



## DIFFERENTIATE WHAT YOU SELL

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# How Come Everybody Sells The Same Stuff?

Does everyone in our industry really sell the same stuff? If we are all selling the leading brands, maybe it's true. The challenge is to differentiate what you sell from your competition's menu – but the comparison is more complex than looking at what operator #1 sells versus what operator #2 is selling.

We compete against convenience stores, fast-food restaurants and an almost endless array of other foodservice outlets. We have the most convenient locations. But the advantage for menu variety and the number of SKUs offered goes to the competition. Their edge is even more significant when it comes to food.

How do we compete more effectively? Which categories, brands and SKUs should we sell? It's a difficult and complex puzzle. There is an almost never-ending stream of brands in new and emerging categories. Many of the suppliers are new in our channel.

We are encountering new fast-growth product segments. There is very little data or hard facts in the locations we serve to guide our decision-making. So, how do we figure out which brands and items to buy? We'll come back to "How do we win?" later.

Back in the 1950s and entering the 1960s, the vending industry was uncomplicated. There were four primary product categories. That's right, just four. Do you recall the "4-Cs" of vending?

1. **Cola:** There was no diet soda. The non-cola products held a small share.
  2. **Coffee:** Those early coffee machines delivered a very limited selection of hot beverages. There is no comparison between that era and the variety and quality available now.
  3. **Candy:** As the industry graduated from mechanical to electro-mechanical machines, the number of selections increased and (later) salty snacks could be vended.
  4. **Cigarettes:** Cigarettes once drove the biggest share of sales and profit for many operators. Today, this category's sales are a rounding error in our industry.
- Oh. Don't forget that there was a *fifth* C. It was **Coins**. There were no bill ac-

ceptors or card readers.

It was so much easier back in the "good old days." In that era, most operators probably did sell the same stuff. Let's depart from the past and jump forward to 2018.

### Our Most Important Shoppers

One of the most significant changes our industry has encountered is the millennial generation. This group is now 22 to 36 years of age. They are, or will soon be, the biggest proportion of the shoppers you serve.

Millennials are different. According to a recent study by the International Dairy Deli Bakery Association, millennials are:

1. "...more likely than other generations to incorporate a customized eating approach..."
2. Likely to be the dominant buying group, expected to account for 30% of CPG (consumer packaged goods) by 2020.
3. Culturally more diverse than earlier age-group cohorts. There are 45% who describe themselves as ethnic or multicultural. They bring with them an expanded sense of taste and high expectations to find foods from their family and national backgrounds.

Remember the Baby Boomer generation? They've been your most important shoppers for many years. Your problem is that this generation is now aged 53 to 71. They're already retiring from the workforce. We are losing our best shoppers.

The younger shoppers, millennials and Generation Z (ages 12–21), do not want the same "old" stuff and they don't want to shop from the same "old" equipment. There is the problem. It's also the opportunity.

Remember, we already sell leading brands in every product category we offer. But the leading brands in many categories have seen their retail share of market fall across many of our important product lines. That brings us the necessity of finding and adding new SKUs which will satisfy these younger people.

Millennials and Gen Z want new and different flavors. They live in a world of

FOMO – fear of missing out. You're thinking, what is FOMO? *Time.com* defines it as "the uneasy and sometimes all-consuming feeling that you're missing out – that your peers are doing, in the know about, or in possession of more or something better than you." *Time* noted that "... nearly three-quarters of young adults reported they experienced the phenomenon."

They also want "clean" labels – no additives or added chemicals. But they are price conscious. *Food Business News* had a relevant quote from the National Association of Convenience Stores show by Jacque Taylor, director of marketing at Lehi Valley Trading Co.: "(Millennials) want a healthier snack brand, but they also want it a value price."

Don't forget Generation X, the age cohort following the Boomers. This group is now 37 to 52 years old. They are more likely to be brand-oriented, with clear favorites among the leading brands. So you must continue to feature their favorite brands while adding new and different items for millennials and Gen X.

### Competitive Battle Approaches

In fact the battle is already ongoing. It's going to be brutal in the next few years. Everyone is trying to steal shoppers and transactions from everyone else.

Since we "own" the workplaces, the competition sees our shoppers as their targets. Our food menu does not compare. We know it and so does the competition. Food is the real battleground.

Let me state this very clearly. "We sell very good products. We have nothing to be ashamed of in our menus and merchandising. The problem is that the competition offers a better menu and a wider variety than we do, especially when it comes to food."

Food is our ultimate opportunity and the biggest challenge for operators (and our suppliers too). We are up against major branded companies in, at a minimum, five market segments. Specifically:

1. Fast food restaurants.

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2. Convenience stores. Research reported by *NACS Magazine* indicated that “32% of consumers noticed more convenience stores offering prepared foods in 2017.”

3. Chain drug stores looking to sell take-away food, snacks and beverages.

4. Supermarkets featuring fresh-made foods plus a wide selection of snacks and beverages.

5. Coffee shops now offering food for breakfast, lunch and snack-time too.

### Snack: Category Or Behavior?

Snack: Is it a product category? Is it something we do?

Pay careful attention to the word SNACK. We might think about the snack category as products we sell. That's changed! SNACK is now a time for people to eat or drink something apart from a meal. A snack, today, might be a sandwich instead of a bag of chips or a candy bar. Look at the \$1.00, \$2.00 and \$3.00 menu additions at fast-food restaurants.

*CSPnet.com* (from Convenience Store and Fuel News) reported that there are four major snack times each day. These snacking “events” are sometimes consumed to replace a meal or to hold over until the next meal.

According to Technomic, Inc.'s *2014 Snacking Occasion Consumer Trend Report*, survey respondents were asked when they snack. Fifty-one percent replied that they snack at least twice daily. That is an increase from 48% reported in 2012. Looking at the time for snack consumption, with multiple answers allowed, when people snacked:

1. 37% said mid-morning. That's an important consumption time for our sales.

2. 71%, mid-afternoon. This might be the biggest non-meal consumption period for us.

3. 39%, mid-evening. Typically this is snacking at home.

4. 40%, late night. Another at home snack time.

### It's About The Food

Have you thought about what your shoppers consider if they decide to leave work for lunch or a snack? Here is how it happens:

1. **What do I/we want to eat?** What to eat today is the first and most important decision people make. If it is a food category we don't offer, or if our selection is limited, we lose the lunch sale for that day.

2. **Where can I/we get that?** Are you

familiar with most, if not all, of the nearby dining options related to your best locations? If you do not have the listings posted on a map of your key accounts, you will not be aware of the menu alternatives you need to consider.

3. **How far is that from here?** How easy is it to get there, eat and return? The better the weather, the higher the risk that folks will leave the location for lunch. Don't forget the 15-minute time frame which guides most of these away-from-the-office meals.

Let's look at some recent menu developments from leading foodservice brands. They are looking at the food (snacks and beverages too) that they sell. How can they separate from the pack with menu additions or changes?

Dunkin' Donuts is pushing on several levers to drive to drive growth:

1. Eliminating foam cups. That is a positive environmental benefit. Younger people will relate to that and see the company as being sensitive to issues that matter.

2. They will stress convenience, quality and speed. Pay attention. Odds are that every company competing for food and beverage sales is working on these issues.

3. The afternoon daypart will be a focus to sell more coffee and doughnuts. Espresso menu items, frozen beverages and premium tea will be added.

4. The breakfast menu will expand with new sandwiches.

5. Mobile ordering is being tested.

An article in *USA Today* identified “five trends rocking the food industry.” Two are highly relevant to the challenges we are facing:

1. **Weird foods and drinks:** Examples included Taco Bell's Firecracker Burrito; Burger King's Lucky Charms milkshakes and their Flamin' Hot Mac 'n Cheetos; Starbucks' Unicorn Frappuccino.

2. **Fast-food chains are blurring classic market segment thinking.** Examples include Starbucks adding a lunch menu in test cities, with unique sandwiches and salads; McDonald's new Signature Crafted Recipe sandwiches and an expanded coffee menu with new drinks – Caramel Macchiato and Americano.

McDonald's also announced plans to focus on its core menu items. Menu additions in recent years were (apparently) targeted at capturing new customers versus being focused on their established customer base. Some of the newer products were higher-priced and did reach desired sales levels.

McDonald's described their forward-looking agenda as including:

1. Testing fresh meat for burgers – not frozen beef.

2. Deploying new cooking methods in stores.

3. Building an even better coffee business. That includes the pastry offering at their McCafe locations. Having been to a few McCafe locations in Paris (that's the one in France), the U.S. line of pastries does not compare.

4. **Delivery.** That is something for them to think about. After 15 minutes, the fries are no longer at their best. It will be interesting to see how they package and protect the taste, texture and temperature of the food and beverages. According to a McDonald's executive, “Delivery is the most significant disruption in the restaurant industry in our lifetime.”

5. **Mobile ordering and payment** will be rolled out to 20,000 units in the U.S. market.

Delivery from fast food restaurants, is that something you dream about? Maybe it is a nightmare about to come true. We shall see.

A recent article posted at the *NACS Daily News* website was titled “Convenience Stores Rival Restaurants with Foodservice.” Five c-store chains were named in the Top 100 report from *Nation's Restaurant News*. That Top 100 list includes the biggest restaurant chains. The chains mentioned: Wawa, Sheetz, Casey's General Store, 7-Eleven and Circle K.

If you think that food from today's convenience stores is nothing special, *let me tell that you are wrong*. When was the last time you had breakfast or lunch at a convenience store near you? You can bet that your shoppers eat c-store food and snacks and drink c-store beverages – and this occurs far more frequently than you think.

About 10 years ago, my travels frequently took me to the Princeton, NJ area. My arrival was usually planned around the lunch hour. There was a Wawa location just off my route. It was easy to use the interactive screen to customize a sandwich or salad. The food was good and the prices were reasonable. The staff was very nice and made my shopping experience even better. Visits to other Wawa stores in the last two years confirmed, for me, that they do a very good job keeping their menu up-to-date.

### How Do We Win?

At the beginning of this article, we asked: “How do we compete more effectively?”

Now that we've looked at this subject

in more depth, let me challenge you. Competing is not good enough. We have to figure out how to win.

This is a very difficult challenge for us. We have to win in at least 10 different ways:

1. **Pre-breakfast sales:** Many of our locations are open early, before normal breakfast hours. That's coffee and pastries, maybe some breakfast sandwiches too. Have you been in a busy convenience store between 6:00 and 10:00am? Have you seen the drive-thru at fast food restaurant on the drive-to-work side of the street?

2. **Breakfast sales:** It's pretty much the same as #1 above.

3. **Mid-morning snacks:** Odds are brief time slots do not allow folks to easily leave the location. Make sure that you offer the categories and products they prefer for this break.

4. **Lunch:** We are always at risk that shoppers will leave to go off-site. How many different food menu categories can we offer profitably?

5. **Mid-afternoon snack:** There might be two snack occasions in the afternoon. One is somewhere between 2:00 and 3:00pm. The other might be at 4:30-6:30pm. The later event could be someone working late who wants to grab a snack, since dinner will be delayed. Or they might want a drink or snack for the commute home. That "commute" sale can be a huge plus for you, because you're probably "stealing" it from a convenience store or fast-food restaurant.

6. **By capitalizing on FOMO.** For locations with younger shoppers, we must seek out and merchandise new and different categories and products. Find SKUs you've never heard of or tasted (yet). Remember that food should be fun and it must "taste good." But you'll find that younger people prefer flavors outside your personal preferences. Think spicier items with unique textures and international cuisines you have never sold until now.

It's more than the food menu. You'll have to open your horizons in candy, savory snacks and beverages, both hot and cold. Where will you find these products? Look to convenience store distributors. Locate the specialty food distributors in your area.

7. **With (very) clean stores:** If the tables and service areas are dirty, that will turn off potential shoppers. Tables must be wiped down frequently. Trash cans must be emptied. You must find a solution, working with your primary contact

at each site. If not people will decrease their visit frequency. In the convenience store channels, many of the most successful chains have made clean bathrooms a major priority. Buc-ee's, a Texas-based chain, promotes their restrooms on highway billboards – telling you how far away you are from a clean restroom. They've established a very loyal shopper base. Their stores offer good food, a huge selection in every category and lots of unique (non-food) merchandise. A location nearby has more than 100 gas pumps.

8. **With our SHUs:** Is SHU new to you? It is "super-heavy user." These are your most frequent shoppers. Many of them buy from you two or even three times a day. You cannot afford to lose them – not even one of them. You, personally, might not know who they are. Your route techs will know them by name. These shoppers want to know what's new and different. The best way to do that is to be there when the site is being serviced. Be certain that your route techs are, occasionally, buying breakfast or lunch (at your expense) for your best shoppers.

9. **With a much better menu.** You must build your food, snack and beverage menus in response to the dayparts served at each site. Then overlay that with the preferences you can expect by understanding the demographics and competition at the locations you serve. Menu demand by location will be highly variable. Differences in the sites and the population will impact what will sell best. White-collar versus blue-collar. Younger versus older. More men or more women. Other demographic factors – ethnic groups. Religious requirements too. Regional preferences. Proximity of competing food venues. Etc.

10. **With more than the same menu for every site.** You cannot have one menu and one planogram for all of your locations. You'll probably find that you can set up a few menu plans across your business – maybe 10 or fewer. While that sounds complicated, it's really not. Never forget that the objective is to WIN. To accomplish that, you must satisfy the unique preferences among the shoppers at the different locations you serve.

If your menu meets their needs you will have satisfied shoppers. If they're satisfied, they will return and make repeat purchases. Repeat purchases mean that your sales will increase. That results in increased profits. If you sell more stuff, you win.

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