

reprinted from:

VENDING TIMES

the Newsmoonthly of Vending, Foodservice, Coffee Service and Coin-Operated Recreational Services

Vol. 44, No. 2 • February 2004

In Today's Market, Experience Must Complement Service And Product

By JON FORD

TERRE HAUTE, IN — Our industry is undergoing a period of change during which the vending operator's services have become commoditized. We hear this all the time; it's worth looking at just what has happened, and considering ways to correct matters.

There was a time when the services our industry provided were not heavily discounted. Demand was great; there were many more manufacturing facilities with large employee populations. The heavy-industrial nature of the primary vending market 40 years ago had a profound effect on our approach to product mix, pricing and presentation.

In today's market, however, the growth opportunity is found in the professional segment: call centers, distribution centers, processing centers, office buildings in general. There are more and more facilities of this sort, staffed by white- and "pink"-collar workers, not the blue-collar patrons who were vending's early customer base.

PARADIGM SHIFT

Today's professional vending prospects have many buying options, including lobby kiosks and coffee houses. These upscale alternatives may not provide the "24-7" access and speed of vending, but they have conditioned customer expectations for quality and presentation.

How does retailing change? From one perspective, the process is shown by looking at the evolution of the birthday cake.

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At one time, a mother needing a birthday cake for her child would procure the raw materials, at a cost of a couple of quarters, and prepare the cake from scratch.

As the goods-based industry advanced and recognized a demand for convenience, mothers would pay a dollar and a half for a cake mix that baked faster and was easier to prepare.

When the service industry took hold, the mother would order a cake from a grocery store or local bakery at a cost of \$15 or so, 10 times the price of the cake mix and an even greater multiple of the cost of the raw ingredients.

And now, mothers (and stepmothers, and grandmothers) neither make the cake nor throw the party. They spend hundreds of dollars to "outsource" the event to a family entertainment center (pizzeria, miniature golf course, children's museum, etc.) that specializes in staging memorable parties for kids. And they often throw in the cake for free!

This, of course, is a combination of a service with an "experience." Similarly, preparing a cake to order, with personalized icing, is a combination of a service with a product. But these all are separate offerings. Experiences are as different from services as services are different from products, and have emerged as a distinct type of entry in the marketplace in response to consumer demand. As more and more people demand experiences, more and more companies explicitly design and promote them. And, as services become commoditized — as products did, earlier — experiences have emerged as the next step in the progression of economic value.

Why does a consumer pay more for a cup of coffee from a coffee house than from a vending machine? Leaving aside questions of what operators and location managers think they can charge, the fundamental answer is: theatrical experience. A gourmet coffee shop is carefully designed to provide pleasures that patrons will pay to enjoy again. Customers experience the aroma when they walk in the door; they place their orders with a pleasant

server; they hear the sound of the coffee being dispensed, they receive the cup with a wrapper (because the contents are so hot), and they can sit down and savor their beverages in an inviting environment.

Now, none of these factors really makes the coffee taste better, by any objective measure; but they work together to create an experience for which consumers are willing to pay a premium. The experience of buying a cup of coffee from a coffee house involves all five senses, and the emotions that all social creatures possess.

The convenience store industry has understood this, and many stores are being redesigned to strengthen the consumer experience. They're offering coffee cups, insulating wraps, and lids, just as the coffee houses do. And they market their coffee at the gas pump as well as around the brewing equipment.

SENSORY STIMULATION

The sensory and emotional stimulants that accompany an experience should support and enhance the theme. The more senses engaged by the experience, the more effective and memorable it can be.

How might this apply to vending? A small number of operators have started to move toward "experiential marketing." They're striving to present various themes that evoke different emotions, all bundled in a sophisticated package the likes of which has never been seen in the vending industry.

The themes include food packaging, enclosures, door fronts and signage. The enclosures, advances on classic area treatments, give the bank of equipment a finished, unified look. The door fronts present a color palette that draws consumers to the bank, and eye-catching signage presents the offerings to best advantage.

These operators have taken the next step in staging an experience by envisioning and realizing well-defined themes. The first step was taken when uniform styling was applied to vending machines for attractive banking, sometimes enhanced with a unifying header

or other treatment. Those things were done to impart a professional look to the vending area, four decades ago, and they have accomplished that task.

Today's innovators are moving beyond the industrial decor that eased vending's acceptance in the blue-collar workplaces of the '60s and '70s. The purpose of classic styling and area treatment was to make patrons more comfortable with a retailing method that was new to them; to create a professional image. And that image was low-keyed. If you asked an operator in 1970 what might be done to make the vending area more entertaining and attractive, you'd get the answer, "The location doesn't want me turning the cafeteria into a circus."

We no longer have to persuade anyone that retailing can be robotic. Today's population has taken to automated teller machines, self-serve gasoline pumps, e-tickets at the airline terminal, and so on and on. People know what vending is; the challenge now is to increase its allure, to make it more tempting.

Today, a theme might be an art deco scene depicting stylish fresh fruit, sandwiches and snacks across the fronts of the machines, with each vender's signage directing the patron to its particular product category.

An effective theme is compelling. It is not a corporate mission statement or even a marketing tagline. The theme is presented by means of sensory cues. At present, these primarily are visual: pleasant colors, the modern appearance of the equipment, its sparkling cleanliness, compelling signage, appealing food packaging, and anything else that contributes to the overall effect.

There are other sensory stimulants waiting in the wings. An aroma dispenser was shown at the recent National Automatic Merchandising Association National Expo, and it's reported to have worked well in tests. Everyone who recalls the sensory impact of microwave popcorn knows the power of fragrance.

The sensory cues make the impressions that create the experience in the customer's mind. This approach, then, changes the vending *service* to the vending *experience*. And that, in turn, will allow operators to sell more upscale products at commensurate prices, pay more realistic commissions, increase per-stop sales and profitability, and gain new business – including new kinds of location.

DESTINATION VS. NECESSITY

As manufacturing plants fall by the wayside, vending operators will have to create new ways of maximizing profits per stop, and of giving white- and pink-collar em-

ployees more reasons to buy from vending machines. The vending industry has to increase the perceived value of the product-service mix we offer.

In order to do that, operators must customize their offerings to specific clientele; to emphasize that a sandwich from a vending machine can be gourmet food; to persuade the world that a cup of coffee freshly brewed to the patron's taste by a vending machine is better than most coffee in convenience stores and as good as the product sold by coffee houses.

Technology can help here, if the operator keeps the customer's desires in mind. For example, most consumers consider getting coins as change for a \$5, \$10 or \$20 bill a bad experience, especially if those coins are quarters. If the patron has the option of going across the street to a C-store, he or she may prefer that to winding up with a pocket full of coins.

There are changers on the market today that will dispense bills and coins, so the customer who wants to break a \$20 can get back a \$10, a \$5, two \$1s and quarters. How many sales do vending operators lose because they regard dispensing change as a necessary evil? Or, how many sales do convenience stores get because someone needs change and is walking by?

Today's location management also may have a different opinion about "turning the breakroom into a circus." Upscale executive dining room management services have been installing jukeboxes and games, along with impressive decor, in their clients' facilities, in response to demand for foodservice that will be sufficiently pleasing to the personnel that they'll stay onsite for lunch.

A customized theme for a bank, imaginatively executed and backed up with good service and high-quality product, can create a sophisticated, contemporary elegance that's inviting to today's on-the-go professionals.

The full benefit of providing experiences cannot be attained without deliberately designing experiences that will add value and thus command a higher price. If vending is not to stagnate as a commoditized business, operators must move their offerings to the next level of economic value. After all, what experience does a patron get from a featureless metal box standing in a corner, and presenting no compelling message?

There's ample room for imagination in applying new technology to enhancing a vending experience, but the starting point is machines that have a distinctively appealing look, in a stylish bank that enhances that look, stocked with excellent products, and "clean, filled and working."