



## **25 Tips for Successful Cashless Vending**

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- 1. Net Operating Profit (NOP) – failure to test cashless scenarios on the NAMA Cashless Calculator may create an unrealistic expectation relative to cashless acceptance. Visit: [www.vending.org/Technology/Cashless\\_Solutions/Cashless\\_Calculator](http://www.vending.org/Technology/Cashless_Solutions/Cashless_Calculator)**
- 2. Networked Solution – when implementing cashless vending it is essential to ensure all requisite steps in the application are addressed, including: hardware, net-ware, processor, and merchant of record as well as identification of types of cards accepted (Visa, MasterCard, American Express, and Discover). An end-to-end solution is best.**
- 3. Channel Selection – implementation should be guided by knowledgeable channel management given that field testing indicates some vending channels are more prone to successful cashless acceptance than others. For example, military, education, entertainment, business and industry have shown the highest probabilities for cashless vending success.**
- 4. Hardware Selection – careless selection of a cashless reader (contact, contactless or combination) that may or may not be compatible with the host vending machine and/or processor platform likely will result in frequent/risky data transmission.**
- 5. PCI Compliance – the point-of-sale reader and subsequent reconciliation processes in a cashless vending transaction network must be PCI compliant and highly secure.**
- 6. Item Pricing – when average price per vended product is too low to cover product cost plus cashless processing fees, the result is slim contribution margin and eventual financial loss.**
- 7. Machine Selection – not all vending machines are candidates for cashless vending. It is often best to select machines in high traffic, transient locations with multiple-vending capabilities.**
- 8. Machine Clustering – selectively offering cashless payments on a portion of a group of vending machines may not be wise; field testing indicates it may be best to provide identical settlement options on all machines in close proximity.**
- 9. Merchant Category – applying an incorrect card association merchant category or industry classification code to cashless vending transaction processing may lead to excessive rates and excessive penalty fees. Be sure MCC is applied correctly.**
- 10. Telemetry Enabled – vending machines, with installed telemetry equipment can generate cost efficiencies by using its communication network for the transportation of operational (DEX) data and transactional (cashless) data.**
- 11. Signal Strength – cashless readers installed on vending machines in a location with weak or insufficient signal strength may experience sporadic communication of transactional data and therefore may need to be linked in a manner that allows enhanced communications (local area networking).**

12. **Report Flexibility** – the reconciliation of cashless revenue is often difficult to attribute to specific machine sales. Flexibility in report format, ease of accessibility, and granularity of sales detail are important considerations.
13. **Cost of Cash** – a lack of accurate expense data relative to the cost of cash verses the cost of cashless vending may result in a false conclusion that cashless sales are more expensive. The costs of cash handling are often overlooked and not compared to the cost of cashless vending.
14. **Sales Lift** – although often difficult to document, cashless sales may represent new transactions that otherwise would not have been captured. The problem with determining this effect is that cashless sales may be a replacement or cannibalization of cash sales.
15. **Customer Facing** – the fact that a vending machine is equipped with cashless acceptance may not be well promoted or explained at the point of purchase. Which card brands are accepted? How are activation and authorization accomplished? What data, if any, is stored in the reader? How secure is the payment network? What to do if product doesn't vend?
16. **Cash Flow** – direct deposits to a vending operator's account should be settled within 48 hours of occurrence and should be traceable back to the vending machine where the transaction took place. For aggregate reporting, details are important.
17. **Program Enrollment** – enrolling in a cashless processing program should be at little or no cost. The enrollment process should include a short application and processing procedure.
18. **Account Extension** – establishing a cashless acceptance program through a vending operator's local bank may not to be as rewarding as through a vending industry cashless provider. The industry provider often is capable of supplying a full range of banking products and financial programs.
19. **Rate Basis** – there are two rate formats common to cashless processing: a) blended rates and b) cost-plus rates. A blended rate enables average cost estimation that is constant regardless of sales volume. Cost-plus pricing involves a straight-forward multiplier application that declines as volume increases.
20. **Tiered Fees** –cashless vending suppliers may apply processing fees on a tiered structure that changes the fees with varying levels of sales. A tiered structure may result in higher average fees as gaps in implementation tend to be non-linear.
21. **VMS Interchange** – cashless settlement should be reflected in Vending Management Software thereby making it possible to reconcile an individual machine, cluster of machines, or all machines on a route or other basis.
22. **Sales Authorization** – an authorization request to a cashless processor may lead to a verified level of credit for the consumer prior to making a selection; failure to apply this mode accurately may result in slower processing, inaccurate authorization penalty fees and charge backs.
23. **Merchant of Record** – the vending operator needs to determine whether or not to serve as the Merchant of Record (MR). This is an important determination in the payment cycle as payments go directly to the MR.
24. **Chargebacks** – although rare, consideration to the cost of chargebacks should be considered when selecting a cashless provider. Will there be a charge? If so, what is the cost?
25. **Rate Comparisons** – the exact components involved in cashless processing should be identified and compared to ensure an equitable comparison. The cost components include: card association fees (interchange and assessment fees); risk fees (RISF); acquirer fees (US APF), and processor fees.