



## The Buzz

Erika Engle

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## Vending machines

### ... know how to push our buttons

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Your vending machine company knows how well you and your co-workers are doing on your New Year's resolutions. And it's not very well, generally speaking.

"After New Year's the regular colas stop and the diet colas, I mean, it's a phenomenon, every year. It takes about a month for people to go off their resolutions," said Howard Merl, president of **The Acme Vending Corp.**

This year he saw a break in the normal pattern where since early January, "people have been eating a lot of snacks."

"The candy bar items, in times of stress, they start moving," he said.



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When a company first contracts with a vending machine service, it is very much like a new year's resolution to eat healthier.

"People always ask for healthy food and I always end up throwing it out," Merl said.

"We put in Healthy Choice, Snackwells, we put in the granola bars, cereal bars, peanuts, trail mix, and we throw all that stuff out."

Kimo Kilmer, president of **Activend Hawaii LLC**, sees the same thing. "People say they want healthy, but it doesn't sell."

Activend will stock a machine with more healthful snacks in accordance with its clients' wishes but "if they're not moving, (the client) understand(s) that we're going to replace them." Invariably the healthy fare gets yanked "within a month to two months," he said.

"We're all for giving it a try, but we have yet to find a location where they're that health-conscious."

"It's all supply and demand," said Kilmer.

One of Acme's Waipahu clients wanted to stock its frozen foods machine with healthful, microwaveable meals and snack items as well as some ice cream treats.

"We put in 25 food items and five ice cream items. Well we come back, none of the food items have been bought and the ice cream is gone." Stocking of the machine was adjusted to reflect sales. "It's 75 percent ice cream, because they said they wanted food, but what they really bought, was ice cream," Merl said.

Merl and his partner, Ivaylo Kerelski, are constantly looking for new products to load into Acme's machines.

"We know if we get something that's new, it'll sell at least once ... and we know if it's really going to sell by the second week."

Vending machine sales can be revelatory.

"I was astounded to see, in places with local folks, the biggest seller wasn't chocolate chip cookies, it was oatmeal cookies. Who would have thought an oatmeal cookie would outsell a chocolate chip cookie?" Merl said.

"Out in the power plants and the 24/7 places, Mountain Dew is the big seller," Merl said. Not only is it the big seller, but with 10 categories in the machine, that's all they'll buy. That and Pepsi," he said.

Acme test-marketed a popular energy drink in half a dozen machines but because it was too pricey, it didn't sell.

Merl and Kilmer say Hawaii-raised people largely prefer Pepsi to Coke. It's sweeter, they say. "People who are visiting, drink Coke ... Japanese people drink Coke," so that's what Merl puts in his hotel vending machines. "I know for instance that if we're going to have military people, we have to have Dr. Pepper."

The vending vendors differ on diet soda selections. Kilmer sees better sales of Diet Pepsi, while Merl's experience tells him that Diet Coke is preferred.

Local brands of ice teas, juice drinks and some sodas do well in vending machines, but the same is not true for local-kine snacks.

"We'll put in crack seed and stuff, but typically when we do there are price points that people aren't willing to go above," Kilmer said.

Most of the local snack items are more expensive than the national branded items "and Hawaii being so price-sensitive, they'll buy a Frito-Lay bag of chips before they buy the mochi mix because of the price," Merl said.

If it doesn't sell well, it doesn't stay among the product mix. The vending machine folks aren't in business to lose money, after all.

"The margins are manini. You're working for 10 cents, 12 cents or 8 cents per item," Merl said. Tax is also factored in to the price. The challenge and reward for vending machine companies is to gauge and balance customer desires and consumption against the company's bottom line. Merl is all about category management.

"You have no idea how satisfying it is," Merl said. "You have 32 different categories and those have quantities of anywhere between 6 and 24 (spaces) each, because different products have different thicknesses."

His goal is to serve a client's employees with enough of each product to have roughly three items left in each category.

"It's very challenging and it is very satisfying mentally and in an economic sense. When that happens, it means when you've made the trip you're not going to have to throw anything out and we end up having much happier customers.

"After awhile, you can tune a snack machine or soda machine like a Stradivarius violin," Merl chuckled.

Just about anything can be sold via a vending machine. Acme leases machines to clients who do their own stocking, with say, sundries such as disposable razors and laundry soap.

He often gets requests to stock cold drink machines with something a little stronger than soda. "Everybody always asks for beer."

Merl often gets requests for cigarette machines "which I don't do." Some prospective clients have raised his eyebrows. "I go to places I didn't think existed in Hawaii." Such as? "Places the vice squad

might want to go to," he said. He did not divulge their locations.

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