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'Mass Customization' Is Key To Vending Industry's Future Growth

By JON FORD

TERRE HAUTE, IN — It has been said that “you can get any color vending machine you want, as long as it’s black.” Unfortunately this statement, borrowed from Henry Ford at the dawn of the mass production era, still applies to vending. However, technologies that permit “mass customization” have made steady inroads in manufacturing and service industries, from automobiles and blue jeans to mattresses, not to mention grocery shopping, insurance, and personal investing. And the approach is transforming those businesses.

Mass customization is not a fad. It represents a shift in the foundation of the American economy, just as mass production did.

What is “mass customization”? The concept was summarized by Robert McTeer, president and chief executive officer of the Federal Reserve Bank of Dallas, stated in his organization’s 1998 annual report, *The Right Stuff: America’s Move to Mass Customization*:

Things used to be made to order and made to fit. But they were labor-intensive and expensive. Mass production came along and made things more affordable, but at a cost – the cost of sameness, the cost of one-size-fits-all.

Technology is beginning to let us have it both ways. Increasingly, we’re getting more personalization at mass-production prices. We’re moving toward mass customization.

The outcome of the Industrial Revolution, a century or so back, was that manufacturers of goods and services were able to design, produce and deliver standardized services or products at low enough prices that nearly everyone

could afford to buy them. As these new, massproduced products and services entered the marketplace, consumers had to make a tradeoff: they sacrificed what they really would have preferred in order to obtain what they otherwise would not have been able to afford.

BASIC BLACK

Today, more and more, consumers need not remain shackled to standardized products. They have new choices with which to meet their specific needs. As consumers come to enjoy customized services and products at prices they are willing to pay, in some areas of their lives, they are beginning to expect them in other areas as well.

At present, vending operators basically install the same mass-produced black machine, and then fill it with the same mass-produced products. Different front styles (to say nothing of area treatments) are an afterthought, at best. These options usually are ignored unless or until an account asks about them – too often, because of information from a large national operation that’s trying to take the business.

As operators are forced, by competition or consumer demand, to provide a “customer experience,” they will have to look at their entire set of offerings, from equipment through products to presentation.

Modularity is the basic concept for the vending industry. Instead of having huge cafeterias, or employees leaving the building in search of food and beverages, our industry brought in modular units that served cold drinks, coffee, cold food, candy and snacks. The vending machine is inherently a module, and its subassemblies are becoming more modular all the time, largely dri-

ven by developments in electronics. The door panels, the computer boards, the shelves and the display signs and panels of vending machines all exhibit this trend.

Although these parts are modular, they are not changed very often. I still see machines with the old walnut woodgrain on the door front. Why change it now? Just call it the “retro look”....

With our industry’s long history of modularity, the only question is how to take it to the next step and use it to the customer’s (and the operator’s) greatest advantage. Again, some other industries may point the way.

DaimlerChrysler’s Mercedes-Benz unit now manufactures a “smart” car for the European marketplace; it’s shipped to the dealer partially assembled. At the dealership, a customer can choose not only the color and the audio options, but also the dashboard layout and other configurations that used to be determined solely by the factory. Customers receive the finished product as they personally prefer it, not as a mass-

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produced item that is sold all over the world. This approach also allows dealers to increase their value to the customer.

The vending industry has not moved toward mass customization as quickly as some other industries, but a few manufacturers now produce machines that can be customized very quickly.

For example, U-Select-It offers an equipment series in which the door fronts can be customized with graphics installed at the distributor level. What USI has done is enable the distributor to offer more value. Now distributors can change the door fronts with little effort, to create a mural look across the entire bank of equipment. As vending operators view this as a way to grow their business, through mass customization, distributor services once again will be needed.

Other examples include the custom decor packages in which colorful door fronts, specific merchandise informa-

tion, account logos, and other tailor-made graphics can be added easily.

As this industry continues to consolidate, operators of all sizes will have to pay more and more attention to customizing their offerings. Operators must offer a unique value proposition that will help them win new accounts and, at the same time, maximize volume from existing accounts. By combining the most suitable machine style option with customized door fronts, signage, floor mats, and other location-specific enhancements, operators can change the perception of their service from a generic, "commoditized" package to a premium offering. Placing used equipment from the '80s with the same old black vinyl covering no longer is enough. Operators are serving more and more white-collar accounts, and these clients are demanding machines with cashless payment options, changers that dispense bills as well as coins, the capa-

bility to make immediate refunds, and other amenities that will keep their employees happy and on the premises. All of this technology is now available, but is not yet widely used.

The ongoing progress of control electronics has not only made appliances (including vending machines) more modular, but it also has increased manufacturing flexibility. Vending equipment manufacturers now can tailor their products to meet the unique needs of individual customers, in such a way that nearly all can find exactly what they want at a reasonable price. But the factories can only achieve this after embracing a new mindset, one that puts a premium on creating customer-unique value through mass customization. The new offerings made possible by this change in outlook acknowledge an axiom all too easily ignored in the era of mass production: *Every customer is unique.*