

# Top 5 Mistakes Distributors Make with Vending

PRODUCED BY:



Mark Hill, the owner of I M C Supply Co., Memphis, TN, a distributor of industrial metalworking supplies, and the founder of vending machine supply company 1sourcevend (1sourcevend.com), has seen distributors succeed with vending, and he has seen them fail. Over the past 14 years, Hill has witnessed many blunders that sabotage vending-powered VMI programs. Avoid these common vending pitfalls.

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### 1. Being more reactive than proactive.

If the only action you've taken to protect your business from your vending-capable competitors has been to badmouth them to your customers and deny vending's potential benefits, you may walk into one of your accounts one day to find Fastenal's or another competitor's machine installed. Fastenal in particular is extremely aggressive in promoting its vending program, so you can't afford to wait for customers to ask about vending before you start offering it.

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### 2. Expecting customers to pay for machines.

There are plenty of distributors out there willing to place machines with customers for free, so in most cases, customers are unwilling to pay for machines as a capital expense. Instead of approaching vending as just another product to mark up and sell, approach it as a value-added service that you can use to increase your share of customer spend, enhance customer stickiness and compete on more than just price.

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### 3. Failing to account for providers' hidden costs.

Before agreeing to place a vending machine with a customer for free, you must first calculate your expected return on investment by comparing your investment in the machine with the increase in customer profit you can expect based on your customer agreement. Work with vendors who are upfront about machines' total cost of ownership, including not just the machine but also training, software updates, maintenance, etc.

### **4. Failing to provide top-notch service.**

One of vending's most compelling benefits is the assurance that mission-critical items are available on-site, 24-7. Thanks to cloud-based inventory control software linked to the machines, customer inventory levels can be viewed right from distributors' offices, precluding the need for manual, in-person inventory counts. Considering how easy modern vending software makes it to keep tabs on inventory, distributors have no excuse for providing poor service.

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### **5. Being too controlling.**

End-users who agree to have a vending machine placed in their facility are looking for more inventory control, not less. Yet some distributors and machine providers lock customers into contracts that control not only what types of products but also what brands will be stocked in the machines. While distributors should get customers' commitment to increased overall spend in writing, being too controlling with terms or brands, or insisting on a legal contract, can scare customers away. Instead, offer customers the ability to choose from multiple competing product lines, ensuring they are always getting the best value.

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