



ceocfointerviews.com
All rights reserved!
Issue: March 3, 2014

The Most Powerful Name in Corporate News



Affordable, Advanced Technology for Vending and Retail Industries



Lance Ellsworth
Co-Founder

AirVend was founded in April 2012 for the express purpose of bringing affordable, advanced technology to the vending and unattended retail industries. The AirVend system is an interactive touchscreen device that displays nutritional information, provides cashless options and sends real-time data and alerts wirelessly, ensuring that Vending Operators reap the efficiencies and rewards they deserve.

Interview conducted by: Lynn Fosse, Senior Editor, CEOCFO Magazine

CEOCFO: Mr. Ellsworth, what is the concept at AirVend?

Mr. Ellsworth: AirVend is about equipping the 119 billion dollar unattended retail industry with an android computer, what we call the “brains” and a SaaS backend to help empower entrepreneurs, starting with those that operate the 5.5 million vending machines in the US. We want to improve the life of the consumer and vending operator alike. Look for many innovations in the coming years.

CEOCFO: What kind of product are we talking about?

Mr. Ellsworth: A solution for any vending machine—most prominent being snack and soda. Healthy vending is on the rise, and that is just the beginning. There are not many vending environments we don’t add great value.

CEOCFO: What are some of the changes that are now required?

Mr. Ellsworth: There are two big drivers to our business at the moment. One is cashless. Right now only about 6% of the vending machines have the ability to accept anything but the green stuff. We make it so you can use plastic or even your phone to make a purchase. The next big issue is a federal law under the Affordable Care Act, that requires the operator to display nutritional information before purchase and we address that as well.

CEOCFO: You mean display nutritional info on the vending machine?

Mr. Ellsworth: Correct. To comply with federal law, before a consumer purchases product, they have to be able to see the caloric information.

CEOCFO: Why have cashless vending machines not been embraced in the past?

Mr. Ellsworth: Change always takes time. And the vending industry is no exception. Decreasing hardware costs, combined with the ubiquity of debit and credit cards, mobile wallets, not to mention a new federal law; are making now the time.

CEOCFO: What have you figured out at AirVend to address those two situations?

Mr. Ellsworth: Delivering a multi-purpose device to address those 2 key drivers and so much more. It also offers real time inventory and sales data so operators know if they have product in their machines or not. There are currently only about 8% of the machines that are connected with a cellular modem, the rest are basically on an island without the capability to know if there is product in them or not. We also offer unique out of home advertising solutions, to lower service fees for the operator.

CEOCFO: What is involved in retrofitting machines? Would this be something you are placing in new machines?

Mr. Ellsworth: It will work with new and retrofit machines. For retrofit machines it is a 15 minute process. We ship a box, the operator connects a few screws and they are up and live.

CEOCFO: What was the hardest part of the technology to put together? Where were the challenges?

Mr. Ellsworth: Capital has been the main constraint. Because of our deep software background, we have been able to innovate and create one of the most flexible SaaS management solutions for the vending industry to date. Demand has been significant. We had a few wrinkles as we released v1 of our hardware. We have now solidified a strategic

partnership, with deep expertise in embedded platforms. We will be releasing the next version of our hardware in March and April.

CEOCFO: Will you want to or need to patent-protect what you have developed or is the market so large that it is not a big issue?

Mr. Ellsworth: We have several ideas for patents which we plan to pursue in the near future. We also have some proprietary components which we won't patent that make it all work. Using our secret sauce and equipping unattended retail with a robust computer, we help vending operators be more efficient and increase their sales.

CEOCFO: What is the expectation for the industry? How is the nutritional information going to be handled? What are you competing against?

Mr. Ellsworth: The reality is the verdict is still out as far as what is required to comply with federal law. The Food and Drug Administration (FDA) has estimated it will take fourteen million hours per year for operators to comply with this new law. Some operators have shared their frustration and question whether it will be an issue, some are embracing AirVend, while some talk about using stickers or posters to comply in the short term. Long term we hope as operators learn all the benefits of having an AirVend "brain" or computer in their machines, they will hopefully pursue us beyond just to comply with federal law.

CEOCFO: Is the industry ready for a change like AirVend?

Mr. Ellsworth: Time will tell. Considering we increase sales, reduce costs and help operators comply with federal law for about the same price as just a credit card reader, we believe so.

"Long term we hope as operators learn all the benefits of having an AirVend 'brain' or computer in their machines, they will hopefully pursue us beyond just to comply with federal law... We are blessed to be able to help innovate in an industry made up of thousands of hard working entrepreneurs improve life for themselves and their families. As a team we are very excited to help improve an industry that touches millions of people daily."

- Lance Ellsworth

CEOCFO: What are you finding when you talk to people and introduce the product and the service?

Mr. Ellsworth: Strong interest. Like I said, there has been a lot of excitement around providing cashless. That in itself has a lot of people interested because it is a way to increase sales. When you can provide a way to help operators comply with federal law, which is still kind of an unknown for them, I think they are very open to solving both at the same time.

CEOCFO: What is your rollout plan? How will you commercialize?

Mr. Ellsworth: Sales and distribution strategy is in place. SaaS is ready to go and we are in the final days of transitioning to our next gen hardware. We expect official roll out in March and April.

CEOCFO: How are you going to generate interest?

Mr. Ellsworth: By continuing to work with the largest partners in the industry to help make the life of the vending operator and consumer simpler, better.

CEOCFO: Are you funded to do the next steps that you need as you continue the process of commercializing or will you be seeking additional funding?

Mr. Ellsworth: The \$1.2 million we just recently raised helped us build v2 of our hardware, a more industrial grade standard. We were also able to build out core team members to allow us to run faster and accomplish even more. As we continue to scale we will be interested in talking to the right investment partners.

CEOCFO: Will it just be automatic updates that go to each machine to keep them current?

Mr. Ellsworth: Yes, much like any cellphone is updated. Over the air, the update will just show up.

CEOCFO: Why should the business and investment pay attention to AirVend now?

Mr. Ellsworth: I don't know. Depends on your perspective...Maybe because we are here to help make a difference or maybe it is because in a fraction of the time and money we were able to deliver our first product. Or maybe the fact the unattended retail industry comprised of vending, gaming, and kiosks is fairly large at 119 billion dollars in annual transactions with millions of potential users (5.5 million potential vending machines just in the US alone) and we are solving massive pain i.e. reducing costs by 30%+ and increasing sales from 15-30%. And or maybe because unattended retail is the perfect beachhead for us to test mobile payment. It is something else on our roadmap, where we plan to innovate.

CEOCFO: *Final thoughts?*

Mr. Ellsworth: We are blessed to be able to help innovate in an industry made up of thousands of hard working entrepreneurs improve life for themselves and their families. What we learned working for Disney, Intel and delivering the next generation facial recognition solution will help transform vending. It will help make the life of both the entrepreneur (vending operator) and consumer alike more connected, and simply put, better. As a team we are very excited to help improve an industry that touches millions of people daily.

BIO: Over the past 15 years, I have been blessed to work with very talented engineers and other professionals, to help launch companies that in some small part help create change in the world. At AirVend, I have been able to solidify interest with the largest vending operators, manufacturers, payment companies and other key strategic partners to help accelerate growth. I am excited to be a part of the AirVend team to help improve the life for the millions of people that are touched by the vending industry throughout the world on a daily basis.



AirVend
202 E Center St
Provo, Utah 84606-3107
800.321.9601
www.air-vend.com