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Machine-O-Matic/Beaver Leads Industry In Design For Almost 4 Decades

NEWMARKET, Ontario — Reputations in bulk vending are not created "over night." In the case of Machine-O-Matic, the company has been consistently and quietly forging its reputation for reliable quality equipment for more than 35 years.

However, even as the company has been earning the respect of operators worldwide, it has also been changing the way operators do business. Innovations in style and design, many of them subtle but substantial, have not only benefited operators in current locations, but opened up locations previously not receptive to bulk equipment. Machine-O-Matic can trace its beginnings back to company founder, Josef Schwarzli who built the company from the remnants of a prominent bulk machine concern in the early 1960s. As a young manager and designer, Joe was able to gather the resources necessary to buy the tooling for a small gumball machine when his employer went out of business.

With a keen eye for quality, Joe and his original partner, a nephew, expanded their new enterprise from manufacturing Beaver bulk vending machines to include custom casting, custom machine and tool work, and the designing, manufacturing and installation of automatic assembly lines for companies such as Phillips Electronics and Leaf Gum, Memphis and Scarborough. Many of the original gum manufacturing machines designed by Joe are still in use in the Oak Leaf plant in Scarborough. Most of the machinery needed to produce vending machines, such as casting machines, melting furnaces, trim presses and thread cutting machines were all built in-house.

Throughout the following years, many inventive improvements to the "Beaver" machines have been developed and patented. Mechanical coin mechanisms were a weak part of the older machines. Concentrated efforts in this area resulted in major successes and now the New Generation (NG) all-metal coin mechanism sets the standards for global bulk vending machine technology.

The patented Beaver coin mechanisms, which have the Beaver logo proudly displayed on the handle, as well as other related vending machine components are purchased by OEMs (Original Equipment Manufacturers) for use within their own unique style of equipment. Coin mechanisms for over 300 coin denominations in over 75 countries around the world are currently produced, together with custom coin carriers for token and multiple coin/token combinations.

"Machine-O-Matic enjoys a major share of the OEM coin-mechanism market. What makes the mechanisms so attractive to both Machine-O-Matic customers, as well as other manufacturers, is their high quality" said Joe Schwarzli, president. "We use high grade metal," he explained. "A premium alloy that is made to our specifications. Over the years we've narrowed down what works best. Then there is the accuracy that's designed into the actual working components. We work within tight tolerances. Another of the reasons our parts are of highest quality is that our tooling is kept in top notch condition. Whenever there is any sign of wear and tear, corrective action is taken immediately."

Schwarzli also added that each mechanism goes through a rigorous testing process after assembly. "Every mechanism that is made has

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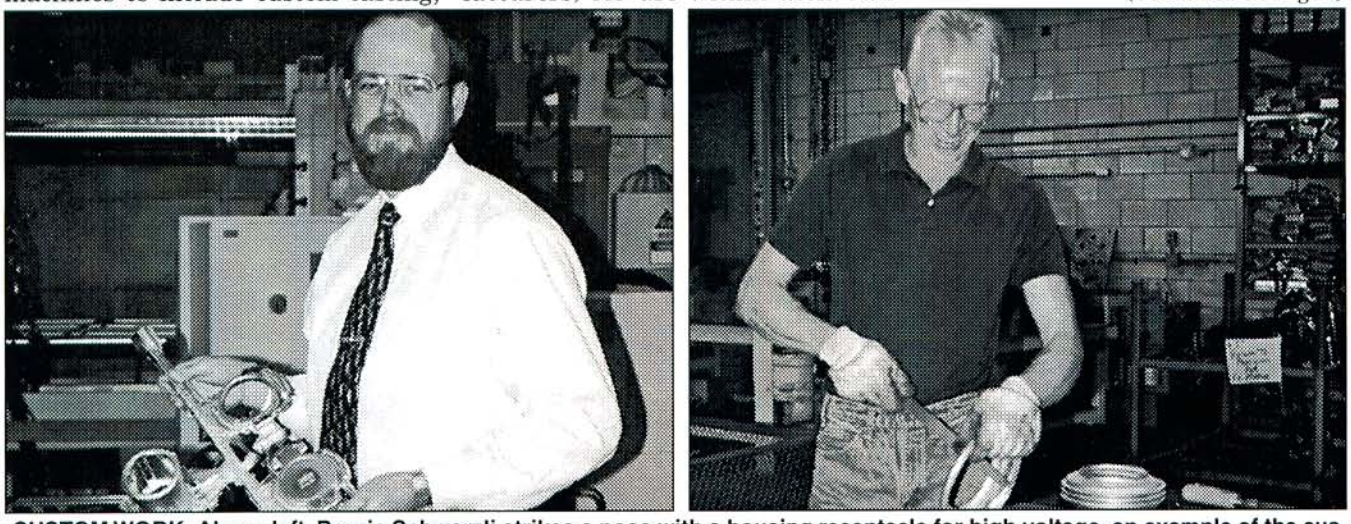

CUSTOM WORK: Above left, Bernie Schwarzli strikes a pose with a housing receptacle for high voltage, an example of the custom casting work that represents 50 percent of Machine-O-Matic's business. Right, Bill Cobb, Machine-O-Matic's die cast operator and night shift supervisor, utilizes brand new computerized die cast machine for zinc. The machine is designed to make better quality parts and increase quality control. The automatic zinc die cast machine injects zinc for chrome plating adapter rings where the globe sits.

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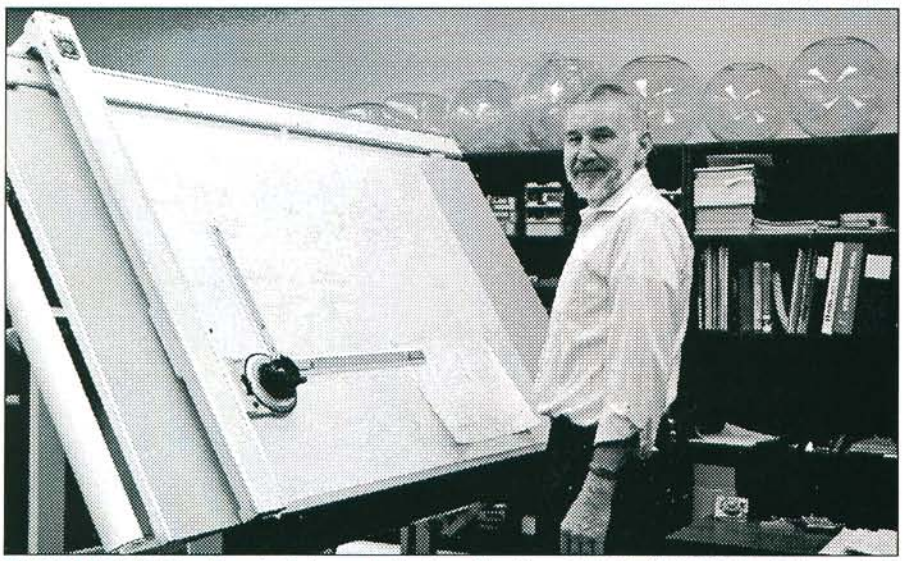
QUALITY MANUFACTURING IS HALLMARK OF MACHINE-O-MATIC

a minimum of three coins run through it to make sure it's running smoothly," he explained. "And then, when the mechanism is finally installed into a machine, three more coins are again run through the completed assembly to ensure perfect function between the coin mechanism and the dispensing conversion."

The 1970s and 1980s brought many changes to Machine-O-Matic. The original partner was bought out and Joe's son Bernie joined his father to learn the business. He started as a tool-and-die apprentice and then worked in virtually every area of the company to gain an understanding of general manufacturing and the bulk vending industry. By then, the company was growing at a cautious, controlled pace. Many products such as computer chassis housings, keyboards, brass bed components, radar detector housings, stove-top griddles, and high voltage electrical switch gear and light housings were being produced for other companies.

The vending industry was evolving slowly from the old penny peanut machines to nickel, dime and quarter machines that sold every type of candy and gum imaginable. The industry was becoming more involved with trinkets and capsuled novelties. This new sector of the business required more capacity as the public welcomed these novel products.

Responding to the needs of operators, the Northern Beaver was developed as a line of high capacity bulk vending machines. As always, a concern for providing the highest quality product possible resulted in an industrial strength" machine that was considerably more expensive than American and other off-shore equipment. But it was a far more reliable and durable machine. Operators soon discovered the long-term costs of using these new capsule machines were actually lower than the cheaper alternatives.



ENGINEERING: Top, Bernie Schwarzli displays Machine-O-Matic "BS 800 Series" stand, all of which are hand-welded, one at a time. Below, Machine-O-Matic chief engineer Al Boehm designs a mold for a face plate for a new vending machine.

The Northern Beaver (NB) and the Round/Square Beaver (RB/SB) series of machines, along with the various stands, offer operators numerous options in attractive "Islands," "Tri Towers" and multi-combination vending units. There are thousands of machine and stand combinations manufactured by the company.

It is interesting to note that in a time when "plastic" machines are much maligned in the industry, Machine-O-Matic has made them respectable in its line of "Round Beaver," "Square Beaver", and "Southern Beaver" units. The small machine bodies are constructed of rubber-impregnated ABS, which not only provides durability, but eliminates the need for re-painting.

"Scratches", said Bernie Schwarzli, "can be eliminated by 'polishing' them 'out.'" The company's larger, "Northern Beaver" units are made of die cast panels which, unlike sheet metal, resist denting.

"All our products are designed with longevity in mind; both in appearance and endurance," stated Schwarzli.

Building on the traditional Beaver bulk vending machines and the "Northern Beaver" capsule machines, Machine-O-Matic now produces a wide range of vending configurations that are entering new markets. The original "Northern Beaver" has spawned a full line of modular designs. As an example of the success of this concept, the "Beaver Tri Tower," "Double Decker Towers" and "Pyramid" have rapidly become the vending choices for high- profile, high-traffic locations. A recently released configuration, the "Double Decker Towers," utilizes the same square footage as the traditional "Tri Tower," but maximizes the space by offering double the product selection.

As much as any single manufacturer in the industry, Machine-O-Matic has been instrumental in promoting the migration of bulk venders from sidewalk to carpeting. The "Tower" designs, aimed specifically at upscale locations, such as malls, allowed many operators to break into loca-

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MACHINE-O-MATIC RESPONDS TO BULK INDUSTRY TRENDS

tions previously closed to bulk.

The company's "Northern Beaver" was introduced into the market in the early eighties, along with the "J-stands." These stands offered operators a stylish chrome design for locations in which the traditional plain black stands were inadequate. "Then in 1992 we introduced the 'Tri Towers'," said Schwarzli. "The intent in designing that unit was to break into the malls. Bulk vending hadn't been present in mall common areas prior to those units. The "Tri Towers" are comprised of units which feature not only a large capacity, but also a 'tremendous visual impact'."

If the "Tri Towers" were a bulk revolution, then they were a quiet revolution. Machine-O-Matic chose not to re-invent the wheel, but rather elevate it to a highly respected level.

"Bear in mind that the 'Tri Towers', the 'Islands', and 'Quad Towers', were a totally new direction and new look, unseen in the industry," said Schwarzli. "But the foundation is still the basic machine." As Schwarzli pointed out, although boasting significant design enhancements, all the innovative components are compatible with previous models of machines. "If an operator has a 'Tower', for instance, and he looses the location, he always has the option of cutting that machine down to a standard 'Northern Beaver,'" said Schwarzli. "The operator has made an investment which will never be obsolete. We always keep the operator in mind. We're always thinking in terms of what's the most economical for him in the long run".

In the late eighties, Machine-O-Matic needed more room to grow. Newmarket, Ontario, a half-hour drive north of Toronto, was chosen as the site to relocate to larger premises. This location, which now includes two buildings totaling 65,000 sq. ft., allowed most of the long-term employees to remain with the company and was well located to serve the U.S. and world markets.

It is here that the machines are manufactured today. The state of the art facility utilizes advanced Computer Aided Design (CAD) and Computer Aided Manufacturing (CAM) techniques that assure quality products. "The manufacturing process has become much more computerized and high tech," said Bernie Schwarzli. "The casting machines are totally computerized and robots are used in the casting process. Investing in robotics, two and a half years ago, has given us the ability to substantially increase our manufacturing capacity."

The company has become a major global player in the vending industry. Through a concerted effort in trade shows and trade publication advertising, as well as strong "word of mouth" from operators, the "Beaver" name has gained respect and influence outside of the North American market. Entrepreneurs were quick to turn to the vending business as a viable opportunity in their own country and soon began to seek out suppliers, which included Machine-O-Matic. Continued growth, spurred by this flourishing international market brought about the addition of another building in Newmarket during the summer of 1996, which permitted operations to be divided into manufacturing and assembly.

New product development and improved quality in product performance is of utmost concern to management and Joe is almost exclusively active in this area. "The newly launched cash drawer, for the 'Round,' 'Square'and 'Southern Beavers' has changed the face of servicing forever. No more removing the service head to access the coins. A separately keyed drawer simply slides out from the base, is emptied, and replaced. The drawer can cut servicing time in half," said Schwarzli. "It's still a basic machine, but we

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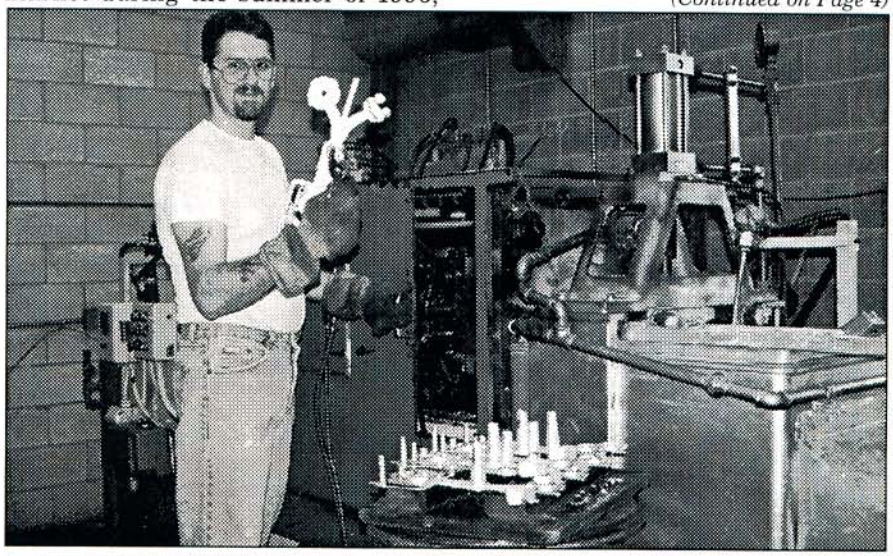

THINK ZINC: Top, Adam Pauze demonstrates use of a small die cast zinc machine used for making smaller components like handles and back plates of Beaver coin mechs shown here. Below, Mile Tasovski crafts a Machine-O-Matic stand base, all of which are created manually, one at a time. Zinc casting, as opposed to iron, leaves no rust marks.

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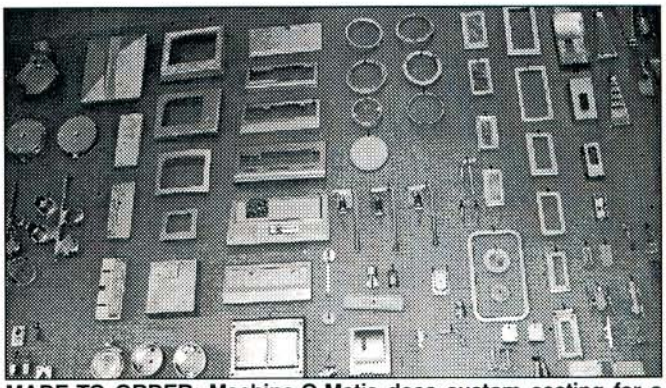
MACHINE-O-MATIC CONFIGURATIONS ADAPT TO LOCATION NEEDS

made it more user-friendly for the operator. One of the major concerns in the industry is keeping service costs under control."

As typified by its steady growth and innovation, the company's philosophy can best be viewed as one of cautious progress and quality products. It is one that has served the company well for nearly four decades. Such are the cornerstones on which reputations are built.

ASSEMBLY LINE: At left, Sonja McClenny, supervisor of the "RB/SB" (assembly) department, overlooks assembly of small machines. Every machine and coin mech is tested with six coins before being packed; if there is the slightest imperfection, the part is rejected. In right photo, Joe Schwarzli shows off first manual casting machine for V/T's Jenny Dumervé. Schwarzli designed and built the company's first permanent mold machines and melting furnaces when the company started 35 years ago.

BRIGHT AND SHINY: Pictured are parts before and after polishing. All cast parts go first to a vibratory finisher, where stones are vibrated against the part to smooth sharp edges (a process that was once done by hand), then on to the polishing room. From there they are sent for plating or powder coating.



MADE TO ORDER: Machine-O-Matic does custom casting for a variety of different industries, including: computer; automotive; commercial lighting; roof racks; commercial kitchens; housing receptacles for high voltage; and aluminum and steel casting for powder-coated brass beds.

VETERAN CRAFTSMEN: Bernie Schwarzli (left) and Granville Evans describe how zinc is hand-poured to form machine bases. Evans, who turned 76 last month, is Machine-O-Matic's oldest employee.