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It is hard to imagine taking anything to the bank right now. With layoffs exceeding 1.7 million in 2001, an additional 587,000 jobless claims in January and unemployment rising to nearly 6%, everyone in the vending industry is being affected. Illinois is no exception. Illinois ranks second in the nation for the greatest number of layoffs and separations during the fourth quarter of 2001.

Fortunately, there are signs of recovery. Light vehicle production in the first quarter of 2002 is expected to be 6 to 7 percent higher than a year earlier, labor markets are stabilizing and the reduction in steel inventories appears to be over. With the economic recovery, expect organizational changes, restructuring and new ways of doing business at your accounts. Businesses will find ways to increase organizational efficiencies through technological changes, reorganizations and new business practices. This means that you will need to find new ways to be profitable with a smaller existing customer base. The solution is to drive profitability through offering Large Single Serve products. There has never been a better time to move to LSS. The slower economy requires us to find ways to increase profit while providing consumers the products they demand. The industry is trending toward larger sizes.

Consider the C-Store market where 20 oz. pop and king

## Take this to the bank

size products are the standard. We have the same customers with the same appetites shopping at our vending machines. Consider the following LSS ex-

| Single Serve | Large Single Serve |                              |
|--------------|--------------------|------------------------------|
| \$0.50       | \$0.70             | Vend Price                   |
| \$0.19       | \$0.29             | Unit Cost                    |
| \$0.31       | \$0.41             | Gross Profit (Excluding Tax) |
| \$0.10       |                    | Additional LSS Profit        |

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### Additional LSS Profit

Average vend prices and costs show an additional profit opportunity of 31%. Even without a slower economy, LSS trade-up makes sense. Some vend operators comment that LSS does not work in their accounts.

*The spirals are expensive! People will buy two bags of single serve size as opposed to one bag of the LSS! Customers can't eat that much at one sitting.* Does this sound familiar? We need to make the decision to either manage our current business or lead our profitability through LSS. The bottom line is that LSS does work and it is more profitable.

The spirals are expensive. LSS upgrade is now more affordable thanks to the efforts of the IAMC with HB2113. The last issue of "The Update" explained how the efforts of our lobbyists and IAMC members resulted in the elimination of sales tax on the purchase of vending machines and parts. The time to recover your LSS spiral cost through your increased profits is now significantly reduced. Investments cost money and LSS pays off.

People will buy two bags of single serve. Some consumers will buy two bags of product at a time. But, are people more inclined to purchase one LSS bag or two single serve bags? Think about it realistically. What is the probability that someone is going to make two purchases

from the same machine? Will one-third of the people do it? Probably not. The fact is that you need one-third of the consumers to purchase two bags of single serve product to yield the same profit potential from the same number of people buying only one bag of LSS. LSS is more

profitable. Customers can't eat that

much at one sitting. The average salty snack consumption is over 2 oz. per eating occasion. The vending machine is now a midday meal source - consumers require larger servings to feed their craving. Providing LSS selections meets customers needs. Although LSS is where the market has turned, operators still have a potential for failure. Planning, training and execution are key elements to the success of LSS products. The planning process has to include deciding which products you will carry in LSS and how you will set up your machine. Obviously, you will not want to carry two sizes of the same product. Double facing products, even in different sizes, will reduce the efficiencies of your glassfront. Trade-up your core brands - the brands that customers continue to purchase year-after-year.

Train your drivers. Discuss the upside to both their route and the company. Leverage them in the execution. They are an excellent resource to help execute the spiral conversion and the price point change in a timely manner. Will it take more time? You bet. It will take more time and it will definitely pay off to the company and the route driver.

The final key to LSS success is perceived value by the consumer. Perceived value is playing a dominant role in consumer selections. Your glassfront needs to make consumers aware of the

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**coin-café, inc.**  
Blue Island