

... As seen in the Food Processing chapter of this report, overall snacking has been on the rise as consumers seek comfort foods during the tough economic situation, and vending machines and companies stand to benefit from the increase. While not-so-healthy snacks are gaining favor, companies should consider the fact that eventually consumers will return to more healthy snacking, and preparing for that now would be wise. This is also essential as more cities, as well as USDA, regulate unhealthy foods in vending machines in schools and businesses. Diversifying between sweet and salty snacks as well as microwavable meals is a smart way to have multiple options for customers.

VENDING FACES DIFFICULT TIMES DUE TO ECONOMY, NUTRITION RESTRICTIONS

Predictably, 2008 was a tough year for the vending industry, as well as the food industry as a whole, and 2009 “does not promise any improvement given the continuing increase in account downsizing and decrease in consumer confidence,” according to *Automatic Merchandiser’s State of the Vending Industry Report*. Total industry revenue for 2008 stood at \$22.05 billion, almost 5% below 2007’s \$23.21 billion and almost 10% less than the 10-year high of \$24.49 billion in 2000. Rising unemployment as well as the shifting in American jobs from blue collar to white collar affected the vending industry enough to disrupt a five-year growth trend. Some experts claim that the vending industry may have a negative consumer perception, which convenience stores and fast food chains have taken advantage of.

Operators were forced to respond to the economic downturn, which included raising prices. While it was less difficult to do so in 2008 because consumers came to expect higher prices, these end-users also “were not as accepting of the increases, even when similar products were priced higher in other retail channels.” So-called “consumer buying angst” limited vending operators from raising prices as much as other retail channels. Another tactic operators used to draw in consumers despite higher prices was diversification and expanding into new services, which was cited by 21% of respondents. A large amount of these operators spread out into areas outside the refreshment services area, such as Office Coffee Services (OCS), cited by 24%. The health and wellness sector was another method of diversifying, but as the economy fell, saving money became more of a priority. At the same

