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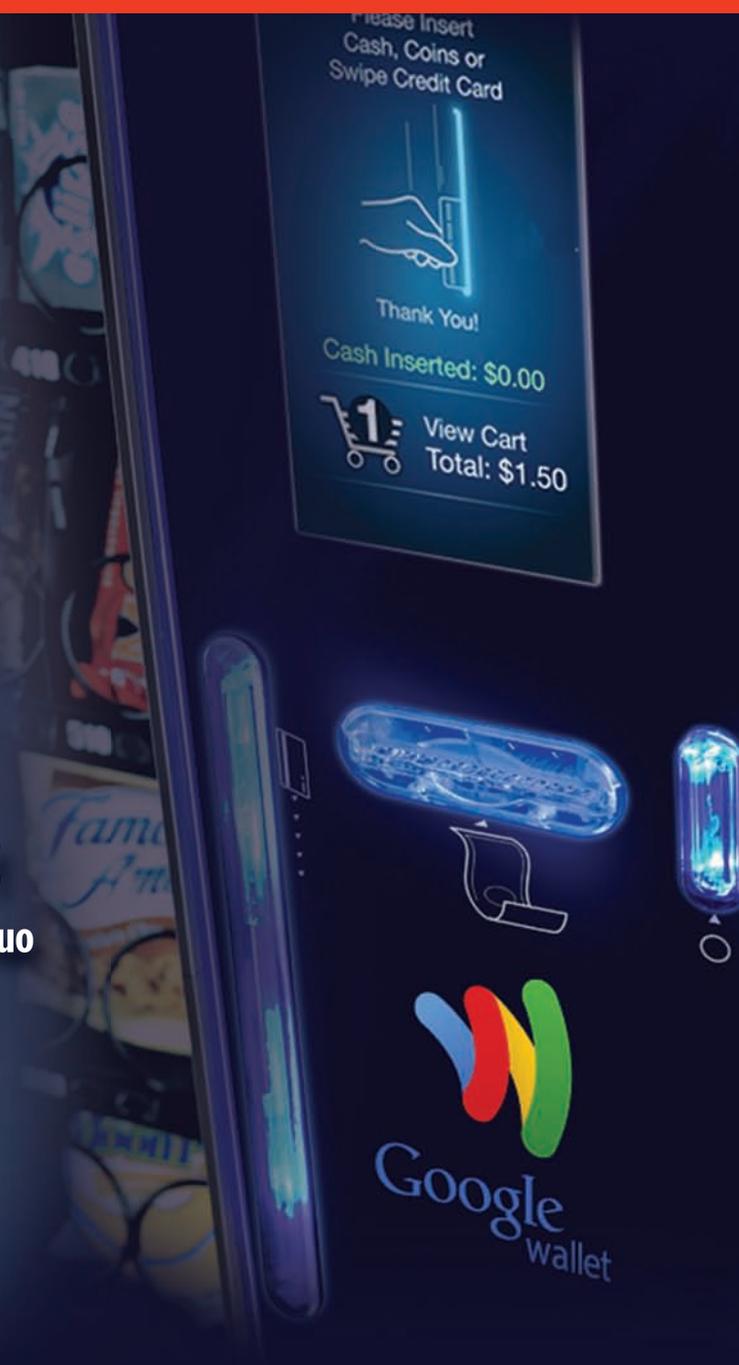
ADA Rules and Vending

PARESH PATEL: Healthy vending is not an oxymoron. It's a sales stimulator!

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BETTER FOR US

'Healthy Vending' Is Not An Oxymoron, It's A Sales Stimulator

By PARESH PATEL, Ph.D.

Over the years, vending has become synonymous with “junk food” in the public’s perception. It does us no good to insist that no food item can be considered “junk” without reference to the diet of the individual consumer. An ever-larger proportion of our customers believe that traditional snacks and candies are not “good for them.”

And, until recently, rarely would anyone approach a vending machine expecting to find anything other than those standard chips, cookies, candies, chocolates and pastries. As the public increasingly equates “healthy” with lower sugar, higher fiber, less fat, salt and the like, it’s easy to see why the term “healthy vending” has become an apparent oxymoron, like “jumbo shrimp” or “deafening silence.” And this is costing us sales.

But that doesn’t have to be the case. The vending machine, after all, is simply a distribution channel, not unlike a convenience or grocery store. Other things being equal, it doesn’t matter to the operator if the sale

that’s made is a chocolate bar or a granola bar, as long as the margins are the same.

“WE’D STOCK IT IF THEY’D BUY IT”

Vending operators contend that they would stock healthier items if those items sold, and vending patrons state they would purchase healthier items if they were stocked. This long has been the classic “chicken or egg first” scenario.

One must understand that there are pressures from both sides that have perpetuated this stalemate. The operator is in business to sell products, and earns a living by stocking those that sell well. He or she doesn’t make money on something that sits motionless in the machines.

On the other side, people seeking healthy snacks have such a narrow preconception of what’s in a vending machine that they often don’t even notice when better-for-you selections are added to the menu, and so those items all too often don’t sell well.

I remember vividly one occasion when I went to visit a customer location. While I was waiting in the lobby, the receptionist asked me if my company could put 100% juices in the vending machine, because she didn’t drink the sodas and wanted something healthier. I responded, “Certainly, we can do that.”

I went to the breakroom to determine what was in the machine so I could suggest some changes to our route driver. When I got there, I was surprised to discover that the machine already had them: two of eight selections were 100% juices.

Confused, I went back to the front desk for clarification. I thought perhaps I had misunderstood what the receptionist was asking. But she reiterated the same request. When I mentioned to her that the machine already had two selections of 100% juices, she replied, “Oh, I never went back there to look because I just assumed it was all soda.”

Somewhat shocked by this, I came back to my office and looked in the system to see how long those juices had been stocked in that machine. I was curious if it was a recent addition. I learned that they had been in that

machine for years! Moreover, those two selections were the slowest sellers of the eight.

This illustrates the preconceived notions that many customers have about what is available in the vending machine, and how these can hinder sales of healthier products. Justifiably, operators have resisted “healthy” vending in great part because, when they have tried healthier items, the sales haven’t been there. Most operators know that healthier items do not sell well relative to the other items in the machine. This is just one of the generally accepted unwritten beliefs of the vending world.

CHOICE

Today, consumers are demanding greater choice and healthier options. The prudent operator will recognize the need to meet this demand to maximize profit and retain locations. After all, as momentum continues to build, if the operator does not provide such options, someone else will. Fundamentally, the operator’s financial success is dependent on meeting the demands of consumers. Providing those healthier options will help build sales and profit, but only if implemented properly.

Operators often will make a false analysis in understanding the role healthy items play in a vending machine. They will compare the sales of the healthy items to other items in the machine. Almost always, the healthier items will have slower turns than the “regular” items.

However, this comparison is not a good one because it fails to consider one important fact – something I call transferability of demand. Put it this way: Imagine you have a shelf with 10 chocolates. Those 10 chocolates sell fairly well. Now you remove two chocolates and replace them with “healthier” items. In most situations, the two “healthy” items you placed in the machine will have even slower turns than the two chocolates you removed. This is why the operator exclaims, “No one buys the healthy stuff!”

But I challenge this analysis. The fact is that the demand for those two chocolates you removed was transferred to the other eight that remained. And the sales of the “healthy” items, whatever that may be, is purely incremental (assuming capacity isn’t an issue). In other words, the people who walked up to the machine to buy a chocolate bar will still buy a chocolate bar – but they will now be making their selection from eight options instead of 10.

But those who buy the “healthier” item



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would not have bought anything had the “healthier” option not been there. Therefore, those sales were purely incremental. In our experience, when we replace up to 30% of the items in a machine with “healthier” items, we see a net increase in sales. No, the sales don’t increase 30%, but I would say they rise at least 20%.

There is a critical tipping point. If the operator stocks just a couple of “healthier” items, it isn’t really enough for anyone to notice, or to draw any new users. But when about 30% of the machine is stocked with those selections, it is noticeable (especially if you mark the items with the National Automatic Merchandising Association’s Fit Pick stickers, or something similar). And overall sales will increase. In time, that 30% of the merchandise will account for 30% of the sales in that machine.

Of course, the actual “healthy” items that are stocked impact the success of the change. The operator can’t simply stock 10 different kinds of granola bars and nuts in the machine and consider that a concerted



AVAILABLE: There is a large and growing variety of vendible items designed to address consumers’ desire for “healthier” products. Above left are two popular mainstream bagged snacks that offer reduced fat content; at right, a row of well-known narrow-spiral selections highlighting natural ingredients. But patrons need to know these these things are in the machines.

‘Healthy’ Vending In Schools

When the Oregon legislature was debating a healthy school vending bill, I was asked to testify before the legislature as an expert on the subject. Later, when the Governor was signing the bill, I was invited and stood next to him.

One important issue for people to understand was that basing product selection on “perception” opens up a two-way street. Vendors needed objective criteria that were easy to identify and implement. They needed a system they could use to train drivers, and that anyone could understand.

The subjectivity needed to be eliminated. Because of that, the “35-10-35” standard was adopted in Oregon. This requires foods to have 35% or less fat content, 10% or less saturated fat, and 35% or less sugar by weight. In addition, there is a limit on total package calories of 200 in high schools and 180 in middle schools.

The State of Oregon set a clear, objective standard that vendors could train route drivers and purchasing employees to follow. New products are always being introduced, and product formulations change occasionally. This standard is something that establishes a benchmark without the need to refer to preset product lists. Moreover, manufacturers can develop products that meet the requirements.

As a matter of fact, many products in vending machines today that bear the same names and look like items that today’s adults ate while they were growing up are not the same products. Many aren’t even the same products as they were three years ago, as they have been reformulated to remove trans fat and, in many cases, meet the 35-10-35 standard. In that sense, perceptions people hold today are not based on fact or current reality. Rather than perpetuate inaccurate beliefs, it is better to educate on the current realities.

effort to provide “healthy” options. Like the “regular” menu, the “healthier” options should reflect the categories of items in the machine – there should be “healthier” chips, cookies and crackers, and sugar-free gum and mint options. The “healthier” items should be in as many categories in the machine as the regular items. And other merchandising criteria must be considered too, such as placement in the machine.

THE MOVEMENT

The movement to “healthier” vending is not limited to schools. Over the past few years, more and more employers have asked us to merchandise the vending machines in their locations with “healthier” items. They are increasingly concerned about the health and wellness of their employees, and a growing number of them has taken measures that support a healthier work environment. Vending machines are one piece of the puzzle.

Perhaps the employers’ motives have not been completely altruistic, considering rising healthcare insurance premiums. Nonetheless, the trend is in place and momentum is building. An increasing number of companies has established some form of wellness committee. One of the first topics of discussion for these wellness committees is evaluation of the food and drink options available to the employees, including the items sold through vending machines. Even these wellness committees are often met with resistance, sometimes from the highest levels of the organization.

A couple of years ago, a wellness committee from a large health insurance company contacted me to discuss healthy options for their vending machines. The committee felt that as a health insurance company, it was imperative for them to be concerned about health and wellness of its employees. Moreover, the committee believed the company should “walk the talk.”

They asked us to convert all of their vending machines to 100% “healthy items,” although we had suggested they phase in the transition, starting with about one-third of the machine. But they wanted to go “all healthy” from the get-go, against our recommendation.

But there was a problem. The CEO still liked the occasional Snickers bar and didn’t want to give it up. The project ended in a complete failure. Unfortunately for the committee, it positioned the change as an all-or-nothing scenario.

To improve the chances of success, we still recommend easing into the transition. When the “healthy” item sales equalize with their percentage of space in the machine, the mix can be increased. For instance, we start off filling 30% of the machine with healthier options. When the sales from those items account for 30% of the total sales, we can then increase the percentage of healthy items stocked.

DEFINING “HEALTHY VENDING”

The term “healthy vending” is used interchangeably with “healthier vending.” There is no clear definition of what “healthy” vending actually is. It must be correlated with something else – perceptions, beliefs, judgments, laws, rules, guidelines, procedures or metrics. The nutrition facts alone are insufficient to make a determination.

The definition can vary from school to school, worksite to worksite, and state to state. Perhaps this is one of the reasons the movement has been slow to start.

The lack of a clear standard is perhaps the biggest contributor to inertia in the movement toward “healthier” vending, and this inertia is arguably one of the key reasons why the vending machine is still widely thought of as synonymous with “junk food.” This association with “junk food” inevitably hurts the reputation, and the public’s perception, of the industry as a whole.

“Healthy” vending is not a binary issue. It is virtually impossible to categorically and conclusively classify all foods and beverages into just one of two groups — “healthy” or “unhealthy.” Rather, the multi-dimensional issue of healthy vending resides on a continuum, from “foods of low nutritional value” on one end to “foods of high nutritional value” on the other.

It may be easy to place some foods at one end of the spectrum or the other. For example, conventional salty snacks would be closer to the low end. Fruits and vegeta-

bles would be closer to the high end. Most everyone can do this intuitively, because of our perceptions and understanding of those food groups. However, if we look at specific prepared or processed foods, especially in relation to others, we can begin to understand the complexity of the issue.

How do we place specific foods on the continuum? We need something objective in place of subjective perceptions. Some people may be concerned more about caloric content of foods, while others might be focused on vitamin and mineral content. Still others may want to know if foods are organically produced, or how much fat or sugar they contain. We could give a basket of 20 foods to a small group of people and ask them to put the foods in order from low to high nutritional value and it is unlikely that we would end up with two people ranking them in the same order!

TRANSFORMING MACHINES

Transforming the nation's vending machines requires some standardized understanding of healthy vending. In recent years, many states have been passing laws to standardize practices across schools and school districts. The laws were written to eliminate the influence of perceptions and individual opinions when it comes to product selection. In the past, many attempts to regulate vending in schools had failed in part because of the lack of objective metrics. People wanted to keep an element of subjectivity and allow perceptions to influence the product avail-

Objective nutrition standards permit product planning

ability. Many times, the selection of product was capricious and purely baseless.

When we allow subjectivity to enter the decision process, we could allow products that are "perceived" to be healthy, but really are not according to the accepted standards. For instance, I could show you a package of rice chips. I could show that product to 100 people and all 100 people would probably classify that item as "healthy." However, if you do the calculations, the product is slightly over the fat limit allowed under given standards, like NAMA's Fit Pick. In reality, it is not compliant, while other products that may appear to be unhealthy do comply. Allowing subjectivity to enter the product selection process is a slippery slope. While perhaps not ideal, products need to either meet requirements or not meet requirements. For best overall success, there shouldn't be a gray area.

My company operates vending machines in school districts that serve over 200,000 Oregon students. No school gets involved with our product selection. They have delegated to us the operation of the machines, and we have to comply with the law and policies, and that is what we do. Once laws and policies are set, it becomes an opera-

tional issue. Therefore, we avoid a situation where a school is dictating to us what goes in and what cannot. That is really our expertise and our function. And perception should not enter the decision process.

What happens, for example, if the school secretary doesn't think oat and honey granola bars are healthy because the honey is too sweet? It meets all requirements. Should we remove it? The vice-principal may think Pop-Tarts shouldn't be allowed. It becomes very complex, and we are destined for failure because route drivers would not be able to keep track.

Operators and the industry as a whole can work together to improve the perceptions held by the general public. In fact, when the vending machine is no longer perceived as just a "junk food" machine, sales can and will improve for the operators and the industry. This increase would be due to the fundamental reason that vending machines would attract people who normally do not use them – people who think vending machines are only stocked with "junk food."

With the stigma of the junk food machine diminished, operators increase the base of users for the machine, thus improving sales. And the people who were using them anyway will continue to do so.

Together, we can work on transforming the nation's vending machines and erase the stigma associated with vending machine. After all, we're just a convenient distribution channel for our consumers.