



# Change Shortage

*Lack of Coins Causing Some Companies to Alter Business Models*

**C**ovid-19 has upended many aspects of our daily lives. Due in part to lowered production levels by the U.S. Mint and the reduced currency circulation caused by the national stay-at-home orders, our country is in the midst of a coin shortage – a consequence of the pandemic.

TokensDirect and Van Brook, both divisions of Osborne Coinage Company that together make up the nation’s largest suppliers of tokens, exclaim that now is the time to make the switch to tokens. They say businesses that require coins for their livelihood are reconsidering their dependency, including arcade bars, FECs, laundromats, vending businesses, car washes and more.

Large grocery chains are asking patrons use contactless payment, while smaller shops are requesting exact change for purchase. Banks are being forced to ration their coin allotment and some are actually calling customers requesting they bring their coins in for deposit.

During the lockdown, many businesses and banks that offered coin sorting kiosks, like Coinstar, were closed. As a result, loose change has stayed piled up on the dresser or collected in the change jar.

“What’s happened is that with the partial closure of the economy, the flow of coins through the economy – it’s kind of stopped,” said Federal Reserve Chairman Jerome Powell while testify-



ing in front of Capitol Hill lawmakers. The Fed has initiated strategic allocations of coin inventories and is working with the U.S. Mint to increase production levels.

In the meantime, TokensDirect says it’s been monitoring the situation, noting that requests for information about changing the vending model from coins to tokens has increased immensely. Companies like laundromats and car washes are particularly leading the charge, though amusement-focused businesses – especially Mom and Pop

arcades – are impacted, too.

“Companies that were considering a move to a token-based model are activating their plans and businesses,” said Ted Schuh, national sales manager for TokensDirect and Van Brook of Lexington. “Those that are for the first time being hurt with the shortage of coins are expressing interest now, too.”

The company laid out the numerous benefits to using tokens instead of actual coins – effectively insulating a company from the lack of U.S. currency relating to this shortage or future coin shortages.

Some of the benefits they detailed include:

- **Decreased theft and vandalism.** Theft can occur at multiple points of the vending cycle. It could be as simple as an employee skimming quarters from the till or more problematic damage to the faceplate and cash box of a machine. As one laundromat owner said, “Coin-operated equipment only makes money when it’s working.” Since tokens aren’t usable legal tender, the spoils of a theft are diminished, if not eliminated, by switching to tokens.

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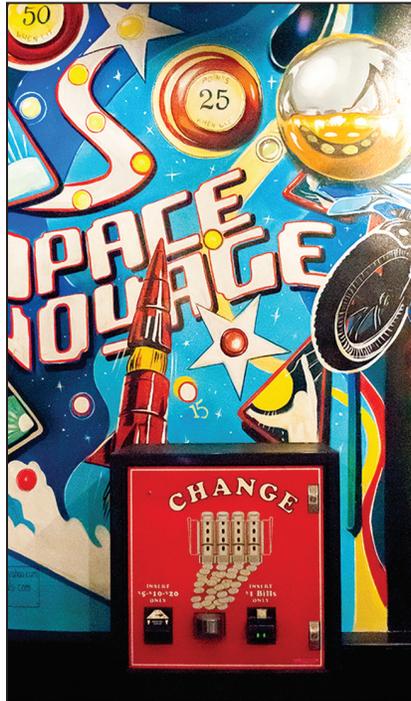
- **Reusable.** Like quarters, you can use tokens over and over, so it’s all the benefits of coins without the headaches caused by the shortage.

- **“Walkaways.”** If the token system is set up where a patron receives five \$1 value tokens for their \$5 bill and only uses four tokens, they take the

## feature

extra token home. Those “walkaways” are pure profit. On average, a token may cost 30 cents for you to purchase. If it is sold at \$1, the walkaway token netted you 70 cents of pure profit, as you have not used any of your machine costs, electricity or water. Mark Jolin, owner of Big Bunny’s Dunk ‘N Foam Car Wash in Southbridge, Mass., said, “I annually purchased 5,000 tokens and by year’s end the number of tokens remaining in the poke is around 3,500. That means that 1,500 of those tokens have walked away. Consider that each token is a profit of 70 cents then in one year that’s \$1,050 profit.”

• **Marketing Tool.** Another fringe benefit of walkaways is their marketing power. Custom tokens placed in the coin tray of the car or in the bottom of a purse serve as a subtle reminder that it could be time for a car wash, family event or date night. Branded tokens with your company name and address point these repeat customers to the right place and encourage return visits since the token can’t be redeemed elsewhere.



Others may even find the token collectable, or it may serve as a keepsake to mark a particular visit.

TokensDirect and Van Brook say they offer easy transition opportunities to convert current coin vending ventures to a token-based model. Based on the type of customized token selected,

they claim that change receptacles can easily be reprogrammed to accept only your tokens.

Switching to tokens can also provide cost-savings opportunities. A change machine that holds 1,200 quarters provides \$300 worth of transactions before needing a refill. If that machine is converted to hold \$1 tokens, it can now hold four times the monetary value and the exchange transactions for a dollar increases to 4,800. If \$5 gets a customer six tokens and only \$5 transactions are programmed you will have 800 dealings before a refill. This not only eliminates the dependency on quarter change, but reduces the number of times employees have to load the machine, saving on labor.

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