

Smoothies offer generous margins and incremental beverage sales growth for convenience stores.

SMOOTH OPER

By Jerry Soverinsky

The line snaked past car detailing products and toward fresh crab legs. A crush of warehouse club customers pressed toward the end cap, eager to catch a glimpse of the inconspicuous machine that is equally adept at making both smoothies and soups.

The demonstrator walked the crowd through details of the high-powered blender—2.2 horsepower motor, 16,000 rpm blade speed—and that's just the consumer version, he reminded us. "This is far more than a blender, folks," the man said, as the machine effortlessly pulverized whole apples, pears and kale. A collective, "Ooh," emanated from the crowd, their outstretched arms reaching toward him in an effort to land one of the coveted samples that he deftly poured into two-ounce paper cups.

It was a virtuoso performance with an impact that resonated through the crowd, or at least the 32 customers lucky enough to snatch up a sample of the healthful smoothie.





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THE ATOR





Revolutionary? Hardly. Blenders have been around for more than 80 years, producing tasty ice cream treats—perennial favorites—and more recently, juice concoctions that have appealed to an evolving consumer palate that favors nutrition.

In response, dedicated smoothie shops have begun springing up at a strip mall near you, while grocery stores have begun preparing smoothies onsite, offering freshly made temptations that directly target the convenience store's grab-and-go customer. While their appeal of smoothies doesn't approach that of a coffee program, consumers are clearly trending away from sodas and toward drinkable whole foods. Convenience store retailers can tap into this escalating foodservice opportunity by implementing a smoothie program—a low-cost addition to an existing beverage program that offers robust margins and healthy returns.

Sizable Opportunities

Far from an insignificant sales blip, the smoothie market (away from home) represents sizable opportunities, according to a 2015 Mintel Menu Analysis study:

- \$14.8 billion annual sales (freshly prepared smoothie bought away from home market)
- 3.1 billion drinks each year (based on the 2015 Smoothie Tracker Fielded monthly by ORC International).
- Average sale of \$4.77 per drink

Convenience stores lag far behind other channels in capitalizing on these sales, however, with just 7%

and 9% of dollar and unit shares, respectively (see chart below).

While the numbers point to market share opportunities for c-stores, more significant is the case for higher price points and margins. “The c-store numbers (whereby unit share exceeds dollar share) suggest that their average price is lower than the market [price] in general,” said Scott Hackman, business insights director for Vitamix. “Smoothies at smoothie shops and coffee shops can cost up to twice as much as a smoothie at a QSR ... It is clear that people are willing to pay extra for smoothies that align with the trends related to health and wellness and customization.”

In terms of demographics, convenience store smoothie buyers track gender-neutral, according to the 2015 Summer Smoothie Trackers study released by intelligence firm ORC International. With an even 50-50 split between men and women, smoothies rate highest among the key 25-34 age demographic (33.7%), followed by 18-24 (25.7%) and 35-44 (13.4%).

CUSTOMERS ARE WILLING TO PAY MORE

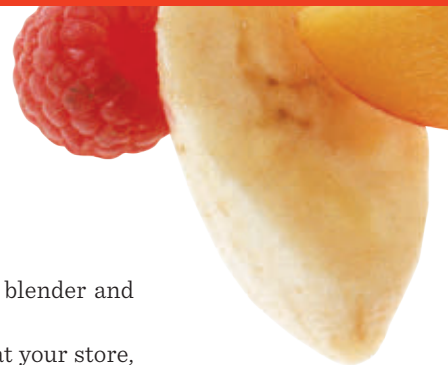
	AVERAGE SELL PRICE (MARKET)	AVERAGE SELL PRICE (QSR)
CHILD	\$2.34	—
SMALL	\$4.18	\$3.29
MEDIUM	\$5.55	\$3.47
LARGE	\$6.32	\$4.43

The market average across all sizes as of Q1 2015 is \$4.77.
(Source: Mintel Menu Insights 5/27/15 (73 restaurants)
Most restaurants reference sizes as small, medium and large.)

SMOOTHIE SALES BY CHANNEL

	Dollar Share	Unit Share
Smoothie shop (\$3.76 billion)	25%	22%
Coffee/donut shop (\$2.59 billion)	17%	15%
QSR (\$2.18 billion)	15%	19%
Ice cream shop (\$2.04 billion)	14%	12%
Other (\$2.03 billion)	14%	14%
Casual dining (\$1.17 billion)	8%	9%
Convenience store (\$1.03 billion)	7%	9%





Getting It Right

Hackman says the successful program will tap evolving consumer smoothie preferences, which have moved beyond the one-size-fits-all offering. “Health and wellness and customization are key selling points for a successful smoothie program, attributes generally missing from the offerings at QSRs and the primary reason for their declining market share,” he said. In 2012, 57% of people said they were buying smoothies at QSR restaurants; now only 40% of people say they are doing so. “This shift away is mainly due to two factors: their perception as unhealthy [beverages]; and an inability to customize.”

To maximize sales, it’s also important to understand daypart consumption preferences. “Fifty-nine percent of smoothies that were bought most recently were self-classified as snacks,” Hackman said, “a perfect opportunity for generating between-meal sales.” Additionally, sales tend to increase in the summer and early fall, during which time promotions can help drive store traffic.

All of this points to positive, incremental sales opportunities, with start-up costs and logistics that make the proposition especially attractive.

Getting Started

In contrast to most foodservice programs, a smoothie offering requires minimal cost and infrastructure for the convenience store operator. “For low volume locations, or locations that just want to dip their toe in the water of crew-serve smoothies, the only investment that they need to make is in a blender,” said Brian Harvanec, senior product manager for Vitamix. “And they just need a small amount of counter space for the blender and a refrigerator to keep their purees after opening.”

There are plenty of shelf-stable mixes available—allowing the operator to add the puree mix with ice from their beverage program. “Keep in mind, the market is shifting towards customized or better-for-you smoothies,” Harvanec cautions. “One way to improve the nutritional content of this kind of smoothie would be to offer a whole foods boost such as a handful of spinach or a scoop of almonds.” Such additions also allow add-on pricing, which increases margins.

For these start-up smoothie programs, Harvanec said an operator should plan to invest from \$350 to \$1,000 for a high-performance blender, reserving at

most two square feet of space for the blender and puree mixes.

If you plan to showcase smoothies at your store, the investment “will be a bit more,” Harvanec said. “Depending on the number of smoothies per day, you will likely need more than one blender. Multiple blenders will allow you to handle high-volume, peak times where multiple customers are ordering blended beverages at one time.”

Additionally, if you plan to use fresh or IQF (individually quick frozen) fruit, while you will be able to charge higher prices for your drinks, you will also need to consider temperature-controlled storage systems, to ensure both freshness as well as blend quality. “You will need to use refrigeration systems that can adequately control temperatures,” Harvanec advised. “If ingredients are too cold, or too warm, the



Making Cents of Smoothies

Vitamix offers a simple drink calculator that allows a retailer to assess ROI and profits (sample data entry for a low-volume operation and their resulting statistics):

- How many years to assess: 3
- Number of days/week in operation: 7
- Number of blends/day: 25
- Average cycle time/blend: 30 seconds
- Blender cost: \$1,050

BLENDING STATS:

- 9,125 drinks/year
- 76 hours/year (machine operation)
- 27,375 drinks/3 years
- 228 hours/3 years

PROFIT EVALUATION:

- Average price: \$4.50/drink
- Average cost: \$1.50/drink
- Profit: \$3.00/drink
- Total profit: \$82,125/years assessed
- Blender cost/drink: \$0.0384

DRINK PROFIT VS. BLENDER COST



Blender Cost
\$1,050

PROFIT PER DRINK



\$3.00



Trending Ingredients

To maximize smoothie sales, pay attention to trending ingredients, Vitamix's Hackman suggests. "Almond milk, chia seeds, frozen bananas and spinach are on the upswing, while ice, carrots and frozen berries are trending negative."



quality of the smoothie will be affected. Too cold, and the smoothie may not blend. Too warm and the smoothie will be thin and runny."

For these more ambitious smoothie programs, Harvanec said an operator will need to invest from \$800 to \$1,200 per blender, also each requiring up to two square feet of space, along with a refrigerator and freezer.

Other Considerations

Of course, preparing smoothies at your store introduces a sensory component that should not be overlooked. "A c-store may want to consider the environment they want to create," Harvanec said. "If there is a seating area where customers can eat, or if there is a drive-thru where workers will need to hear orders, it may be important to get a blender with a sound-reducing cover."

Depending on customer interest, you may need to engage multiple workers to manage demand, as well as dedicated equipment that can rinse containers between blends. "There are several pieces of equipment on the market that are specifically designed to rinse blender containers," Harvanec said. "And depending on the municipality, containers will need deep cleaning and sanitizing multiple times per day. Most containers are not designed to go in commercial dishwashers, but standard three-bin sink cleaning and sanitizing is acceptable."

Quality Matters

While aspirations for improved health are contributing to the smoothie's ascending appeal, building a program that nurtures that interest is a matter of quality, Harvanec said. It's not a matter of simply, "If you blend it, they will come; but rather, if you blend it well, they will come again."

Vitamix recently introduced the Blend Quality Index (BQI), a numeric designation that rates the quality of a blender's ability to produce a smooth and homogenous blend. The test consists of blending dry black beans with water for one minute. "Dried black beans are one of the best food substances to use because bean firmness and density are consistent from bean to bean, making the test

repeatable," Vitamix announced in rolling out the BQI. "After blending, the mixture is strained through a series of sieves that range in fineness. The sieves are put through a device that shakes the mixture through them, and each sieve is weighed to see what is left. An equation is then used to determine the level of smoothness and homogenization of the mixture." According to Vitamix, a higher BQI correlates to a machine that can better incorporate whole foods into the final product.

Vitamix is making its methodology available to any company or consumer that seeks to objectively measure the performance of its blender. "Our goal is to get the BQI recognized as a standard test protocol that we would like all blender manufacturers to adopt," said Anthony Ciepiel, COO of Vitamix. "So we worked with a third-party agency to certify the test protocol and validate our procedure."

Until the BQI is adopted by others, Harvanec offers advice for retailers when choosing a machine. "At a minimum, you will want a high-performance blender that maintains its speed under load as higher speeds lead to better homogenization," he said. "While a high-performance blender is most important here, it will be useful to get a blender that can run programs as well. Programs control the blend speed and blend time to ensure consistency from drink to drink."

Healthy Returns

As with any new food and beverage offering, profitability and return on investment will attest to practicality. And no matter your program's scale, smoothies offer generous margins, according to Harvanec. "In many cases, the cost of the equipment (per drink) will be less than the price of a straw," he said. "Because smoothies require little capital investment and generally yield high margins, it doesn't take many drinks per day to justify the addition."

Low barrier to entry. Minimal start-up cost. Healthy returns. A perfect blend for success. **NACS**



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