



The Art of Passive Income Podcast
With Mark Podolsky and Scott Todd

Today's Guest: [Matt Miller](#)

Transcript

Mark: Hey, it's Mark Podolsky, the Land Geek with your favorite nichey real estate website, www.TheLandGeek.com and today's guest is actually our first of his kind and I'm really excited to go a little bit deeper into this niche and the passive income potential of it. But, I would be remiss if I didn't properly introduce my co-host, you know him, you love him; he is the automation master from LandModo.com, ScottTodd.net and most importantly, if you are not automating your Craigslist and your Facebook postings, PostingDomination.com/TheLandGeek. Scott Todd, how are you?

Scott: Mark, I'm great; how are you?

Mark: I'm great. I'm great. What do you know about School Spirit Vending?

Scott: I know that I give my kids money at school and they love to spend it in the vending machines. Beyond that, I don't know anything else about vending machines or anything beyond that, so I'm excited to learn more about it.

Mark: Yeah. It's funny because when I take my daughter to dance, the first thing she wants to do is go to the freaking vending machine, right? So, let's learn more about vending machines from Matt Miller. If you don't know who Matt Miller is, he spent the first nine years of his career as an Air Force pilot before entering the corporate world to work at both Abbott Laboratories and Valassis. Now, he was a top performer for both companies but his long-term desire was to start a business and be his own boss. A good friend one day mentioned to him the gumball machines that he and his young daughters owned and talked about and that conversation began a 10-year business quest that resulted in the creation and subsequent growth of School Spirit Vending.

Over the years, Matt's diligent effort and entrepreneurial expertise has brought School Spirit Vending to the cutting edge of both the vending and school fundraising industries by combining these two ventures into one like a Blue Ocean Strategy. Today, School Spirit Vending's Hassle-Free fundraising program is helping schools across the country raise money in its own way. This is like the Toms Shoes of vending machines, like you feel good about it and you make money. Matt Miller, how are you?

Matt: I'm doing awesome, Mark and Scott. Thanks for having me on man, this is cool. I didn't get the memo though that I was supposed to have a white background. You guys didn't fill me in in advance so I apologize.

Mark: It's our fault but we just like to look at you, this isn't going to be in video. We just wanted to look at you.

Scott: We are also wearing black shirts, what happened?

Matt: I've always kind of looked at the direction of the crowd and gone the other way so I guess this is no different.

Scott: Awesome.

Mark: Tell us the conversation that you had with your wife when you said, "Hey honey, I'm going to quit my job or I'm going to invest in vending machines."

Matt: Well, we were in such a bad place financially at the time, guys, that there was no talk of me quitting my job. And because we were hurting so bad, she was game for anything. Of course, Air force pilot and executive vending operator I mean is that the natural progression for most folks? So, I don't see how she would give me grief.

Mark: Exactly. It seems like a perfect fit, Matt.

Matt: We were hurting man and I had read Robert Kiyosaki's book *Rich Dad, Poor Dad* and bought into his whole idea of passive income and making money while you sleep. So, I was trying to figure that out and when my buddy mentioned gumball machines since I couldn't even afford my own house, let alone rental properties or anything like that like Kiyosaki talks about. So, vending one gumball at a time to start was my way off slowly working my way out of the rat race. It was a long road but it finally happened and pretty pumped about it.

Mark: Yeah. I always see if I'm reading BusinessWeek and I'm looking at the classifieds there is always that little blub in the back, own vending machines, vending machines territory or something like that and I roll my eyes and I just glaze over it. Let's take my skeptical hat off, Matt, and walk me through the business model of vending machines investing. When I see me, I really mean the royally me, Scott and I.

Matt: Vending or what we are doing with our franchise or a little bit of both?

Mark: Both.

Matt: So, basic vending—it's really simple, you buy a vending machine, you find a location that will allow you to put it there and that machine produces income day in and day out without you having to be there. It enabled me to be a busy professional in the advertising space, a father of three, husband, active in my church, etc. and slowly but surely put together an income on the side that allowed me to scale at whatever pace I wanted to where eventually the pace and the size got big enough to where I was able to walk away from my full-time career.

Now, along the way 07 and 08 hit and the market tanked and they weren't as many people frequenting my regular vending locations which were restaurants and nail salons and that type of thing in and around the Houston area where we lived at the time and that's where the whole idea of school fundraising came about because I had a number of kids knocking on my door selling me stuff for the local school. I didn't know the kids so they are going knocking on stranger's doors to raise money and having kids of a culpable age that kind of made uncomfortable. So, I was like, "Man, is there a way I can do business in the schools where the kids are five days a week, nine months out of the year and potentially get some kids off the streets?" So, the whole idea of custom stickers, sticker machines in the schools was born then. In fact, October 10 years ago was when we placed our very first machine and have now been doing what we do at School Spirit Vending for a decade.

Mark: All right, I love it. Scott Todd, you want to put on your Andrew Warner hat?

Scott: Well, so this isn't your typical vending machine? I'm thinking of sodas and snacks this is not what your business is about, right? It looks like you are more geared towards school mascot stickers and educational games that people can buy from the vending machines and it looks like that money goes to the school. Are these vending machines only placed at school or are they placed at businesses?

Matt: They could be placed anywhere. Up to this point and time, most of our focus is in the schools themselves. But yeah, any restaurant any grocery stores you go by etc. you are going to see machines similar to ours. What makes what we do unique is that we have custom machines for the location. We put custom products in those machines in the form of spirit stickers. We are doing something that nobody else in the vending industry is doing. We are making it that school's product and that's school's machine instead of just throwing a machine in a location.

Scott: Okay. So, then to be a little skeptical and to kind of look at this from a different set of eyes. Why would I do this through a franchise and not necessarily go and get the machines on my own, source them and then kind of just duplicate it? What's the value of the franchise here?

Matt: Well, number one, there are very few suppliers out there anymore that provide sticker machines. Number two, the economies of scale allow us to source products for our machines, to custom and otherwise at a much cheaper price than somebody can go out and do on their own. [00:08:55] [indiscernible] program to where our franchisees, before they even see the product that's available for them to put in their machines, majority of them we have already tested and proven that the kids will buy it. Of course there is a whole community, we've got 105 franchisees that we support and work with. So, people have the opportunity of the benefit of learning from the combined experience of those 100 plus franchisees and a decade worth of business that we have done. We are 2500 schools we have raised approaching \$5 million for education in the last decade. We can help people go from point A to point B much more quickly instead of them trying to figure it all out.

Mark: Yeah. You can always make more money but you can't get more time. So if you can shorten the learning curve and avoid the headaches and the mistakes, I can see why that's a great value proposition. Matt, can we dig a little deeper into the numbers?

Matt: Sure.

Mark: So, if you want to buy a vending machine, do you buy one vending machine, do you buy a portfolio of vending machines? How do you recommend getting started and then what is the typical day to day effort of running it look like and then what is your typical ROI?

Matt: So, we don't have anything to do with the machines themselves and that was actually an intentional decision by me at the very beginning. Because you mentioned those little-classified ads that you've seen and everybody has seen on Craigslist or in their local Trader Joe's newspaper or in the newspapers or whatever most of those companies are what you call BizOps and they make their money by selling exorbitantly priced equipment on the front end and then making promises to folks about what performance can look like that in most cases are not true. With our business, I have nothing to do with the machines. I don't make a penny from the machines. I put you in contact with the supplier that we have been working with for,

going on 13 years now, and you work directly with them. You purchase the equipment at the normal market price for equipment that's similar. We make all of our money on the sale of stickers because that's where our franchisees make the money. So the better they do, the better we do as a franchise.

So, it's a win-win all around and it keeps us focused 100% of the time on the profitability of our franchisees and continuing to do what we do better and more profitably for them. So they order whatever equipment they want. Every school has typically one machine. As far as margins are concerned most of our operators see margins between 38 and 42% for every item vended. Those margins are actually in many cases better than what somebody could get on their own out in the industry because of the program that we have set up, because of the relationships we have with the schools, and because of the costs of the goods that are significantly cheaper because we represent so many locations around the country.

Scott: So, then that margin that you just gave is that minus your franchise fee or is your franchise fee wrapped up into the cost of goods?

Matt: That's minus all the expenses.

Scott: So, like ballpark, I could sell a vend for like 50 cents and I'm probably going to earn let's say 20 cents?

Matt: 20 to 21.50 cents typically is what somebody is going to make from that.

Scott: Okay. Then like the machines, obviously the machine has to be depreciated or amortized over time because I'm going to make this capital investment of the machine. So, is the margin that you gave kind of net of that investment or?

Matt: That doesn't take into account any of that at all.

Scott: Okay, all right.

Matt: To be honest, I'm not a numbers guy. That's way above my pay grade. That's why I hire accountants to do what I need to have done on that end but just that's the basic bare bone's numbers.

Scott: Okay. So I buy stickers for the product for like let's say 30 cents, does that include the money for the school too?

Matt: Yeah. Those margins include money for the school.

Scott: Okay. That's the profit?

Matt: Yeah that's the true profit.

Scott: Okay, all right, great, that's awesome.

Mark: That's crazy. Those are some serious margins. Then as far as loading the machine, managing the machine, getting the money out of the machine, who does that?

Matt: The franchisees do that. They own their own equipment. They buy their own products for the machine and can decide what products to put in, what not to put in etc. We give them access to anything you can think of as far as product availability and they've got a place where they can go to purchase all that product. But developing relationships in the schools, the actual servicing of the equipment, all that stuff is up to them.

Now here is the beautiful thing about what we do. I had 75 schools myself before I walked away from my full-time advertising career. I was working at the time about five days a month to make an income that was in excess by several times what my full-time career income was. So when you talk passive income, when you talk lifestyle which in my definition is control over time and money. Our program is something that people can do on a limited time commitment, on the side of what they do in their career if they like and then over time build this thing up over here that gives them [00:15:40] [indiscernible] options down the road.

We've got some franchisees on our teams, all they want to do is have a secondary income and that's it. But we've got others that see this as a way

to get free and to be able to do other things in their lives that they would really rather be doing if they had the money coming in that didn't demand all of their time. So we have complete flexibility. Every franchisee has their own wants, dreams goals and desires. We just provide the knowledge, the desire and the community for them to learn from and then they kind of make this be whatever they want.

I've got one couple as an example they have been with us for years. They used this to take a trip to Europe every year. They used it to pay for their daughter's college education and they just used it to pay for her wedding last October. He works full-time in the insurance world, loves what he does, has no plans of doing anything else but this is something that the two of them can do on the side. She volunteers in the classroom for a private school and it's a perfect fit for them because they've got days in a month that they work in and out of the schools that they are in and then the rest of the month they do what they want.

Scott: What would it cost me to get started like franchise etc., what type of investment I'm I looking to make in there?

Mark: Shiny object syndrome, Scott Todd. Matt, I think you've got a customer.

Scott: I'm learning the numbers here. I'm trying to understand the whole picture because I am a numbers guy. I got to learn the numbers so ...

Matt: Yeah, yeah.

Mark: By the way, we are going to end this podcast and we are going to stop investing in raw land and go deep into vending. Shiny objects.

Matt: You can do both if you want.

Scott: It depends on the numbers.

Mark: It depends on the numbers.

Scott: I have to figure in, like I have another thing which is I got to hire somebody to go do this.

Mark: So, we have to automate it.

Scott: If I can't do this from the boat that I want to be on, like... I can't do it, then I'm going to find somebody to do it.

Matt: To give you an idea of...

Mark: We need to do this then we can hire Upwork VAs.

Scott: Yeah

Matt: There you go. To give you an idea, I have not serviced my own schools in going on six years. I've got a lot of people that keep doing that, the quarters keeps getting deposited, the checks keep coming in and I have not set foot in any of my schools for six years. I didn't do that initially because I was the one that got out and got the ball rolling, developed relationships etc. but after a while, I was able to pass that off to somebody else for sure.

Getting back to your question about the startup cost. First off is to put into perspective the average franchise in the US today is about 150 grand. That was 150,000 reasons why I didn't have a typical franchise. Our startup cost was right around \$19,700. About half of that is equipment, product. The franchise fee itself is only 10,600 of that. That gives you a protected territory of 200 schools. It gives you all the support etc. needed in perpetuity essentially. It gets them a \$2000 mentorship, which is six months with one of the veterans on our team part of which they are required to come and spend a few days in your territory helping you go out, in the beginning, to spread the word and learn the ropes.

That's one of the reasons why we have had the success that we have had. Is we are not just telling people how to do what we do we are showing them and then we've got somebody that is there always for the first six months to answer questions, to help solve problems. Because they have been there - done that, got the t-shirt for years, they are sounding board and have been

a huge resource for our new folks. So about \$3600 worth of products and marketing materials and all that kind of stuff is the basis for getting started and then the equipment for the first five schools is right around \$3500 or so. So all that comprises that \$19700 for folks.

Scott: Okay, all right. So, the machine is about \$700 for future schools?

Matt: Yeah, plus shipping.

Scott: Okay, that's not bad, not bad. Clearly, the bank either loves you or hates you bringing all these quarters.

Matt: Depends on the bank. That's actually one of the biggest steps when folks get started as part of our initial training, we talk through [00:20:43] [indiscernible] the right bank. Because some of them look at you cross-eyed as you walk in with 50-pound bags of quarters. Some of them welcome it gladly, some of them don't. So, there does require normally a little bit of shopping around to banks and credit unions in the area when somebody gets started. But once that's figured out it's just one of those things that we do on a monthly basis.

Scott: It just happens. Awesome, that's awesome.

Mark: That's awesome. What's the toughest part about the business? Every business has something that just sucks. In our business I think Scott, you would say the toughest part for people starting is getting the list.

Scott: Yeah. I think for what we do it's getting your brain around the fact of not just getting the list but then the fact that someone is going to give away an asset for pennies on the dollar. That's the hardest thing. It's a mental thing.

Mark: Yeah, yeah. How about for you, Matt?

Matt: I would say the hardest part is just the first few months. Everybody that has joined our team over the last 10 years aside from and me one of the other guys that was with me at the very beginning have no background in vending whatsoever and most of them have no background working with

the schools. So, it's learning vending and it's learning to work in and out of the school's environment. In most areas, they have never heard of us before so there is an initial paradigm shift because we are walking into a school and essentially offering them free money and no other fundraising company has ever done that before.

So, initially they are like, "Okay, so what's the catch here?" But once they work through that and folks get a few early adopter schools that are ready to raise their hands and say, "This makes too much sense; let's do it," then things get easier and easier as time goes on. So after a while, they end up having schools call them out of the blue saying, "Hey, we heard from so and so about your program and we want it." I think I probably get two to three emails a day that are prospective schools from our franchisees around the country that want to be part of what we do that we then forward to the franchisee in their area to get them set up.

Mark: I love it. I love it. Scott Todd, I was a little skeptical at first now I think we are going to start a little vending LLC.

Scott: Well, you know, I think it's interesting. Here is the thing Mark and !Rich Dad, Poor Dad does a great job of talking about this in his book, the reality of any business is that where there is a system in place or if you can build a system then it's fantastic. What makes real estate so interesting for a lot of people especially like homes is that a home is a complex system, probably not that hard. You've got some pipes for the plumbing, you've got some electrical coming in but it's a home system, it's a system that runs and so it just creates money.

I think the fact that you could literally deploy these vending machines to schools, obviously this is something that's really quite popular with elementary school students. The fact that there use this vending machine there, they get school stickers or I'm looking at your website little games that they can play. Because come on who wants to do and pay attention in school when you can play a game? That's kind of a cool thing. So, I can see the revenue stream and the system that's built around it to generate the ongoing income.

Matt, just like a follow-up question though, you told me I had 200 protected schools. So obviously, you are going to look at this area and say, "Okay well, we are going to give Scott this particular county or this geographic area," and I start going to these schools. What is my success rate as I'm going to these things because clearly, they all can't say yes?

Matt: A lot of that to be honest, Scott, depends on time. I've got some districts that I'm in where I have close to 100% patronage in the schools but that happened over several years. As more and more familiarity occurs, as we do more and more good by the schools, they talk and we are able to leverage relationships, testimonials; that type of thing to get deeper and deeper and deeper into the schools in our area. Every once in a while, you come across a school where it doesn't matter what you say the administrator just is not going to have any part of what we do and we get that. That's the same in anything but also those administrators are not there forever and eventually they are going to leave and eventually we will get there.

We went in Texas initially in and to Houston, San Antonio and Dallas Fort Worth areas primarily to 10 years ago and no one having any clue who we were to where today a large percentage of the schools Texas have our programs and it's because we've been here consistently. We've got like 15 franchisees in the state. Every single one of them is out on a regular basis promoting what we do to the schools in their area. We've transitioned to utilizing social media, Facebook and those kinds of things to develop relationships and promote what we are doing on top of the old-fashioned ways of promoting with door to door and trade shows and postcards and that type of thing, emails. But we have evolved and it's easier and easier today than it ever was for us to get the word out.

Because our value proposition to the schools is literally, "We are going to write you a check every month that you don't have to do anything for and we are not requiring any volunteers to do what we do." That's music to the ears of most of these schools because money and volunteers are the two resources that are always short of.

Scott: I'm looking at this and I'm thinking like you keep talking about the schools and going to schools but I know down the street from my house is a

pizza place. I don't go there on Fridays but I'm sure it's very popular on Fridays with the kids from these particular schools or some of the schools. I could just take this machine and put it into the pizza place because surely they want to support the local school. So those kids that are coming into these restaurants is there anything prohibiting me from doing that?

Matt: No.

Scott: That seem like a no-brainer; find some of these pizza places and putting these vending machines in there.

Matt: The challenge is that a lot of those businesses they are a for-profit business and if they have vending equipment there the reason why it's there is because it's another income stream for them. So many of them don't want to share in that and to be honest just between you and me, I know nobody else is listening...

Scott: Just Mark.

Matt: When you've got a school with 600 kids in it that are there five days a week, nine months out of the year compared to a pizza place that might have 30 kids come into it on a daily basis there is a big difference in the numbers, let me just say that.

Scott: All right, got you, got you. I'm with you.

Matt: Okay, all right

Mark: All right. It's time now to put you on the spot Matt and ask you for your tip of the week, a website, a resource, a book, anything actionable where the Art of Passive Income listeners can go right now improve their business, improve their lives. Your mentorship has been phenomenal and my heart is beating a little faster thinking about this but we are going to ask you for one more tip. What do you got?

Matt: Well, as far as a book right now one that I'm deep in the middle of is Russell Brunson's !Dotcom Secrets.

Mark: Okay.

Matt: If your listeners have not read that and they do anything online at all I would encourage then to pick that up. Of course they can also pick up the eBook that I wrote it's called *Live Your Dreams: The Top 10 Reasons Why You Need to Own a Vending Business*. It encapsulates the last 13 years of my world in vending and gives them a reason why vending might be a good addition to what they are already doing and the benefits of it. They can go to SSVBusiness.com/BestPassiveIncome to download that for free.

Mark: All right, fantastic. Scott Todd, what's your tip of the week?

Scott: Mark, check out this Chrome extension and it's called Meetingbird. Have you heard about Meetingbird?

Mark: I have not. Let me check it out, Meetingbird.

Scott: Meetingbird Chrome extension. So, you can go to MeetingBird.com/Chrome and what it does is it pulls in your Google calendar which I use, I know you do and it pulls it in your Gmail account right there. So, you don't have to leave the screen to look at your... You don't have to change apps, nothing. It's all right in there within the web version which I now favor the web version over a client, an email client simply because of the fact that I can just shut it down or ignore it.

Mark: So, for someone like me that shouldn't be checking email very much should I...

Scott: Well then, you are in trouble.

Mark: I'm in trouble. I'm not going to get it. I can see why it would be great.

Scott: Don't get it. You don't get it. I'm going to get it.

Mark: You should get it.

Scott: Listeners who can tolerate email, they should get it too.

Mark: Matt, one of the greatest things ever was Scott pushed me to delete mail from my phone so it forces me to check mail only when I'm in front of my computer and life has been very different ever since.

Matt: Yeah. I would love to do that man but I've just got too much pulling at me, but someday.

Mark: Someday, someday.

Matt: Speaking of Chrome extensions are you guys familiar with Streak, S-T-R-E-A-K?

Mark: Yes, love Streak.

Matt: Man, Google Streak it's another chrome extension, Streak.com, it's a CRM system that ties right in with your Gmail and it's been a game changer for us for sure. Allows you to schedule email, allows you to track email, allows you to set up sales pipelines, that type of thing and that's been huge, huge, for us too.

Mark: Yeah, it's phenomenal for follow-up with your customers. Then my tip of the week is, learn more about School Spirit Vending at SSVBusiness.com/PassiveIncome. Is that right Matt?

Matt: Well, Best Passive Income.

Mark: Oh, Best Passive Income. I'm sorry, SSVBusiness.com/BestPassiveIncome.com and learn more there. Matt Miller, are we good?

Matt: Yeah, man. I've got a course that I just launched too if you don't mind me bringing it up.

Mark: Sure.

Matt: Folks can go, if they just want to learn about vending and have no desire to look at a franchise or any of that stuff they just want to learn the

basics of vending they can go to VendingSecrets.net and if they use the coupon code Best Passive Income, they can get the course for 97 bucks and learn a whole new way to make money utilizing vending as a supplement.

Mark: All right, that's really generous. I love it, fantastic. We will have links to all that in our show notes. Scott Todd, are we good?

Scott: Mark, we are great.

Mark: All right. I want to thank the listeners and I want to remind you the only way we are going to get the quality of guests like a Matt Miller is if you do us three little favors. You've got to subscribe, you've got to rate and you've got to review the podcast. Send us a screenshot of your review to Support@TheLandGeek.com. We are going to send you for free the \$97 *Passive Income Launch Kit*. So please do that it really helps us.

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Scott: Ring.

Mark: Ring.

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