."

Snackworks employs two full-time service technicians, and the operators value their expertise. "Service technicians are hard to come by, and we count ourselves lucky to have the two people we have," said Lisa. "Our route drivers can do a lot of the routine things, like clean the machines and tend to minor technical problems. They replace bulbs and change filters in OCS equipment. This way, the service techs are really using their expertise for the big things when they're out there in the field."

## RECRUITING

Finding route drivers who can stand up to the rigors of the job is not an easy task, but the operators are thankful for a capable, dedicated team, and a very low rate of employee turnover. "We went through many route drivers early on, to find people we were happy with and who were happy with us," said Lisa. "Running a route is a more difficult job than most people realize – especially in this heat! When we interview a prospective driver, we try to make the job sound even more demanding than it is, so they won't



**BRAND DEVELOPMENT:** As part of a new push to build office coffee service business, Snackworks launched "Rooster's" private label coffee line a year ago, and reports that the coffee has a 95% acceptance rate among new customers.



**IN STOCK:** Warehouse manager "extraordinaire" Jeff Leura plays an important part in streamlining operations for route drivers by keeping the Snackworks warehouse clean and stocking products in an orderly manner.

# SNACKWORKS AUTOMATES TO BOOST SALES, TIGHTEN CONTROL

even try if they don't think they're up for it. Sometimes it's too much for them after two days. We're very lucky to have our drivers. We never underestimate how important they are to us and how tough their job is."

The Leuchters have discovered through trial and error the equipment that is most satisfactory to them. Automatic Products international is Snackworks' manufacturer of choice for snacks as well as for hot beverages. The company deploys CMS/National Vendors refrigerated food ma-



**CASH FLOW:** In the Snackworks money room, Darla Brannan counts collections from the company's seven vending routes with speed and ease using high-speed Cummins-Allison "Jet-Sort" coin processor.

chines, for the most part, along with a few Rowe and Savamco pieces. Snackworks also has 25 APi "320 À LA CARTE" refrigerated/frozen machines in the field.

"We're hesitant to try very new equipment, because we don't want to be the ones to work the bugs out," noted Josh.

Patrons do not like to be guinea pigs, Lisa added "It's too annoying to our customers, and first and foremost, we take care of them, which is best done by using equipment that's tried and true. One thing we find very important in deciding which equipment to use is service – or lack

thereof—from the manufacturer and distributor."

Snackworks offers an assortment of pre-wrapped branded sandwiches and fresh sandwiches, salads and entrees in its food machines. "We use a local caterer who we're very happy with. We tried a variety of fresh food providers, and for the volume we do and the variety we need, we found the best fit," said Lisa.

"We find that vended food generally sells best at \$1.50 or less, but we do have foods priced as high as \$2.50," said Josh. "As much as people say they want fresh food, they don't buy it as much as they think they want to. Fresh food sells best in 24-hour locations where there are short breaks, and where there is no choice to eat elsewhere."

Lisa observed that many people still appear to perceive a stigma attached to purchasing food from a vending machine rather than bringing lunch to work.

Branded offerings from Pierre, Jimmy Dean and White Castle are among customer favorites, and Ruiz's Mexican offerings appeal to a wide customer base, including a strong Hispanic population that Snackworks serves. "The Mexican products cost less, and we can vend them for less and still make a profit, so there's a benefit on both ends, for us and for the customer," noted Josh.

The vending company's preferred cold drink machine manufacturer is Dixie-Narco, and the company deploys some Vendo equipment as well. Snackworks also uses "Coke" and "Pepsi" branded vendors through lease agreements with the bottlers.

Demand for bottled water is skyrocketing in Snackworks' Florida market; and while cans still dominate, 20-fl.oz. bottled beverages of all kinds are in great demand. "20-fl.oz. bottles are a big factor in what we sell, because our customers see and buy the larger packages in convenience stores. Some of our competitors are not pushing the 20-fl.oz. bottle, so we see it as an opportunity to differentiate ourselves," Josh told V/T.

## LARGER PORTIONS

A similar trend is emerging in snacks, with "large single serving" packages prominent in all Snackworks machines. The "LSS" items consistently outsell their 1-oz. counterparts, Josh reported. "Everything is getting bigger, 20-fl.oz. bottles, LSS chips, and they're becoming more and more important parts of our business. Customers see it in the convenience store and we have to piggy back off the trends, or we're not moving forward."

To take control of category management and insure optimum product placement, Josh implemented a planogram a year ago. This maps out

the majority of the machine facings, while assigning unallocated space for the driver to accommodate specific requests, adapt the menu to suit different location types, and try new products. "For the most part, people want what they're familiar with, mostly the big brands. New products usually have a limited life, but we always try them to keep the assortment interesting," said Josh.

Six of Snackworks' seven vending routes now are run with handheld computers in place of paper route tickets, and the seventh will be converted soon. The company began using the Rutherford software system in September, and is methodically implementing DEX data transfer in place of manual data entry. Automated data retrieval now is in place on the six computerized routes.

Upgrading to full DEX capability is a work in progress, Josh explained. "We're still learning it and getting out the internal bugs, but it provides a wealth of information. In a year, we'll know what information we need and don't need. We'll train our drivers when it all comes together and it will be dynamite. It's even great now and we don't have all our ducks in a row," commented Josh. "I can see what DEX does for accountability and to help drivers fine-tune their routes to make more money."

The Leuchters are convinced that route automation offers similar benefits in coffee service, and are preparing to implement a handheld computer system on the OCS side of the business. This will include a mobile printer for generating invoices and statements on the route, and will provide pen-based signature capture capability of the sort now used by the national parcel delivery companies.

## COFFEE SERVICE ROUTE

Snackworks runs its coffee service route on the "rolling store" model. "We offer a service, and that means that we should do the work," Josh told V/T. "Our driver should be responsible for seeing what they need, asking what they want, and making sure they're fully supplied." Pre-call systems, though apparently offering efficiencies, place much of the responsibility for inventory control on the customer. A desire to transfer that responsibility to a refreshment service professional provides much of the incentive to contract with a coffee service company rather than simply buying a brewer, and Snackworks strives to satisfy that desire.

The handheld computers on the vending routes are more than justifying the cost of implementation, Josh said. "We can look at what is selling and what's just sitting in the machines, and make better purchasing decisions."