



Vending virtuoso

Entrepreneur raises the bar for customer convenience by introducing cashless "company markets"

CRAIG H. HARTLEY/HBJ

Chuck Olson, owner/operator of CNC Vending LLC at Houston Community College Southwest campus: 'Those quarters, dimes and nickels all add up.'

BY TANYA RUTLEDGE
SPECIAL TO HOUSTON BUSINESS JOURNAL

When Chuck Olson acquired a Houston-based vending company in 2008, he knew he was going to have to do something different to make the company stand apart in an industry where accounts have historically been won based solely on price.

Three years later, CNC Vending LLC's success has surpassed his wildest expectations.

Beginning Dec. 1, CNC rolled out the first in-office CNC Company Market, in Houston-based The Grocers Supply Company Inc. and Houston locations of Fairfield, Conn.-based General Electric Co. and Princeton, N.J.-based Tyco International Ltd.

The unmanned, self-checkout markets take up little more space than a few vending machines, but offer hundreds of selections ranging from salads and gourmet sandwiches to ice cream and fruit. Typi-

cal vending-machine choices, such as candy bars and soft drinks, will still be offered, however. Some of the markets will even carry retail items such as Houston Texans T-shirts and memorabilia.

The cashless markets are monitored by video cameras, and employees can use credit cards or may set up bank drafts using their employee badges, driver licenses or even thumbprints to pay for items.

With three markets set to open this month, Olson expects to launch 20 more in 2012, all within the greater Houston area — CNC's primary territory.

"We expect (CNC Company Markets) to lift up sales by 30 or 40 percent over typical vending machines, or even higher," Olson said. "It eliminates all the elements that can make vending machines a potentially negative experience."

While Olson expects the CNC Company Market concept to be a major revenue-generator going forward, he said the concept really works best for companies with between 250 and 700 employees, so the

need for traditional vending machines at smaller locations remains. Some larger clients will have both vending machines and CNC Company Markets on site.

Along those lines, Olson, who has a background in accounting, is still focused on finding ways to set CNC apart in the old-line vending business.

Indeed, when he and a silent partner acquired CNC — which operated under a different name — three years ago, they didn't realize how slim the margins were in the industry.

Olson, who left public accounting to work in an investment firm that specialized in mergers and acquisitions and public offerings, later joined the multi-family investment business, but decided to get out when the mortgage market dried up in 2007. He said he was attracted to the vending business because it was cashflow-oriented.

But after acquiring CNC in 2008, he realized the cash wasn't flowing as freely as he had hoped.

CNC VENDING LLC

2010 REVENUE: \$1.46 million

2009 REVENUE: \$1.39 million

TOP EXEC: Chuck Olson, owner and director of operations

EMPLOYEES: 11

FOUNDED: 2008 as CNC Vending

BUSINESS: Vending company that serves corporate and retail clients across the greater Houston area

WEB: cncvending.com

"I learned pretty quickly that this is a very reactive business — you solve problems when they come up," he said. "You don't have a lot of ways to differentiate yourself because it's a commodity business. You get accounts by lowering your price."

But with clients demanding lower prices and product-makers continually rais-

SEE GROWTH, PAGE 16

TOOLBOX

BIZ BYTES

Apple phasing out use of Carrier IQ tracking software

Apple Inc. said it is ending use of smartphone software from Carrier IQ Inc. that has sparked a privacy firestorm.

Mountain View-based Carrier IQ has been the target of much criticism after a research report last month said its software allowed tracking of user location, as well as every call, keystroke and Web page viewed.

Apple (Nasdaq: AAPL) said it stopped supporting Carrier IQ's software with the release of iOS 5 two months ago and that it plans to remove it entirely in a future update.

The Cupertino, Calif.-based iPhone-maker said its customers have to opt in to allow diagnostic data to be shared about how they use their devices. It said such information is both anonymous and encrypted.

Apple said it has never recorded keystrokes or any other personal information and doesn't plan to.

The report last month said that Carrier IQ was found on devices made by HTC Corp., based in Taiwan and The Samsung Group in South Korea. The company's wireless carrier clients include Overland Park, Kan.-based Sprint Nextel Corp. (NYSE: S) and Dallas' AT&T Inc. (NYSE: T).

It also named Nokia Corp. (NYSE: NOK) and BlackBerry-maker Ontario, Canada-based Research In Motion Ltd. (USA) (Nasdaq: RIMM) as using the software but both of them have denied that.

Other carriers, including Verizon, have also denied using Carrier IQ.

Carrier said that its software is used to help carriers improve the experience of their customers but some legal experts have said that it could be forced to spend large sums of money to defend itself from privacy lawsuits to prove that in court.

Silicon Valley / San Jose Business Journal

Search giant Google moving in on retail giant Amazon's turf

Google Inc. (Nasdaq: GOOG) is considering one-day service to compete with Seattle-based Amazon's popular \$79-a-year "prime" express shipping service, according to *The Wall Street Journal*.

Amazon has the largest global audience among retail sites, beating out Walmart, Apple and eBay, as well as China's Alibaba.com. Amazon has about 20 percent of the worldwide audience among retail and auction sites.

But search giant Google is rapidly moving into areas of online retail to compete with Amazon and Apple. Google is testing its latest retail service, according to reports last week, as Google looks to leverage its search technology to help people find — and buy — goods online.

Google Wallet recently launched with Visa and Discovery on board. Google Wallet lets users charge their credit cards by tapping phones on wireless enabled payment terminals. It can also be used for administering loyalty card programs and delivering offers.

In September, Google Offers expanded to Seattle and several other cities to compete with Amazon, Groupon and others in the daily deals space.

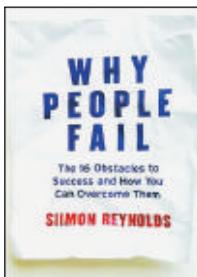
Google also is building and nurturing a retail following on Twitter. The Google Retail Team has kept a steady stream of tweets about online retail trends and stats flowing to its 31,000 followers this holiday season.

In a move to take on iTunes and Amazon for digital music customers, Google also recently launched a music store of its own, Google Music.

Google has established an affiliate program for publishers and bloggers to join the search giant's Google eBooks program to sell books and get commissions, similar to Amazon.com's e-commerce affiliate program.

Puget Sound Business Journal's Tech Flash

BOOKSHELF



Why People Fail — The 16 Obstacles to Success and How You Can Overcome Them

by Siimon Reynolds (Jossey-Bass, \$24.95)

According to author Siimon Reynolds, the single predictor of success is focus.

Without an objective, there can be no plan. Without focus, you meander through your career and life with an "it is what it is" mindset. Reaction trumps action.

Once you focus on what's important, build your daily plan around SCORE (self-discipline, concentration, optimism, relaxation and enjoyment). Every day should be measured by whether you're working toward your goals, maintaining a positive attitude and choosing to have fun with whatever you're doing. Keeping score allows you to tweak your plan based upon the daily variables — many of which you don't control.

SCORE helps you avoid the pitfall of destructive thinking which leads to low productivity. Close allies of low production are fixed mindsets, a lack of critical thinking and not focusing on your strengths.

Mindset drives action — or not. When you operate within your comfort zone, you limit your view of not

BLOOMBERG BUSINESSWEEK / BUSINESS BEST SELLERS

SUPERFREAKANOMICS

by Steven D. Levitt, Stephen J. Dubner (Morrow \$29.99)

JIM CRAMER'S GETTING BACK TO EVEN

by James J. Cramer with Cliff Mason (Simon & Schuster \$26)

TOO BIG TO FAIL

by Andrew Ross Sorkin (Viking \$32.95)

CRUSH IT!

by Gary Vaynerchuk (HarperStudio \$19.99)

OUTRAGEOUS ADVERTISING THAT'S

OUTRAGEOUSLY SUCCESSFUL

by Bill Glazer (Morgan James \$19.95)

only what you can do, but also what must be done. You also exclude the input of others whose perspectives don't align with yours. Their input and feedback alert you to ways you can adapt your plan to an environment where change is the new normal. Lack of appreciation for the perspectives of others limits your ability to ask the right questions. Without new answers, you can't expect to get from where you are to where you could be. "Failure is the ambitious person's constant companion." Learning to conquer it leads to success.

BE THERE

EVENT: Heights Chamber of Commerce Luncheon — Immigration Debate

DATE/TIME: Dec. 15, 11:30 a.m.

LOCATION: Sheraton Houston Brookhollow Hotel, 3000 North Loop West

COST: \$45

FOR MORE INFO: info@heightschamber.com or heightschamber.com.

EVENT: Rice Business Forum on Emerging Markets 2011

DATE/TIME: Dec. 16, 8:30 a.m. to 3:30 p.m.

LOCATION: McNair Hall, Jones Graduate School of Business at Rice University, 6100 Main St.

COST: \$30

FOR MORE INFO: Elisa Gavia, 713-348-3372 or egavia@rice.edu.

Send items for consideration to jrider@bizjournals.com

GROWTH: Vending company uses social media to build relationships, update products



CRAIG HARTLEY/HBJ

Chuck Olson of CNC Vending: 'Where before you might only hear from customers when they had a complaint, now you have a relationship with them.'

FROM PAGE 15

ing prices, Olson found that CNC's margins were getting squeezed even tighter.

"I had to figure out a way to defeat all those elements by creating a value proposition and getting away from the commodities business," he said. "That's hard to do in this business, because it's a machine with a pretty consistent product and not much variety."

So Olson turned to two elements he'd moved to the front of the company's business plan: branding and social media.

Because Olson changed the company's name when he took over as owner, branding was non-existent. In addition, branding is not typically a high priority in the vending business.

"We were basically a nobody in the industry and didn't have any brand value," he said.

So Olson outfitted all of CNC's machines with stickers that invite customers to become "friends" with the company on Facebook, visit its Twitter page or contribute to its blog.

The interactive branding initiative was a hit, mostly on college campuses, such as Houston Community College, where the younger generation has embraced such technology.

Customers comment on products that they love or hate, Olson said, items that tend to run low, or even general comments such as "you guys rock."

"Where before you might only hear from

customers when they had a complaint, now you have a relationship with them," he said. "Before, the business was distant and impersonal. Now it's relationship-driven."

Olson also began initiating contests inviting customers to take pictures of the vending machines or products, write humorous captions and submit them for monthly awards.

The contests and interactive tools have been most popular on college campuses, but Olson said participation comes from machines in hospitals or airports, as well as some of the machines on corporate campuses.

Another shift Olson made was toward cashless machines. Currently, about 60 percent of CNC's 550 active machines are cashless, accepting only credit cards.

These changes have come together to boost CNC's revenue in big ways. In fact, Olson said revenue increased 30 percent just between June and November, even without the CNC Company Markets in the mix. Olson expects to generate \$1.82 million in revenue this year.

"Those quarters, dimes and nickels all add up," Olson joked. "All of the changes we have made have been done to help elevate the company's image. I think clients and customers can now see that we are in the forefront of where the rest of the industry is."

TANYA RUTLEDGE is a Houston-based freelance writer.