



hello Goodness

An opportunity in vending for PepsiCo Benelux



Master thesis

Amber Middelhoek

Colophon



Hello Goodness - An opportunity in vending for PepsiCo Benelux

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Preface



Dear reader,

In front of you is the final report of my graduation project of the master Strategic Product Design at the Delft University of Technology. I got the opportunity to do this project in collaboration with PepsiCo Nederland and the Sales Away from Home department. Now you might wonder, how does a design student end up in sales. But this project shows perfectly why the design mindset is valuable in introducing new concepts to the market. In the end, this whole project matches with the Strategic Product Design master as introducing an existing concept to a new market shows many similarities with the new product development process. For both is the success of it based on the initial analysis: identifying the right target group and market. The final outcome is comparable as well with the development of a business plan to introduce it in the market, a pilot plan and the development of a marketing plan.

I would like to thank everybody at PepsiCo. Not only for trusting me with such a large project, but as well for involving me in the company and the Sales Away from Home department. In special, I want to thank Rogier de Vink for being my company mentor. You gave me a lot of freedom and many helpful suggestions by setting priorities and connecting me to the right people. I hope that you can take this project further and that soon the first Hello Goodness machines are visible in the market.

Furthermore, I would like to thank Pinar Cankuratan and Marielle Creusen for being my mentors at the Delft University of Technology. We worked together before in a completely different setting during the SPD Research course. I really appreciated it to have the support from two inspirational women who I respect both in a professional as personal context during this last phase of my master.

And last but not least, I want to thank my friends and family for their support during my graduation. From filling out questionnaires, helping with interviews and providing tips, or just enjoying Lay's chips with me, you all helped me in finalizing this project.

Enjoy the read!



Amber Middelhoek

Executive summary

This report documents a graduation project for the master Strategic Product Design at the faculty of Industrial Design Engineering at the Delft University of Technology. It describes the process of introducing a healthy vending concept by PepsiCo in the Dutch market. This concept enables PepsiCo Benelux to increase the sales and visibility of their healthier product portfolio.

Design challenge

The design challenge is to analyse the business opportunity of Hello Goodness for the Benelux market, with special focus on the Dutch market, by providing an advice on the right channel, target group, assortment and *go to market* strategy. Furthermore, the branding and marketing of the concept will be elaborated. As a result, a business model will be generated.

Customer landscape

Millennials are the driver behind Out of Home growth. They are young, busy consumers aged 19 till 38 who do not have time to make healthy snacks themselves. Their number of meals is above average and most of these consumption moments are out of home. They have a preference for nutritious snack and drink options to fit in their healthy lifestyle.

The consumption moments of *Millennials* can be found in the channels workplace, higher education and at institutes such as healthcare. Those channels are targeted by most vending operators, but little healthy solutions are found in a field research. This provides the opportunity to place the Hello Goodness vending machines here.

Shopper strategy

On average, 3.5 snacks are consumed each days in addition to the three main meals. It is found that when the day progresses the freedom in the product choices consumers make increases. In the morning, the products are quite healthy, while in the afternoon more freedom in choosing for products like chips and soft drinks is allowed.

During the day, most consumption moments have a functional purpose, often to stop hunger. There are two main categories in having a consumption moment, to take a break from work or to consume it while working. For both types, consumers look for healthier products that provide a benefit. The Millennials feel that the manufacturer is responsible for helping them make the right choices.

Category assessment

In the traditional vending industry, most products are focussed on indulgence. An upcoming trend in vending is offering fresh products, but this is perceived as unexpected by the consumer. The assortment of Hello Goodness will be positioned in the middle between unexpected fresh products and expected indulgent products, by proving healthier options than in traditional branding, but still having trustworthy packaged good from known brands. At least 50% of the assortment will be categorized as nutrition, added are snacks like chips and low calorie soft drinks.

The products in the Hello Goodness portfolio exist of all brands of PepsiCo and existing partner brands. These products share the characteristic of being a better choice than the traditional vending products. Included in the portfolio are: healthier chips, multigrain cakes of Snack-a-Jacks, oatmeal bars and nuts. Next to this, beverages like smoothies, fruit and vegetable juices, waters and low calorie soft drinks are offered.

Strategic plan & goals

To take this project to the market, a *go to market* strategy is designed in collaboration with external partners. Because the lack of experience in the vending market, PepsiCo needs to work together with a vending operator who could provide the vending machines. To place these machines at the right locations, a partnership with a caterer is necessary. The last type of partners are portfolio partners, who are existing partners of PepsiCo that help to get the products to the market or own brands that are necessary to include in the machine to meet all consumer demands.

Marketing of the concept is done via direct mailing to the target group at selected locations by providing discounts and via combo deals at the machine. To make the vending machines recognizable, a visual identity is developed. This is a colourful design that meets the values of being trustworthy, modern, healthier and convenient by being appealing. The Hello Goodness brand is positioned in the market as a healthy vending brand for busy millennials who want to consume a more nutritious snack or drink during the day. By focusing on the availability at the right locations, premium brands are offered.

The business model of Hello Goodness will be tested during a 6 month pilot in the Netherlands. During this pilot, the profitability will be tested and the assortment and promotions will be optimized. After a successful pilot, the plan is to expand the number of machines first in the Netherlands and later to the whole Benelux. The goal is to have 1000 profitable Hello Goodness vending machines implemented in the market at the end of 2022.

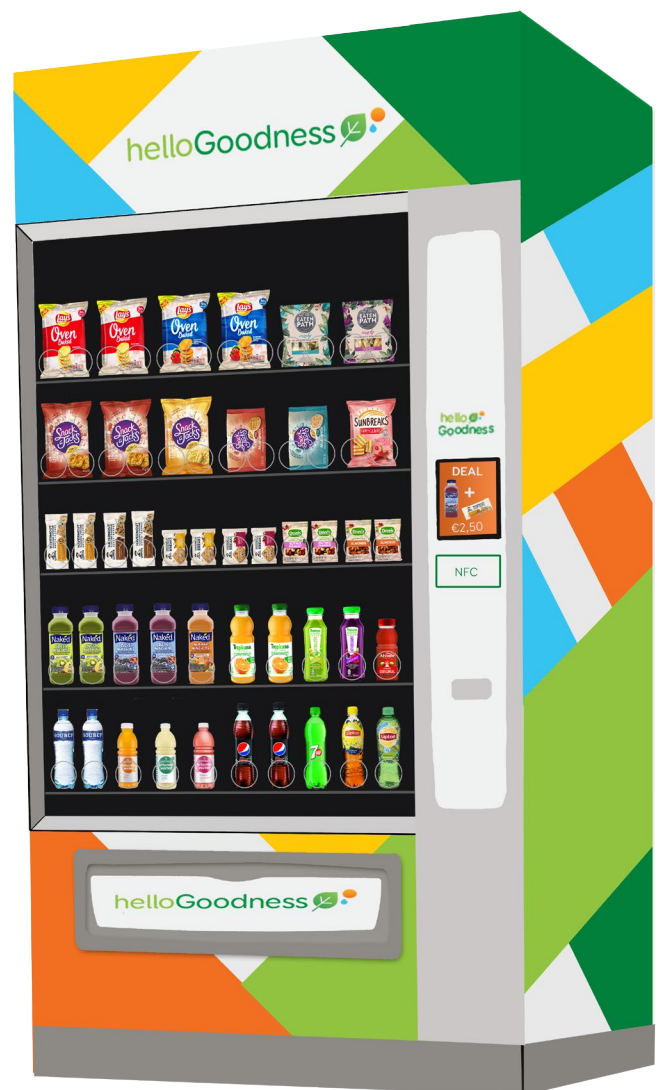


Figure 1. The Hello Goodness vending machine with proposed design and assortment

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Chapter



Introduction

Project introduction

- *In this chapter the project and its context will be introduced.*
- *This will include an internal analysis of the company and the structure of the Away from Home channels at PepsiCo Benelux. In addition, the design challenge and the approach of the graduation project will be presented.*

1.1 Introduction

The goal of this graduation project is to analyse healthy vending as a business opportunity for PepsiCo Benelux by introducing the Hello Goodness concept. With this concept, the healthier product portfolio can be sold via branded vending machines to busy consumers.

Context change for PepsiCo

PepsiCo is a retail-oriented multinational, with around 90% of the sales in organised trade. The current product portfolio fits the retail channels well, because most products are designed to be consumed at home. Organised trade, with a focus on supermarkets, is a mature market with multiple large corporations who define the market characteristics. PepsiCo is one of these leading companies, being the fourth largest producer of food and beverages in the fast-moving consumer goods (FMCG) industry (MBA Skool, 2018).

In order to further improve PepsiCo's market position, an opportunity is to shift focus away from organised trade. Figure 2 (USDA, 2017) shows that the spending on food that is consumed at home is decreasing over time, while the spending on food to

be consumed away from home is increasing. The purchase moments of food are expected to become even more out of home oriented in the following years (Holodny, 2017). This is a threat for PepsiCo, who is currently mainly focussed on retail, while the main opportunities can be found in the away from home channel.

The growth of the out of home channel can be explained by the increase in the number of moments during a day that a consumer consumes food and beverages (Food Service Institute, 2018). This is caused by more flexible working hours and not being fixed to scheduled breaks (Bentley University, 2014). Next to this, there is an increased interest in a healthier lifestyle (GlobalData, 2018a). As a result, the context in which PepsiCo operates is changing; the consumer demand moments and needs are changing and affect the catering landscape. Companies can benefit from this by making their products available outside the three main meals that are often consumed at home. With Hello Goodness, PepsiCo Benelux can offer a solution to the market by making healthier products available during the day (PepsiCo Hello Goodness, n.d.)



Figure 2. Relative shares of food consumed at home and food consumed away from home

Hello Goodness

Hello Goodness is a healthy vending concept created by PepsiCo in the USA. The mission of this concept is “enabling consumers to access healthier and more nutritious food and drink options, that are shaped by their needs, legislation and our corporate and social responsibilities” (Hello GoodChoices, 2018a). The current design and assortment as implemented in the USA is presented in figure 3.

By using vending as a strategic tool, PepsiCo wants to offer nutritious snacks and beverages to busy consumers who do not have time to make the right food and drink decisions when they are away from home. The right decision is in this case choosing a more nutritious snack or drink than the traditional vending snacks. The concept is promoted as “the future of convenience (PepsiCo Hello Goodness, n.d.).

Within Hello Goodness, there are three focus areas (PepsiCo Hello Goodness, n.d):

- Better for you options: the products are selected from the known PepsiCo portfolio based on their nutritional value in comparison to traditional vending snacks and soft drinks. So the products in the vending machine provide fuel for sustained energy in a better way than traditional vending does.
- A better experience: the design of the vending machines is modern and differentiating from the usual vending machines by branding, see figure 2 for an illustration of the current design. Innovations are included in the embeddedness of innovative paying methods, combo deals and a touch screen with nutritional information.
- Trustworthy choices: Hello Goodness is a new branded platform and has a strong consumer appeal by placing established and trustworthy brands of PepsiCo in the assortment, like Quaker, Naked and Tropicana.



Figure 3. A Hello Goodness vending machine

Opportunity for PepsiCo Benelux

In 2018, Hello Goodness has expanded from the USA to Europe, by introducing the concept to the United Kingdom (because of legal issues, under the name Hello GoodChoices (Hello GoodChoices, 2018a)). The goal is to expand Hello Goodness in Europe in the next years, with the Benelux listed as one of the three most promising regions by the European board of PepsiCo (Hello GoodChoices, 2018a).

In the catering landscape in the Benelux, there is a change visible as well. It is becoming harder for caterers to be available at all demand moments (Office Magazine, 2013). In combination with the consumer need that they are looking for healthier food and drink options (GlobalData, 2018a), the vending machines of Hello Goodness are a solution that may be beneficial for PepsiCo Benelux.

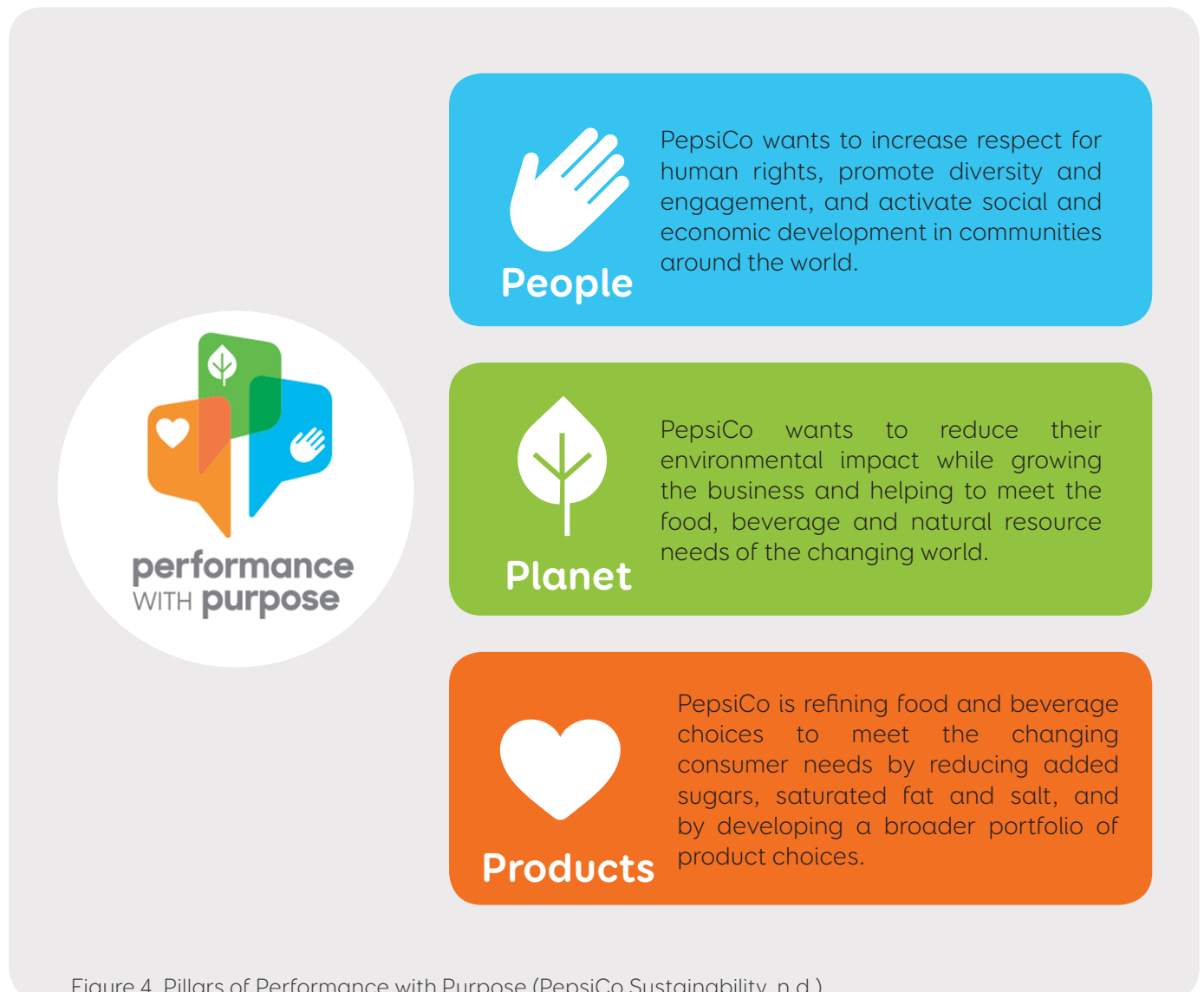
The long term goal is to introduce Hello Goodness in the Benelux. Because of the differences in the Dutch and BeLux markets, there is chosen to focus on the Netherlands first as the vending landscape is further developed here (European Vending Association, 2016). So, in this thesis, the business opportunity of introducing the concept of Hello Goodness will be analysed with a focus on the Dutch market.

Performance with Purpose

With Hello Goodness, PepsiCo can offer busy consumers a more nutritious solution for daily snacking (PepsiCo Hello Goodness, n.d.). It is important for PepsiCo to focus more on a healthy proposition, since this producer of soft drinks and snacks is under pressure (Kaplan, 2017). Therefore, an important pillar of PepsiCo is Performance with Purpose (figure 4). By focusing on transforming the current product portfolio towards a more sustainable and healthier food portfolio, the focus of PepsiCo is on delivering long-term growth of the company while having a positive impact on society and environment (PepsiCo Sustainability, n.d.).

The current product portfolio is divided in three categories: Good for you, Better for you and Fun for you (PepsiCo Brands, n.d.). In the first category, brands that are nutritious are placed. The focus is on growing this category. In the Better for you category, the delicious and nutritious brands are placed. For example the sugar free Pepsi Max, which is a better choice than Pepsi Regular. In the last category, the tasty fun brands are placed. In this category, brands of chips, snacks and social drinks can be found. In figure 5, the corresponding brands per category are listed.

With Hello Goodness, PepsiCo can increase their sales of their healthier product portfolio, with the beneficial result of increased visibility of their more nutritious brands.



1.2 Company introduction

In this section the company, PepsiCo, and the Away from Home channels as from the perspective of PepsiCo Benelux are introduced.

PepsiCo

PepsiCo is an American multinational specialised in food, snacks and beverages. The company is one of the top 5 companies worldwide in the fast-moving consumer goods industry (MBA Skool, 2018). PepsiCo is formed in 1965, after Pepsi-Cola Company and Frito-Lay merged. Since then, multiple new brands were introduced, and other food companies were acquired (PepsiCo History, n.d.). The products of are sold in over 200 countries, resulting in a net revenue of 63.53 billion dollar worldwide (PepsiCo Inc., 2017). PepsiCo is well-known in the Netherlands for its brands such as Lay's, Doritos, Duyvis, Quaker and Pepsi (PepsiCo Brands, n.d.).

PepsiCo Nederland is part of PepsiCo Benelux in the ESSA (Europe Sub-Saharan Africa) division of PepsiCo. There are 20 brands sold in the Benelux in the product categories chips, snacks, nuts, oats, social drinks and juices as presented in figure 6. So, not all international brands are introduced here. In the Netherlands, PepsiCo collaborates with Vrumona for the bottling and selling of the social drinks (PepsiCo Brands, n.d.), which are drinks as Pepsi and 7UP, while in Belgium and Luxembourg the social drinks and juices are bottled and sold by PepsiCo itself.

In figure 5, the McKinsey 7S-model is provided for PepsiCo and in figure 6, general insights are shown in an infographic.



Figure 5. 7S analysis for PepsiCo Benelux (¹PepsiCo Sustainability, n.d.; ²PepsiCo Jobs, n.d.)

Mission:

To provide consumers around the world with delicious, affordable, convenient and complementary foods and beverages from wholesome breakfasts to healthy and fun daytime snacks and beverages to evening treats. ¹



Customers
around the
world



Delicious,
healthy and fun
products



Affordable



Convenient

Ranking:

food company ³



Competition:

Nestlé	90 billion
Unilever	60 billion
Coca-Cola	35 billion



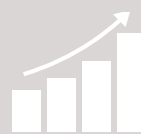
Billion dollar
brands worldwide ²

Vision:

To deliver top-tier financial performance over the long term by integrating sustainability into our business strategy, leaving a positive imprint on society and the environment. ¹



performance
with purpose



Top financial
performance

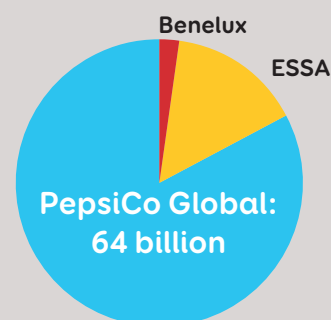


Sustainable



Social
responsible

Revenue:



Brands:

Benelux only²



Figure 6. Infographic PepsiCo (¹Pepsico Sustainability, n.d.; ²PepsiCo Brands, n.d.; ³PepsiCo Inc., 2017)

Away from home channels

Away from home is a department of PepsiCo Benelux that is partly Benelux oriented and partly focussed on the Dutch market.

The department can be split into two teams:

- Channels, who operate across the Benelux;
- Wholesale, which is focussed on the Dutch market.

There are three primary divisions as presented in figure 8, with multiple channels on each primary level as shown in table 1. According to the net revenues (figure 7), *Food service* is the largest channel, followed by *Business & Institutions*. When selecting a channel of Hello Goodness, one (or more) of the secondary channels as presented in table 1 will be chosen.

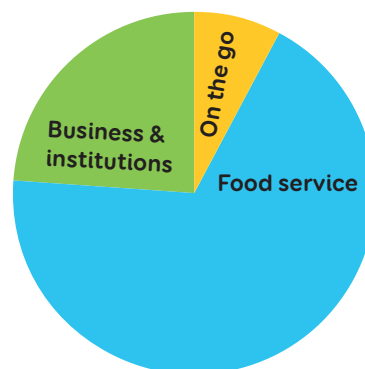


Figure 7. Share per channel in net revenues (PepsiCo Benelux, 2018).

Primary level	Channel	Examples of customers	Examples of companies
On the Go	Convenience	Press shop, corner shop	AKO, Primera
	Non-grocery	High street store	Action, Kruidvat
	Forecourts (petrol)	Petrol	Texaco, Shell, Total, BP
	Travel	Airlines, train stations	TUI, NS, Kiosk
Food Service	Accommodation	Hotel, lodging	Van der Valk, Center Parcs
	Full Service Restaurants	Fast and casual dining	Humphrey's, La Cubanita
	Quick Service Restaurants	Fast food	Burger King, McDonalds, Vapiano
	Cafés, pubs and bars	Cafés, pubs and bars	Coffee Company
	Recreation	Amusement parks, sports venue, cinema	Pathé, Efteling, Ahoy, Ziggo Dome
Business & Institutions	Workplace	Canteen, catering	Sodexo, Vending@Work
	Education	School canteen	Bram Stolk (caterer)
	Other institutions	Healthcare, governmental	Albron, Vermaat (caterers)

Table 1. The Away from Home channels according to PepsiCo Benelux

On the Go

The On the Go channel is defined as the purchase locations that a consumer accesses when on the move. It is likely that the items purchased at these shops and vending machines will be consumed when being out of home.

In the impression of locations can be seen that possible locations are at gas stations, at train stations, airports and catering in trains. Convenience stores, like press shops, are included in this channel as well.



Food Service

Consumer food service defines the facilities that are responsible for all types of meals prepared outside of home for a profit (Economic Research Service, 2017). Across the Netherlands, most is spent in this channel when it comes to food and beverage spendings in Away from Home (FoodService XS, 2018).

Locations include full-service restaurants, quick-service restaurants (such as fast food chains) bars and cafés. Recreation is included as well, with sport canteens, leisure parks and cinemas.

Business and institutions

Although in general part of food service, at PepsiCo the catering of businesses and institutions is a separated part of consumer food service (PepsiCo Benelux, 2018). Next to catering at workplaces, it includes school catering and vending at all educational levels.

In the category other institutions, healthcare, military and civil defence, and welfare and service can be found. Here, it is often workplace catering.



Figure 8. The primary channels in the Away from Home channel

1.3 Design challenge

The design challenge will be introduced by stating the problems to be solved and the context. In Appendix A, the initial graduation project brief is added.

Problem definition

The catering landscape in the Benelux is changing due to changing demand moments of the consumer who now expect nutritious food and drink options available throughout the day (Office Magazine, 2013). Opportunities for future growth of PepsiCo are in the away from home channels (USDA, 2017). With their Performance with Purpose strategy, they meet the consumer need for healthier daily snacking options. With Hello Goodness, PepsiCo can enable consumers to access healthier and more nutritious food and drink options that meet their needs (Hello Good Choices, 2018b). Hello Goodness can be a solution for the strategic pillar of having a nutritious assortment available at all times.

Design challenge

In this graduation project, the solution is already partly defined: Hello Goodness vending machines to offer healthier snacks and drinks to consumers. The goal of this project is therefore to analyse this business opportunity and analyse if it is a fit with the Benelux market. These branded vending machines could be placed in the away from home channel to provide busy consumers 24/7 healthier daily snacks in a vending landscape mainly covered by unhealthy snacks (PepsiCo Nutrition, 2017). Customers do not have time to find the right nutritious snack, therefore Hello Goodness will help fuelling consumers throughout the day by providing tasteful and nutritious snack and beverage options.

There is a request from ESSA level to analyse the business opportunity in the Benelux, because the board wants to expand the Hello Goodness across Europe (Hello GoodChoices, 2018a). The Hello Goodness machines are currently in use in the United States and the United Kingdom, but their business strategy cannot be copied to the Benelux, due to differences in local brands, market- and consumer characteristics. Not all brands and products in these countries are available in the Benelux and it is hard to get enough volumes to make production profitable by introducing these products in the Benelux market (Edwards, 2019). The vending market differs as well, as vending is even more common in the USA and UK with a higher number of consumers that uses vending regularly (Edwards, 2019). Focus on introduction in the Netherlands first, before expanding to the whole Benelux.

This leads to the design challenge:

Analyse the business opportunity of Hello Goodness for the Benelux market by providing an advice on the right channel, target group(s), assortment and go to market strategy. In this process, use currently used models at PepsiCo and evaluate their applicability in the away from home market. Design a business plan to offer the healthier products to end-consumers through vending machines including an implementation plus marketing plan. Provide design recommendations regarding the design and presentation of the products.

1.4 Approach

The approach to solve the design challenge is based on the strategic planning phase of the World Class Customer Engagement (WCCE) model (World Class Customer Engagement, n.d).

Keys to success

Hello Goodness can only be a success if the proposition is right. Therefore, key's to success are formulated. These elements will be developed in this thesis and together be the base of the business plan.

The keys to the success of Hello Goodness are:

- Right location: a place where the demand is high and where the target group often comes. The suitable locations are analysed and the consumer motivations of the specific target group will be taken into account.
- Right assortment: healthier products that are part of PepsiCo's *Better for you* portfolio. The guidelines for the assortment and the shelf plan will be developed.
- Right *Go to market* (GTM) strategy: the right strategy to get the products delivered at the customer. Based on meetings with possible partners, a strategy and the related partnerships are presented.

WCCE

The World Class Customer Engagement model is a method that is currently used at PepsiCo Benelux and applied in the retail channels. With this model, PepsiCo wants to be more customer centred. This means that new product launches are tailored to the customers' specific needs (World Class Customer Engagement, n.d).

In the strategic planning phase as presented in figure 9, the four steps to develop a promising strategy are shown.

Consumer landscape

The starting point for this project is that knowing the landscape of the consumer better than the competition will help to create plans that are more beneficial than the competition (World Class Customer Engagement, n.d). This will help to define the right channels and target group.

Shopper strategy

By understanding the consumer motivations and needs, a solution that fits the consumer can be created.

Category assessment

Only with understanding the consumer needs perfectly, a suitable assortment can be created. By validating the product categories, the assortment can be optimized.

Strategic plan & goals

The outcome of the strategic planning phase is a plan, including a *Go to market* strategy and goals to be reached by executing this plan.

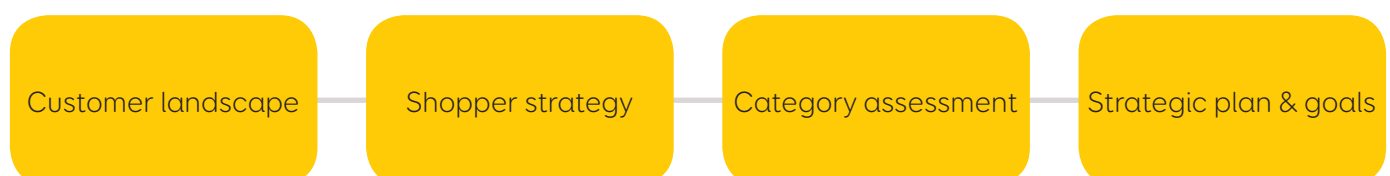


Figure 9. The strategic planning phase of WCCE (World Class Customer Engagement, n.d)

Process

The process is presented in figure 10 and uses the steps of the World Class Customer Engagement model.

Consumer landscape

Based on the first steps of defining the consumer landscape, the project starts with defining the general consumer. The consumer landscape is established based on internal and external desk research and channel characteristics. The results of this analysis provide an general idea of the consumer and a selection of the right channels for Hello Goodness.

Shopper strategy

After finding the right consumer and channels, the shopper strategy is analysed by defining the specific consumer characteristics. This is done by extensive desk research, field research and interviews with the target group.

Category assessment

Based on the characteristics of the consumer and channels, a proposal for the assortment can be made. The self plan is developed in collaboration with internal experts. The product portfolio is validated by quantitative research.

Strategic plan & goals

After defining the shelf plan, discussions with possible third parties will lead to a go to market strategy. The results of each steps will be combined into a business and marketing plan that include goals to be met.

The report finishes with an evaluation of the project and strategic recommendations on the project and method.

In figure 11, a flowchart of the process is presented. In this figure, the relationship between different parts of the report and the methods is shown.



Figure 10. Process of graduation assignment

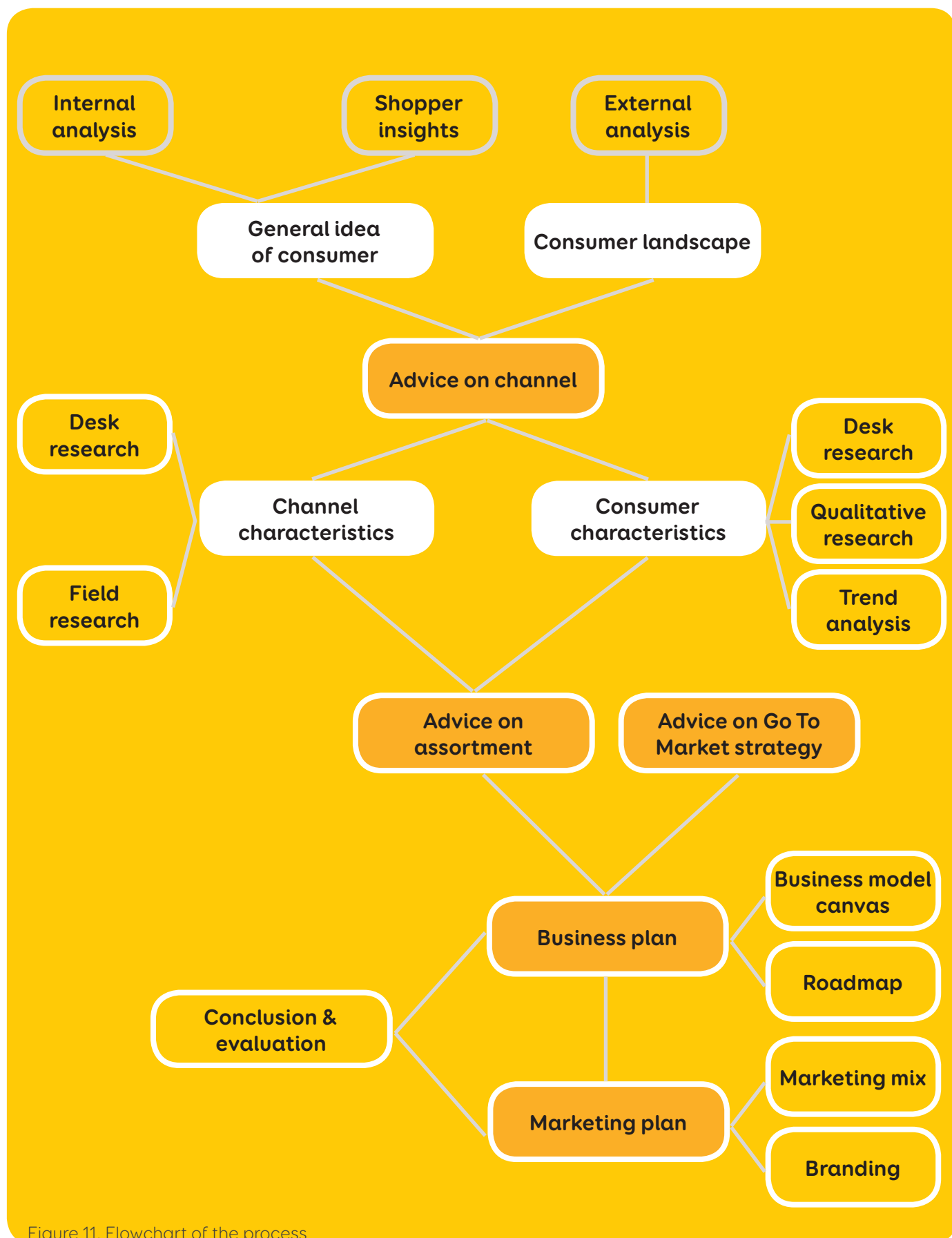


Figure 11. Flowchart of the process

Summary

Introduction

- The Away from Home channel is a promising direction for PepsiCo to increase sales.
- By placing the healthy Hello Goodness vending machines at promising locations to offer solutions for daily snacking, PepsiCo can increase their visibility out of home.
- PepsiCo is focussing on increasing the visibility of their *Good for you* and *Better for you* brands, Hello Goodness can be used as strategic tool.

PepsiCo

Mission PepsiCo: *to provide consumers around the world with delicious, affordable, convenient and complementary foods and beverages from wholesome breakfasts to healthy and fun daytime snacks and beverages to evening treats.*

PepsiCo has a large portfolio of nutritious products, placed in the portfolio categories *Better for you* and *Good for you*.

Away from home

The three main channels in Away from Home are:

1. On the Go
2. Food Service
3. Business & Institutions

Hello Goodness

Mission Hello Goodness: *enabling consumers to access healthier and more nutritious food and drink options, that are shaped by their needs, legislation and our corporate and social responsibilities.*

Problem definition: *The catering landscape in the Benelux is changing due to changing demand moments of the consumer who now expect nutritious food and drink options available throughout the day.*

The design challenge as proposed by PepsiCo Europe (ESSA) is to analyse the business opportunity for Hello Goodness in the Benelux, by making a proposal for introduction in the Netherlands.



Chapter

Consumer landscape

Desk research

- *In this chapter, the consumer landscape for the is created based on desk research. The first part of this chapter contains an analysis of the Benelux consumers that are consuming the most when being out of home. These groups are linked to the channels where they are most likely to be found. The second part of this chapter shows the external analysis of the Dutch market. With this competitive analysis, the customer landscape for the Netherlands is defined.*
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-
-
-
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2.1 Consumer group

In order to target the right consumer groups, the consumers that are most likely to be future consumers of Hello Goodness have to be identified. Based on Dutch data, the consumer groups and the channels they are active in are shown.

Out of home consumers

Due to the trend of urbanization, consumers are spending more time outside their home (GlobalData, 2018a). This trend describes the growing perception of time scarcity caused by urban lifestyles, which results in a dependency on out of home channels. In addition, the consumer landscape with options for daily snacking increases caused by the demand of having food and drink options available throughout the day (Office Magazine, 2013). Due to spending more time away from home, consumers depend on products that satisfy their needs. Especially busy consumers aged 19 till 38, called the millennial by Foodservice Instituut Nederland (2018), are the drivers of the growth in out of home eating.

Based on FoodService Instituut Nederland (2018), Globaldata (2017), the main target should be busy (working) *millennials* aged 19-38 who do not have time to make healthy snacks themselves. This is in line with the original target group of Hello Goodness in the USA: busy consumers aged 18-24 (PepsiCo Nutrition, 2017).

Shoppers in channels

Based on research by GFK (2018), there can be analysed in which channels the target group can be found. The *Millennial* is defined by FoodService Instituut Nederland (2017) as someone aged 19 till 38. In GFK (2018), the age groups 15-29 year and 30-39 year cover this age group the best. In figure 11, this groups are represented in yellow and orange.

An out of home channel is visited often by the target group if the index of this channel is positive in comparison to the average population. Therefore, in figure 12 all channels that have more *Millennials* than the average Dutch population are interesting for Hello Goodness. This are channels in which the sum of yellow and orange comes above the grey line which represents the average. A remark, not all channels as defined by PepsiCo can be found in GFK, so some channels are missing in this analysis, namely *convenience, travel and other institutions*.

The channels that are often visited by the target group are and have more visitors of the target group than the average Dutch population are *quick service restaurants, café's and bars, recreation, work and education*. *Restaurants, petrol and accommodation* are less interesting as other age groups visit these channels more.

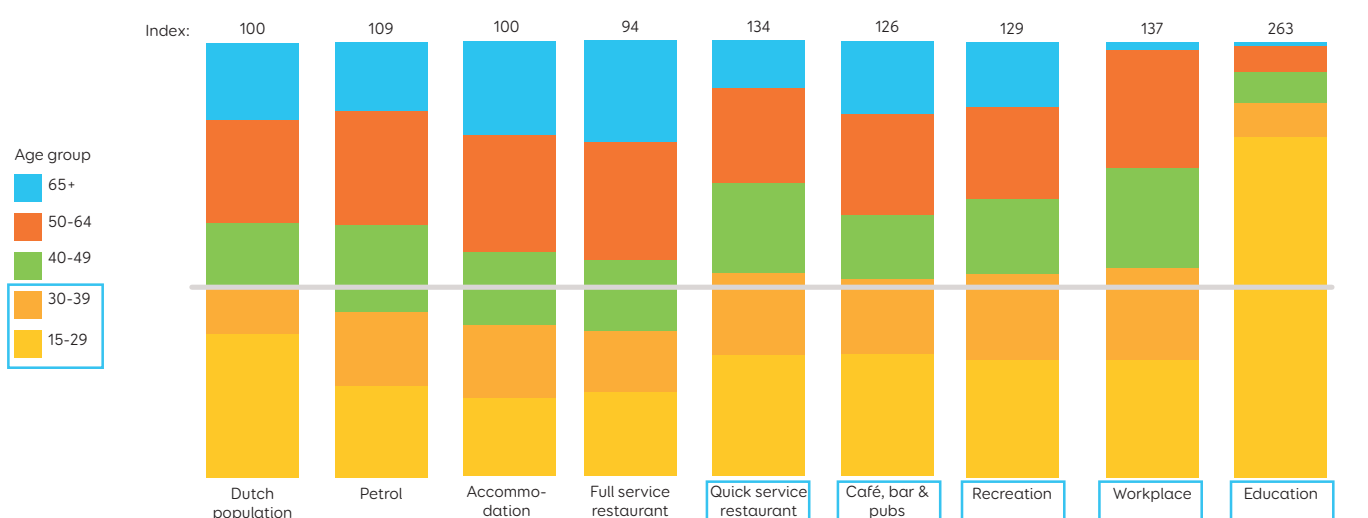


Figure 12. The age groups across different out of home channels (GFK, 2018)

Overview of consumer types

There are other ways of breaking down the consumer population. GlobalData (2017) divided the Dutch consumers within the food service industry into five categories. For each of these categories, the main characteristics in relationship to eating away from home are summarized. These categories are linked to the demographic groups as defined by FoodService Instituut Nederland (2018) to match their out of home eating behaviour. All groups are rated with a number of dots on

how relevant they are for a proposition as Hello Goodness based on if they are likely to purchase items at a vending machine and having a busy out of home lifestyle.

The most relevant groups are the *Frugal convenience seekers* and *Time-poor experimenters*. These groups are young, busy and consume multiple times a day something away from home.

Frugal convenience seekers ●●●●●

21% of the transactions are caused by this group: the young and busy working people. They are the group of *Millennials*, who are the drivers of out of home eating according to FoodService Instituut Nederland (2018). They prefer convenient and budget-friendly options. The transaction value is lower for this group, but the number of transactions is higher than average. Eating out of home is an inescapable part of their routine. They are health-conscious, although they like to indulge.

Inbetweeners ●●●

This group that makes 15% of the food service transactions is most likely to be the average Dutch consumers (GlobalData, 2017). They may have a strong feeling towards specific things but are very general in their behaviour away from home. Their spendings and amount of eating away from home occasions are average. Their decisions are influenced by quality, location and level of service. They are likely to be part of *Generation X* and aged 39-52 (FoodService Instituut Nederland, 2018).

Time-poor experimenters ●●●●●

The consumers in this small group (only 2% of the foodservice transactions are caused by this group) are often male and fit in the *Millennial* category as well. They are young, busy working people and eat out frequently. Their focus is on convenience and they prefer a variety in food. They are interested in easy-to-eat offerings that change regularly (GlobalData, 2017).

Sporadic splurgers ●

The largest number of food service transactions are caused by this group: slightly older, wealthier and in general more health conscious. Eating out is not part of a routine, but for special occasions. Therefore, this group visits restaurants more often and cares about quality. They fit in the profile of the *Babyboomers* (FoodService Institute Nederland, 2018).

Regimented routiners ●

The customers that cause 20% of the food service transactions are older people with limited resources, called the *Silent generation* (FoodService Institute Nederland, 2018). They often eat at home and when they eat away from home, they stick to what they know. Convenience and consistent offerings are characteristics of the desires of this group.

For the five consumer groups of GlobalData (2017), that fit in the four consumers groups of FoodService Instituut Nederland (2018), is data available on their out of home eating behaviour. With the data of table 2 and table 3 can be concluded that the groups differ in eating behaviour as well.

Based on table 2 can be concluded that the number of daily meals is the highest for the *Millennials* with an average of 3.55 snacks a day in addition to the three main meals (FoodService Instituut Nederland, 2018). Despite having the least spending per meal, they are more likely to go for a convenient meal replacement out of home during the day than the other groups.

A social moment is an important reason for having a meal out of home across all consumer groups (see table 3). The need for having a social moment increases during the day, especially dinner is

a social occasion and as a result convenience becomes less important (FoodService Instituut Nederland, 2018).

Distinctive for the younger generations is the fact that they consume their breakfast out of home based on convenient and time-saving reasons. The older consumers get, the more likely they are to consume it at home and take the time for it.

Based on these insights can be concluded that the *Millennials* are the most likely to use a convenient point of sales like a vending machine.

Group	Customer type	Age	Number of snacks a day	Spending snacks OOH	Spending breakfast OOH	Spending lunch OOH	Spending diner OOH
Millennial	Frugal convenience seeker	19-38	3.55	€4.62	€5.91	€9.63	€22.97
	Time-poor experimenters	19-38	3.55	€4.62	€5.91	€9.63	€22.97
Generation X	Inbetweeners	39-52	2.96	€4.98	€7.42	€11.27	€28.90
Babyboomers	Sporadic splurgers	53-72	2.57	€5.67	€7.93	€12.37	€31.09
Silent generation	Regimented routiners	73+	2.82	€5.15	€8.04	€13.06	€30.32

Table 2. Spendings in the out of home market (FoodService Instituut Nederland, 2018)

Group	Convenience as reason for OOH breakfast	Time-saving as reason for OOH breakfast	Convenience as reason for work lunch	Social as reason for work lunch	Convenience as reason for OOH dinner	Time-saving as reason for OOH dinner	Social as reason for OOH dinner
Millennial	15%	18%	23%	32%	6%	10%	47%
Generation X	4%	11%	21%	34%	3%	3%	46%
Babyboomers	1%	2%	15%	25%	2%	1%	41%
Silent generation	1%	1%	x	x	1%	1%	32%

Table 3. Rationale behind out of home eating behaviour (FoodService Instituut Nederland, 2018)

Consumer categories

In each channel in away from home as defined in chapter 1.2 (table 1), some of the consumer groups as defined by GlobalData (2017) are more likely to be a consumer within a channel. In table 4, the five consumer groups are analysed per channel. The consumer groups that represent the *Millennial*, the target group for Hello Goodness, are marked in colour.

The channels that are most likely to be visited by the target group are underlined, these channels are *convenience*, *non-grocery* and the *business & institutions* channels.

The time-poor consumers are most likely to purchase items when they are on the go at all

locations, while the traditional *Millennial* (the *Frugal convenience seeker*) is less likely to purchase a lot at forecourts and on travel locations.

In the food service industry, the elements convenience and time-saving are less relevant. Therefore, these channels are not the locations to target the *Millennials*. It is a characteristic of other consumer groups to take the time to enjoy a complete meal at restaurants or on a day out.

The most relevant channel for both *Frugal convenience seekers* and *Time-poor experimenters* is Business & Institutions. The target group has a busy lifestyle at higher education or at workplaces.

Primary level	Channel	Sporadic splurger	Frugal convenience seeker	Regimented routiners	Inbetweeners	Time-poor experimenters
On the Go	<u>Convenience</u>		x			x
	<u>Non-grocery</u>		x		x	x
	Forecourts (petrol)				x	x
	Travel	x				x
Food Service	Accommodation	x		x	x	
	Full Service Restaurants	x	x	x	x	
	Quick Service Restaurants	x		x		
	Cafés, pubs and bars	x			x	
	Recreation		x		x	x
Business & Institutions	<u>Workplace</u>		x			x
	<u>Education</u>		x		x	x
	<u>Other institutions</u>		x		x	x

Table 4. Channels where the consumer groups can be found shopping

2.2 Out of home market

In the out of home market of the Netherlands are multiple channels with different appropriateness for Hello Goodness and vending in general. In this section, the potential of the channels will be analysed.

Consumer groups in channels

In some channels consumers are more convenience focussed, while in other channels, there is a need for nutritious solutions. In away from home snacking are two divisions: functional and emotional. The different channels serve either of these as presented in figure 13.

The channels within *On the Go* are all functional and convenience focussed. Therefore, they suit the needs of the *Time-poor experimenters*.

The channels within *Food service* are more emotional focussed with different levels of convenience or nutritional focus. They are not a match with the demands of the *Millennials*, who are more functional oriented.

A channel that fits the *Millennial* good is the *Business & Institutions* channel, as they all show overlap with the *Frugal convenience seeker*. In these channels, there is a focus for functional food and drinks.

There can be concluded that the most suitable channels are rather functional and placed in the *On the Go* and *Business & Institutions* categories.

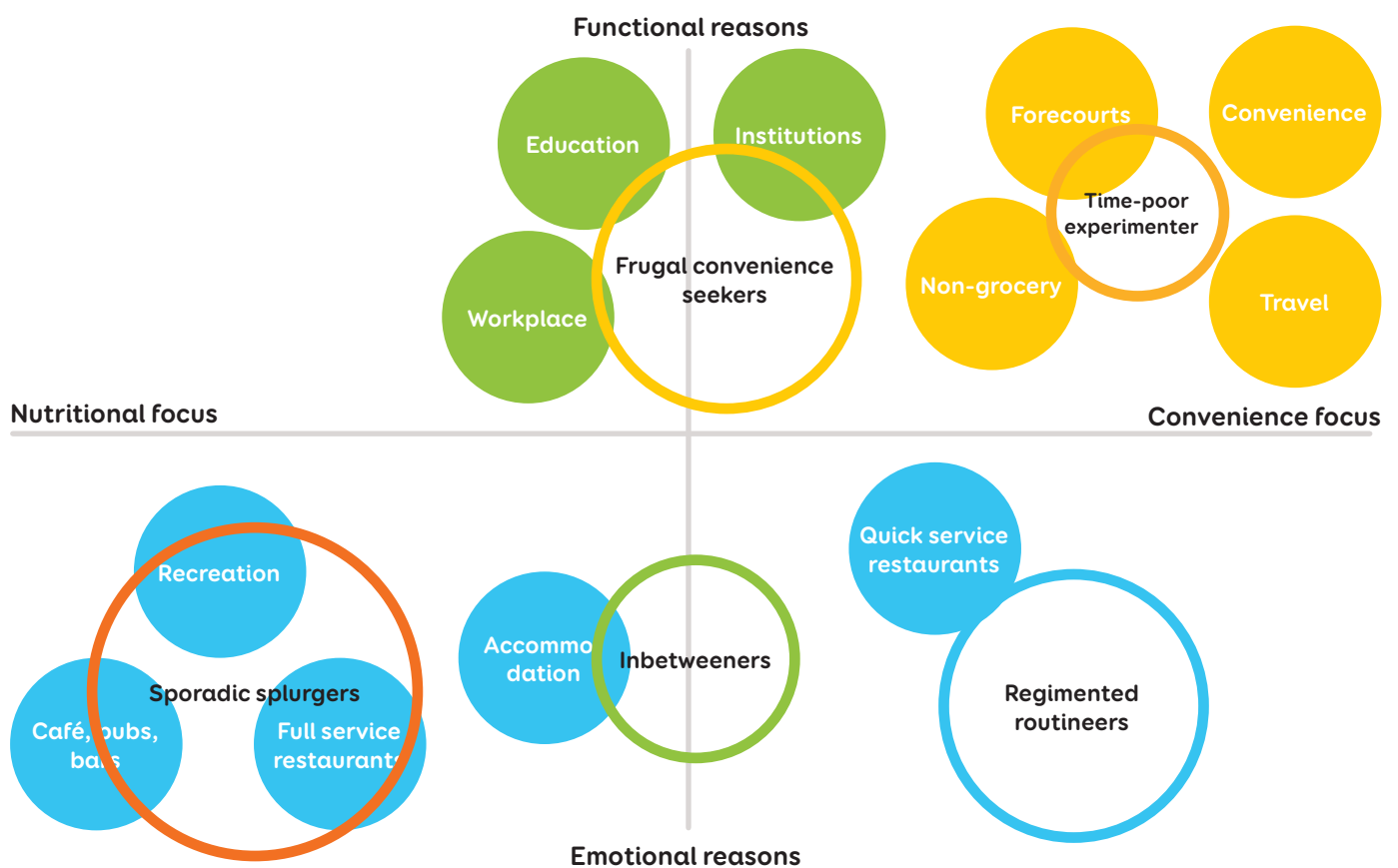


Figure 13. Overview of the channels and consumer types (PepsiCo Insights, 2018; GlobalData, 2017)

Channel potential

Not only the type of consumer needs that are solved are used to provide an overview of the consumer landscape, the market potential of each channel must be considered as well. A channel should be profitable by having a high average turnover per outlet. This means that the consumers spend money in these channels.

In table 5, the annual turnover in food spendings in the Dutch market, number of outlets in the Netherlands and average turnover per outlet is summarised. In this overview, it is shown that the most outlets can be found in *Food service* with due to a high amount of restaurants. The highest average annual turnover can be found in this channel as well.

On the go is a channel with differences, on convenience stores, the spendings on food are relatively low, while on forecourts and travel locations such as train stations and airports, the spendings are even higher than in *Food service*.

In *Business & Institutions*, the turnover per outlet is in all sub-channels lower than in the other channels. Especially in *Education*, the average turnover is low, due to the consumers who are young and do not have much to spend.

Based on this overview can be concluded that the highest spendings can be found in *Food Service* and when people are on the move at forecourts and travel locations.

Primary level	Channel	Annual turnover	Number of outlets	Average annual turnover per year per outlet
On the Go	Convenience	€1.175 mil	19492	€52.000
	Non-grocery			
	Forecourts (petrol)	€1.667 mil	3829	€435.000
	Travel	€ 422 mil	1107	€381.000
Food Service	Accommodation	€1.815 mil	6560	€277.000
	Full Service Restaurants	€5.548 mil	15565	€356.000
	Quick Service Restaurants	€2.608 mil	16652	€157.000
	Cafés, pubs and bars	€1.894 mil	8343	€212.000
	Recreation	€1.311 mil	18178	€72.000
Business & Institutions	Workplace	€1.611 mil	15656	€103.000
	Education	€ 250 mil	18404	€14.000
	Other institutions	€1.167 mil	20239	€55.000

Table 5. Size of the different channels in the Out of Home market (FoodserviceXS, 2018)

Channel attractiveness

A Market Attractiveness Business position Assessment (MABA) with the guidelines as presented by Vrielink and de Koning (2011) is executed. In appendix B, the full analysis can be found. All channels are rated with a score from 1 (negative) to 5 (positive) for each criteria.

In figure 14, the matrix with all channels is presented. The channels that are located in the top right corner, are the most attractive. From this matrix can be concluded that the most attractive channels (in the blue circle) are *workplace*, *recreation*, *education*, *accommodation* and *travel*. These channels score high on channel attractiveness and competitiveness they can offer within the channel.

Method: MABA Analysis

With a MABA Analysis, the market attractiveness for each channel is analysed. See appendix B for the process of the analysis.

1. Give weights to the criteria on how important they are. The criteria are:

- Channel attractiveness: market size, market growth, margins, competitive rivalry, availability of substitutes and power of consumers
- Competitiveness: market share, product quality, perceived image, innovativeness and distribution abilities

2. Rate each channel on each criteria.

3. Generate a matrix. See figure 14.

4. Analyse the matrix. The channels on the top right are the most attractive.



Figure 14. MABA analysis with attractiveness per channel

2.3 Vending market

In this section, the competitive analysis within the Dutch vending market will be presented. This will help to create an overview of the current vending market, need for healthy vending and the channels in which vending is an appropriate strategy.

Vending industry

At PepsiCo, vending is seen as a strategic tool to offer the products to the away from home channels. Vending is suitable for moments and places where a service concept is not profitable or in places where vending can help to decrease waiting times (FoodService Instituut Nederland, 2017). Therefore, Hello Goodness can be a way to sell PepsiCo's products in specific channels where no other options are yet available to offer the branded products. In Figure 15, facts about the well developed vending industry in the Netherlands are presented.

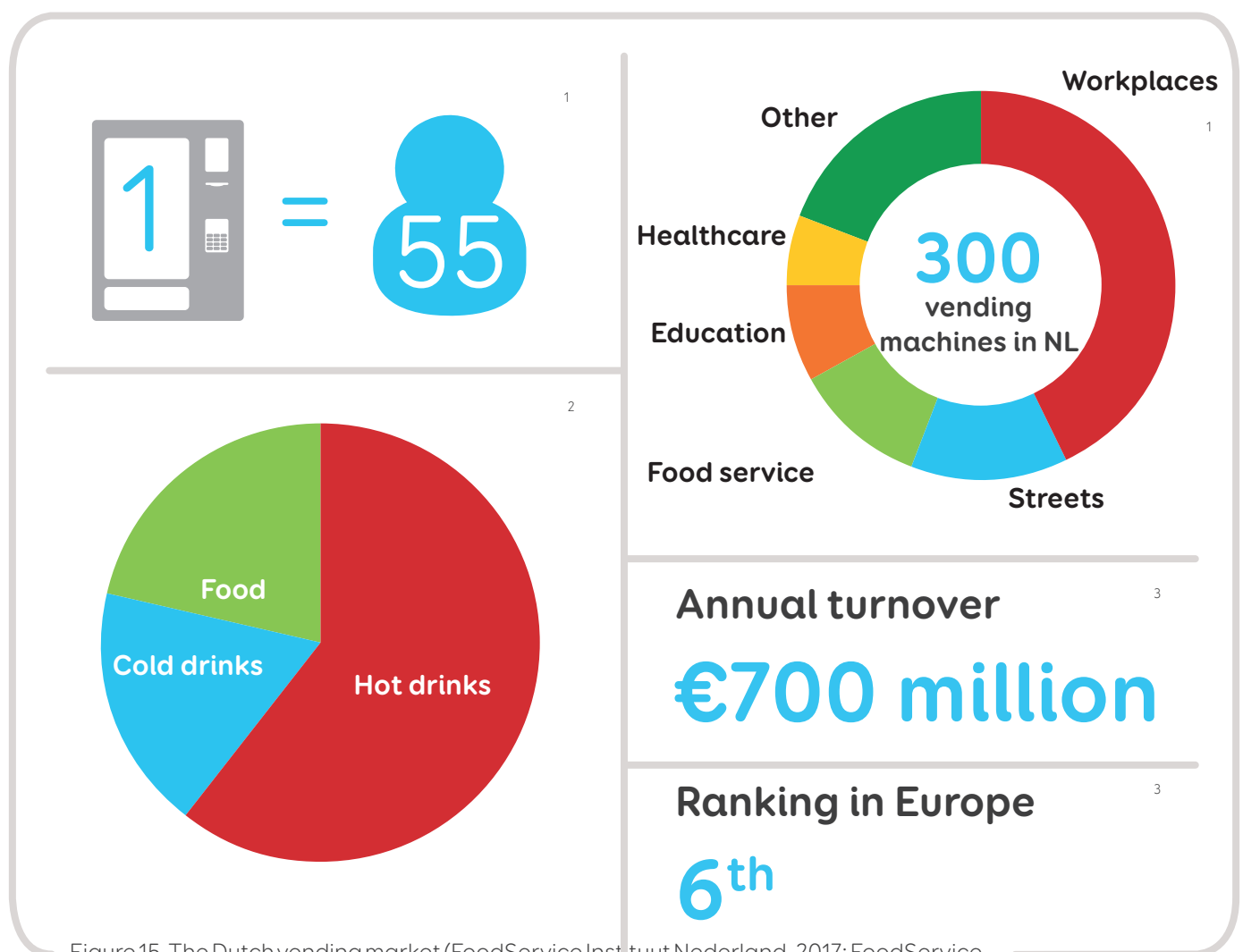


Figure 15. The Dutch vending market (FoodService Instituut Nederland, 2017; FoodService Instituut Nederland, 20176; European Vending association, 2016)

Trends in vending

The FoodService Instituut Nederland (2017) defined some trends in the Dutch vending market:

- Information about nutritional facts, allergens and ingredients via touch screen for health-conscious consumers.
- Create a café experience which is unmanned.
- Personalization, mix your own drink based on pre-selected flavours or create a combination of different items to match your taste.
- Convenience and speed: the vending machines are getting faster due to technological innovations.
- Machines that are entertainment and offer an unique experience to the user.
- Multifunctional vending machines.
- Healthy assortment in machines to tap into the health-conscious trend.
- Sustainable vending machines that are energy-efficient, have a low-power mode during non-use and offer recyclable packaging.

Competitive overview

An overview of vending operators in the Netherlands is provided. See table 6 for an overview of all vending operators who are active in the Netherlands.

In figure 16, the legend for the icons is presented. Based on which machines and in which channels vending operators operate, main insights can be generated.

The main insights are:

- Almost every competitor targets the *Workplace* channel. *Education* and *Institutions* are popular channels as well. According to FoodService Instituut Nederland (2017) this is in line with the fact that 57% of the vending machines in the Netherlands is placed in these channels.
- Very little competition in *Recreation* and *On the Go*.
- Beverages and food are often both offered by a operator. This is caused by machines who can be filled with both snacks and drinks (Crane Merchandising Systems, 2016b).
- Many operators offer food and beverages in addition to their coffee machines to provide all options to customers.

Assortment



Coffee machines



Beverage machines



Snack machines

Channels



Workplace



Educational institutes



Other institutes



Recreation



On the move

Figure 16. Legend for table 6




































































































Vending operator	Assortment	Channels	Description
Coca-Cola		    	The vending machines of Coca-Cola (n.d.) offer only the beverages of the Coca-Cola Group. There are some healthier beverages included that compete with PepsiCo's brands.
DECS		   	Jacobs Douwe Egberts Professional (n.d.) or Douwe Egberts Coffee Service is specialised in hot beverages. In vending, they offer coffee (including tea and soup) machines.
Maas	 	  	Maas (n.d.) is a Dutch coffee and tea company, but they offer other vending solutions such as snacks and social drinks as well.
Nestlé	 	  	Nestlé Professional (n.d.) is focussed on the professional coffee market with Nescafé.
Selecta	  	   	Selecta (n.d.) is the European market leader on coffee concepts. They provide snacks, beverages and fresh food solutions as well through vending machines.
Vending@Work	 	   	Vending@Work (n.d.) offers beverages, snacks and fresh food through full service vending machines. They are placed in businesses and institutions.
Vendingland	  	   	Vendingland (n.d.) is focussed on appealing and innovative vending machines to offer hot beverages, cold drinks and snacks.
Mars	 	    	Mars (n.d.) is in the Netherlands the market leader on confectionary machines. They offer their own snacks and coöperate with others to offer cold drinks.
Catermaat	  	  	Catermaat (n.d.) wants to fuel students and employees in a conscious way by offering more healthy drinks and food.
Hakado	  	  	Hakado (n.d.) offers coffee, beverages and snacks to consumers in an effortless way through their vending machines.
Hagu vending	 		Hagu Vending (n.d.) is part of HAGU, a wholesaler who offers coffee and food through a private label in vending.
Korver vending	 	 	Korver Vending (n.d.) is specialized in confectionary and soft-drink vending machines. They operate in Noord-Holland.
ISS			ISS (n.d.) is a caterer, but offers coffee through vending machines at workplaces.
Vendolution		   	Vendolution (n.d.) focusses on personalized vending solutions in both food and non-food.
Healthy Vending	 		Healthy Vending (n.d.) is part of PURA, they are specialized in healthy food and beverages machines at businesses.
XCellence Foodgroup	  	 	Xcellence Foodgroup (n.d.) offers both coffee and vending machines. Their target group are organizations.
ABOS	  		ABOS (n.d.) targets workplaces with vending machines in all areas, including healthy fresh food.
WDM Vending	  	 	WDM Vending (n.d.) is a vending and catering company that focusses on facilitating workplaces and educational institutions. Their healthy offerings include company fruit, but this is not yet offered through vending machines.
WRtrading			WRtrading (n.d) is the operator of the Pringles can vending machines, they do not offer other products.
ProFood	  	  	ProFood (n.d.) targets schools and workplaces with coffee, beverages and snacks. They offer fresh healthy food through vending.

Table 6. Current vending operators in the Netherlands

The vending operators as presented in table 6 can be placed in a visual overview to find which vending operators are active in the same area as Hello Goodness will be in the Netherlands (figure 17). Therefore, the vending operators are placed in the overview based on if they are healthy or indulgence focussed and their assortment.

The companies in the marked area are vending operators that offer (partly) similar concepts as Hello Goodness. These vending operators have the similarity that they offer both food and drinks which are health oriented. Further elaboration on these vending operators is presented in table 7.

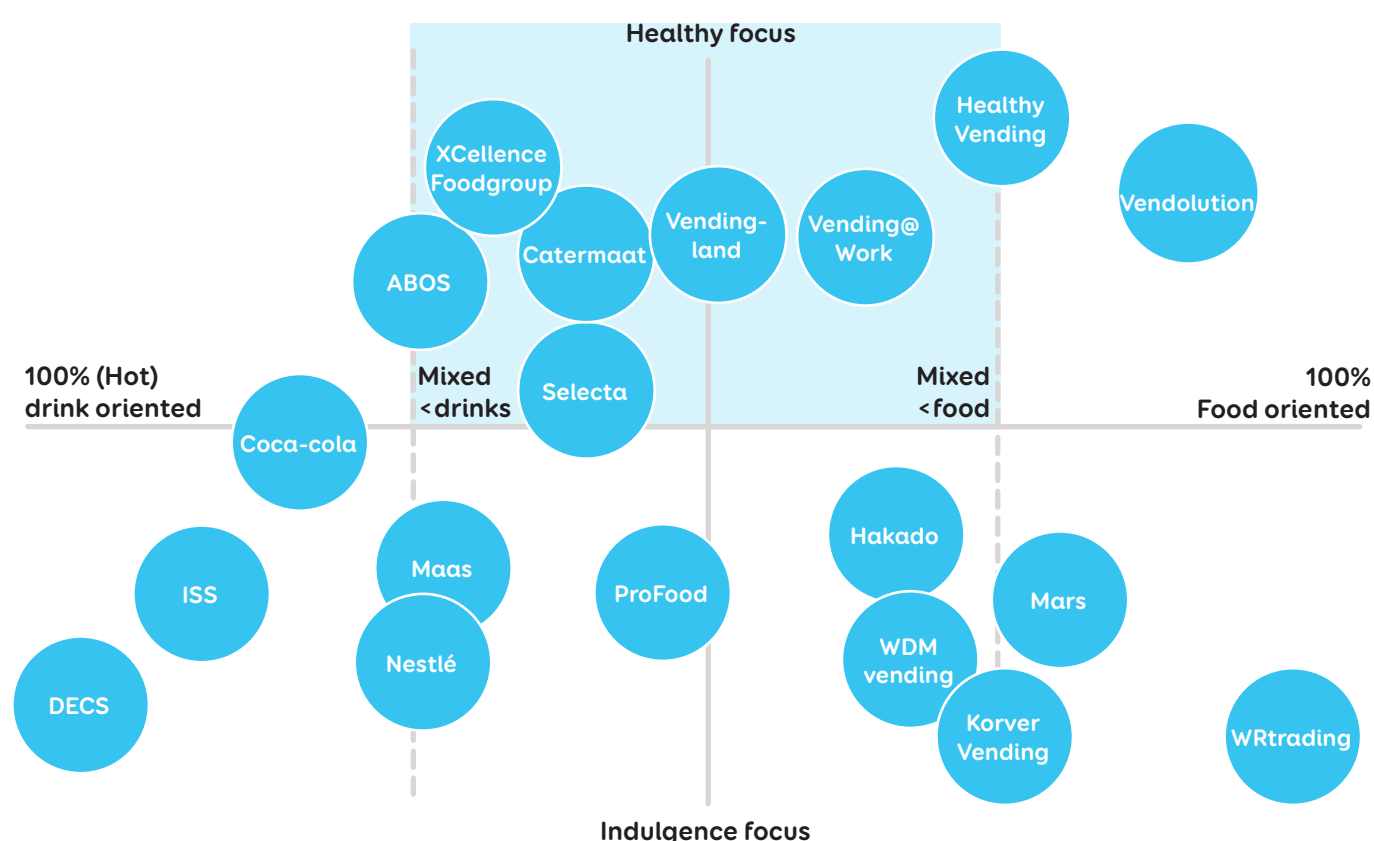


Figure 17. Matrix with focus of vending operators

Focus	Vending operator	Experience with healthy vending	Comments
More food oriented	Vending@Work	High	More coffee-oriented, but has good distribution network, especially in businesses & institutions
	Vendingland	High	Focus on healthier vending, has good distribution network across all channels
	Healthy Vending	Low	Relatively small company and only offers fresh products
More beverage oriented	Catermaat	High	Focus on healthier vending, has good distribution network within business & institutions
	XCellence Foodgroup	Medium	Focus on healthier vending, has established distribution network within business & institutions
	Selecta	Medium	Coffee-oriented, but has distribution network in all channels
	ABOS	Medium	More coffee-oriented, but has distribution network with workplaces

Table 7. Vending operators that are active in healthy vending

Based on the channels where the vending operators of table 7 can be found, some conclusions on the channels can be made. See table 8 for an overview of the channels in which similar concepts are introduced by other vending operators.

Channels with no similar concepts introduced are likely to be not interesting for healthy vending, otherwise more vending operators should be active in it. The most interesting direction is therefore to focus on *Business & Institutions*, where vending is an accepted selling strategy.

An other option is to focus on the *On the Go* channel and offer Hello Goodness next to the initiatives of Vending@Work and Selecta at forecourts and in travel.

In *Food service*, healthy vending is not yet introduced on a large scale. A reason for this is that food service is more indulgence oriented. As a result, the demand for healthy products is low.

Primary level	Channel	Vending@Work	Vendingland	Healthy Vending	Catermaat	Xcellence Foodgroup	Selecta	ABOS	Evaluation
On the Go	Convenience								No vending
	Non-grocery								No vending
	Forecourts (petrol)	x					x		Little competition
	Travel	x					x		Little competition
Food Service	Accommodation								No competition
	Full Service Restaurants						x		Little vending
	Quick Service Restaurants								No vending
	Cafés, pubs and bars						x		Little vending
	Recreation		x						Little competition
Business & Institutions	Workplace	x	x	x	x	x	x	x	Many competitors
	Education	x	x		x	x	x		Many competitors
	Other institutions	x	x		x		x		Some competitors

Table 8. Channels where the competition is active in

2.4 Stimulate healthy

In the Netherlands are some initiatives launched to increase healthier eating behaviour during the day. Similar initiatives can be found in Belgium and Luxembourg, but are not included in this analysis as the initial introduction will be in the Netherlands.

It reflects the necessity of healthier out of home food and beverage options and gives an idea of the channels where healthy options are already available and where the demand is.

Healthy school canteens

The “healthy school canteen” is a Dutch initiative to stimulate a healthy lifestyle amongst youngsters by offering a healthier menu at (high) schools (Voedingscentrum, 2011). Driven by the Voedingscentrum (2017), guidelines are offered to canteens to stimulate healthy eating behaviour away from home. The canteen will help students to make healthy choices, because most products in the assortment are healthy. For vending machines at schools, there is a obligation to fit in.

There are some guidelines in order to make a school canteen a healthy school canteen (Voedingscentrum, n.d.) as shown in figure 18:

- 75% of the products are better choices
- Healthy options are shown in eye-sight
- Promotions will only include healthy products
- Advertisements and visual materials should only show healthy products

In the USA there is a similar initiative for smart snacking in schools. PEW Trusts (2016) found that 40% of the students buys at least one snack at school per week. Therefore, the Smart Snacking in School rule led to a decrease in calories in portion sized snacks in order to decrease the childhood obesity rates (PEW trusts, 2015). In the Netherlands, these portion size rules are introduced as well (Voedingscentrum, 2011).



Figure 18. The “Gezonde Schoolkantine” (Voedingscentrum, 2017)

Healthy sport canteens

Next to a healthy school canteen, a healthy sports canteen is introduced in the Netherlands under the name Team Fit. It is a Dutch initiative from Jongeren Op Gezond Gewicht to offer more healthy choices in sport canteens (Team Fit, n.d.). Comparable to the Healthy School Canteen, tips and guidelines are provided to sport associations, volunteers and parents to improve the amount of healthy options in the canteen.

One of the customers of PepsiCo is de Profkantine who launched a healthier snack display for sport canteens (figure 19). In this display, only more nutritious snacks are presented as response to the mainly unhealthy food in canteens (De Coach, 2018).

Healthy vending

Healthy vending is a relevant trend to increase healthy snacking (FoodService Instituut Nederland, 2017). Some initiatives are already launched, as presented in figure 20 (Healthy Vending, n.d.). In the USA, Change Lab Solutions (2012) helps communities to change the offerings through vending machines to be healthier by providing guidelines and best practices about how to transform a traditional vending machine towards being better for the population. An example is the municipality of Arlington in Virginia, where healthier vending machines are successfully introduced to reduce obesity and support employees to improve their lifestyle (Lee, 2015).

From these initiatives can be concluded that there is already interest in transforming the vending industry. It is driven by the government who provides guidelines for healthier options over traditional snacks. As a result, existing vending operators struggle with it, because they are forced to adapt their assortment (Catermaat, 2018).



Figure 19. Anders nog iets lekkers - Display (De Coach, 2018)



Figure 20. A healthy vending machine (Healthy Vending, n.d.)

Summary

Target consumer

The target group is the *Millennial*. This are young working and busy consumers aged 19 till 38 who do not have time to make healthy snacks themselves and consume their snacks and meals often out of home. They are *Frugal convenience seekers* and *Time-poor experimenters*.

Channel selection

A channel advice is based on a two important selection criteria:

1. The target group of Hello Goodness can be found in this channel.
2. There is a need for healthy products in this channel.

The target channels are within *Business & Institutions*: workplace, higher education and other institutes such as healthcare (table 9).

Primary level	Channel	Millennials in channel (GFK, 2018)	Consumer groups in channel (FoodService Instituut Nederland, 2017)	MABA analysis	Competitive overview
Page		22	26	28	33
On the Go	Convenience		x		
	Non-grocery		x		
	Forecourts (petrol)				x
	Travel			x	x
Food Service	Accommodation			x	
	Full Service Restaurants				
	Quick Service Restaurants	x			
	Cafés, pubs and bars	x			
	Recreation	x		x	
Business & Institutions	Workplace	x	x	x	x
	Education	x	x	x	x
	Other institutions		x		x

Table 9. Channels that are promising according to the different analysis

Chapter



The right location

Channel characteristics

- *In this chapter, the Dutch customer landscape will be defined further by elaborating on the characteristics of the multiple channels within the main channel Business & Institutions.*
- *These channels are: workplace, education and other institutions. Desk research is combined with findings from field research at these locations.*
-

3.1 Business & Institutions

The right location to place the vending machines of Hello Goodness in are the channels within *Business & Institutions*. Those channels are workplaces, education and institutions such as healthcare, military defence and other governmental services. Different locations within these channels are included in a field research.

Current situation

In the *Business & Institutions* channel, the supply of food and drinks is often brought to the consumer via catering (Office Magazine, 2013). In addition, vending machines are placed at locations when catering all-day is not possible (Van der Helm, 2018b). Vending is in this case an addition to the assortment and in most cases not the only sales strategy. It is becoming harder for caterers, such as Vermaat, FHC and Bram Stolk to be available at all demand moments, as the number of demand moments is increasing and the labour costs get higher (Office Magazine, 2013).



Figure 21. Collage of the Business & Institutions catering

Rationale behind channel selection

Based on the fact that 57% of the vending machines in the Netherlands is placed in the business and institutional channel (FoodService Instituut Nederland, 2017) it is likely that the demand for healthy vending can be found here. Hello Goodness needs to be placed in channels with high traffic where there is the demand for convenient and healthier options. Within the channels of *Business & Institutions* there is this demand.

The current sales of PepsiCo at the channels within *Business & Institutions* is shown in figure 22, to show the importance of each channel. Currently, workplace and education generate each a third of the total sales in the *Business & Institutions* channel (PepsiCo Benelux, 2018). Institutions makes up a smaller part and is divided into smaller portions for each sub-channel.

A research across the UK market confirms the potential of the advised channels: 75% of the vending traffic is in workplaces and education (Hello GoodChoices, 2018a). Most consumers in this channel are trying to make healthy choices as 74% of the working people (Food Institute, 2010) and 54% of the general population is willing to purchase more if vending machines offer healthier options (PepsiCo Nutrition, 2017). Generally, in the current vending landscape are only a few healthy options available as found in the competitive analysis in section 2.3 (figure 16). Vending remains focussed on products that include a high amount of sugar and fat despite the consumer need for healthier options (Hello GoodChoices, 2018a). Although vending operators have tried to introduce healthy vending, most caterers are not willing to transform their whole assortment as only healthy vending is not perceived as profitable (Van der Helm, 2018a).

Method: Field research

Next to desk research, locations within the different channels (Workplace, Education and Institutes) were visited to observe the current vending situation.

The factors that were observed are:

- The location of the vending machine
- The assortment of the vending machine
- Availability of alternatives

Pictures of each location are made and added to each section.

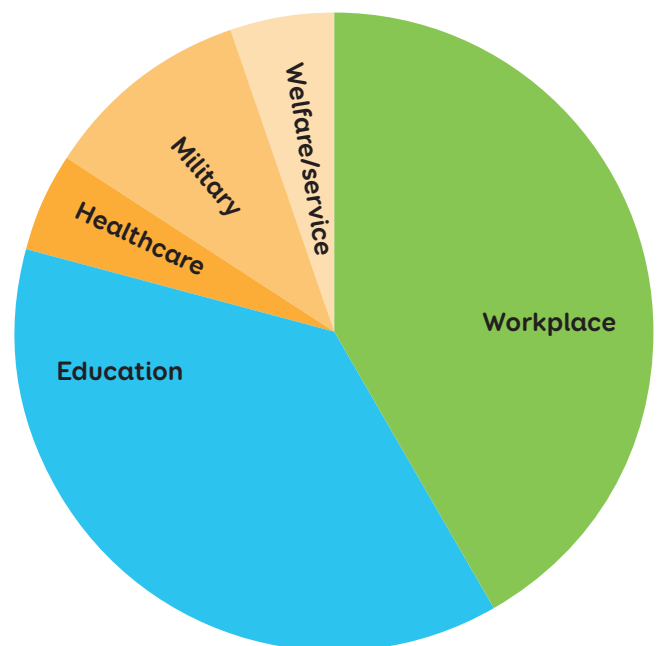


Figure 22. Net revenue share per channel within Business & Institutions (PepsiCo Benelux, 2018)

3.2 Workplace

Workplace is a promising channel for Hello Goodness, as there is a high demand for healthier options. At workplaces, vending machines can be placed in all types of places, from small to large businesses, at production locations and in shared offices.

Channel potential

One of the main goals in Sales away from Home for 2019 is to increase sales opportunities at workplaces (Beaujean, 2018). The target group for healthy and convenient food solutions, defined as the *Millennial* by FoodService Instituut Nederland (2018), spends many hours a day at this location. At least 33% of their daily calories are consumed at work (Hello GoodChoices, 2018a), but only 26% of the working people feels that they are well catered at work and have enough food options to meet their needs. According to Van Werkhoven (2017) are the traditional company restaurants disappearing due to the increasing number of demand moments and not being profitable enough to serve food during all moments. This is an opportunity for vending.

As a result, there is a gap to solve with Hello Goodness, because consumers want healthy food and beverage options (Food Institute, 2010) while these options are not always covered. With the trend of working hours that become more flexible (Bentley University, 2014), eating patterns are shifting as well. Breaks are not always scheduled beforehand in time slots, so employees are more flexible in their daily planning. As a result, more small meals and in-between snacks are consumed (Hello GoodChoices, 2018a) and the number of consuming moments increases (FoodService Instituut Nederland, 2018).

Insights

The vending industry at workplaces is saturated, with 43% of all Dutch vending machines located in this channel. This are approximately 130.000 vending machines (FoodService Instituut Nederland, 2017). With an annual revenue of €1611 million in the Dutch workplace food service (FoodService XS, 2018), of which 17% is based on vending (Hello GoodChoices, 2018a), workplaces are a promising channel for vending concepts. Most locations are suitable, as at least 50 employees are needed to make vending profitable (360Connect, n.d.). This number is lower than for catering, as catering at small locations is under pressure (Van Werkhove, 2017).

In the field research, different types of workplaces are observed. In figure 23, the observations are summarised. From this can be concluded that a broad range of locations is suitable, like businesses with their own office building (like PepsiCo Nederland) and on the other hand shared offices and workspaces (like in Amsterdam and Rotterdam). The assortment at the observed locations is more indulgence oriented, with only a limited number of more nutritious snacks. At all locations, both drinks and snacks are offered. For larger organisations, these are in two different machines presented.

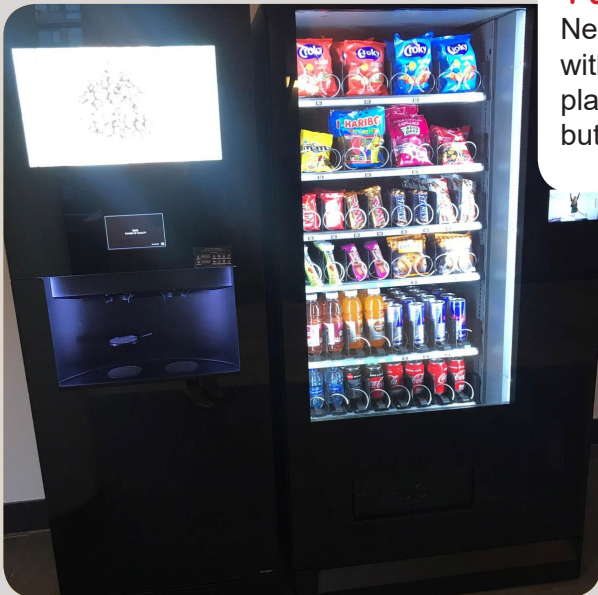
PepsiCo Nederland

The vending machines are hidden behind a door, therefore not many employees use them. There is an assortment of soft drinks and a vending machine with indulgent snacks like chocolate and candybars.



Public Prosecution Service (OM)

Next to a coffee machine, a vending machine with different snacks, candy, bars and drinks is placed. There are only a few soft drink options, but a broad range of snacks and candybars.



Flex offices in Amsterdam

A vending machine is located in a meeting area. As a result, the indulgent snacks can be consumed when taking a break from work. There are few functional snacks and drinks offered as well.



Office building in Rotterdam

The vending machines are located in a central hall near the offices. There are three machines: coffee, drinks and snacks. Multiple facings offer the same drink. There is a broad portfolio of snacks.

Figure 23. Observations of vending at workplaces

3.3 Education

In education, there are many levels of which some are less relevant. The focus will be on high schools and MBO, HBO and universities, as in these outlets the students have the power to make their own decisions.

Channel potential

An interesting trend is that younger people are becoming more and more health conscious than previous generations (Euromonitor International, 2018). In education, there is high political interest in offering healthier products to students. In the Netherlands, the Voedingscentrum formulated guidelines for schools about which types of food can be sold to students in the program “de Gezonde Schoolkantine” as presented in section 2.4. Vending machines at educational institutes have to meet these guidelines as well (Voedingscentrum, 2017).

Within this channel, there are multiple educational levels ranging from primary schools till higher education. Within the scope of Hello Goodness, especially higher education is interesting as the target group of *Millennials* can be found here. In the current sales of PepsiCo, the educational sub-channels MBO, HBO and universities make up 80% of the total net revenue in the educational channel (PepsiCo Benelux, 2018).

Demand for healthy vending

With 33% of the children who thinks that eating healthy is important in order to be a good person (Hello GoodChoices, 2018a), there is proof that children and teenagers are aware of the consequences of an unhealthy diet. Although the guidelines of the Voedingscentrum (2017) are implemented, it is still a good idea to offer more healthy food solutions next to the healthy options at school canteens. An important remark is here that the products should be appealing, because it is observed that many students visit the supermarket to purchase their unhealthy snacks as a way of rebelling against the healthy assortment or when the canteen is closed.

Insights

In the education channel, vending machines are one of the main strategies to sell products to students, with currently 24.000 vending machines implemented in the Dutch market (FoodService Instituut Nederland, 2017) in a channel with 18.400 schools (Foodservice XS, 2018). 14.7% of the €250 million annual revenue of the Dutch educational system (Foodservice XS, 2018) is based purely on vending (Hello GoodChoices, 2018a).

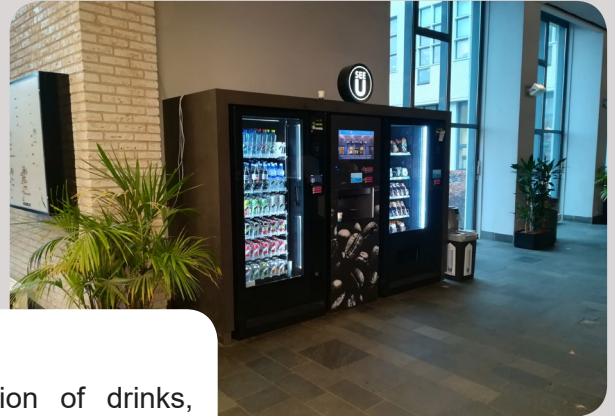
Currently, the assortment is rather unhealthy with some exceptions. Still, the best selling products at school caterers Bram Stolk and FHC are the bags of chips, soft drinks and chocolate bars (Van der Helm, 2019a; Van der Helm, 2019b). The observed vending machines at MBO, HBO and universities confirm this, as the assortments of the vending machines in the field research of figure 24 are indulgent focussed with some nutritious products.

The observed vending machines are either located at a central and visible location, or hidden behind a corner. The vending machines are in some cases in addition to the catering and offer a substitute when the catering is closed. An interesting insight from caterer Bram Stolk is the fact that in the vending machines only the less calorie sizes of chips are offered to meet the Voedingcentrum regulations, but the counter sells the normal sized packages (Van der Helm, 2019a). Although students have now the choice to make healthier decisions, they are not guided. Therefore, improvements in stimulating healthy consuming behaviour can be made.



TU Delft - 3ME

A vending machine combination of drinks, coffee and snacks is placed near a caterer at the entrance of the building. As a result, when the caterer is not open, the students can still purchase snacks and drinks.



Haagse Hogeschool

The vending and coffee machines are hidden in a corner of the main hall. In addition to the healthier POP chips (Croky), we can find the <110 kcal packages of Nibb-it's and Hamka's. Except for a few healthier bars and water, all snacks and soft drinks are indulgent focussed.



ROC Mondriaan Den Haag

The vending machines from FHC are located in the hallways and easy to find. Different types of snacks are offered, as well as healthier snacks. A lot of shelf space is reserved for water.

TU Delft - Industrial Design Engineering

The same assortment is offered at all faculties of the TU Delft and visible with the "See U" sign. These vending machines are located in a break area and many student pass them during the day when walking to class.

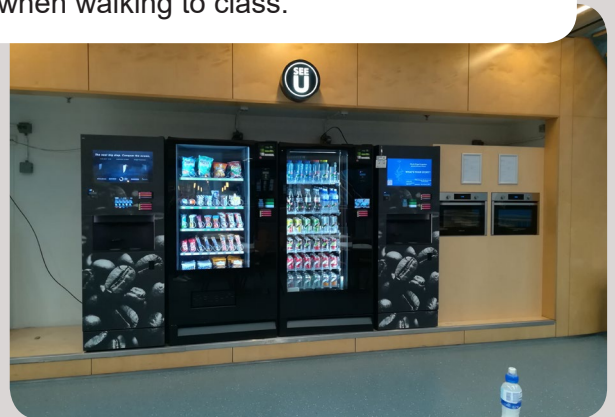


Figure 24. Observations of vending at higher education (MBO, HBO and university level)

3.4 Institutions

In the sub-channel institutions are all other institutions that are not workplace of education related placed. This are institutes like healthcare, military and civil defence, and welfare and other governmental services.

Channel potential

Although only 20% of the revenue share in the total revenue of the *Business & Institutions* channel (PepsiCo Benelux, 2018) is based on institutions, it is relevant to serve these channels as well. The sub-channels show similarities in characteristics with workplace, therefore many vending operators serve these channels as well (section 2.3, table 6).

The Institutions channel is divided into 50% military and civil defence, 25% healthcare and 25% welfare and other governmental services (PepsiCo Benelux, 2018). Because most types of locations are not public in this channel, only the public locations in healthcare and governmental services are observed in the field research as presented in figure 25.

Healthcare insights

In healthcare is vending a popular selling strategy, as consumers look for convenient and easy snacks while waiting (see figure 23). Because it is hard to cater due to a 24 hour demand, vending is a perfect solution to provide food here. Therefore, 6% of the Dutch vending machines can be found here (FoodService Instituut Nederland, 2017) with an average of 1.5 vending machines per healthcare institute (Foodservice XS, 2018; FoodService Instituut Nederland, 2018).

Healthcare is one of the few channels in which is invested in healthy vending, according to the observations. It is a governmental responsibility to offer suitable products (Voedingscentrum, n.d.), therefore it is easier to implement healthy vending. At this channel, the only fresh vending machines are found, namely at the UMC Utrecht. Those machines are direct competitors to shops at the hospital who offer fresh products like bread.

Military and civil defence insights

The military and civil defence covers sales to the military and police. This makes up a large part of the sales to institutions (PepsiCo Benelux, 2018). Vending at police stations and at military offices shows many similarities to vending at workplaces and therefore the same criteria will apply.

Welfare and governmental service insights

Welfare and other governmental services, like prisons, are the last category within institutions. For some locations, when employees are served, vending shows similarities with workplace vending. Therefore, it is likely that the same criteria apply.

For public services, like the city hall, other criteria apply as not employees who prefer functional food but visitors, who have a higher preference for indulgence food, use the machines. In the case of visitors who use the machine, it is more likely that indulgence products are offered. The observation at the city hall in Delft confirms this. Because the long opening hours, the assortment is divers with products for all types of demand moments.

Focus within institutions

The most interesting direction to further analyse is healthcare, as the other sub-channels show many similarities to workplaces. Therefore, the visitors of healthcare, with 543 hospitals and multiple other institutes (Statista, 2019b), will be analysed as a separate target group as well.

UMC Utrecht

A combination of fresh products (sandwiches and salads) and packed snacks and drinks. The snacks are indulgent focussed except for two healthier bars. The fresh products are presented in a way that it is not clear what the shopper purchases.



Reinier de Graaf hospital Delft

The main focus is a catering facility, but in a waiting room there is a vending machine located. Healthier packed products as bars and cookies can be found here, but there are candy and chips as well. There are multiple types of water available.



City hall Delft

The vending machine is placed next to a coffee machine, therefore the focus is likely to be “offering something in addition”. There are very few healthy products found. There is a diverse assortment with chips, candy, cookies, chocolate, bars and different soft drinks.

Figure 25. Observations of vending at institutions

Summary

Business & Institutions

- Within the sub-channels of Business & Institutions, there is place in the competitive landscape to meet the consumer need to offer healthier snack and drink options.
- Workplaces and higher education are the most promising sub-channels for Hello Goodness with highest traffic (Hello GoodChoices, 2018a).
- At workplaces, 33% of the daily calorie intake is consumed (Hello GoodChoices, 2018a), but most consumers feel the current catering options do not cover their needs. Hello Goodness is suitable for organizations who are not capable of offering catering all day.
- In education, the focus will be on higher education as those higher educated and slightly older consumers are the driver behind vending in this channel (PepsiCo Benelux, 2018).
- In institutions, the most interesting direction is healthcare as it is hard to offer 24-hour catering.

Field research

Based on observations of vending machines at the targeted channels, there can be concluded:

- Vending machines are either placed at convenient locations (in central hallways or break areas) or out of sight (behind corners).
- The majority of the assortment is unhealthy with chocolate bars, chips and soft drinks containing sugar.
- A combination of vending machines is made often with coffee, drinks and snacks at one location.
- Vending can be used to offer 24-hour catering to compensate for the opening hours of a caterer.
- Healthier snacks are more likely to be found at governmental institutes, corporate organizations are behind with implementing an healthier product portfolio.

Chapter



The right consumer

Shopper strategy

- *In this chapter, the focus is on the consumer characteristics*
- *and consumer motivations to analyse the shopper strategy.*
- *This will be done by defining the general characteristics of*
- *the target group and the channel-specific motivations. In*
- *addition, a trend analysis is provided.*

4.1 General insights

In the previous chapters, the target group is defined as *Millennials*: young busy consumers aged 19-39. They prefer convenient options when eating out of home, something they do often. General insights in this target group will be shared.

Key characteristics

The key characteristics the *Millennial* is looking for when purchasing products out of home are:

- Premium: For out of home products, consumers are willing to pay more, because of the added value that is delivered through convenience or experience (GlobalData, 2018a).
- High quality: In relationship to the price premium, consumers expect good or better quality than normal retail products (GlobalData, 2018a).
- Diversity: Food choices become more diverse due to a multicultural Dutch society (Euromonitor International, 2018).
- Convenience: When eating away from home, consumers rely mainly on goods that meet their needs with as little effort as possible (GlobalData, 2017).
- Easy: Consumers feel like they have not enough time and are therefore looking for meal-solutions that make their life easier and quicker (GlobalData, 2017).

The consumer trend of being more health consciousness is visible in vending as well. More vending operators are introducing fresh food vending machines to serve this market (FoodService Instituut, 2017). In a research by PepsiCo Nutrition (2017) is concluded that 63% of the consumers in the out of home channel is trying to choose healthy products all or most of the time. Amongst working people, this group is even larger with 74% (Food Institute, 2010). In vending, 54% of the consumers say that they will purchase more if vending machines offer healthier options (PepsiCo Nutrition, 2017).

Out of home spendings

The transaction value is below average, but there is a high number of out of home occasions (FoodService Instituut Nederland, 2018), so their spendings away from home are the highest. Eating out of home is an inescapable part of their routine. It is often driven by convenience, especially lunch out of home is for 23% of the consumers a reason to eat out of home (FoodService Instituut Nederland, 2018). They are in general more health-conscious, although they like to indulge (GlobalData, 2018a).

In table 10 are the average spendings of *Millennials* on snacks and meals out of home summarised (FoodService Instituut Nederland, 2018). Here can be seen that they spend on average €3.93 a week on vending, which is lower than what they spend at other meals. Next to the three main meals, that all are sometimes purchased away from home, on average 3.55 snacks are consumed. It is likely that some of these snacks will be purchased at vending machines.

Spending on breakfast OOH	€5.91
Spending on lunch OOH	€9.63
Spending on dinner OOH	€22.97
Number of snacks a day	3.55
Spending on snacks OOH	€4.62
Weekly spend on vending	€3.93

Table 10. Average spendings on snacks and meals out of home (FoodService Instituut Nederland, 2018)

Types of needs

In daily snacking, there are two types of needs identified: functional and emotional needs (Ipsos Synovate, 2012) as presented in table 11. There is a wide range of eating occasions and the goal for brands is to meet these needs with their product or service offerings.

According to GlobalData (2018a), in Europe is functional snacking the key driver for eating out of home. In Europe, so as well in the Netherlands, there is a culture of eating at home with family. Therefore, unique products that cannot be created at home are a crucial driver for out of home consumption.

Despite functional snacking is the strategy that suits the Dutch market best, most vending operators offer indulgence snacks that serve the emotional needs (as observed in the field research in chapter 3). Therefore, Hello Goodness could offer a functional solution that meets the needs of convenient options to stop hunger, provide energy or provide distraction (Ipsos Synovate, 2012).

Need for healthier solutions

With the current healthy lifestyle trend that is driven by *Millennials*, it is clear that there is a need for healthy and nutritious food and drink solutions. 90% of the target group takes the healthiness of food into account when they purchase something (Hello GoodChoices, 2018a). This applies as well for vending, where 54% of the consumers wants to purchase more when there are more healthy alternatives (PepsiCo Nutrition, 2017).

With healthy eating, especially low fat and low calorie solutions are important to offer to the shopper. For 93% of the millennials is low and no sugar a key element of a healthy diet (Hello GoodChoices, 2018a). In comparison, eating enough fruit and vegetables, which is the second highest key element, is for only 39% of the consumer important (Hello GoodChoices, 2018a).

There is a need for guidance from brands: 62% of the consumers expects that brands help them in making better choices (Hello GoodChoices, 2018a). This can be achieved by providing suggestions for healthier options for products that are regularly purchased. Another option are rewards: 73% of the consumers wants to be rewarded for making healthy choices (Hello GoodChoices, 2018a).

Functional	Emotional
Convenience is key – 61% of consumers rely on time-saving goods and services to meet their needs when out of home (GlobalData, 2016).	Indulgence is the main objective – The away-from-home environment creates occasions to treat yourself. (GlobalData, 2018a).
Functionality – Consumers want food and drinks that replicate a need that is part of the routine at home (GlobalData, 2018a).	Experience – Eating away from home is the perfect way to offer unique products and experiences that are difficult to create at home (GlobalData, 2018a).
Often forced – consumers are likely to search for something that is aligned with what they would have consumed at home (GlobalData, 2018b).	Often chosen – consumers want something different from their routines at home, they are motivated by enjoyment. There is an opportunity for experimentation plus consumers are willing to pay more (GlobalData, 2018b).
<ul style="list-style-type: none"> • Stop a hungry feeling; • Provide energy; • Bridge between meals; • Distraction; • Eat something quick; • Offer a certain taste (Ipsos Synovate, 2012). 	<ul style="list-style-type: none"> • A treat that is eaten outside main meals as an enjoyable extra; • Sensorial enjoyment; • Improves mood by being energizing or comforting (Ipsos Synovate, 2012).

Table 11. Functional versus emotional snacking

Food during the day

During the day, the type of snacks that are consumed change. In general, consumers are getting less strict about their choices (Ipsos Synivate, 2012). In the morning, consumers start rather healthy, while the level of freedom in making less healthy decisions increases during the day. Per consumption moment, the insights are summarized in figure 26.

There is a correlation between the growth of out of home consumption and the number of eating moments, which has both grown over the past years. In addition, the spending on out of home snacking has increased as well (FoodService Instituut Nederland, 2018).

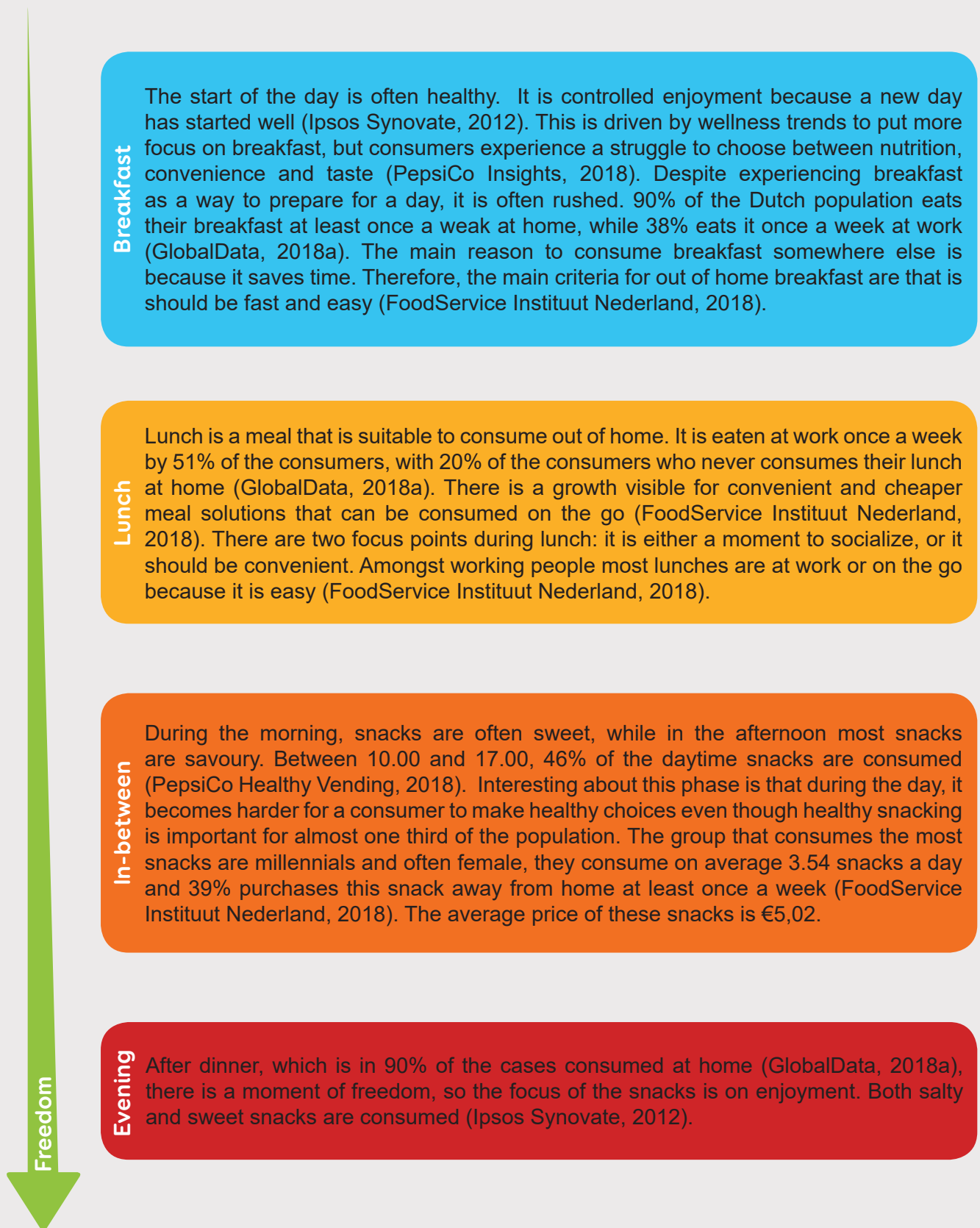


Figure 26. Increase of freedom during the day in food choices

4.2 Demand moments

During the day, there are different demand moments with corresponding reasons why a certain type of food is chosen. At different times, other needs need to be solved with a snack, beverage or meal. Those demand moments can be matched to the assortment to solve the consumer needs.

Moments of consumption

From the research of Ipsos Synovate (2012) can be concluded that a typical day consists of three main meals and three to five snacks, as shown in figure 27. This is in line with the average of 3.55 snacks a Millennial consumes on daily basis (FoodService Instituut Nederland, 2018).

During the day, the freedom increases, especially for the in-between moments. The main meals are often functional oriented. The snacks can have functional or emotional purposes, as in line with Ipsos Synovate (2012). Functional snacks are often to energize or because of health reasons, like a morning snack to stop hunger or an activating afternoon snack. Emotional snacks are either social or based on indulgence. Examples of social moments are the coffee and tea moment with something sweet. Examples of indulgence moments are the evening snacks that are based around enjoyment.

For daily snacking, the focus is on offering functional food and drink solutions, which Hello Goodness needs to full fill with the assortment.

Use of vending machines

Vending is a well-used strategy to sell food and drinks to consumers as a solution for the demand moments. 58% of the consumers uses a vending machine at least once a week in the UK (PepsiCo GoodChoices, 2018a). The vending landscape of the Benelux is comparable to that of the UK, so there is a high probability that vending machines are often used by the Dutch *Millennials* as well.

Vending machines are most often used in the afternoon, with 75% of the consumers who prefer this time of the day (PepsiCo GoodChoices, 2018a). Because vending machines often offer indulgence products, consumers give themselves more permission to purchase it later during the day (Ipsos Synovate, 2012). In general, consumers spend €3,93 on weekly basis to purchase items in vending machines (Hello GoodChoices, 2018a).

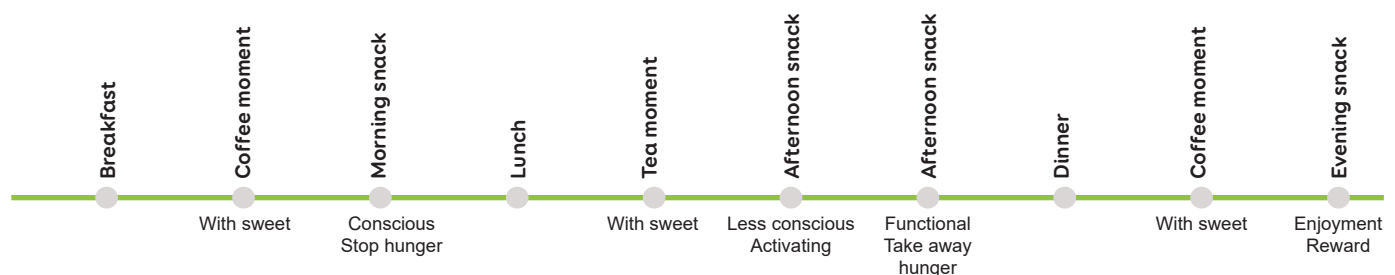


Figure 27. Time line with consumption moments during the day (Ipsos Synovate, 2012)

Demand moments

During the day, there are different reasons to consume a snack. The need state of a consumer defines the goal that a consumer wants to achieve with a certain snack (PepsiCo Insights, n.d.).

Ipsos Synovate (2012) categorized the different goals a consumers wants to achieve with a snack in eight categories. In figure 28 those demand moments are shown during the day.

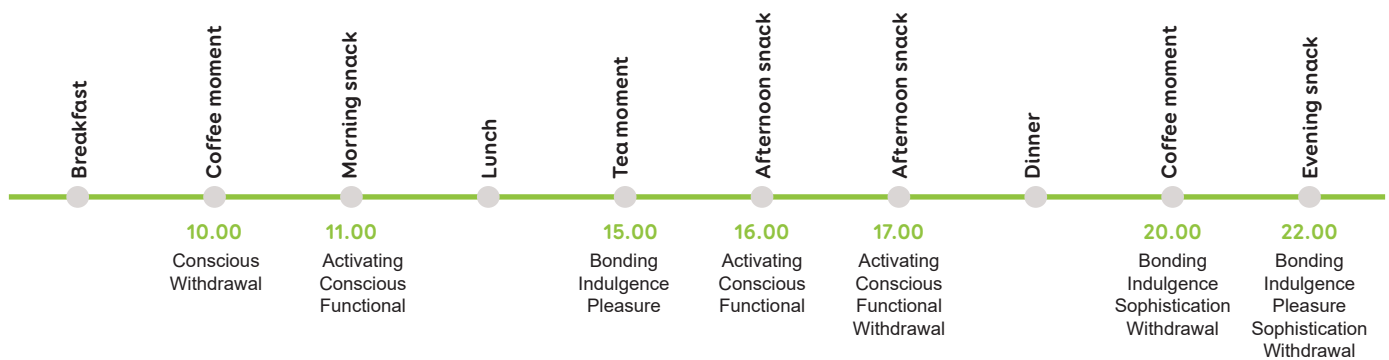


Figure 28. Time line with motivations to choose for specific type of food (Ipsos Synovate, 2012)

Activating

Products that offer quick energy and that are rather filling. Convenience is key with a preference for individually packed products.

Bonding

Easy to share and easy to eat. Focus on good taste which can be shared in a social context.

Conscious

Healthy nutritious products that actively contribute to a healthy body. Low calorie products as fruit, grains and fibres are types of food that are appreciated.

Functional

Products that provide long-lasting energy and are filling. Therefore, relatively big products are found in this category as they are an addition or replacement of meals.

Indulgence

Preference for products that give a good experience. Complex flavours and textures are appreciated. The enjoyment has to be as long as possible.

Pleasure

Big products that can be consumed for a long time, preferably with hands. They are playful with an accessible taste.

Sophistication

Exclusiveness is key. The snacks are delicate, refined and have exclusive flavours.

Withdrawal

Products that have the goal to comfort someone. A consumer wants to keep eating it because it suppresses anxious feelings.

Demand moments for Dutch Millennials

To get an idea of the current eating behaviour of consumers that fit in the target group, a small exploratory research (n = 5) is conducted. See appendix C for the research set-up and results per respondent.

The insights from the exploratory research are combined into a time line that includes the demand moment during the day according to *Millennials* (figure 29). When comparing it with the Dutch population, it becomes clear that the morning snack is perceived as a functional snack that is consciously chosen. In the afternoon, the respondents see the demand moment as bonding and indulgence, while the general population still prefers a functional and activating snack. For both populations, withdrawal is a characteristic. In the evening the results are comparable, there is a demand for bonding, indulgence and pleasure.

From this small research can be concluded that the results of the analysis of Ipsos Synovate (2012) are applicable to the target group, with the remark of the added preference for indulgent snacks in the afternoon.

Method: Exploratory research

An exploratory research amongst *Millennials* to analyse which types of food they consume and why.

1. Participants are asked to track their food and beverage intake for a day and note down:

- Time of consumption
- Type of food
- Location
- Why they consume it

2. All out of home consumptions are taking into account. All meals and motivations are given a label based on the categorization of Ipsos Synovate (2012).

3. A time line with demand moments is created and compared to the original data of Ipsos Synovate (2012).



Figure 29. Comparison demand moments own research with Ipsos Synovate (2012)

Demand moments according to PepsiCo

PepsiCo Insights (n.d.) defined its own demand moments. Those show similarities with the identified demand moments of Ipsos Synovate (2012) in figure 28. In table 13, a summary of the demand moments and the corresponding motivations are provided.

Because the main meals are labelled as well by PepsiCo Insights (n.d.), an overview that included the insights from Ipsos Synovate (figure 28), the exploratory research (figure 29) and PepsiCo Insights (table 13) can be created. This time line, as presented in figure 30, will be the start for the assortment development by offering the right products for each demand moment.

Demand moment (PepsiCo Insights, n.d.)	Moments	Motivation (Ipsos Synovate, 2012)
Life's basics	Lunch, afternoon snack	Functional
Making the moment	Afternoon snack, evening snack	Bonding & Pleasure
Mood shift	Afternoon snack, evening snack	Indulgence & Withdrawal
Simple goodness	Morning snack, afternoon snack	Sophistication
Simple pleasure	Morning snack, afternoon snack	Activating & Pleasure
Vitality	Breakfast	Conscious

Table 13. Corresponding demand moments and motivations

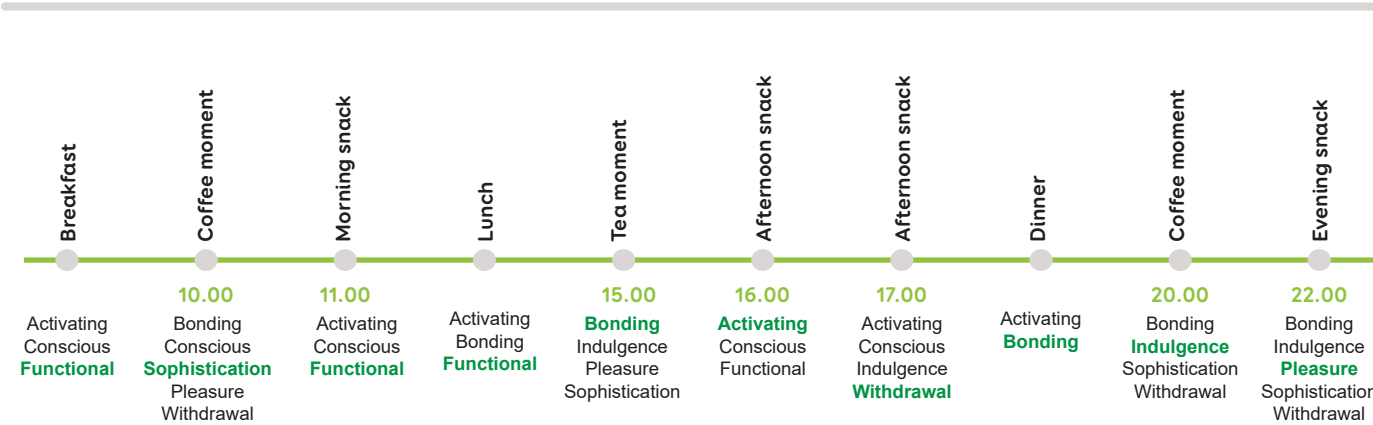


Figure 30. Time line with demand moments during the day , the main demand marked in green per meal (Ipsos Synovate, 2012; Appendix B; PepsiCo Insights, n.d.)

4.3 Consumer motivations

During the day, the demand moments change. Therefore, it is interesting to further analyse why consumers change their motivations for different types of consumptions.

Quantitative research

During the day, the consumer needs change. In a qualitative research amongst students and working people (see Appendix D for the interview guide), the consumer motivations during the day are analysed.

The research question to be answered is: *What do busy Millennials consume during the day and what are the motivations behind these food choices?*

This research question is answered by asking students and employees per daily meal and snack moment what they consume, why they choose this and where they consume it. The answers are used to determine the motivations for certain decisions during the day.

The answers per meal and categorization is added in Appendix E. In section 4.4 are the relevant motivations of employees included and in section 4.5 the motivations of the students.

Method: Interviews with target group

A qualitative research is set up with employees of different organizations (n = 6) and students (n = 6) at different levels of higher education (includes MBO, HBO and University students).

1. The purpose and content of the interview are shared at the start.
2. Opening questions on what the interviewee sees as a meal and a snack.
3. For breakfast, morning snack, lunch and afternoon snack, the following topics are asked:
 - Typical consuming moment
 - What they eat and drink
 - Where it is consumed
 - Where it is purchased
 - What the ideal meal and drink are
3. On each answer is elaborated to find the motivations
4. The quotes that include the motivations are clustered per meal and per sub-topic per meal.
5. An overview of the main topics is created (figure 31).

Motivational overview

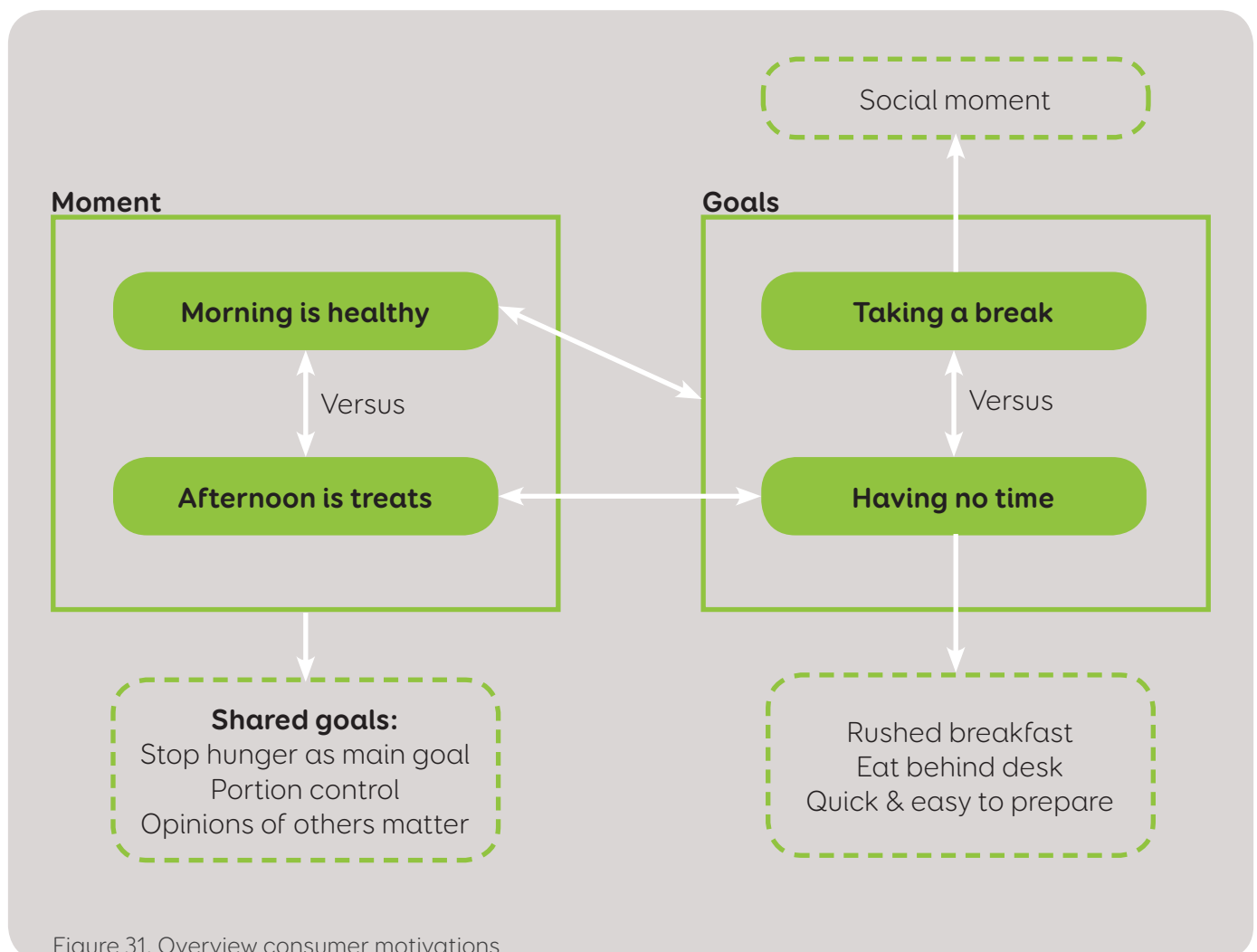
There are two main clusters as shown in figure 31, the moments cluster and a cluster with goals for the consumption moment.

The moment cluster confirms the findings of Ipsos Synovate (2012) that the day is started healthy and there is an increased freedom later. For the morning, consumers are looking for healthy solutions for their breakfast and morning break, while in the afternoon there is room for treats. The shared goals for each consumption moment are based on why healthy decisions are made. The main goal to eat or drink something is to stop hunger. Healthy decisions are made because consumers care about the opinion of colleagues and other students. In addition, they want to have portion control, so they do not consume too much in a snack moment with the result of not being hungry for the main meals.

The moments cluster is linked to the goals cluster. Especially in the afternoon, having little time to take a break is a reason why convenient solutions are preferred. In the morning, the consumer makes the decision between taking a break or consume it while working.

Taking a break is related to having a social moment, this helps to get away from work and engage in an informal way with others. On the other hand, when there is no time, consumption may happen at the desk, while traveling or rushed at home before leaving. In these cases there is a need for food and drinks that are quick and easy to prepare.

To summarize, Hello Goodness should provide both healthy as more indulgent products that can either be shared to create a social moment or be portion sized easy to consume products.



4.4 Workplace

In this section, the shopper strategy of the target group at *workplaces* will be presented. This is based on desk research and the customer motivations.

Employee characteristics

One of the largest user groups for Hello Goodness are employees aged 19 till 38. Many of the people in this age group spend their time working a full-time or part-time job. At least 33% of the daily calorie intake is consumed at work (Hello GoodChoices, 2018a). This include a lunch at work and in-between snacks and drinks. Despite the high amount of calorie intake at work, employees feel that they are catered well at work (Hello GoodChoices, 2018a).

With the shift from a 9 to 5 working culture towards more flexible working times (Office Magazine, 2014), eating patterns are transforming. As a result, it is more difficult for company restaurants to have opening hours that suit everyone (Hello GoodChoices, 2018a). Especially, there is an increase in consumers who consume their dinner at work: 12% of the millennials eats their dinner here while other generations consume it at home or in restaurants (FoodService Instituut Nederland, 2018). Currently, a lunch break at a company

restaurant has two purpose: offering a space to have a social break with colleagues and providing food options. 28% of the employees eats at a company restaurant because there is a lack of time in morning to prepare lunch (FoodService Instituut Nederland, 2018).

As shown in the persona of Emma (figure 32) The *Millennial* is a busy consumer, they do not always have time to bring in-between snacks and drinks with them to work. Still, 46% of the daytime snacks are consumed during working hours (PepsiCo Healthy Vending, 2018). Therefore, there is a demand for snacks that are available at the workplaces. To meet the demand for healthy snacks, as 90% takes the healthiness of food often into account (Hello GoodChoices, 2018a). PepsiCo can contribute to this need by offering healthier and more nutritious options through vending.

Businesses with at least 50 employees are suitable for vending (360Connect, n.d.) with the added benefit that vending is always available for employees in comparison to a company restaurant which is more expensive to keep open at all demand moments.



Emma

Details

Age: 29
Location: Amsterdam
Occupation: HR Manager
Job type: full-time
Education: Master degree
Status: living together
Interest: reading, yoga

Motivations

- Wants to stay fit and healthy
- Likes to treat herself after a long day
- Want to work efficiently

Challenges

- Long working days and busy schedule
- Not always time to prepare meals
- Get to consume enough vitamins

Decision making

- Does not mind to spend more on quality
- Makes conscious decisions
- Prefers products that are nutritious

Figure 32. Persona of an employee

Motivations

See below the most relevant quotes from the quantitative research (Appendix E) that are presented to create an overview of the specific motivations for employees.

W4: "I eat it after my desk, it is convenient because I'm already there."

W5: "I always eat lunch at the canteen, because I like to spend time away from my desk and meet people."

The in-between meals are consumed behind the desk to still keep working, while for lunch a larger break from work is preferred. The consumers like to socialize with their colleagues in a non-work related setting. The products that are targeted to be consumed while working should be suitable to eat behind the desk, therefore they should be easy to eat without spilling it.

There is a need to include fruit and vegetables in the different meals. Especially in the morning, the employees like to eat some fruit to stop the hungry feeling when it is no lunch time yet.

W3: "I eat vegetables during lunch so I already eat my vegetables and do not have to force them in my dinner."

W6: "I try to eat 3 pieces of fruit every day, so it is nice to start in the morning."

W4: "What I like about snacks is that you just take it out of the packaging, I do not have to find a plate or spend time preparing it."

For an in-between meal, there is a preference for convenient packaged products. The employees want something portion sized without spending time on preparing to eat. Therefore, the products in the Hello Goodness machines should be portion size and ready to eat.

With long working hours, there is a need to consume something in the afternoon. The employees have a preference for something tasteful that stops their hungry feeling. In combination with the results from Ipsos Synovate (2012), there can be concluded that there is a preference for sweet and salty snacks. At this demand moment, snacks could be less healthy.

W3: "I make long days at the office, so between 3 and 4, I need to eat something, because my dinner is late."

W2: "I would like something not too unhealthy. But you take a snack because lunch was too early, so it must be healthy but tasteful as well."

4.5 Education

In this section, the shopper strategy of the *Millennials* at the *Business & Institutions* segment of *higher education* will be presented. Based on desk research and the motivations, insights are shared.

Student characteristics

The focus for the education channel is on higher education. The shoppers in this channel are on average young *Millennials*: between 18 and 22 years old. The education levels include MBO, HBO and universities. In the Netherlands, there are approximately 1.2 million students who are enrolled in one of these educational institutes (CBS, 2018). In Belgium, there are approximately 0.5 million students enrolled at higher education (EuroStat, 2018). An example of the motivations of an university student is provided in figure 33.

An important student characteristic is that they have a flexible planning, they do not have a 9 to 5 day. During exam period, many students spend long days at the institution to study, while on other weeks they follow a schedule with a mix of lectures, work groups and group projects. Therefore, it is hard

for students to plan in advance and it becomes a challenge for caterers to be profitable while always being available. During the scheduled breaks, catering is a popular way to get food and drinks, while outside breaks there should be other options available. In education, 14.7% of the sales is due to vending (Hello GoodChoices, 2018a). There is an equal distribution of which gender uses vending, it is 50-50 (Hello GoodChoices, 2018a).



John

Details

Age: 22
Location: Rotterdam
Occupation: Student
Education: Bachelor Business Administration
Status: single
Interest: soccer, social drinks

Motivations

- Get in shape for soccer matches
- Enjoy social moments by drinking beer
- Get vitamins in a simple way

Challenges

- Balance student life and free time
- Preparing food for one person is hard
- Schedule can change during the day

Decision making

- Price conscious
- Get enough energy to keep activated
- Likes an indulgent treat

Figure 33. Persona of a student at university level

Motivations

To illustrate the motivations of the students, relevant quotes from the quantitative research (Appendix E) are added below.

E6: "I feel a dip in my sugar level, by being prepared I make sure I make it through the day."

E4: "I always go home for a small break, because there are no good alternatives."

The days of the students in the field study are different for each day, their schedule changes often. During long days, a snack in each break is often consumed. This results in many small meals, so the products in Hello Goodness should offer some energy, but not too much calories and sugar to prevent a sugar dip. On the other hand, some students are very flexible and can go home to take a break and eat there.

Students have to be price conscious, as they have less money to spend. A solution they propose is to bring food with them, as it is cheaper to buy meals at the supermarket and prepare it at home instead of the canteen.

E3: "It is easier and cheaper to bring lunch from home."

E4: "It would be ideal when I don't have to prepare it. Cheap and really quick to bring along with me would be perfect."

E2: "It is not allowed to eat in the classroom at school, so everyone starts to eat when the teachers leave the room."

E2: "At school I always eat something, because I have a morning break it is easy to eat something. It is now part of my routine to eat during the break."

At MBO and HBO, there are school rules that apply, like not being able to eat in class. For all educational institutions, there is a day schedule with scheduled breaks. The students are likely to consume something each break, therefore it is interesting to offer multiple small items and have a broad range of items to keep it interesting.

The interviewed students like motivational food, because sometimes they feel like they need to treat themselves. Therefore, next to healthy snacks, shareable snacks and less healthy snacks are recommended to include.

E5: "During a lecture break I often buy a candy bar or a bag of chips, I see this as a motivation to keep paying attention in the lecture."

E6: "Sometimes I go to the Spar University to buy a treat, like cookies to share with friends."

4.6 Institutes

The last channel in the *Business & Institutions* channel is *Institutes*. This includes all other institutes than workplaces and education. For Hello Goodness, the focus is on healthcare as many other institutions show similar characteristics with workplaces.

Hospital visitor characteristics

In the Netherlands, there are 543 hospitals (Statista, 2019b) and 175 in Belgium (Statista, 2019a). There are multiple reasons why consumers visit a hospital, amongst them are: having an appointment, operations, accidents, check-up, visits to friends and family and accompanying a relative. As a result, there are multiple mood states a visitor can have, from nervous and anxious to relieved as the visit is over.

In a hospital, the target group is not limited to the target group of Hello Goodness, therefore it is likely that other consumers with different needs expect to find their preferred product as well in the vending machine. An example of an user is shown in figure 34. In the field study (see section 3.4), there is observed that in healthcare there are healthier products offered as well next to indulgent snacks. Different needs are covered with this broad assortment.

Motivations

See figure 35 for an overview of the main motivations based on a qualitative research (appendix D and E). The hospital visitors do not have high expectations of the products offered at the hospital. There is a focus on drinks, as most visits are short and recurring appointments without long waiting times. Especially hot drinks and water are preferred products, the hospital visitors in the research like to have them for free. They see it as a nice service from the hospital to increase the experience.

The consumers fall into two categories when it comes to food, some visitors like to consume something as a distraction, while others are too nervous to think about food. Therefore, vending machines are often placed in waiting areas. The consumers who like to eat something are prepared, they know that they have some time waiting at the hospital so they bring it with them to their appointment. But still, impulse buying happens when waiting times are longer than expected. One visitors buys something after the visit at the restaurant to have something to look forward to, he buys indulgent products.



Barbara

Details

Age: 33
Location: Utrecht
Hospital visitor
Status: engaged
Interest: reading, cooking

Motivations

- Wants a distraction from waiting
- Prefers something healthy
- Get fit again

Challenges

- Being prepared
- Not being hungry to prevent impulses

Decision making

- Bring it from home or not
- While waiting or as a reward afterwards

Figure 34. Persona of a hospital visitor



Figure 35. Results qualitative research in healthcare (Appendix D)

4.7 Trend analysis

There are many trends that define the context of the consumer environment that are relevant for the Hello Goodness project. The trends are either related to food, packaging, the target group of health. The trends are found via trend reports. The underlined trends are the most important trends for the Hello Goodness project. A visual overview with relations between all trends is presented in figure 36.

Food related

- Added benefits: Add ingredients with health benefits to products to maximise the health value (PepsiCo Insights, 2018).
- Probiotics: Pre and pro-biotic enhanced drinks to stimulate the digestive process (PepsiCo Insights, 2018).
- Boost routine: Add something extra to beverages (like water) to make it more exiting and eye-catching (PepsiCo Insights, 2018).
- Recovery food: Products that have added ingredients to help the consumer recover after exercising so physical and mental state are back at optimal levels. For example added protein (PepsiCo Insights, 2018).
- More focus on natural food: consumers are conscious about where and how their food is produced and the ingredients. As a result, they prefer natural ingredients to avoid artificial additives (PepsiCo Insights, 2018).
- Natural sweetness: Consumers are aware of the dangers of sugar, but are still looking for products that give the same satisfaction as sugar. Therefore, natural sweeteners are a healthy alternative (PepsiCo Insights, 2018).

Packaging related

- Solve plastic problem: Consumers are actively cutting down use of plastic in packaging and products (PepsiCo Insights, 2018).
- Simple choices: products or services that present simplified and hassle free choices in an overwhelming environment (PepsiCo Insights, 2018).
- Healthy labelling: consumer are eager to live healthier, when it is clear what are healthy options, it is more likely they make informed choices quickly (PepsiCo Insights, 2018).
- Product information: There is an increased need to know the ingredients and nutritional values of food that is purchased (FoodService Instituut Nederland, 2017).

Health related

- Digital wellness: make complicated health topics user friendly by simplifying and health goals more achievable (PepsiCo Insights, 2018).
- Awareness nutritional value: Consumers are more aware of the nutritional values of food and want to consume better options (PepsiCo Insights, 2018).
- Conscious snacking: People are mindful about the product they put in their bodies. Especially, there is more awareness about embedding more vegetables and fruits in the daily routine (GlobalData, 2018a).

Target group related

- **Health and wellness:** People of all ages are more pro-actively addressing their health in a more holistic and personalized manner (PepsiCo Insights, 2018).
- **Cultural exploration:** consumer want to experience and understand other cultures by experiences, products and services (PepsiCo Insights, 2018).
- **Personalization:** With a busy lifestyle, consumers want services that enables them to curate their lifestyle around their personal needs by having tailored products (PepsiCo Global Insights, 2018).
- **Urbanization:** More people are living in urban areas, these urban lifestyle drives the growing perception of time scarcity and let consumers depend more on out of home (GlobalData, 2018a).
- **Convenience and efficiency:** Busy consumers do not have time to consume at home, therefore they depend more on services that offer directly and are widely available (GlobalData, 2018a).
- **Diets are a way of life:** more consumers than ever are adopting a diet for non-medical reasons by becoming vegetarian or vegan (Hello GoodChoices, 2018a).

- **Ethical living:** Consumers pay more attention to issues of sustainability, animal welfare and fair trade resulting in a driving demand for organic, free range and ethically traded products (Euromonitor, 2018).
- **Smart and connected:** In a technology-enabled society, consumers are always connected to technology and the internet. These technologies are seamlessly integrated in their life and buying behaviour (GlobalData, 2018a).
- **Social media influence:** Consumers spent a lot of time on social media. An outcome is that online influencers have a growing power on the users (Euromonitor, 2018).
- **Unique experiences:** Consumers want experiences that are unique and of high quality (GlobalData, 2018a).
- **Sustainability:** Consumers expect companies to take action on sustainable initiatives, they prefer brands that are aligned with their sustainable beliefs more and more (FoodService Instituut Nederland, 2017).

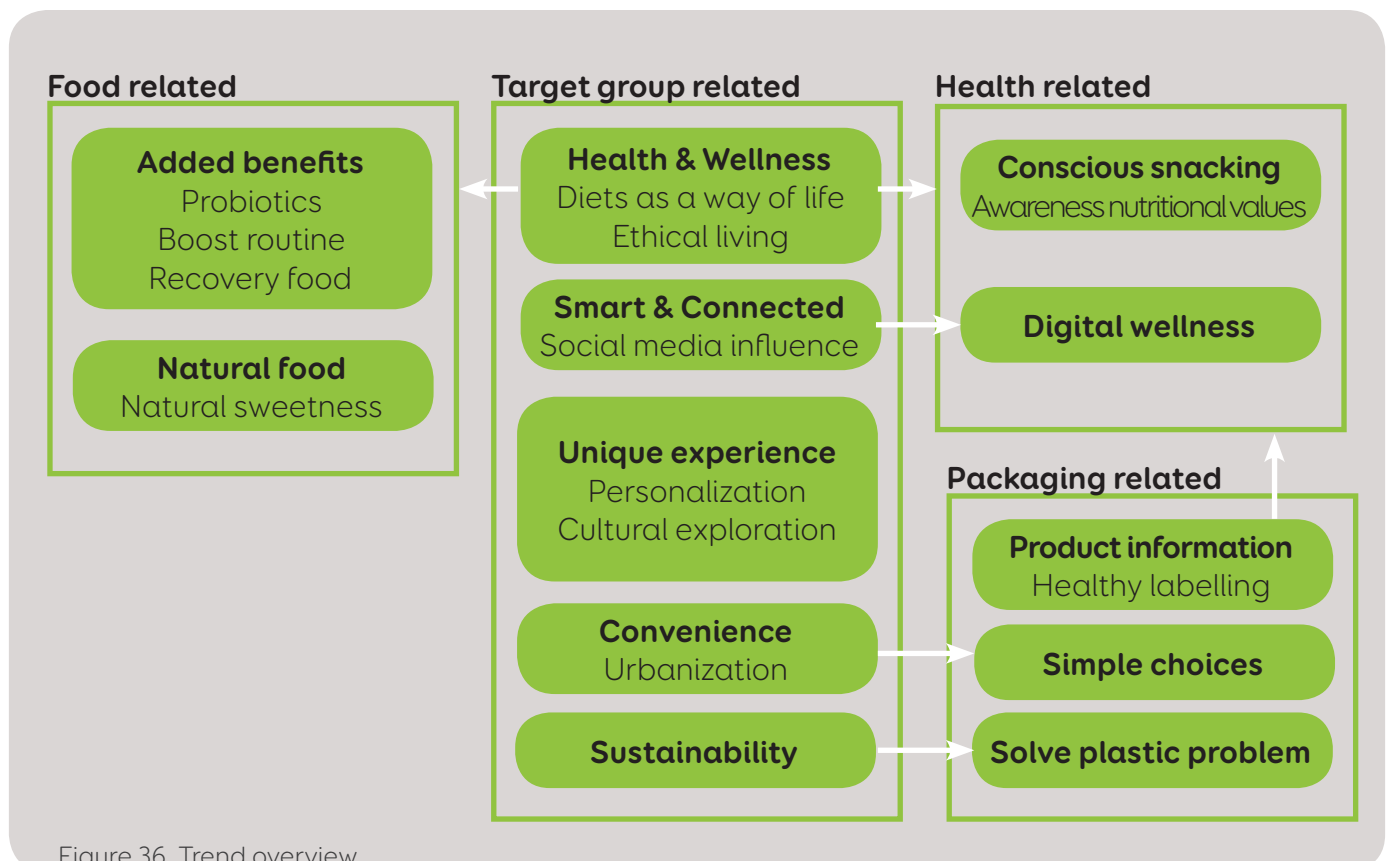


Figure 36. Trend overview

Summary

Demand moments

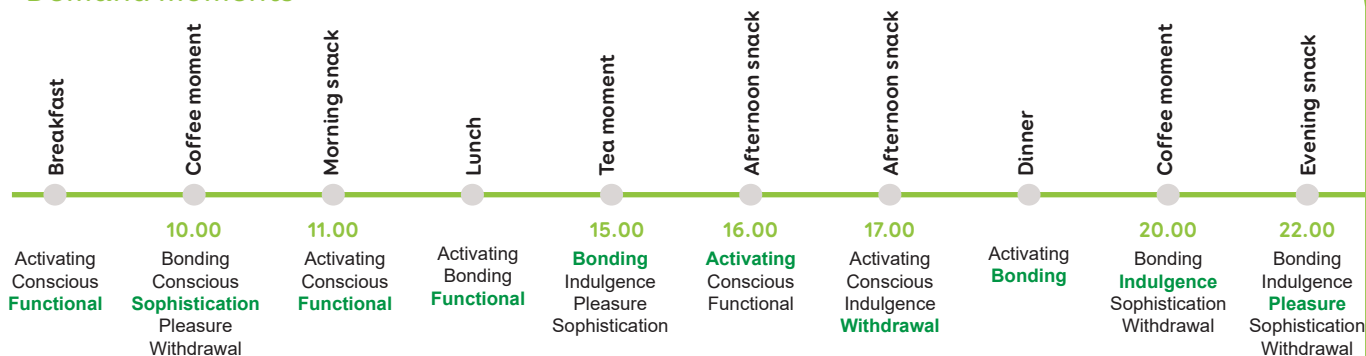


Figure 37. Demand moments during the day

Consumer motivations

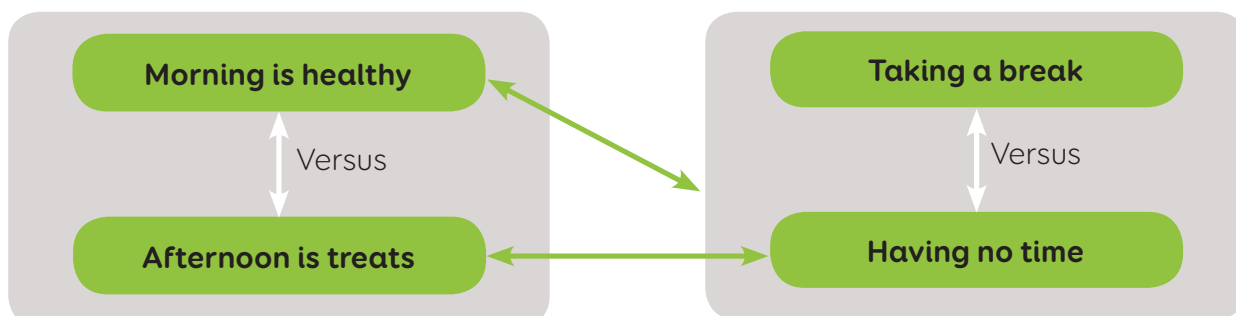


Figure 38. Main conclusions from quantitative research

Trend overview

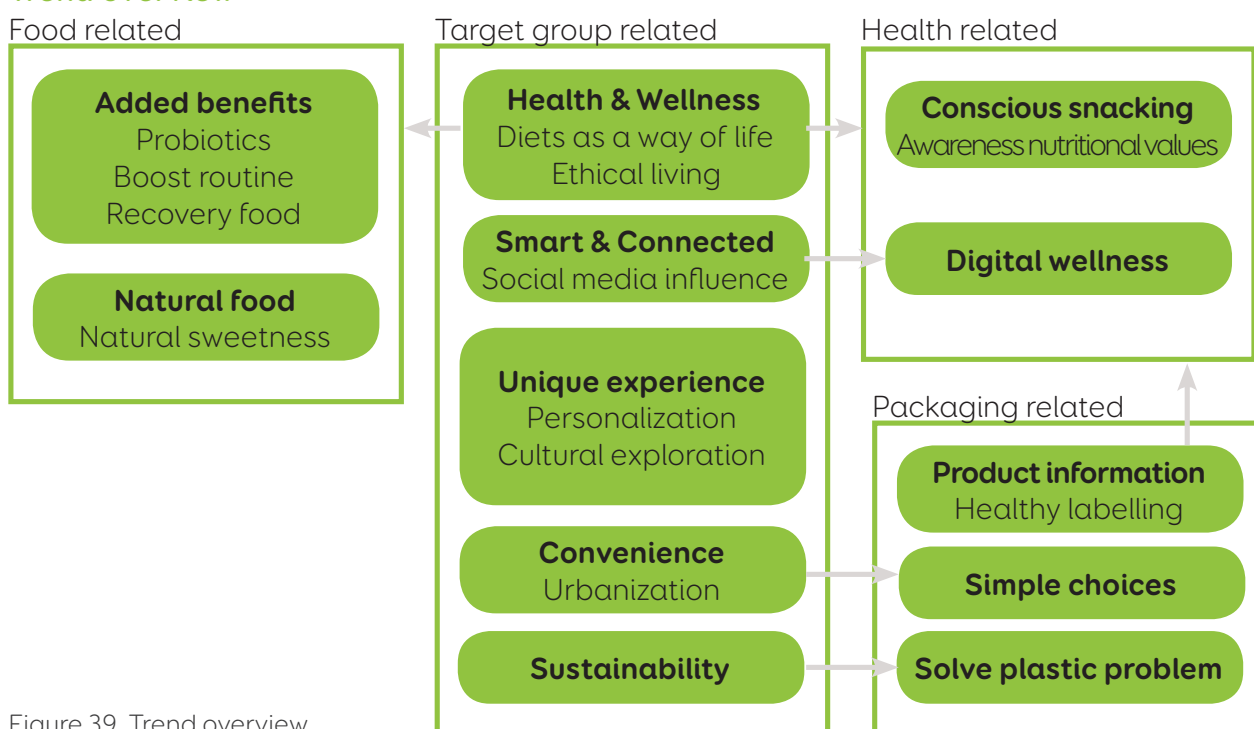


Figure 39. Trend overview

Chapter



The right assortment

Category assessment

- *In this chapter, the advice on the product portfolio in the Hello*
- *Goodness machines will be given. The possible featured*
- *brands and their products will be analysed in combination*
- *with an analysis of the preferred assortment according to the*
- *customer motivations.*

5.1 Assortment guidelines

The assortment of the Hello Goodness machines has to be selected based on guidelines. The guidelines are based on the international guidelines and special rules as provided by the European board of PepsiCo (Edwards, 2019).

Product portfolio direction

In the traditional vending industry, the consumers expect indulgent products, such as chips, chocolate bars, candy and soft drinks (PepsiCo Nutrition, 2017). To tap into the health consciousness trend (PepsiCo Insights, 2018), vending operators are starting to offer healthier products as well. Based on the field analysis in chapter 3 can be concluded that there are in general two options:

1. Add a few healthier products next to the traditional vending portfolio, such as nut bars, popcorn or zero sugar soft drinks.
2. Build a new vending machine to offer fresh, healthier products.

As shown in figure 38, research in the USA (PepsiCo Nutrition, 2017) has shown that vending consumers are pragmatic, they do not expect fresh vending products such as fruit, but there is a need for healthier choices. The consumers want to exclude unhealthy ingredients, but still have great tasting products. Because consumers want to know what to expect when buying something, they have a preference for brands they trust in the machines (Hello GoodChoices, 2018b).

As a result, the assortment of Hello Goodness will be positioned in the middle between traditional expected products and unexpected healthy products (see figure 40).

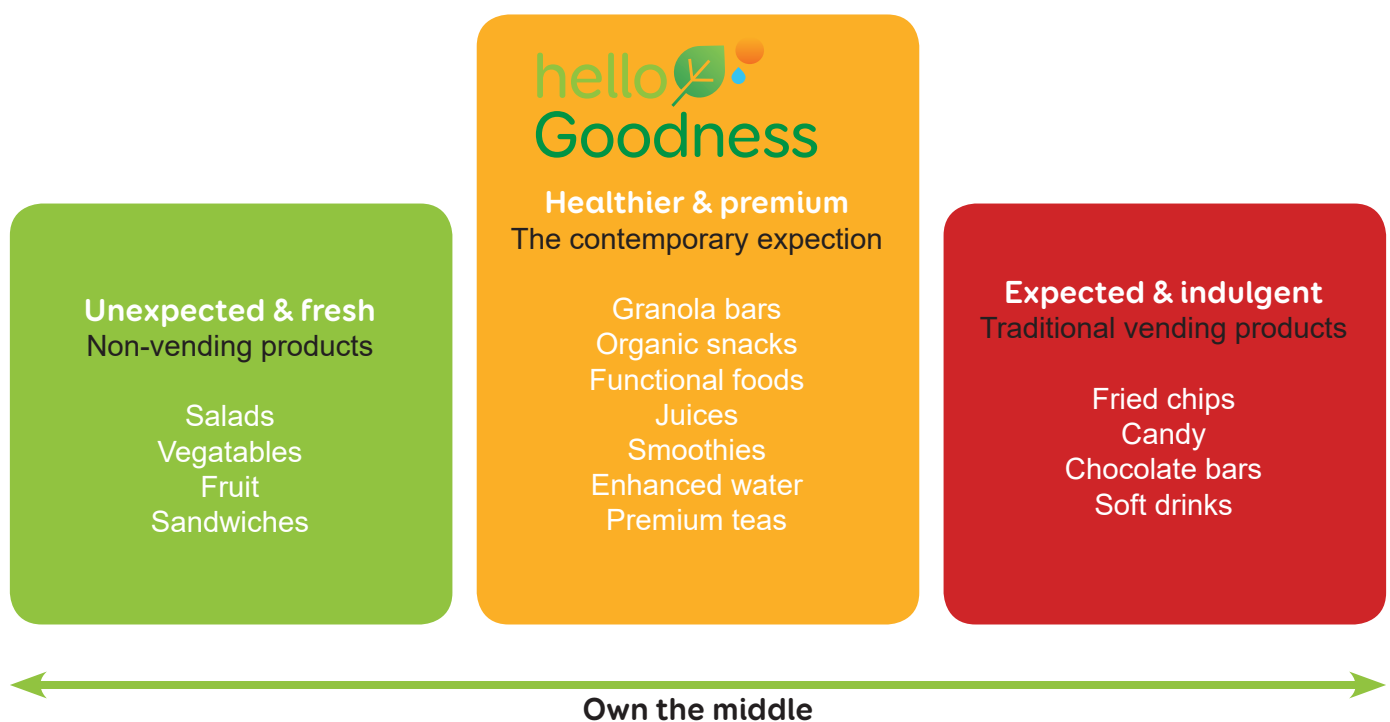


Figure 40. The positioning of Hello Goodness in the vending landscape.

International guidelines

PepsiCo is currently transforming their product portfolio towards a more sustainable and healthier portfolio (PepsiCo Sustainability, n.d.). In line with Performance with Purpose, guidelines are formulated to transform the portfolio towards 2025 (Hello GoodChoices, 2018b). In figure 41, these general guidelines for the overall portfolio are shown. The guidelines are based on reducing sugar, reducing fat and reducing salt in order to keep offering everyday nutrition (Hello GoodChoices, 2018b).

In the USA and UK there are guidelines formulated before a product qualifies to be added to the vending machines. A product needs to meet these guidelines and meet the needs of the consumer. For the Benelux, these guidelines will be used to select the products. Note that the content of the vending machines is not related to the rules of the “Gezonde Schoolkantine”, as the Hello Goodness machines will be placed at locations where these rules are not obligated.

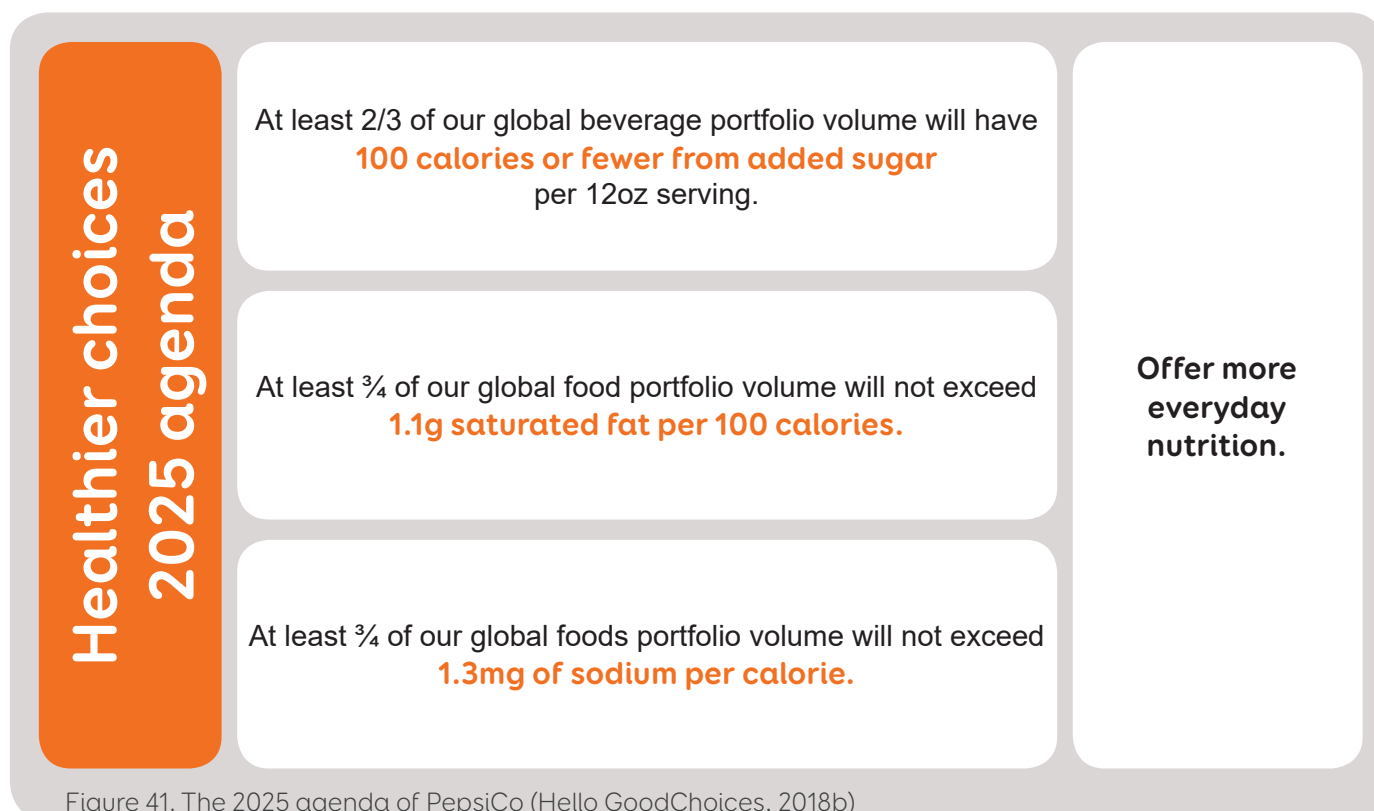
A case study on the UK project of Hello GoodChoices is added in appendix F for more information about the context and assortment.

Guidelines USA Jed (2016)

- Snack item with less than 200 calories per package
- Less than 200mg sodium
- Less than 10% of calories from saturated fat
- Grain products with only 100% whole grains
- Beverages should contain less than 20 calories per 100 ml or be 100% juice
- Consumers need to be willing to pay a premium price for the product

Guidelines UK

- Low or no sugar beverage
- Offer functional properties by containing:
 - Fruit and/or vegetable
 - Nuts
 - Fibres
 - Protein
- Products that contribute to the 5 portions of fruit and vegetables a day
- PepsiCo branded product



Current assortment

In figure 42, the products that are part of the current Hello Goodness portfolio in the USA are marked. These products can not be copied directly towards the Dutch market, but it provides a general idea of what product options and brand are currently part of the assortment in the USA.

Included products in the snacks category are chips, nuts, hummus and healthy bars with nuts or oatmeal. For drinks there are energy drinks, soft drinks, sports drink, water, juices and smoothies.

Guidelines slots

For the shelf plan, there are some guidelines as well. These guidelines are requirements from the European board (Edwards, 2019) for the composition of the product assortment:

- Around 50% of the content has to be nutrition.
- Balance between drinkable and snack products
- 100% PepsiCo brands for food and nutrition.
- If a product is necessary and not in the PepsiCo portfolio, exceptions for partnerships can be made.
- Keep the number of items limited to guarantee good service and availability.

Benelux guidelines

The guidelines to test whether a product is suitable for Hello Goodness in the Benelux are based on the learnings from Hello GoodChoices in the UK (Hello GoodChoices, 2018b). They include as well the recommendations of Voedingscentrum (n.d.) and the international guidelines. If a product qualifies is determined in collaboration with category management experts at PepsiCo Nederland.

Benelux Guidelines:

- Portion size packaging.
- Products that are included in the “Schijf van vijf” (Voedingscentrum, n.d.)
 - Containing fruit and or vegetables.
 - Containing wholegrains.
 - Containing unsalted nuts.
- Drinks without added sugar.
- Soft drinks should be sugar free.
- Snacks should have less calories, less salt less saturated fat than the traditional alternatives.
- Products that offer a health benefit.



Figure 42. Current assortment (FoodNetwork, 2016)

5.2 Brand plan

In this section, the brands that are suitable to be included in Hello Goodness are identified. The outcome is a global shelf plan.

Suitable brands

Based on the categorization of PepsiCo, the brands that fit in the categories *Good for you* and *Better for you* are potentially suitable (PepsiCo Brands, n.d.). The products of these brands are likely to meet the Benelux guidelines for Hello Goodness and are therefore worth exploring. The suitable brands are shown in figure 43.

As an important function of Hello Goodness is to offer nutritional solutions and especially at workplaces and educational institutes the machines can help to cater the users during non-opening hours of caterers. Therefore, in the Benelux the same guideline as in the UK will be applied: 50% of the assortment will consist of nutritious products like grains, juices and smoothies (Hello GoodChoices, 2018b). In the UK, very little focus is on soft drinks with only 4 facings reserved for soft drinks. Social drinks as 7UP and Pepsi Max may be interesting to include in the machines as they are healthier than normal soft drinks, but they still have the association of being unhealthy. If there are other vending machines located near the Hello Goodness machine that include soft drinks, leaving 7UP and Pepsi Max out is recommended to increase the healthy appearance of Hello Goodness.

Two important drinks are water and ice tea, those two products are mandatory to include (Edwards, 2019). PepsiCo does not own their own brands in the Netherlands, therefore a partnership has to be established. This will have effects on the *Go to market* strategy. For water, a collaboration with Vrumona (the current bottler for PepsiCo Nederland) has to be established. For ice tea, Lipton that is created in a joint venture with Unilever i, but in the Netherlands distributed by Unilever, is an interesting option, but therefore a partnership with Unilever has to be established.

An introduction of all brands that are relevant is provided in table 14.

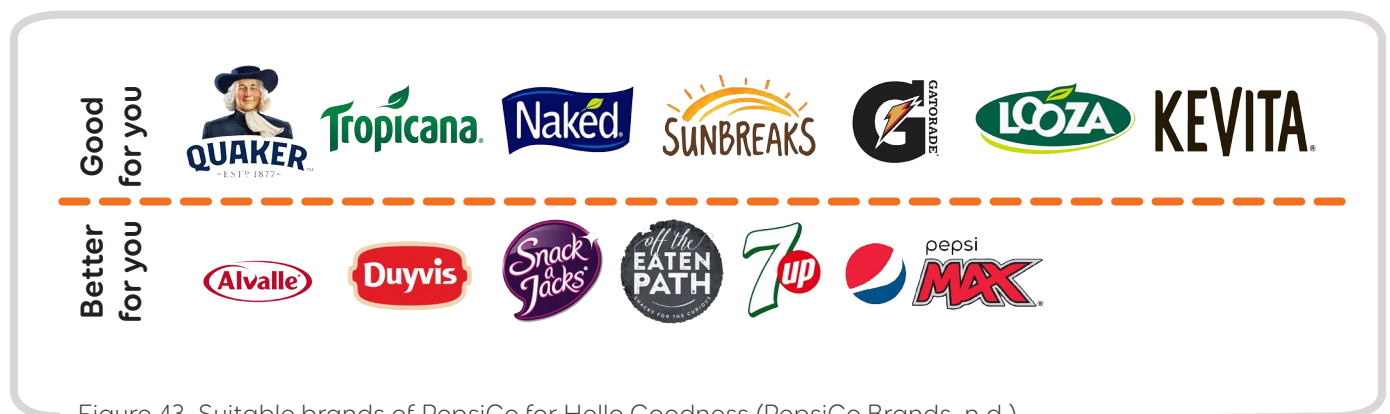


Figure 43. Suitable brands of PepsiCo for Hello Goodness (PepsiCo Brands, n.d.)

	Brand	Description	Remarks
Good for you	Quaker	All Quaker products contain oats and are mainly focused at breakfast (Quaker, n.d.).	
	Tropicana	Freshly produced (not from concentrate) fruit juices (Tropicana, n.d.).	
	Naked	Smoothies containing fruit and vegetables without added sugars (PepsiCo Brands, n.d.).	
	Sunbreaks	A multigrain snack containing 33% less fat as potato chips (Sun Breaks, n.d.).	
	Gatorade	A brand focused at sport with sport drinks and sports nutrition (Gatorade, n.d.).	
	Looza	Fruit juices in different flavours (Looza, n.d.).	Products are only sold in food service
	Kevita	Kombucha is a fermented beverage that has probiotic benefits (Kevita, n.d.).	Currently glass packaging
Better for you	Alvalle	Gazpacho and cold vegetable soups based on Spanish recipes (PepsiCo Brands, n.d.).	
	Duyvis	Peanuts, nuts, nut mixes and coated nuts can be found in the product portfolio (Duyvis, n.d.).	Only unsalted is suitable
	Snack a Jacks	Rice waffles and rice snacks in sweet and savoury flavours (PepsiCo Brands, n.d.).	
	Off the eaten path	Crispy snacks made from vegetables like peas and beans (Off the eaten path, n.d.).	
	Lay's Oven Baked	Potato chips baked instead of fried, therefore they contain 50% less fat than traditional potato chips (Lay's, n.d.).	
	7UP Free	A social soft drink in lemon and lime flavour without sugar (PepsiCo Brands, n.d.).	
	Pepsi Max	A low calorie cola, a popular social drink (PepsiCo Brands, n.d.).	
Partnerships	Lipton	A brand focused at tea and ice teas (Lipton, n.d.).	Partnership with Unilever
	Sourcy	The water brand of Vrumona, including vitamin water.	Partnership with Vrumona

Table 14. An overview of suitable Benelux brands of PepsiCo for Hello Goodness

Brand overview

Based on the interviews with consumers at the targeted channels as presented in section 4.3, an overview of their preferred types of meals and drinks at each demand moment can be made. In table 15, the consumed products and corresponding brands of PepsiCo that fit the main demand moments of section 4.2 (figure 30) while still being suitable for Hello Goodness are presented.

Based on the suitable brands that fit the demand moments, an overview of the mandated, recommended and optional brands can be made. This overview is presented in table 16. The overview is an adaptation of the brand overview of the UK for Hello GoodChoices (see Appendix F). This brand overview is verified with experts at category management (Verberne, 2019) and marketing.





Moment	Breakfast	Morning snack	Lunch	Afternoon snack
Main demand moments	Functional	Functional Sophistication	Functional	Activating Bonding Withdrawal
Related types of products	Oats & muesli Muesli bars Fruit juice Water	Muesli bars Fruit Water Functional drinks	Fruit Vegetables Water Functional drinks	Fruit Tasteful snacks Muesli bars Nuts Water Soft drinks
PepsiCo Brands				
Other	Water	Water	Water	Water Ice tea

Table 15. Overview of the brands that fit the demand moments

	Mandated	Recommended	Optional
Nutrition			
Snacks			
Drinks			

Table 16. Overview of the brands to be included in Hello Goodness

Assortment plan

The vending machines of the Hello Goodness concept are manufactured by Crane Merchandising Systems. These machines are branded versions of the BevMax MEDIA and Combo MEDIA and therefore including the same lay-out as the USA and UK versions (Crane Merchandising Systems, 2016a; Crane Merchandising Systems, 2016b). The BevMAX MEDIA is designed for cooled drinks, like juices, soft drinks and gazpacho. This machine can be combined with the Combo MEDIA, a vending machine that is designed for food items. For the stand-alone vending machines, Combo MEDIA will be used as it is suitable for both food items and drinks.

There are 10 slots of drinks and 18 double slots for food items (Crane Merchandising Systems, 2016b). A double slot means that it exists of two spirals. In the case of a larger item, one item can be placed in this slot of two spirals, while smaller items each take one spiral. Therefore, two smaller items can be placed in one double slot.

Based on the guidelines for the slots, a distribution across the categories can be made (figure 44) with the guideline of 50% nutrition and 50% drinkable products. After multiple iterations with category management (Verberne, 2019), the distribution of brands can be added this overview. In table 17, an overview of the allocated categories, brands and slots per category is provided.

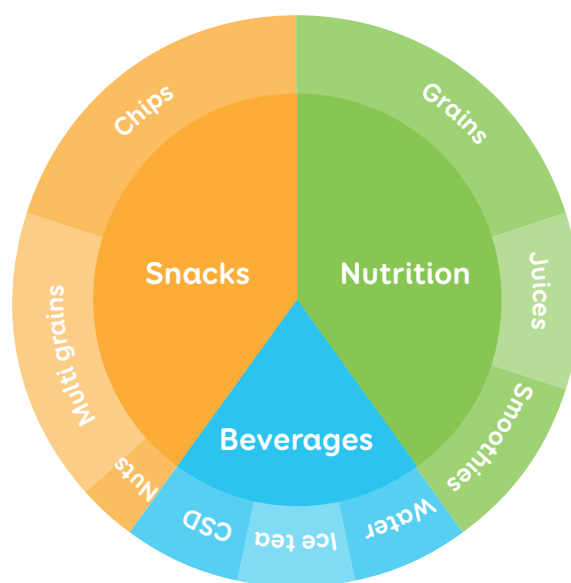


Figure 44. Assortment plan on category level

Food (18 double slots)	Snacks (6)	Chips (6)	Lay's Oven
			Off the eaten path
	Nutrition (12)	Nutritious snacks (6)	Snack-a-Jacks
			Sunbreaks
		Grains (4)	Quaker
Drinkable (20 slots)	Nutrition (10)	Nuts (2)	Duyvis
		Smoothies (5)	Naked
		Juices (4-5)	Tropicana
	Beverages (10)	Gazpacho (1)	Alvalle
		Water (7)	Sourcy + Vitaminwater
		CSD (3)	Lipton
			7UP (optional)
			Pepsi Max (optional)

Table 17. Number of spirals per category and brands that fit in this category

5.3 Shelf plan

Based on the global assortment plan as presented in section 5.2 (table 17) a shelf plan can be designed. This shelf plan will include products that meet the guidelines as stated in section 5.1. In this section, the shelf plan is designed and validated.

Core products

Based on the ideal distribution of the categories and the corresponding brands, the products that are suitable are identified and verified with the marketing department during a project meeting (Progress meeting Hello Goodness, 2019). The core products that will be placed in the Hello Goodness machines are shown in table 18. More details on each product can be found in appendix G.

		Brand	Product	Size
Food	Snacks	Lay's Oven	Roasted Paprika Naturel	35gr 35gr
		Off the eaten path	Rice and Pea chips Sea Salt Rice and Pea chips Caramelized onion & Balsamic vinegar	27gr 27gr
	Nutrition	Snack-a-Jacks	BBQ Paprika Cheese Multi grain cakes Sundried Tomato & herbs Multi grain cakes Savoury	30gr 30gr 16gr 16gr
		Sunbreaks	Wavy grains Sweet Chili Flavour	28gr
		Quaker	Oatmeal Bar Golden Syrup Oatmeal Bar Chocolate Breaks Banana Pecan Breaks Cranberry	35gr 35gr 27gr 27gr
		Duyvis	Unsalted Almonds Unsalted Nut mix Cranberry	30gr 30gr
	Drinks	Nutrition	Naked	Green Machine smoothie Blue Machine smoothie Mango Machine smoothie
Tropicana			Orange juice with pulp Essentials Anti-oxidant Essentials Vitality Cloude Apple (winter)	500ml 330ml 330ml 250ml
Alvalle			Gazpacho Original (summer)	250ml
Beverages		Sourcy	Water	500ml
		Sourcy Vitaminwater	Framboos - Granaatappel Mango - Guave Citroen - Cactus	500ml 500ml 500ml
		Lipton	Original Sparkling Ice tea Ice tea Green	500ml 500ml
		7UP	7UP Free	500ml
		Pepsi	Optional: Pepsi Max	500ml

Table 18. An overview of the core products

Shelf plan

The suitable products are placed in a shelf plan (figure 45) that is applicable with the lay-out of the Combo MEDIA vending machines of Crane Merchandising Systems (2016b). After multiple iterations and discussion with different departments and category management (Verberne, 2019), the shelf plan to be used in the pilot is created. In figure 46, the rationale is presented.

This shelf plan includes the healthier chips from Lay's Oven Baked, Off the Eaten Path and Sunbreaks to fulfil the afternoon demands of having a reward.

On the second row from the top, the rice and multigrain cakes of Snack-a-Jack's are located. These can be consumed as a snack in the morning or afternoon or as an addition to the lunch.

When going to the third row from the top, the line of nutrition is found with the products of Quaker and the unsalted nuts of Duyvis. The oatmeal products can be consumed all day, but specifically match the breakfast moment. The nuts are a healthy snack.

The top row of the beverages section includes the juices and smoothies. Smoothies from Naked are included as well as multiple juices of Tropicana. In the summer, vegetable gazpacho of Alvalle is included as a lunch addition.

The bottom row includes beverages such as water and soft drinks. Next to 7UP and Pepsi Max, which are low calorie soft drinks, ice tea of Lipton and water of Sourcy are included to provide a broad range of drink options.



Figure 45. Shelf plan for Hello Goodness in the Netherlands (1: summer Alvalle, winter Tropicana Cloude Apple)

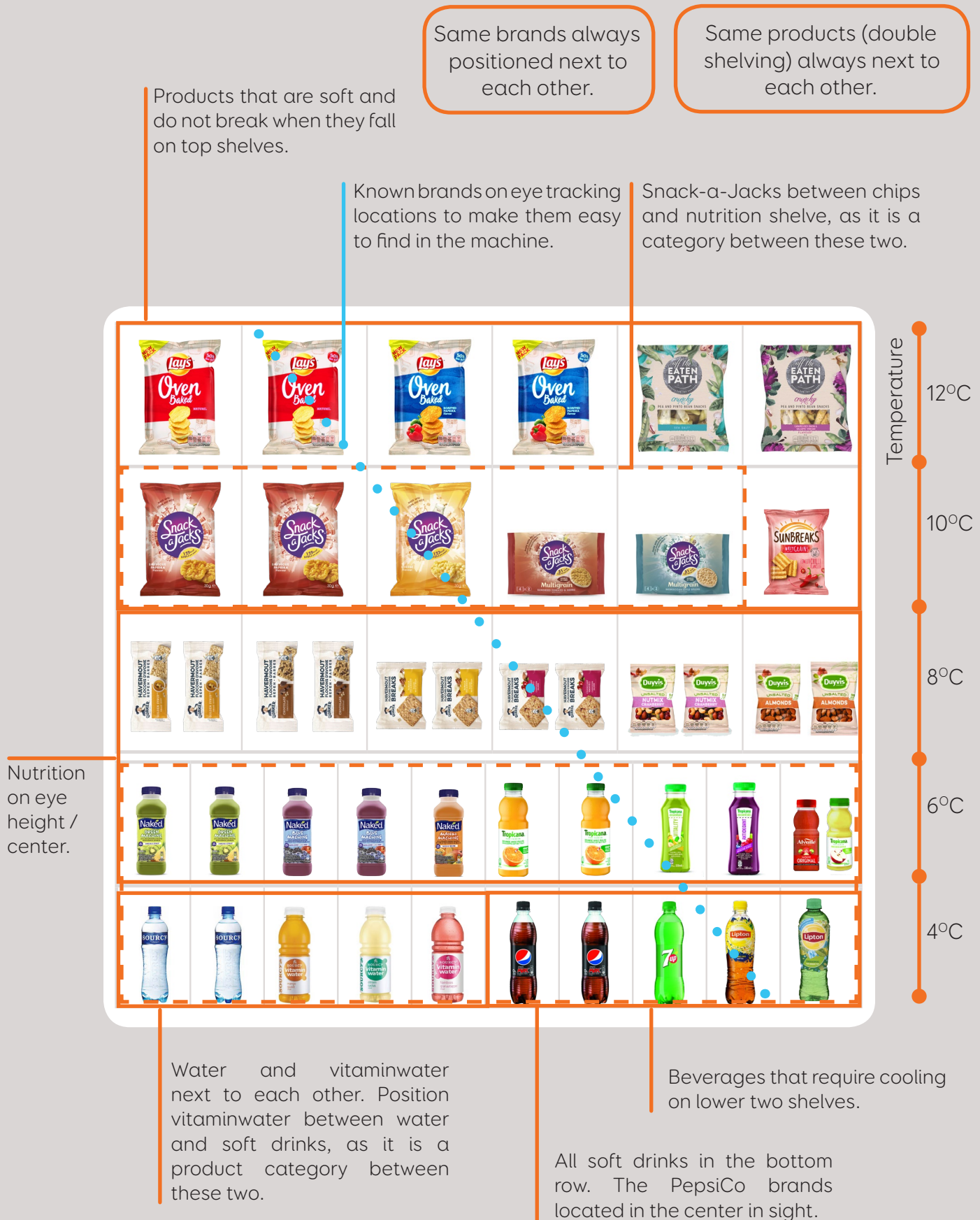


Figure 46. Rationale behind designed shelf plan

Vending machine lay-out

The shelf plan as showed in figure 45 is optimized for the Combo MEDIA. In this shelf plan, multiple products are double faced, so two spaces are filled with the same product. There are in the Dutch product portfolio not enough products suitable to be included to fill every spiral with a different product.

This raises some questions, as is expected that not all product will have high enough rotations to be profitable (Progress meeting Hello Goodness, 2019). For the pilot phase, the original Combo MEDIA shelf plan as presented in figure 45 will be used, but only if this shows not be profitable, the options as presented here will be considered.

Smaller vending machine

The first scenario is to place the products in a smaller vending machine and not use the general vending machine. In case of a smaller machine the less popular products will not be included or faced double. As a result, a vending machine that has room for four double spiral food products and five or six beverage compartments is enough.

A benefit of this strategy is that there are less items in stock that might get past the optimal shelf life span. On the other hand, as there is less stock the machine needs to be filled more regularly. Another drawback, a smaller machine is not as visible and this might not help in attracting consumers.

Fill with products of external partners

Another option is to add additional products of partners to the product portfolio. In this case, items can be used to attract people to the machines, but should not result in cannibalisation. Therefore, a conscious selection has to be made when selecting products that fulfil the same demand moments or offer similar characteristics as the PepsiCo brands.

The biggest drawback of this strategy is cannibalisation of the PepsiCo products. PepsiCo invests in the marketing of Hello Goodness and its product and external brands can benefit from this. A more positive outcome is that revenue can be generated from leasing spaces to external parties. And for example with combo deals, sales on attractive competing products can help to increase sales on the PepsiCo brands.

Add healthy assortment to existing vending portfolio

There is the possibility to not use a completely new branded vending machine with as only purpose to offer healthier products. The healthy assortment can be added to regular vending machines as an healthy addition. In this case, the Hello Goodness concept can not be applied. Because the purpose of this project as required by the European board is to analyse whether Hello Goodness can be implemented in the Benelux (Edwards, 2019), this scenario will not be analysed, although it is a possible outcome of the pilot phase.

Benefits of existing machines is that the *Go to market* strategy is worked out already and that consumers already use the machines. But, marketing activities to promote healthy vending are more difficult as unhealthy options are sold as well. It is hard to differentiate in the vending market without having the branded concept. Therefore, this is the least likeable outcome of the pilot.

Portfolio partners

Some of the brands of PepsiCo are brought to the market in collaboration with third parties. There are multiple types of collaborations:

- Distribution via other company
- Produced and distributed by other company
- Brand of other company

Distribution via other companies happens for the following brands: Off the eaten path, Alvalle, Pepsi Max and 7UP. For Off the eaten path and Alvalle, 2Food is the partner (2Food, 2019). For Pepsi Max and 7UP, Vrumona is the bottler (Vrumona, n.d.).

Lipton is a joint venture between PepsiCo and Unilever. In the Netherlands, Unilever is responsible for all activities related to this brand. So, they produce it, distribute it and are in charge of the marketing (Lipton, n.d.).

Sourcy and Sourcy Vitaminwater are both produced by Vrumona as their own brand (Vrumona, n.d.). Because Vrumona is already a partner of PepsiCo, it should not be hard to include these brands in Hello Goodness.

In table 19, the different partners are introduced.

Validation

To verify the shelf plan and its core products, a survey is held amongst the target group of working millennials and students at higher education ($n = 32$). See appendix H for the quantitative research plan. The goal of this research is to find out whether the proposed assortment matches the consumer demands and which products are the most chosen.

On the next pages, the results per consumption moment are summarised. The full results are added in appendix I.

Method: Validation assortment

A quantitative research ($n = 32$) with the target group to validate the assortment.

1. The consumers are asked about which meals they consume out of home. In an open question, what the consumer wants to consume at each moment is identified.
2. For each consumption moment, the consumer is asked to select the items from the vending machine he would buy at that moment. In addition, there is asked:
 - What they want to pay for it
 - If it suits the demands
3. The demands are linked to the chosen products and placed in an overview.

Partner	Brands	Description	Other relevant products of partner
Unilever	Lipton, Pure Leaf	Unilever is a FMCG supplier like PepsiCo. The ready to drink beverages are owned by a joint venture of PepsiCo and Unilever (Lipton, n.d.)	
Vrumona	Pepsi Max, 7UP, Lemon Lemon, Sourcy	Vrumona is the bottler for the beverages of PepsiCo in the Netherlands (Vrumona, n.d.).	Water, Vitaminwater
2Food	Kevita, Looza, Alvalle, Off the eaten path	2Food is a specialised wholesaler with products that are comparable with the better for you and good for you categories of PepsiCo. (2Food, 2019).	Ice tea, granola bars, vegetable chips, water

Table 19. Overview of the partners that offer brands of PepsiCo

Breakfast

What people prefer



What people choose



What people pay

€ 3,40

People that consume it out of home

19%

Does it meet their needs



Morning break

What people prefer



What people choose



What people pay

€ 2,40

People that consume it out of home

62%

Does it meet their needs



Lunch

What people prefer



What people choose



What people pay

€ 3,03

People that consume it out of home

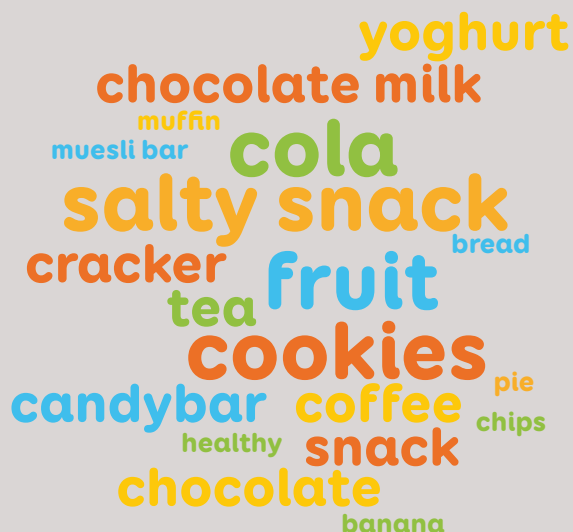
69%

Does it meet their needs



Afternoon break

What people prefer



What people choose



What people pay

€ 2,56

People that consume it out of home

72%

Does it meet their needs



Results

The results of the quantitative validation are presented in this section.

Breakfast

For the breakfast moment, which 19% of the respondents consume out of home often, there is a preference for either bread products or yoghurt with muesli or oatmeal combination. Fruit is added by drinking a smoothie or orange juice. The top 3 most chosen products are in line with this, as it includes orange juice, an oatmeal bar and a smoothie. Although these items meet the demand, overall a 3.38 (range 1-7) is given on how much the chosen products meet the demands. Consumers choose often multiple items, a drink and a Quaker product. For this, they want to pay €3,40. There can be concluded that for the breakfast moment, the smoothies, fruit juices and Quaker products are for the customer a good option for out of home breakfast.

Morning break

During the morning break in line with Ipsos Synovate (2012), fruit is preferred by the consumers. Therefore, the chosen products include orange juice, a smoothie and water. This meets the consumer needs good, with a score of 4 (range 1-7). As 62% of the consumers is likely to consume this out of home, offering a range of smoothies and fruit juices is beneficial for Hello Goodness.

Lunch

Although 69% of the consumers consumes lunch out of home, the products in the Hello Goodness vending machines are unsatisfactory in meeting their needs (score of 2.41, range 1-7). Consumers prefer some real meals, like bread and salads, with a drink. In the chosen products, the drinks are selected: water and ice tea. Next to this, Quaker Breaks are chosen as an addition to lunch. For this, they are willing to pay €3,03.

Afternoon break

In the afternoon break, which is for 72% of the respondents an out of home consumption moment, less healthy snacks are chosen. There is a differentiation between consumers who prefer salty snacks versus consumers who like sweeter products. In general, more soft drinks are chosen and even Oven Baked chips are amongst the top 3 most chosen products. With a score of 4.53 (range 1-7), the assortment of Hello Goodness meets the needs good.

Conclusions

In general, consumers pay less during breaks, although this are the moments when the demands are met with the assortment of Hello Goodness. In general, the consumers are health conscious (a score of 4.75 (range 1-7) on their healthiness) and find it important to buy healthy products when away from home (score of 4.66, range 1-7).

During the morning, the focus is on healthier products like smoothies, fruit juice, oats and water, while there is an increase in the number of times a soft drink is chosen in the afternoon. During the morning, the preference is on sweeter products, while in the afternoon salty products are preferred.

On average, €2,85 is spend to purchase multiple products. This includes a drink and a food product. Students like to spend less than working consumers. In total, the most chosen product during the day is a bottle of water, followed by the different flavours of oatmeal bars.

5.4 Combo deals

Instead of ordering and paying for each separate item, as in the traditional vending machines, a virtual basket with purchased items is embedded in the machine (PepsiCo Hello Goodness, n.d). This shopping cart feature of the Crane Merchandising Systems vending machines makes it possible to create combo deals.

Goal of combo deals

The idea is to present the consumer suggestions for combinations and offer a discount when purchasing two items. The food pairing ideas and combo deals are flexible to be optimized for different eating occasions during the day (Vending Market Watch, 2016). It is possible to create deals that are available for a limited time, during special occasions or only for specific consumers that are targeted. With unique codes, deals can be promoted through external communications to a specific target group.

The goal of combo deals is to get a higher transaction value per shopper. Instead of selling one product, there is a higher probability that the shopper will purchase two items.

Combo deals can be used to:

- Offer complete in-between and meal suggestions
- Sell lower rotating items more by linking them to popular items
- Introduce new products to consumers

A few examples are shown in figure 47.

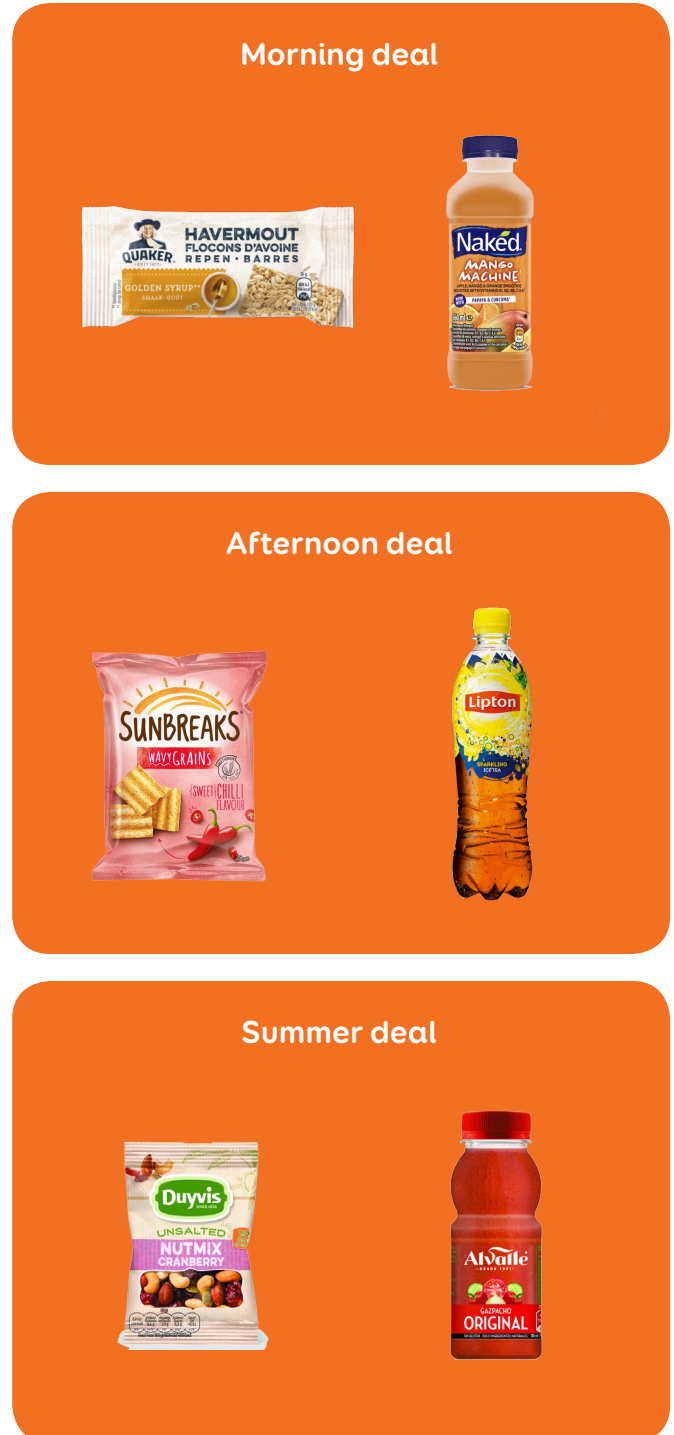


Figure 47. Combo deal examples

Summary

Benelux Guidelines

- Portion size packaging.
- Products that are included in the “Schijf van vijf” (Voedingscentrum, n.d.)
 - Containing fruit and or vegetables.
 - Containing wholegrains.
 - Containing unsalted nuts.
- Drinks without added sugar.
- Soft drinks should be sugar free.
- Snacks should have less calories, less salt less saturated fat then the traditional alternatives.
- Products that offer a health benefit.
- Around 50% of the content has to be nutrition
- Balance between drinkable and snack products
- 100% PepsiCo brands for food and nutrition.
- If a product is necessary and not in the PepsiCo portfolio, exceptions for partnerships can be made.
- Keep the number of items limited to guarantee good service and availability.



Figure 48. Shelf plan for Hello Goodness in the Netherlands

Chapter



6

The right GTM

Go to market strategy advice

- *In this chapter the multiple options for the Go to market strategy (GTM) are analysed. After meetings with potential partners, a Go to market strategy is designed. This is the first part of the strategic plan of introducing Hello Goodness to the Dutch market.*
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6.1 GTM strategy options

In the Benelux there are three different options possible for the *Go to market strategy* in collaboration with external partners. In this section, the different options are introduced.

The options are:

- Via a vending operator
- Via a service operator
- Via a specialised wholesaler

Partners in the vending industry

There is chosen to work with external partners because at PepsiCo Benelux there is no previous experience in the operating side of the vending industry. The vending industry is a saturated market, so PepsiCo is far behind in the learning curve when setting up their own vending operating business. Besides a partner for exploiting the vending machines, there are other partners necessary as well at portfolio and wholesale level.

The design of each option will be analysed with a visual overview of the model.

Vending operator

In the current vending industry, the vending operators have their own vending machines and are in charge of the product portfolio (in collaboration with the location) that is offered to consumers via their vending machines. Vending operators have knowledge of the targeted channels and experience with exploiting vending (Seijger, 2019).

When working together with a vending operator, PepsiCo can sell or hire the Hello Goodness machines to them and let the vending operator place the machines at suitable locations. Another option is a license-construction in which vending machines can be re-branded to Hello Goodness machines. In all scenarios, the vending operator is responsible for all tasks regarding the Hello Goodness machines: refilling, maintenance and customer service (Seijger, 2019).

In figure 49, the structure of the partnerships is explained. PepsiCo partners with a vending operator and wholesalers, like the current situation and makes the Hello Goodness vending machines available to the vending operator. The vending operator is responsible for placing the machines at the right locations and offering service. Via wholesalers, the products get delivered at the warehouse of the vending operator. This strategy is discussed with Vendingland, who is a rather innovative vending operator in the Benelux.

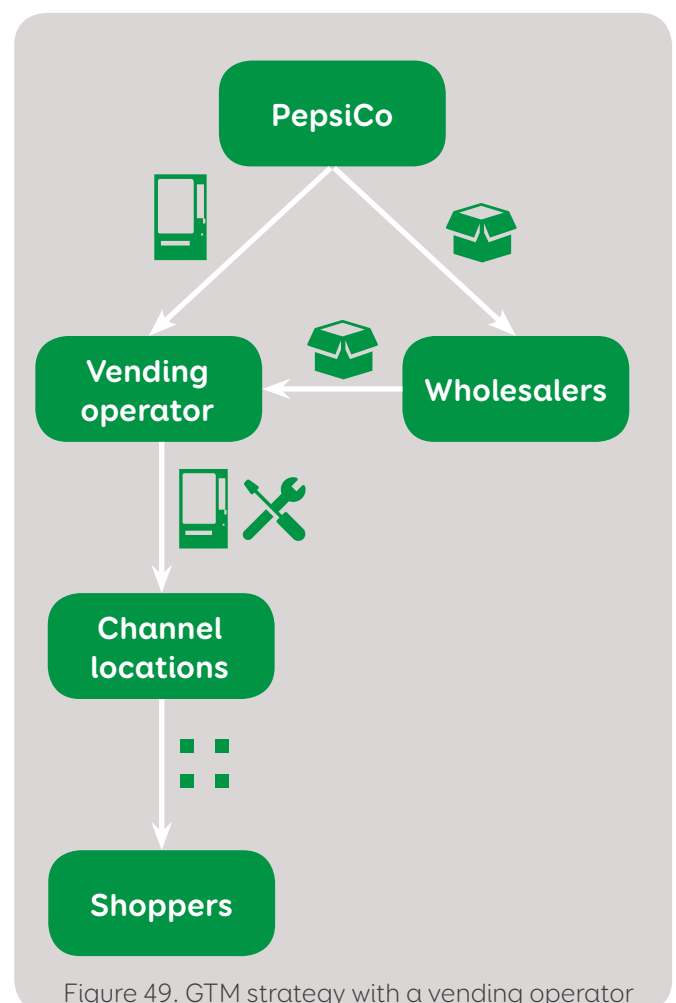
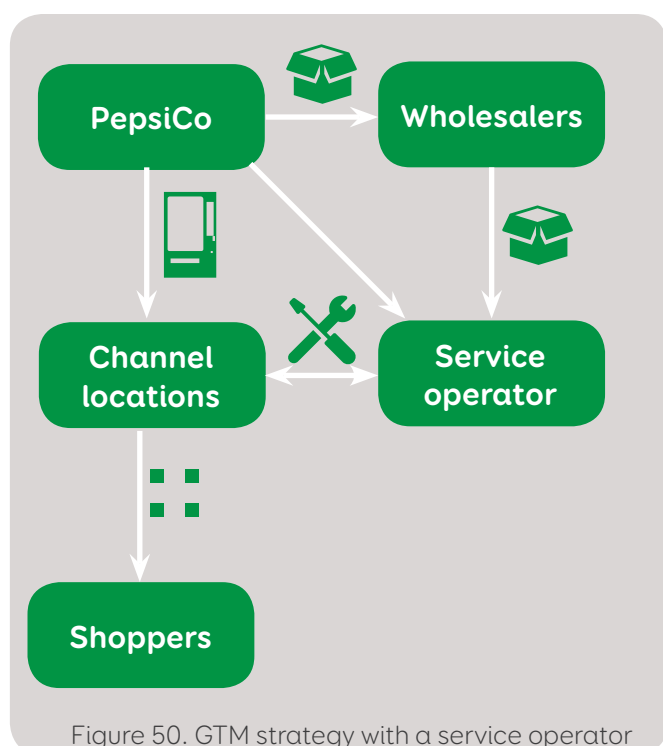


Figure 49. GTM strategy with a vending operator

Service operator

A solution for companies on locations that have their own vending machines is to hire a service operator. The service operator is responsible for refilling the machines and maintenance. For PepsiCo this could mean that they place their Hello Goodness machines at specific locations in collaboration with the companies who are responsible for catering at the selected location and hire a service operator to make sure the machines are refilled and available for the user.

In figure 50, the *Go to market strategy* is explained for working with a service operator. PepsiCo decides where to place the vending machines and the service operator works with a contract: they refill the machine and offer service. In this situation, PepsiCo has much control over the machines. A service operator that has been contacted to discuss this idea is Coole Blikken.



Specialised wholesaler

There are multiple wholesalers who are specialized in vending. By working together with a wholesaler, one partner in the chain is excluded as the wholesaler acts at the same time as vending operator. Examples of wholesalers who are active in vending are Langerak de Jong and Lekkerland.

In figure 51, the simplified *Go to market strategy* when working with a specialized wholesaler is shown. In this structure, PepsiCo has a close connection with the specialized wholesaler, while the wholesaler is responsible for the execution and service of Hello Goodness.

An essential product and distribution partner is 2Food, who has experience with vending initiatives. Their unmanned store concept for hotels Jutter Speijs shows similarities with Hello Goodness in target group and availability (Jutter Speijs, n.d.). Despite this knowledge, they are not willing to be responsible for the whole vending part.



Machine ownership

The vending machines need to be owned by someone as well. Because PepsiCo Benelux currently does not own vending machines, it is interesting to analyse all options instead of purchasing them immediately.

The different options for the ownership of the machines are:

- Keep the Hello Goodness machines as property of PepsiCo Benelux.
- Sell the vending machines to operators or channel partners.
- Re-brand vending machines of vending operator partners.

Ownership at PepsiCo

This strategy is applied in the UK where PepsiCo has bought the machines and works together with a vending operator. The vending operator is responsible for service, maintenance and locations (Edwards, 2019). The main reason for this structure is that most vending operators in the UK are not investing in modern vending machines if their current vending machines are still working.

Drawbacks of this strategy are the high investment costs involved in buying the modern machines (Progress meeting Hello Goodness, 2019). On the other hand, it gives PepsiCo much control over the machines.

Sell vending machines to partners

In this strategy, PepsiCo purchases the branded vending machines at Crane Merchandising Systems and sells them to the location partners or the vending operators who place them at certain locations. In this strategy, PepsiCo invests in branding, but because the partners are the owner of the machines, it is likely that they are not strict in applying the assortment guidelines (Edwards, 2019). For PepsiCo, this is an investment in branding that can result in a lack of control on the assortment. Therefore, this option is not preferred, as the main pillar of Hello Goodness is to sell the healthier assortment of PepsiCo and not the products of other brands or unhealthy options.

Re-brand existing machines

For this strategy, PepsiCo can lease the existing vending machines and only needs to invest in re-branding. It is important that the vending machines of the vending operator meet the technological demands, to make all Hello Goodness features available and that there is a collaboration on the assortment that is presented.

To conclude, the most expensive option with the least risks on the assortment is to keep the ownership at PepsiCo. Financially, the risks are the highest in this scenario, because of high investment costs. The second option that is recommended is to work together with an innovative and trustworthy vending operator and lease the machines. In this case, the investment costs are lower, but PepsiCo needs to work together with a vending operator who is willing to collaborate. Selling branded vending machines to vending operators or locations is the least preferred option, as there is no control once the machine is sold.

6.2 GTM strategy design

Based on the different options as presented in section 6.1, a *Go to market* strategy is designed and presented in this section.

Designing the strategy

The optimal *Go to market strategy* is established after discussions and insights of third parties; vending operators (Vendingland, Mars and Vending@Work), caterers (Vermaat, Bram Stolk and FHC), distribution partners (2Food) and portfolio partners (Vrumona). The *Go to market* strategy is verified with Edwards, the category manager for Hello GoodChoices and Hello Goodness in Europe.

The learnings of the meetings with possible partners are:

- It does not matter if the machines are rented from vending operators (lease structure) or purchased by PepsiCo (Edwards, 2019).
- Minimal turnover of €400 per month to make it financially feasible (Seijger, 2019).
- Vending operators are transforming their assortment to offer healthier products, machines with only healthy vending are not profitable yet (Seijger, 2019; van der Helm, 2019a; van der Helm, 2019b).
- There is an increased need for healthier products (2Food, 2019).
- Cooling is necessary for transport and storage in the warehouse, as some products are chilled.
- For scaling of the project has getting volume with one caterer the preference, this will help in making it scalable (Seijger, 2019).

GTM design

In the proposed *Go to market* strategy, PepsiCo will collaborate with the vending operator Vendingland. PepsiCo will lease the machines from this vending operator and re-brand them. The products will be delivered in their warehouse and Vendingland is responsible for refilling, maintenance and service of the machines at the locations (Seijger, 2019). This means, they take care of the distribution of the products from the warehouse to the locations as well.

On portfolio level this collaboration is beneficial as Vendingland already has a partnership with Vrumona, a partner who is necessary for the beverage assortment (Vrumona, n.d.; Seijger, 2019). Therefore, PepsiCo does not have to link the two partners together. 2Food and Unilever are portfolio partners that are not yet linked to Vendingland, but are relevant for optimization of the assortment. The products of the portfolio partners will be delivered to the warehouse of Vendingland.

In order to be able to scale up fast, the preferred strategy is to collaborate with a large caterer. In this case, Vermaat is chosen as they already are active at the chosen channels and have access to suitable locations (Progress meeting Hello Goodness, 2019).

In figure 52, a schematic overview of the *Go to market* strategy is provided and all partners will be presented in section 5.3.

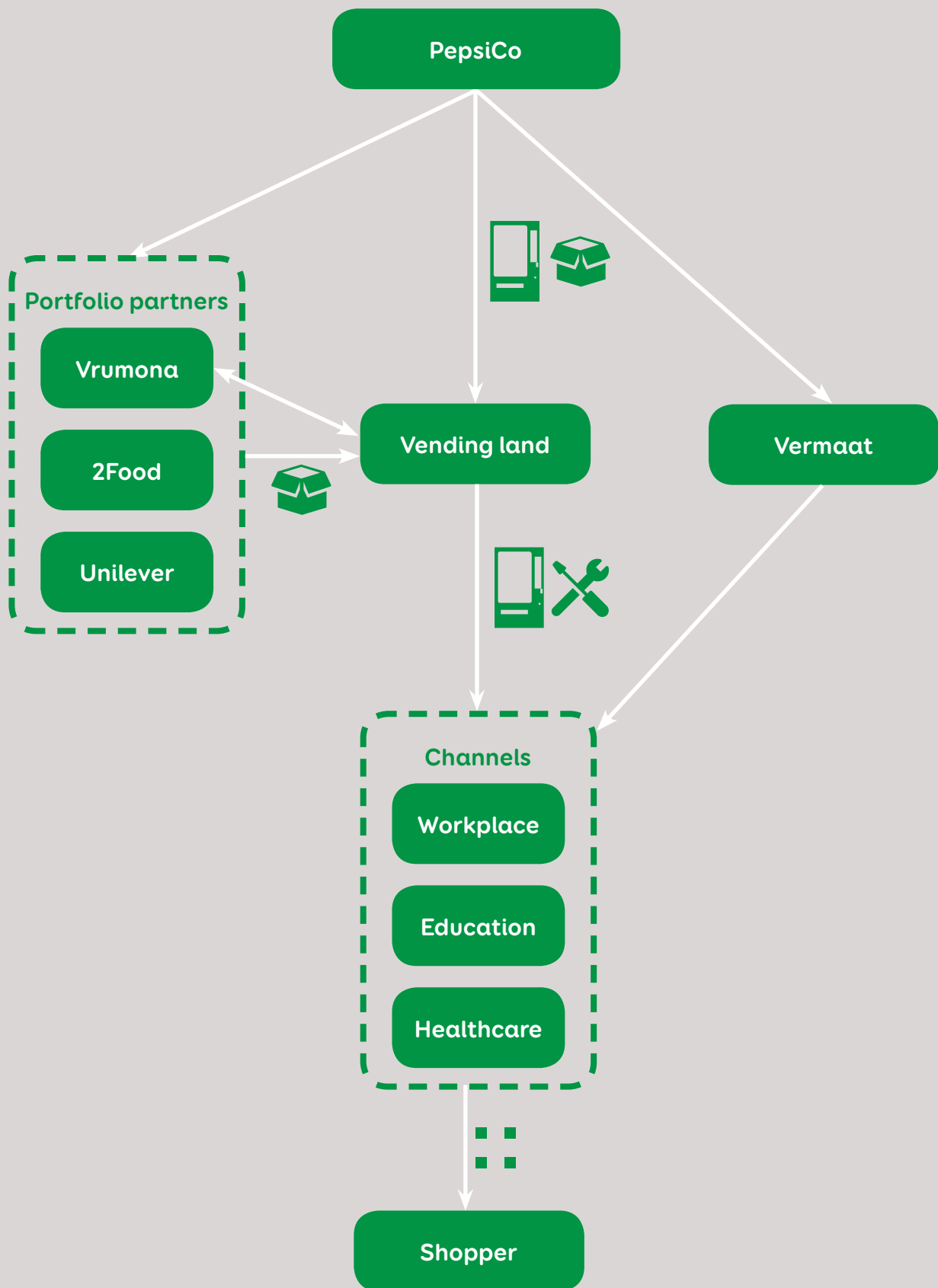


Figure 52. Go to market strategy for Hello Goodness

6.3 Partnerships

As mentioned before, partners are necessary to make Hello Goodness a success. In the Netherlands, the partners as described in table 20 are involved in the *Go to market* strategy.

Types of partnerships

There are different types of partnerships that are all relevant for the success of Hello Goodness.

The portfolio partners are relevant for getting all products of the designed assortment plan involved in the shelf plan. The portfolio partners are responsible for delivering the products at the warehouse of the vending operator in order to be distributed.

The vending operator is the most important partner, as he is responsible for placing the machines, service on the machines and filling the machines. Probably, the vending operator will be responsible for making modern vending machines available for re-branding to the Hello Goodness design.

The last type of partner is a caterer, who works as a location partner. By working together with a caterer, it is easier to access a large number of suitable locations.

Partner	Type	Description	Relevant information
Vendingland	Vending operator	Vendingland is a Dutch vending operator who has experience with healthy vending (Vendingland, n.d.).	Has already a partnership with Vrumona. Targets recreation as well. Belgium and north of France are included in their reach as well.
Vermaat	Caterer	Vermaat is a caterer who has locations such as workplaces, education and institutions across the Netherlands.	Has 300 locations across the Netherlands (Vermaat Group, n.d.).
2Food	Portfolio partner	2Food is a specialised wholesaler with products that are comparable with the better for you and good for you categories of PepsiCo (2Food, 2019).	Already a partnership with PepsiCo. The wholesaler of Naked, Alvalle and Off the eaten path.
Vrumona	Portfolio partner	Vrumona is the bottler for the beverages of PepsiCo in the Netherlands and has an own portfolio of water and vitaminwater (Vrumona, n.d.).	Necessary for soft drinks 7UP and Pepsi Max. Already a partnership with PepsiCo.
Unilever	Portfolio partner	Unilever is a FMCG supplier like PepsiCo. The Ice tea's are owned by a joint venture of PepsiCo and Unilever (Lipton, n.d.)	Necessary for Ice tea.

Table 20. Overview of partnerships

Summary

Go to market strategy

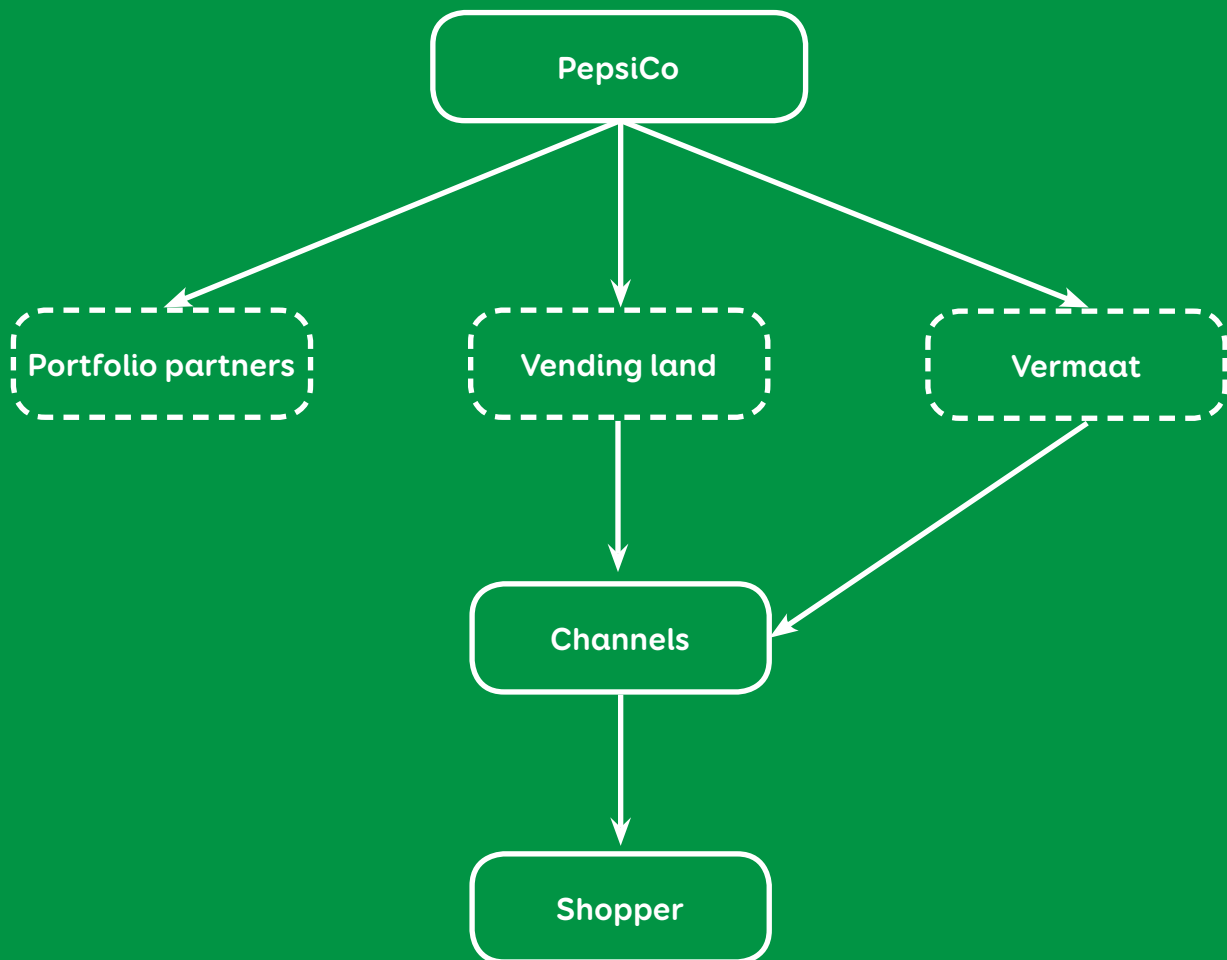


Figure 53. Go to market strategy for Hello Goodness

Partnerships

Vending operator - leasing of machines, responsible for service and refilling

Portfolio partners - distribution of products in assortment

Caterer - access to suitable locations

Chapter



Marketing plan

Promotional and branding analysis

- *In this chapter, the marketing plan is presented. Next to this, the features of the machine and the branding will be discussed. This chapter ends with a proposal for a redesign of the vending machine.*
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7.1 Marketing mix

The marketing mix is focussed at the 4P's: product, price, place and promotion. The content in the vending machines will be seen as the product, while the Hello Goodness machines are the strategy to sell them.

Product

The products that are presented in the Hello Goodness vending machines share the characteristic that they are a better option than traditional vending products (Hello GoodChoices, 2018b). The products have to meet the guidelines based on offering added benefits, nutritious value or being a better option than traditional products by having less fat or sugar, before they are embedded in the machine (Edwards, 2019). See section 5.1 for these guidelines. All products are portion sized and if possible, from a brand of PepsiCo which is well known.

The product categories are, as presented in section 5.3:

- Chips, which are healthier chips than traditional chips with the brands Oven Baked, Off the Eaten Path and Sunbreaks.
- Nutritious snacks, which are the rice and multigrain cakes of Snack-a-Jack, which are perceived as a low calorie snack.
- Nutritious food, which includes unsalted nuts and oatmeal bars of Quaker. This product category is the core of the Hello Goodness machine.
- Nutritious drinks, which contain fruit and or vegetables. Included are fruit juices, smoothies and gazpacho.
- Beverages, that are selected on the fact that they are a better option than the traditional soft drinks which include a lot of sugar (PepsiCo Nutrition, n.d.). Included is water, Vitaminwater, the sugar free soft drinks 7UP, Pepsi Max and Lipton ice tea.

Price

In the away from home market, having a higher price point than in retail is the usual strategy. Vending products are even higher priced and people are willing to pay it (Progress Meeting Hello Goodness, 2019). The price range of the products is from 1 Euro, for chips and bars, till 3 Euro for smoothies.

Consumers are willing to pay a price premium for branded products, as analysed in the assortment validation. Consumers are willing to spend an average of €2,85 per visit at the Hello Goodness vending machine as found in section 5.3. This is for a food item and a drink. See appendix I for the detailed results.

There are discounts possible. The two main discount strategies are providing combo deals (as presented in section 5.4), where the consumer gets a discount when purchasing two items that form a combo, and providing discount codes via marketing. Next to this, when products are close to the expiration date, it is possible to lower the price (Seijger, 2019).

Place

The products are located in branded vending machines. They are located at central areas at workplaces, higher education and in institutes such as healthcare (see chapter 3). The purpose is to place the machines at convenient locations.

The initial locations in the target sales channels are locations of Vermaat in the region of Amsterdam, later there will be expanded to other locations across the Benelux.

Promotion

Part of the promotion of the healthier products is establishing the Hello Goodness brand. Having a recognizable brand helps to create awareness and let people identify the machines in an overwhelming environment. Therefore, the machines are branded with a modern distinguishing design. See section 8.4 for the proposed design.

To stimulate use of the machine, there are two promotion mechanisms to apply. The first one is at the machines, by creating combo deals. Because the vending machine has a shopping cart feature (Crane Merchandising Systems, 2016b), it is possible to purchase multiple items at one payment and apply discounts. Combo deals can be used to stimulate the purchase of more items and to increase the rotation of less popular items.

The second promotion strategy is to provide discount codes to the vending machines at workplaces and universities to employees and students. These discounts are personalized and send to the users, so a profile can be created in order to generate shopper data and insights. With these discounts, for example to try a new product for free, users are invited to use the new vending machine. There is expected that if users get familiar with the healthy proposition, they are more likely to revisit the vending machines.

7.2 Features

By using the modern vending machines of Crane Merchandising Systems, some technological features can be used to increase the customer experience. The different technological features will be introduced. Other possibilities to increase the user experience and boost sales is to apply nudging. Theory on how it can be applied will be added as well, including examples that can be used at the Hello Goodness machines.

Technological features

There are many technological features possible with the vending machines of Crane Merchandising Systems (2016b). In figure 54, an overview is presented.

Digital touch-screen

Via the digital screen, relevant information is showed to the consumer. When a consumer is using the machine, nutrition information and suggestions for combinations (including combo deals) are shown. When the consumer is not using the machine, advertisements of combo deals are presented to attract consumers (Crane Merchandising Systems, 2016b).

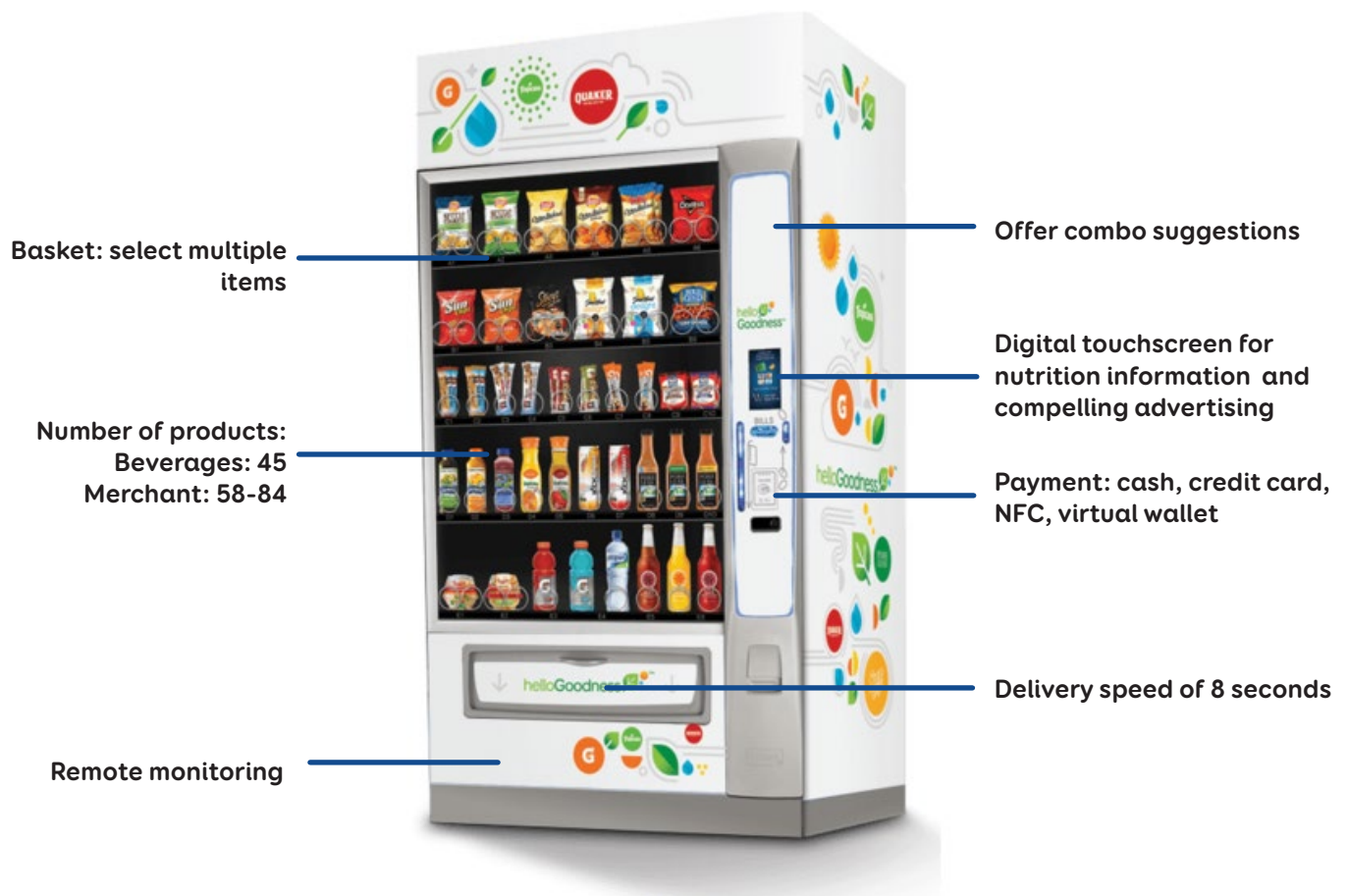


Figure 54. The features of the Hello Goodness vending machines (PepsiCo Hello Goodness, n.d.)

NFC

Cashless payment with a credit card or virtual wallet helps to increase sales, as nowadays less people are having cash money with them. Therefore, it is essential to add cashless payment to the vending machines (Seijger, 2019). The vending machines have both payment with cash as cashless payment with NFC technologies (Crane Merchandising Systems, 2016b).

Shopping cart

The most interesting feature is the shopping cart feature. Instead of ordering and paying for each separate item, as in the traditional vending machines, a virtual basket with purchased items is embedded in the machine (PepsiCo Hello Goodness, n.d). This makes it possible to offer suggestions and deals for combinations of items. These food pairing ideas are flexible to be optimized for different eating occasions during the day (Vending Market Watch, 2016). According to Crane Merchandising Systems (2016b), the combination of a shopping cart feature with integrated payment will result in a sales increase of 41% in comparison to vending machines that offer just cashless payment.

Vendingland app

Next to the technological features of the machine, Vendingland already invested in a service application for their own vending machines that includes added benefits (Seijger, 2019). This feature can be implemented at the Hello Goodness machines as well. Consumer can scan a unique QR-code that is presented on the vending machine to use a web application on their phone. With this app, they can report failures and get a code for a free product to collect later. They can use the app as well to claim free products or discounts. Those discount codes can be sent to a whole organization by direct mailing to promote a product and let everyone collect it at the vending machine (Seijger, 2019). This is a unique feature in vending and could be used to attract people to the vending machines and introduce new products to them.

Location-based push messages

If an app is used at the smartphones of consumers, it is possible to send push messages when they are near the vending machine (Bhagwandin, 2018). This can be used to offer promotions and those can convince people to visit the machine and make a purchase. It is even possible to send push messages to consumers who are connected to the wifi network at the location when they are near the machine.

Nudging

Nudging is a great way to influence people to use the machines. Offering a healthy proposition itself is not enough, it may be relevant to stimulate consumers to use the machines. In the literature, multiple researches about stimulating healthy snacking behaviour can be found. An interesting part of the literature is based on choice architecture: how to present the products to consumers to help them make healthy choices. Based on the nudging theory, ideas on how to implement nudges can be created.

Nudging healthy behaviour

Make healthy food the most convenient option

In daily snacking, convenience is one of the main drivers to make certain food decisions (GlobalData, 2016). Amongst consumers, convenience is often associated with less healthy food. Therefore, according to Loewenstein, Brennan and Volpp (2007), biased preferences predict that less healthy foods are more often selected by consumers. This means, that if the associations between convenience and healthy are aligned, this can lead to an increase in consumers who make healthy food decisions. Therefore, Hanks, et al. (2012) suggests making healthier food options more convenient to increase the amount of healthy food decisions. This is verified by an experiment in school canteens: the sales of healthier foods increased by 18% once only healthy options were offered in a special convenience line.

To encourage consumers to make healthy decisions without forcing them, nudges can be applied. Food choices are often based on routines and require little active decision making (Hansen & Jespersen, 2013). Nudges are slight changes in the environment with the purpose to influence consumer's behaviour and choices to achieve the intended outcome (Thaler & Sunstein, 2014).

The purpose of nudges in the context of this thesis is to increase the amount of healthy food decisions by consumers. There are two types of nudges possible to get this outcome: nudges that promote consuming more healthy food or nudges that discourage people to eat unhealthy food (Bucher, et al., 2016). In the context of Hello Goodness, the first type of nudges is the most relevant as the goal of Hello Goodness is to sell healthier products.

Make consumers aware of healthy choices

A strategy to nudge consumers to make healthier decisions is to make them aware of the healthy options. Sim and Cheon (2018) argue that an effective strategy to promote healthy eating behaviour is to increase the salience of the better options. This can be done by providing more information about the added benefits or by showing nutritional facts.

Another nudge is to indicate healthy options. This is previously done with symbols of "Healthier Choice" (Sim & Cheon, 2018) or with the Dutch version "Bewuste keuze". The use of a traffic light is proven to be effective as well. In an experiment by Thorndik, et al. (2014), items that are labelled as green (a healthy decision) were consumed more often than the unhealthy products that were labelled in red. It is known that colours as red and green have strong pre-established associations with motivations, so consumers immediately link the colours to the preferred behaviour.

Make healthy options more visible and availability

Priming nudges are subconscious cues that are physical, verbal or sensational (Blumenthal-Barby and Burroughs, 2012). Adapting the visibility and availability are examples of this type. On visibility is found that when healthy items are placed first in a food line or on top of a menu, they are significantly more purchased by consumers than other items (Wilson, et al., 2016). In an experiment on shelf placing, there is no evidence found that placing healthy products on a more visible shelf at eye-height result in a sales increase for healthy products (Van Kleef, Otten & Van Trijp, 2012).

On availability of healthy food is found that having a larger proportion of the assortment healthy, results in a healthy snacking behaviour. Van Kleef, et al. (2012) found that when 75% of the assortment is healthy versus 25% unhealthy, consumers were 3.5 times more likely to purchase a healthy product in a field experiment. This is beneficial for Hello Goodness, as the whole assortment is healthy with some less nutritious snack and beverage options that are still a better option than traditional vending items.

Research on healthy vending

The current vending industry is perceived as too unhealthy (Carrad, et al., 2015). 87,5% of the participants in a survey perceived the current assortment of snacks as unhealthy. Of the healthier options, nuts and muesli bars were liked the most. An interesting finding is the fact that 36% of the people is willing to pay more for healthy snacks in a vending machine. A price premium can be applied.

Despite the promising conclusions of Carrad, et al. (2015), in schools is found that the revenues by vending machines decreased (Callaghan, Mandich & He, 2010). This is due to price, value and taste that are perceived as barriers, even though students are in favour of healthier choices in vending machines.

Nudges in vending

In vending, already some research is done about applying nudges. There is found that restocking the assortment to consist of more healthy choices helps to increase sales (Hua, et al., 2017). Hua, et al. (2017) found as well that promotional signing contributes to increase total revenue and sales on healthy products. This is in line with the results of French, et al. (2001), who concluded that signing slightly increases sales.

To solve the perception that healthy is too expensive, as found by Callaghan, et al. (2010), French, et al. (2001) found that a price discount significantly increases the sales of healthy products. The profits stay the same when decreasing the price, because more items are sold. A price reduction of 10% resulted in a sales increase of 9%, and these numbers are even higher for a discount of 25% and 50% with respectively an increase of 39% and 93%.

Appelhans did an experiment for increasing the waiting times at a vending machine (Chen, 2017). The idea behind this is that with every second of waiting, consumers want the product less. Therefore a 25-second delay is built into a vending machine when a consumer purchases an unhealthy snack. As a result, 5% more healthy snacks are bought instead of unhealthy snacks. Though, this is not profitable for the overall sales and therefore not a realistic sales strategy for Hello Goodness.

Ideas to apply nudging in Hello Goodness

There are two main directions to apply nudging in Hello Goodness. The first option is on the exterior and promotion of the vending machines. The second direction is to apply nudging in the lay-out of the machine and with features.

The exterior can be used to apply signing that signals to consumers that it is a healthy option. This is based on the findings of Hua, et al. (2017), that promotional signing increases sales. The combo deals can be promoted on the exterior as well, this signals that healthy options are not more expensive than traditional vending items. The perception of expensive items disappears and increases sales according to French, et al. (2001).

Important for the assortment is that the healthy options are presented well and in stock. The product portfolio exists of mostly healthy items, so this will help to let consumers choose the healthier options (Van Kleef, et al., 2012). To make consumers aware of the healthiness, the colour green can be used. When applying green in the design of the exterior and interior, consumers are guided in the right direction (Thorndik, et al, 2014). Next to the use of green, symbols that are related to health can be applied to get the same effect.

More innovative ideas to be used in the presentation of the products is to guide consumers in making the right choices. Therefore, lighting can be used. By placing a spotlight or green light on the most healthy products or shelves, the best options are more visible. More visible items are often purchased more often (Wilson, et al., 2016).

The digital screen can be used to provide more information. For example, providing nutritious information in comparison to traditional products, helps to create awareness of the healthiness of the items. The consumer gets the idea that he is making the right decision. The salience is increased (Sim & Cheon, 2018).

The ideas on applying nudging on the exterior will be considered in the ideation phase of the development of the graphical design of the exterior.



Technology - Touch screen vending machine

To attract more consumers to the vending machines by using a modern solution, a touch screen in the size of the front of the machine can be added. Not only does it provide space for visual promotions, it creates curiosity to use the machine as it is differentiating from traditional vending machines.

Nudging - Light up right products

To guide consumers, nudging them by lighting up specific products helps them to make better choices. This can be used to promote combo deals (section 5.4) or to show which products are the best choice at the current moment during the day.



Figure 55. Future features, part 1



Technology - Location based push messages

As almost every consumer has a smartphone, it is possible to send push messages to them via wifi. These location based push messages can be used to provide promotions, to let consumers consider to use the machines.



Future steps - Hello Goodness snackbot

In the USA a futuristic iteration is made: self driving snackbots who deliver healthy products to students on a campus (PepsiCo Hello Goodness, n.d.). This makes it even more convenient to make healthy decisions, as the products are brought to you. For the Benelux, introducing the snackbots is a future step that might be interesting to consider when campuses allow self driving vehicles.

Figure 56. Future features, part 2

7.3 Branding

In this section the branding and brand purpose of the Hello Goodness concept are shared. This is done by building the brand equity model and establishing the key values.

Brand equity

By using the brand equity model of Keller (2001), the purpose and brand identity of Hello Goodness can be designed (figure 57). The focus is on aligning the brand resonance of being one convenient solution for daytime hunger with the brand identity. Therefore, an appealing brand has to be built around Hello Goodness.

The mission of the Hello Goodness concept is “enabling consumers to access healthier and more nutritious food and drink options, that are shaped by

their needs, legislation and the corporate and social responsibilities” (Hello GoodChoices, 2018a). This is done by offering healthier product options than traditional vending, a modern experience and trustworthy choices (PepsiCo Hello Goodness, n.d.).

Rationale behind brand equity model

As shown in figure 57, Hello Goodness has the brand identity of being a healthy vending brand, it does so by being a daytime snacking solution. It benefits from the brand identity of PepsiCo, which is a manufacturer of food and drinks. To become the “one go-to solution”, it is important to have a good availability and be consistent and reliable. Linked to the performance is the premium quality that is offered. This is in line with the imagery, trendy brands are presented in a modern and clean way.

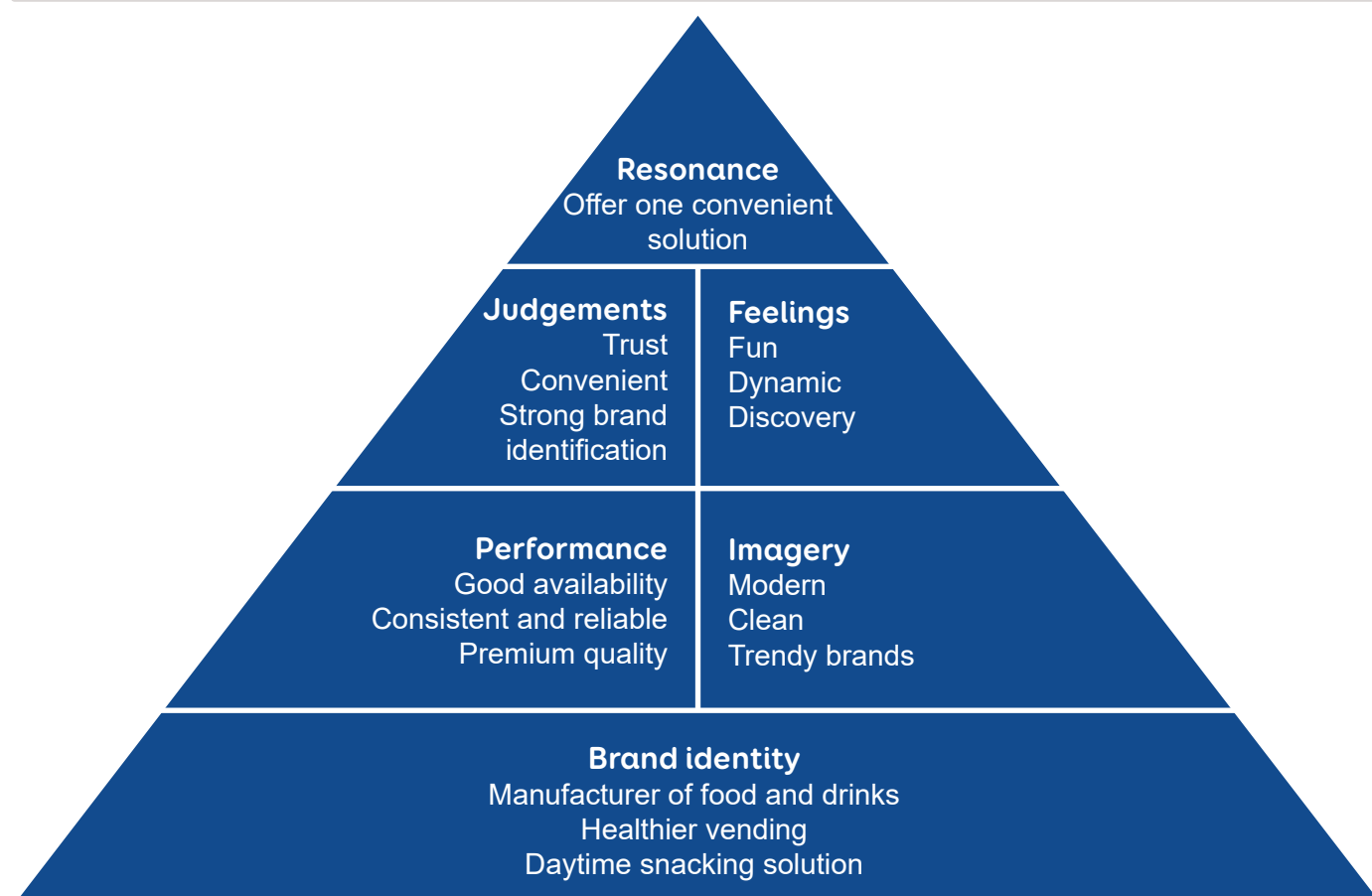


Figure 57. The brand equity model for Hello Goodness

The judgements consumers should have on Hello Goodness are based on the trust in the brands and products which is partly because the brands are recognizable. Consumers should have the feeling that Hello Goodness is a convenient solution.

The interaction with the machines should express the feeling of fun and dynamic, this is done by presenting the products in an interesting way and updating the assortment regularly. This leads to the discovery of new products.

As a result, the consumer should recognize Hello Goodness and use these machines when in need of a healthy snack or drink during the day. It is the one convenient solution that is always there for the consumer and offers the right products to meet the consumer demands.

Hello Goodness values

Based on the brand equity model as presented in figure 57, the key values of Hello Goodness are identified. These are based on the brand purpose, brand proposition as provided by PepsiCo Hello Goodness (n.d.), the Hello GoodChoices concept (Hello GoodChoices, 2018a) and skype meetings with Per Edwards (2019).

Trust

Establishing a trustworthy platform with trusted established brand so consumers know what to expect (PepsiCo Hello Goodness, n.d.). By having a branded concept, it should create a feeling of trust. The branded products are already trusted, as consumers know which quality and taste is offered. In the branding of the machines, this trust need to be communicated.

Modern

In the proposition, the concept is promoted as “the future of convenience (PepsiCo Hello Goodness, n.d.). To be future proof, the machines are technological advanced (Crane Merchandising Systems, 2016a) and the experience should meet this. By offering a smooth interaction with the vending machines, the Hello Goodness machines differentiate from traditional vending.

Healthier

The main purpose of Hello Goodness is to sell the healthier product portfolio to consumers. All products are selected from the PepsiCo portfolio and selected based on their ability of being a better option than in traditional vending (Hello GoodChoices, 2018b). To create awareness and recognition, the look and feel of the machines should meet this healthy feeling (Edwards, 2019).

Appealing

To convince consumers to use the vending machines, they should be appealing. Therefore, the assortment should meet the consumer needs (Hello GoodChoices, 2018b) and the look and feel should be inviting to use. This will help to create a better experience (PepsiCo Hello Goodness, n.d.).

Convenient

The brand resonance (figure 57) is to offer one convenient solution that a hungry consumer would use when in need for a daily snack or drink. The vending machines should be placed at convenient locations that are easy to approach. In order to compete against caterers and fill their availability gap (Office Magazine, 2013; Edwards, 2019), the machines should have a broad assortment and be open to use. The number of malfunctions should be as low as possible (Seijger, 2019). With this, the consumer should get the feeling that Hello Goodness is always there for the consumer when he might need it.

Positioning

Based on the brand equity model as presented in figure 57 and the proposition of Hello Goodness, the positioning statement is created. The proposition of Hello Goodness is promoted as: “Better for you choices for today’s busy, “on the go” consumers - now available in vending!” (PepsiCo Hello Goodness, n.d.). This defined what Hello Goodness is, but not how it is branded.

The proposition of Hello Goodness is defined in the frame of reference of vending as: “Hello Goodness is a healthy vending brand for busy millennials who want to consume a more nutritious snack or drink during the day. It does so by offering premium brands with health benefits that are better than the products offered in traditional vending.”

The propositioning is defined as:

Better for you choices for today’s busy, “on the go” consumers – now available in vending!
What Who Where How

The positioning statement is:

Hello Goodness is a healthy vending brand for busy millennials who want
Brand Category Target group
to consume a more nutritious snack or drink during the day.
Consumer need
It does so by offering premium brands with health benefits that are better than
Benefit
the products offered in traditional vending.
Competition

7.4 Design

In this section, the branding of the vending machines is further elaborated by analysing the design of the machines. By proposing new design concepts and comparing them, the visualization of the key values is verified. In addition, the Hello Goodness brand name is validated.

Look & Feel

The exterior design of the Hello Goodness machines should meet the key values. Therefore, an ideation session for the design of the machine is held (appendix J). The outcome of this ideation session is translated into a few concepts, who are rated on the key values together with the current design and a traditional vending machine. This validation is done in a quantitative research with $n = 36$ respondents (appendix K).

Concepts

There are three different concepts developed with all a different rationale behind the graphical representation of the Hello Goodness brand. To make a fair comparison, the traditional vending machine and the current design are visualized in the same style. The concepts are shown in figure 58 and 59.

When designing the concepts, the idea was to analyse how far from the original visual identity the new identity can be. By having different levels of innovativeness and differentiating, a comparison can be made and recommendations can be provided.

Method: Design concept development

A creative process to design three new design proposals for the exterior of the vending machines.

1. Mind map on how to show values in design. For each value, ways to visualize it are summarized.
2. Ideation of different designs with characteristics chosen from the mind map. Focus on designs with coloured patterns, shapes and other features.
3. Development of 3 different design concepts based on the ideation sketches.

In appendix J, the ideation process is shown. From this ideation session, three concepts are developed to compare them against the traditional vending machines and the current design.



Traditional vending machine (benchmark)

The traditional vending machine is white without any graphical design elements. The logo of Hello Goodness is placed on the lid and near the screen. There is no effort shown in adding the key values on the design.

Current design

The current design of Hello Goodness is playful with grey lines, coloured circles with logo's and coloured elements. Trust is shown by adding the brands. Healthiness is shown by having icons included from nature, such as water drops and leaves. It includes many separate elements. To make judging them fair, the design of this machine is based on the original design instead of using the actual design.



Concept 1 - Cloud

The first concept is a rather clean vending machine with little different elements to make it modern looking. To get the attention, on top is a cut-out of a cloud placed with the Hello Goodness name in it. This will help to stand out in a busy area which helps to make it more convenient looking. The side of the machine has a simple graphic in grey and to create trust coloured circles with the different brands in it.

Figure 54. The different design concepts for the exterior of Hello Goodness, part 1

Concept 2 - Stripes

The idea behind this concept is to have an appealing design that stands out against traditional vending machines, but is not as playful as the current design. Therefore, coloured stripes on a white background are chosen. To create trust, the included brands are shown on the side. The brand name is placed at the front on top. Healthiness is shown by the use of more green than other colours.



Concept 3 - Planes

This concept is based on a graphical colourful design to stimulate curiosity and stand out against traditional vending machines. This will help to increase convenience by having an appealing design. By having large planes in different colours, it is appealing but not too childish. Most planes are green, to show the healthiness of the products.

Figure 55. The different design concepts for the exterior of Hello Goodness, part 2

Validation

The three concepts and the traditional vending machine and current design are rated on the key values by the target group (n = 36) as shown in figure 60. The results of the quantitative research can be found in appendix L.

Key values

In comparison to a traditional white vending machine, all designs score higher for each value. This reflects that branding of the machines is important to communicate the brand values of Hello Goodness. There can be concluded that concept 3 (planes), scores the highest for each value.

For the value trust, concept 3 scores the highest with a score of 3.9. The current design and concept 1 score both 3.4, just below the positive score of 3.5. On the value modern, concept 3 again scores highest with 4.42. The other concepts and the current design are around 3.5 and 3.7, while the traditional vending machine scores just a 2.5. Concept 1 and 3 are scored similar for the value healthy, a 3.8. The current design scores a 3.5, while a traditional vending machine scores just a 2.2.

The value of convenience is partly linked to being recognizable. The designed concepts score all higher than no design: between 4.4 (concept 1) and 4.9 (concept 3). There can be concluded that applying more colours or a different shape help to stand out. Colours help as well in the rating for appealing, as concept 3 is scored with a 4.6, while the traditional vending machine scores as low as a 2.5. The other designs score between 3.6 and 3.8.

On average, the highest score is given for concept 3, an average of 4.3. Concept 1, the cloud, scores a 3.8, while the current design and concept 2 score both a 3.6. All designs are better branded than the traditional looking machine without branding, which scores a 2.5 on average.

Preference

All consumers are asked to select their most preferred design. In general, concept 3 is chosen by 44%. Second is the current design, which is selected by 28%. An interesting fact is that all groups prefer concept 3, except for employees, in this group 38% prefers the current design compared to 31% who likes concept 3 the most.

Method: Validation of concepts

A quantitative research (n = 36) with the target group to validate the designs on the key values and choose the most promising design.

1. The 3 concepts are compared against the traditional vending machine and current design via a questionnaire.
2. The respondents are asked to rate each concept for all 5 key values on a scale from 1 to 7 and select the most appealing design.
3. Evaluation of the results to validate whether the designs reflect the key values.
4. Recommendation on a graphical design direction for the branding of the vending machines.

Legend

- Traditional
- Current
- Concept 1
- Concept 2
- Concept 3

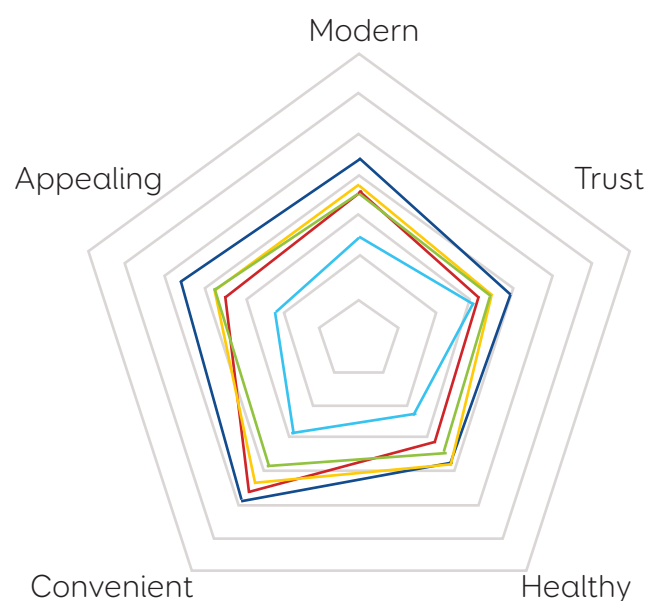


Figure 60. Rating of the different concepts

Brand name

The name of Hello Goodness is open to discuss according to Per Edwards (2019). In the USA, the concept has the name Hello Goodness. Due to legal issues, the name in the UK is Hello GoodChoices (Hello GoodChoices, 2018a). For Europe, the name has to be chosen and PepsiCo Benelux has the opportunity to propose other name ideas if after verification Hello Goodness does not cover the proposition well.

To analyse whether Hello Goodness is a name that fits the concept, consumers are asked about their associations when they see the logo and name. See figure 61 for an overview of associations. Next to this, consumers are asked if it fits a healthy vending concept.

Quotes from different stakeholders validate that Hello Goodness is a fitting name for this concept. Vendingland, who has experience with healthy vending initiatives say's "That's a good name. Goodness is nice" (Seijger, 2019). In comparison, there is found that Hello GoodChoices is hard to find online, as it is a generic name. Therefore, it is good that most consumers like the name Hello Goodness. A future consumer, woman aged 23 mentions: "This name fits very well, it is modern."

Feedback ESSA

The finding that the name Hello Goodness fits better than Hello GoodChoices is shared with Per Edwards. Despite it being an appealing brand name, due to legal issues it is not possible to use the name Hello Goodness in Europe. There is a pending patent on this name (Edwards, 2019). GoodChoices fit the product category, of offering a better solution than traditional vending good, but this name is not tested by consumers. It is recommended to repeat this analysis with the brand name Hello GoodChoices.



Figure 61. Associations with Hello Goodness as a brand name

Summary

Marketing mix

Product: More nutritious food and drink options in comparison to traditional vending and therefore a better option. Branded products that meet the demand moments during the day.

Price: A premium price point in line with regular vending with prices between €1,00 and €3.00 per product. Discounts are possible with combo deals and personalised deals.

Place: The products are presented in vending machines which are located in the channels workplace, higher education and healthcare institutes.

Promotion: Branded machines to make them recognizable. Combo deals and personal discount codes spread through direct mailing are promotion strategies.

Branding

Key values:

- Trust
- Modern
- Healthier
- Convenient
- Appealing

Proposition statement:

“Hello Goodness is a healthy vending brand for busy millennials who want to consume a more nutritious snack or drink during the day. It does so by offering premium brands with health benefits that are better than the products offered in traditional vending.”

Design

The design of the machines reflect the key values.



Figure 62. Design proposal exterior

Chapter



Business plan

Business model design

- *In this chapter, the business model will be shown. This will be*
- *done by providing an overview via a business model canvas.*
- *The size of the business opportunity and its success factors*
- *are added to have a reference when analysing the pilot. To*
- *hand over the project, a project roadmap and a pilot plan are*
- *proposed to be executed by PepsiCo Nederland.*

8.1 Business model canvas

In this section is the business model summarised by creating a business model canvas. In this model, the findings of the previous chapters are combined in one overview.

Business model canvas

The business model canvas is used as the method to create an overview of the business plan of Hello Goodness in the Netherlands. This method is introduced by Osterwalder and Pigneur (2010). Each key element of the business model canvas will be explained in the order as proposed by Osterwalder and Pigneur. In figure 63, the business model canvas for Hello Goodness is presented.

Key partners	Key activities	Value proposition	Customer relationships	Customer segments
Vendingland Vermaat Portfoliopartners: Vrumona 2Food Unilever	Distribution of products Marketing	Healthier and more nutritious snacks and beverages In a convenient way	Self-service model Trusted brands	<i>Millennials</i> Busy consumers Aged 19 - 38 Health conscious Out of home
	Key resources Vending machines Service Branding Distribution network Production		Channels Healthy vending Business & Institutions Workplace Education Healthcare	Segments: Employees Students Healthcare visitors
Cost structure Lease machines Production costs of products Distribution and service costs Branding and marketing costs			Revenue streams Selling healthier products in a convenient way to consumers Lease shelf spaces to portfolio partners	

Figure 63. Business model canvas for Hello Goodness

Key elements

For each element in the business model canvas, more details will be provided below.

Customer segments

The target customer as identified in chapter 2 is the *Millennial*, a busy consumer aged 19 till 38 who does not have time to make healthy food and drink decisions when away from home although he is interested in a healthy lifestyle. Most of his meals and snacks during the day are consumed out of home.

There are multiple customer segments within this target group, that share the same demand moments. These groups are students at higher educational institutes, employees at workplaces and visitors of healthcare institutes. They are in-depth discussed in chapter 4.

Value proposition

The value proposition describes the products and services that are offered to the customers (Osterwalder & Pigneur, 2010). For Hello Goodness, this are food and beverage options that are healthier and more nutritious than traditional vending items (Hello GoodChoices, 2018b). By this, the vending machines serve as a way to expand the offerings of caterers by being available all day. Convenient is the key characteristic of the selling strategy, as through vending the items are easy to purchase.

Channels

With channels, Osterwalder and Pigneur (2010) describe the communication and distribution channels to get the products at the consumers. The main selling strategy is healthy vending with vending machines placed at the channels *Workplace*, *higher education* and *healthcare*, as concluded in chapter 3. In table 21, the different communication and distribution phases are presented in the context of Hello Goodness.

Channel	1. Awareness	2. Evaluation	3. Purchase	4. Delivery	5. After sales
Workplace	Design of the machine and branding with the known-brands creates awareness.	The products are shown behind glass, so the customer can decide which products he recognizes and wants.	Purchase happens at the vending machine. The customer can select the items he want and pays at the machine.	When products are purchased, they are immediately delivered at the customer via the vending machine.	If there is something wrong with the product, make it possible to contact the vending operator and get a discount for a new product.
Higher education	At education and workplaces, promotion is used to inform the users about the new machine and invite them to use it.	Help customers decide by providing nutritional facts on the chosen products.			
Healthcare institutes					

Table 21. Overview of the different communication and distribution channels

Customer relationships

The vending machine itself works as a self-service model, the consumer interacts with the machine and there is no direct interaction between the company and the customer. The loyalty of the customers to Hello Goodness is based on the trusted brands that are included in the vending machines and the branding of the machines itself, that make it recognizable and convenient to use.

Revenue streams

The main strategy to generate revenues with Hello Goodness is by selling food and drink products that meet the consumer needs when away from home. The pricing of the items differs per item and is dynamic as there are discounts and deals possible (see section 5.4). Added revenues are generated by lease constructions of shelf spaces, third parties can lease a shelf space for their products. More information on the revenues is given in section 8.2.

Key resources

Key resources is split between physical assets and non-physical assets (Osterwalder & Pigneur, 2010). The physical assets are the vending machines, the distribution networks to get the machines filled and the production of the products. The vending machines are provided by Vendingland (Seijger, 2019) as concluded in chapter 6. The distribution network is based on different wholesalers and portfolio partners who deliver the products at Vendingland and Vendingland covers the distribution network from their warehouse to the locations of the vending machines. PepsiCo is responsible for the production of the products.

Other resources are brand equity of the branded products and human resources to get service to the machines. Brand equity is provided by PepsiCo as described in chapter 7. Vendingland is responsible for the service and maintenance of the vending machines.

Key activities

The activities that have to be executed to make the business model work is the distribution of the products and machines to locations where the customer segments can be found. A caterer is responsible for providing the locations, the vending operator is responsible for the distribution of the products to the machines. Next to this, marketing of Hello Goodness, by PepsiCo, is an important key activity to make customers aware of the concept.

Key partners

Based on the *Go to market* strategy as presented in chapter 6, key partners are defined. The distribution and service partner is a vending operator: Vendingland. A strategic partner in targeting the right locations is a caterer: Vermaat. The last group of partners are portfolio partners, by adding their branded products to the assortment a whole solution can be offered. These partners are 2Food, Vrumona and Unilever.

Cost structure

The costs that are made to make this business model profitable are mainly based on the vending machines, they are leased from Vendingland, re-branded (marketing costs) and placed at the locations. Service costs have to be paid to the vending operator and include the costs for distribution of products to the machines, service and maintenance of the vending machines. Other marketing costs are made in promotion of the products and Hello Goodness concept at the locations.

8.2 Business opportunity

In this section, the business opportunity will be further detailed by a calculation of the business size, the profitability and the unique selling points of this concept.

Size of opportunity

The size of the business opportunity is hard to predict. In the UK are after a year of pilots 1000 machines introduced to the market (Edwards, 2019). To expand Hello Goodness, the growth strategy is to work together with a caterer and expand to these locations first. By working together with Vermaat, there are 300 possible locations to place Hello Goodness in after the pilot (Vermaat Group, n.d.). Later, there can be expanded via other caterers to more locations in the Benelux.

The exact number of locations and target number of machines will be based on the results of the pilot.

Profitability

The goal is to have a monthly turnover of €450 per month. This goal is set by Vendingland (Vendingland, 2019). If the turnover is less, a service fee has to be paid. The goal is to prevent this, as this will not help in making profit.

The costs are summarised in table 22. The exact numbers are not shown because of confidentiality. There are initial costs, like branding and marketing costs and costs that are direct related to the business: leasing costs and fees.

To make the concept profitable, the revenues should exceed the costs made. The revenues are generated via selling products to consumers and by leasing shelf spaces to external partners. For each sold product, PepsiCo gets a part of the margin. After the pilot, when the concept is proven to be successful, PepsiCo can start leasing shelf spaces to external partners. For each product placed in the shelf, a fixed fee is invoiced.

Costs	Type	Paid to	Paid by	Explanation
Leasing costs	Fixed costs	Vending operator	PepsiCo ESSA	Leasing of the machines which includes installation and service.
Transaction fee	Percentage of turnover	Vending operator	PepsiCo Benelux	A percentage of the turnover is paid to the vending operator.
Caterer fee	Percentage of turnover	Caterer	PepsiCo Benelux	A fee to the cater for providing the locations.
Branding costs	Fixed	Design agency (design costs)	PepsiCo ESSA	A design for the exterior will be designed by a design agency and applied to all vending machines.
Marketing costs	Variable		PepsiCo Benelux	Marketing activities such as discounts via combo deals and personalised discounts. Plus other promotional activities.

Table 22. Costs related to Hello Goodness (Vendingland, 2019)

KPI's

The success of Hello Goodness is based on the combination of assortment and location. As these are aligned, the concept will succeed.

During the pilot, the following key performance indicators will be tested:

- Turnover per machine of at least €450 per month
- Low rate of operational failure (percentage to be determined)
- Low rate of unavailability of items (percentage to be determined)
- High rate of customer satisfaction (quantitative evaluation during pilot period)
- High re-visit rate of consumers who use the machine again (percentage to be determined)

Note that the percentages need to be determined. This can be done in collaborating with Vendingland, who has experience with meeting KPI's in vending. During the pilot, the performance of the Hello Goodness machines needs to be evaluated regularly to analyse what makes them profitable.

Unique selling points

In the previous years, multiple healthy vending concepts were introduced by other companies. Both 2Food and Vendingland have introduced a concept which has failed, their main learning are that the timing should be right (2Food, 2019) and that the products need to be known by the consumer (Seijger, 2019). These learning are embedded in the business plan development of Hello Goodness.

Well-known brands

It is beneficial for Hello Goodness that all brands are already sold in the market. Most brands are well-known, like Quaker, Pepsi Max, 7UP, Duyvis and Lay's Oven, as these products are successfully sold in supermarkets (PepsiCo Brands, n.d.). Therefore, the products are already trusted, the consumer knows what he can expect when buying the product at a vending machine (Hello GoodChoices, 2018b).

The products are all A-brands and therefore premium products. The consumers do not need an explanation for the products, they have probably consumed them before. Because the products already exist and are successful brands, they are well developed and have a great taste. The reason why the concept of Vendingland failed was because the products needed an explanation and did not taste well (Seijger, 2019). There can be concluded that having recognizable brands helps to the success of Hello Goodness.

One solution

Due to the healthy lifestyle trend (PepsiCo Insights, 2018), more healthy products are offered via caterers. Because they cannot offer an all-day availability (Office Magazine, 2013), there is a gap for one solution that is available at all demand moments. This solution is Hello Goodness, as vending requires no catering personal available all day it is always a solution that is available that fits the consumer needs.

Timing

Currently, a healthy lifestyle is a main trend (PepsiCo Insights, 2018) and this leads to the trend of healthy vending (FoodService Instituut Nederland, 2017). Both Vendingland (Seijger, 2019) and 2Food (2Food, 2019) confirm that now is the right moment to introduce more healthy products in the market through vending. The promising results of Hello GoodChoices in the UK (Hello GoodChoices, 2018a) gives the belief that expanding Hello Goodness to more European countries, including the Benelux, is the right strategy.

8.3 Project roadmap

A global roadmap for the Hello Goodness project in the Benelux is provided. In this roadmap, see figure 64, is the expected growth across the Netherlands and Belgium (including Luxembourg, as it is seen as part of the Belgium market) presented.

Roadmap

This graduation project will end with the analysis and start-up of the business opportunity of Hello Goodness. This is all finished at the end of Q1 2019.

The first step is to start the pilot of 6 months at key-locations in the Netherlands in the area of Amsterdam. With this pilot, the assortment and marketing can be optimized, and the most potential locations are identified. Location specific demands and therefore requirements on the assortment will be identified and used as learnings. The goal of the pilot is therefore to get more insights in the value of Hello Goodness.

After the pilot is proven to be successful, it is time to expand. Because a caterer is one of the partners, the first step is to introduce the Hello Goodness concept at more locations of this caterer across the Netherlands and in 2020 in Belgium, including Luxembourg, as well. The first goal is to expand the number of machines to 150, to cover 50% of the locations of Vermaat in the Netherlands and 50 machines in Belgium. After the locations of Vermaat are covered, more locations are targeted by collaborating with more caterers in the Benelux.

In Belgium and Luxembourg, some fine-tuning of the assortment will happen based on the rotation numbers of the products. The initial assortment will be based on a combination of the Dutch assortment and the products that are available or successful in the Belux market. A second pilot will be skipped, the concept will directly be introduced to the market with 50 machines as the market shows many similarities with the Netherlands.

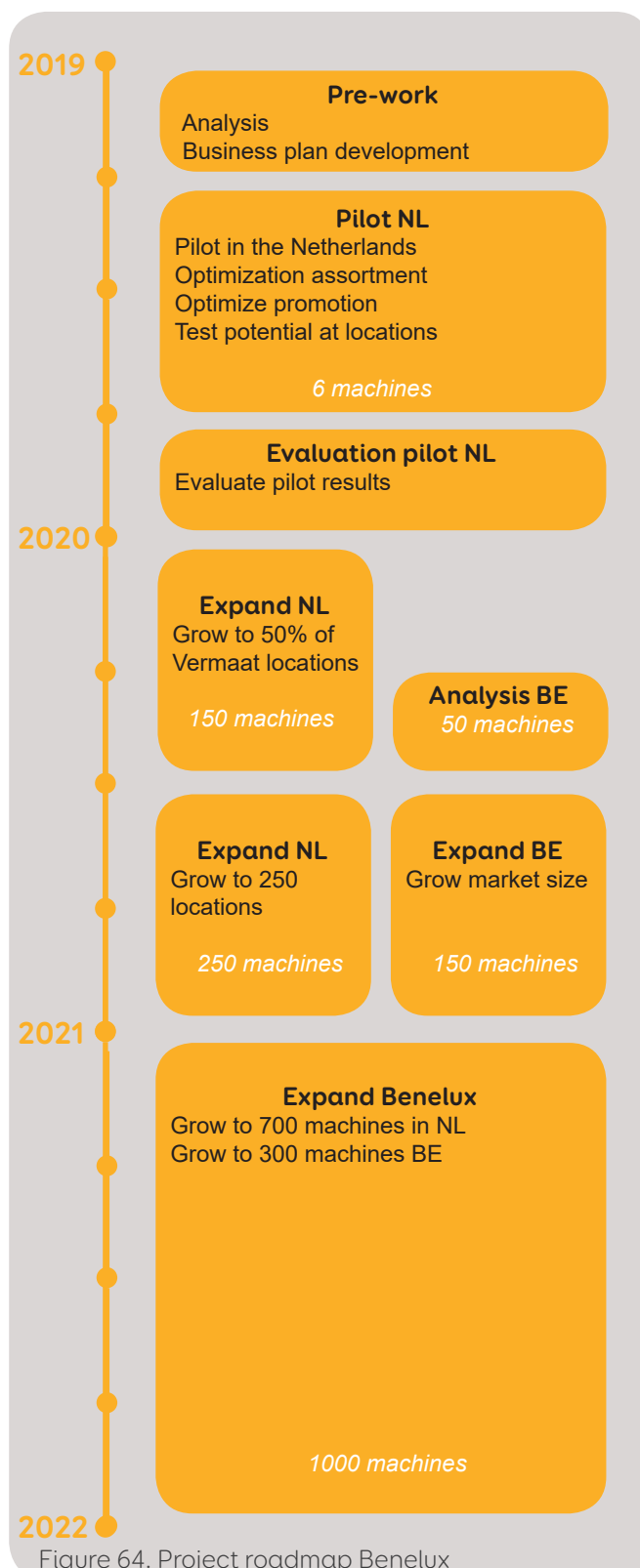


Figure 64. Project roadmap Benelux

8.4 Pilot plan

There is a request for 6 Hello Goodness machines to use in the pilot in the Netherlands (Edwards, 2019). Suitable locations will be chosen together with Vermaat at the chosen channels. Based on the pilot results, the assortment will be optimized during testing and the KPI's will be tested.

Selection criteria pilot locations

Locations should be in the same area to make distribution of the products easier (Seijger, 2019). Therefore, the region of Amsterdam is chosen. All pilot locations will be chosen out of the current 300 locations of Vermaat across the different channels in *Business & Institutions* (Vermaat Group, n.d.).

An ideal distribution across all channels will be:

- 2 machines at education: university and HBO
- 3 machines at different workplaces, of which 1 shared office building
- 1 machine in healthcare, a hospital

Specific locations have to be chosen based on a few guidelines. If a possible location meets these guidelines, they have to be approved by the European Hello Goodness project team (Edwards, 2019). A location is suitable if:

- Customers aged 19-38 cover at least 50% of the visitors of the location
- No other healthy vending available
- No all-day catering with healthy products available
- Vending machine can be placed in a central area

Proposed locations that are interesting to analyse whether they are suitable are:

- Education
 - Hogeschool van Amsterdam
 - Universiteit van Amsterdam
- Workplace
 - Google Nederland
 - Other workplace
 - A shared office building
- Healthcare
 - UMC Amsterdam

Pilot tasks

The results of the pilot will be used to evaluate the potential of Hello Goodness in the Benelux. Therefore, it is necessary to get data on the rotation of the product at each individual machine. With these data, it is possible to iterate on the ideal assortment. Products that have low rotation numbers can be excluded and popular items can get more shelf space. Other products and new product developments can be introduced easily as well to test their potential in Hello Goodness.

Next to observing the sales, marketing activities can be tested. Promotional activities that have to be tested are sending personalized discount codes via direct mailing and testing the combo deals mechanism. Sending discount codes to employees and students for specific products to get the consumer familiar with the Hello Goodness concepts and its products can be used to test whether there is an increase in sales after the promotion compared to the rotation numbers before. Different combinations of products in the combo deals can be tested to get insights in the concept of combo deals. Different discount rates, product combinations and moment of the day can be optimized.

The profitability and market potential will be evaluated based on the turnover per machine, the return on investments and rotations per product. This will be evaluated each month and after the pilot period ends.

Goals

The main goal of the 6-month pilot is to test whether the Hello Goodness is successful, and verify if the concept is profitable. During the pilot, the assortment can be optimized and iterations per channel can be done to have a product portfolio that fits the channel specific consumer needs.

In addition, marketing activities can be optimized, as many different promotions can be tried and different combo deals can be designed.

Summary

Business model

Key partners	Key activities	Value proposition	Customer relationships	Customer segments
Vendingland Vermaat Portfoliopartners: Vrumona 2Food Unilever	Distribution of products Marketing	Healthier and more nutritious snacks and beverages In a convenient way	Self-service model Trusted brands	<i>Millennials</i> Busy consumers Aged 19 - 39 Health conscious Out of home Segments: Employees Students Healthcare visitors
	Key resources Vending machines Service Branding Distribution network Production		Channels Healthy vending Business & Institutions Workplace Education Healthcare	
Cost structure			Revenue streams	
Lease machines Production costs of products Distribution and service costs Branding and marketing costs			Selling healthier products in a convenient way to consumers Lease shelf spaces to portfolio partners	

Figure 65. Business model canvas for Hello Goodness

Project

Start with 6 machines for 6 months in the Netherlands with machines placed at 2 higher educational institutes, 3 workplaces and 1 hospital.

Expand to the Belgium market in 2020

Goal for the end of 2020: 250 machines in the Netherlands and 150 in Belgium

Goal for the end of 2021: 700 machines in the Netherlands and 300 in Belgium

During pilot: test KPI's, optimize assortment and test marketing activities.

Chapter



Conclusion

Project evaluation

- *The project will be concluded in this chapter. This will include recommendations on the Hello Goodness concept and project execution. It includes a personal reflection of this graduation assignment as well.*
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9.1 Conclusion

The design challenge was defined as:

Analyse the business opportunity of Hello Goodness for the Benelux market by providing an advice on the right channel, target group(s), assortment and go to market strategy. In this process, use currently used models at PepsiCo and evaluate their applicability in the away from home market. Design a business plan to offer the healthier products to end-consumers through vending machines including an implementation plus marketing plan. Provide design recommendations regarding the design and presentation of the products.

By using the steps in the strategic planning phase of the *World Class Customer Engagement Model*, the business opportunity of introducing Hello Goodness in the Benelux market, by starting implementing in the Dutch market, was analysed. The end result is presented in figure 66, which shows the final design and assortment.

The potential target group was defined as the Millennial, who is a busy consumer aged between 19 and 38 and does not have time to make the right food and drink decisions when spending time away from home. He consumes most of his meals out of home, mostly in the locations that can be found in the *Business & Institutions* channel. The right channel to place the Hello Goodness vending machines in are workplaces, higher education and healthcare institutes.

There is found that there is a consumer demand for healthier products in the away from home segment. Currently, the assortment in traditional vending is rather indulgent. The products in the Hello Goodness machines will all be branded products from PepsiCo that the consumer is familiar with. It ranges from snacks, such as chips, multi-grain cakes and nuts, to oatmeal products and drinks that contain fruit and vegetables, such as smoothies and fruit juices. In addition, low calorie soft drinks are included. With this assortment, a premium and healthier product assortment is offered to the consumer in one vending solution.

PepsiCo Benelux needs partners to take this concept to the market. A vending operator is necessary to lease the vending machines and to apply service. A caterer is involved to get access to the right locations. The last type of partners are portfolio partners, who are necessary to get products from non-PepsiCo brands included in the machine to meet all consumer demands.

To promote the concept, the Hello Goodness vending machines will all be branded with a colourful design that shows the key values of being trustworthy, modern, healthier, convenient and appealing. This design is presented in figure 66 and validated with the target group. Via combo deals and direct mails with personalized discount codes, the concept will be promoted to the target group.

In the business model of Hello Goodness, steps to test this business plan were included. The goal is to start in Q2 with a pilot of 6 machines across key locations in the Netherlands. During this pilot, the profitability will be tested and the assortment and promotions will be optimized. After a successful pilot, the concept will expand to the whole Benelux market with the goal of having 1000 Hello Goodness vending machines implemented at the end of 2022.

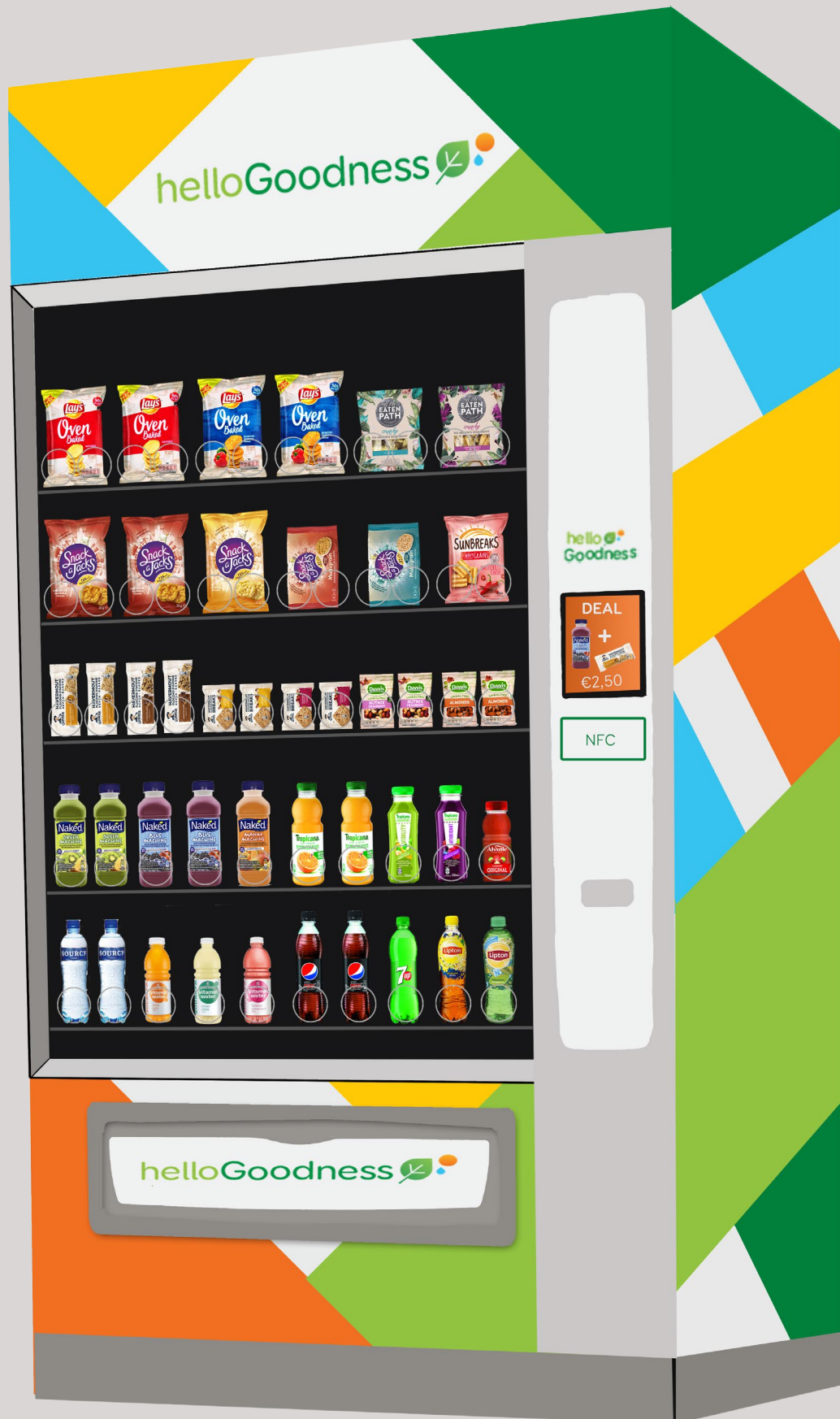


Figure 66. The final design and assortment of Hello Goodness

9.2 Limitations

In this section, the limitations of the project are presented. Both the limitations in the Hello Goodness business concept as in the execution of this project are included.

Limitations Hello Goodness

The main limitation are the requirements from category management on ESSA level, as the vending machines in the Benelux should meet these requirements as well. The product assortment with suitable products in the Netherlands is limited. As a result, almost all possible products are currently part of the assortment and need to be double faced too fill a vending machine. It is a limitation that it was not possible to recommend new products or products from external partners to make the machine more diverse and therefore more attractive.

Other limitations are found in the *go to market* strategy, where the portfolio partners had to be chosen based on existing partners of PepsiCo. Therefore, an analysis of other possible partners is not made. Luckily, for the selection of the vending operator and caterer, there was freedom in selecting the most promising partners.

The final limitation is that there is not yet validated if the Hello Goodness business concept is financially feasible. This is something that still needs to be calculated and verified during the pilot.

Limitations of project execution

On the project are some limitations as well. The first limitation is the fact that this thesis only includes the analysis phase and plans for the pilot, but does not include the actual pilot and related data. Therefore, the results of the analysis and the business plan need to be validated with data generated from the pilot.

There is a lack of data from the UK available, as this data is not shared after multiple requests. This made it harder to compare the Dutch business case with the UK, as data on rotations is not included when making assortment decisions. A solution has been found in having small researches amongst the target group, but the number of respondents is relatively small. This does not result in significant results, so it is recommended to repeat those researches or validate the assortment with data from the pilot.

The development of the visual identity and branding could be developed further, as only a direction is provided. Especially for the visual identity, collaborating with a design agency to develop more concepts and test these in the market is recommended. The design concepts are still related to the original graphical style, but there is room for more experimentation.

Multiple parts of the business model are still unknown. The financial forecast on profitability is not included as there is not enough data available to make a financial analysis. Many costs and revenues are still unknown, such as branding costs, number of rotations and profit. This is a limitation as it is not possible to provide insights in the profitability of Hello Goodness.

The final limitation is that although it is a Benelux project, most of it is only focussed at the Netherlands. Although the concept will first be introduced in the Netherlands, the assortment and *go to market* strategy need to be analysed as well for the markets in Belgium and Luxembourg.

9.3 Recommendations

The recommendations are divided into three categories: recommendations for the Hello Goodness project, recommendations on the use of the World Class Customer Engagement Model as a method and tips to PepsiCo to make strategic channel decisions.

Hello Goodness

For the Hello Goodness concept, most recommendations are related to the execution of the pilot plan and business model. After analysing the profitability in the chosen channels, it is recommended to analyse whether the concept is profitable at other locations as well. In the UK, Hello GoodChoices is implemented in the travel industry and proven to be profitable, so it is interesting to have a pilot at a travel location to analyse if it is suitable for the Benelux as well.

Related to the assortment are a few recommendations provided. The first tip is to keep reviewing the assortment regularly and develop location specific shelf plans. It is recommended to change non-profitable products, that have a low rotation, with other products. In addition, experimentation with products from external partners and combo deals can help to increase the profitability of Hello Goodness. As the Benelux assortment is limited on portion sized products that meet the guidelines, there is the option to introduce new sizes for Hello Goodness specific.

On the promotion of Hello Goodness is the next step to further develop the branding and visual identity of the machines, as only design directions are provided in this thesis. It is recommended to test this branding with the consumers to develop an appealing vending machine. For the promotional activities, the combo deal strategy has to be analysed in the pilot and optimized to boost sales.

Future steps to continue this project are finalizing the business case with a business model, financial analysis and KPI's. In parallel, the pilot locations have to be chosen so the pilot can start in Q2.

WCCE

The World Class Customer Engagement model is evaluated as a suitable method for the Hello Goodness project, although it is developed for existing markets and retail oriented.

The focus in this project was only on the global steps of the strategic planning phase, as the related templates were not seen as relevant. The templates are all focussed on existing business. As a method, the WCCE model is perceived as more financial oriented and less customer centric than what was needed for this project. But, the steps in the WCCE model are still relevant for new business opportunities. Still, pre-work needs to be done to have a global direction defined to know what to analyse.

Customer landscape

Having the market as a starting point is experienced as positive, but it is necessary to have a global idea of the customer and the whole market before the market can be analysed. Therefore, it is recommended to add a step of pre-work: define the customer and target market. In analysing the customer landscape, WCCE is less competition focussed, while this needs to be taken into account when introducing something to the market.

Shopper strategy

The WCCE model uses consumer descriptions that show similarities with personas that are used in this thesis. Having examples of consumers helps to think customer centric. It is recommended to base the consumer motivations on qualitative research, as this gives a rationale behind the motivations.

Category assessment

In the WCCE model, a category is defined as a product category, which is less detailed than what was needed for Hello Goodness. Therefore, an analysis of the category on product level is executed. This is something that needs to be included in this step: selection of relevant products instead of only observing the current category performance.

Strategic plan & goals

The outcome of WCCE is one goal that needs to be met including strategic pillars to get to this goal. In this report, the focus is more on the execution of the project instead of the theoretical goal. In the WCCE model, the strategic steps to take are missing in the strategic planning phase. When using the WCCE model, it is recommended to include the strategic plans that need to be executed to meet the goal.

Strategic decision variables

One of the deliverables to PepsiCo Benelux is a summary of the strategic decision steps in selecting new channels to introduce a product in. In the flow chart, as provided in figure 63, the steps are given.

In this flow chart, the starting point is having a product for which a consumer and channel needs to be found. This is an addition to the *World Class Customer Engagement* model as pre-work. After completion of the pre-work, by applying the strategic decision variables, there can be started with the strategic planning phase.

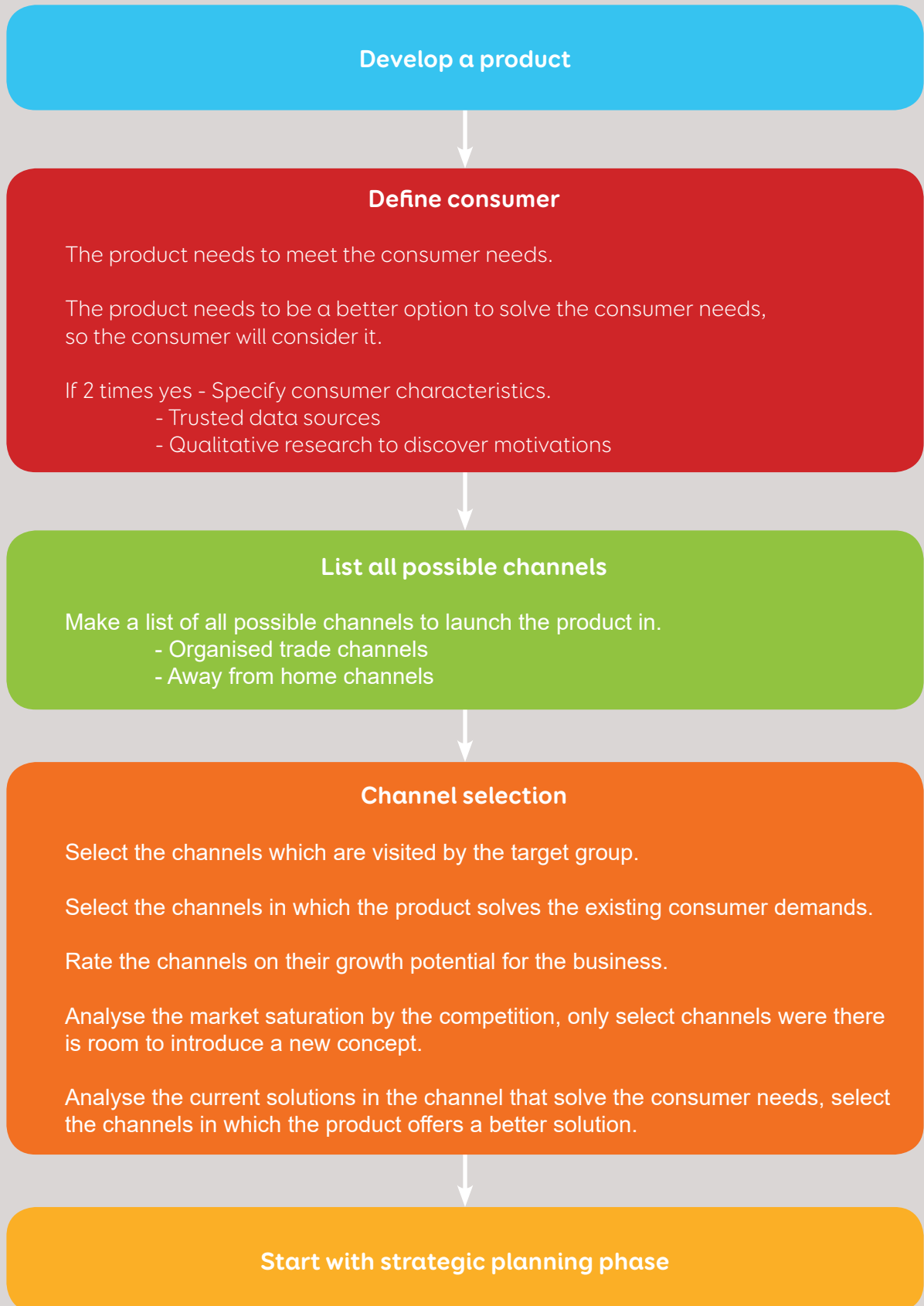


Figure 67. Flowchart strategic decision variables to be completed as pre-work

9.4 Reflection

Working on the introduction of Hello Goodness in the Benelux was a huge opportunity for me. It was not only a real life project, it was an interesting business opportunity for the Sales Away from Home department as well. During the project, its importance grew; it started with something that has been considered as interesting and ended with having category management on ESSA level involved. I'm proud to say that due to my analysis, I contributed in getting the funding for a Dutch pilot.

The project itself had a broad scope, as it included many separate elements from identifying the customer till writing a pilot plan. Having many small elements made it hard to go in-depth. Especially for the consumer researches I have executed, the number of respondents could have been higher and the analysis itself could have been more extensive. Due to a lack of time, I have chosen to focus on getting the whole project at a good level instead of having a few excellent parts with a lower average quality. For me it was a challenge to manage all these small elements and link them together to create a business plan.

Although this project was a sales and marketing oriented project, with elements of category management embedded, I still could apply the Industrial Design methods. For the analysis, many known methods were relevant, as well as the implementation of user research. I even spent time on ideation and the development of concepts, something I didn't had expected at the start.

The most positive part of this project was having a real project with real stakeholders. From Rogier, I got the opportunity to be in the lead in collaboration with him, so I got a lot of responsibilities. I found this very effective, as I was in charge of analysing everything, but got connected to a team of experts to get input from and validate parts, like the shelf plan and *go to market* strategy. On most other parts (the customer and target group analysis), I got complete freedom, as long as I reported it to Rogier and the team of experts. Next to internal

stakeholders, I got the opportunity to present the business plan multiple times to external stakeholders during external meetings. This was a good learning experience on sales skills and helped a lot in designing the context.

Sharing and presenting the project took a lot of time. But it was always worth the time invested, as it resulted in critical remarks and relevant input. My favourite comment was from Per Edwards, the project leader for Hello Goodness in Europe, when I presented that I have thought about the branding and design of the vending machines. Due to my concepts, he considered to redesign the machines, because he saw the potential of my third concept.

Because I was full-time internally at PepsiCo, I got fully embedded in the team. Sometimes I did other tasks next to the Hello Goodness project, which helped to keep being motivated and meet new people that were relevant for the project. It was a great opportunity to combine my graduation project with discovering the FMCG industry. In the end I can conclude that this project did not only challenged me as a designer, but helped me as well to discover how to use my design knowledge to become a better marketer.

hello 
Benelux

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