

The Whole Grain Invasion:

Vending Machines Make Whole Grains Ultra-Convenient



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Your Top 3 Take-Aways

- 1.** It's Not Vending – It's Automated Retail (AR)
Forget the Way You Think About Vending Machines
- 2.** AR is Key to Increased Whole Grain Consumption
Massive, Significantly Under-Utilized Opportunity
- 3.** Demystified Channel Can No Longer Be Ignored
Clear-Cut Strategies for Gaining Entry & Creating Success



Traditional Vending Industry Snapshot (Vending 1.0)

State of the Industry (USA)

Too Large to Ignore

- Revenue of \$20B in 2009
 - Snacks/Foods/Dry Goods \$5B+ (~25%)
- 4.8M Snack & Beverage Machines
 - 1.3M Snack-Only, 190K Food-Only
- Nutritional Snacks = 0.028% of Sales
 - Large Growth Opportunity for Healthy Brands





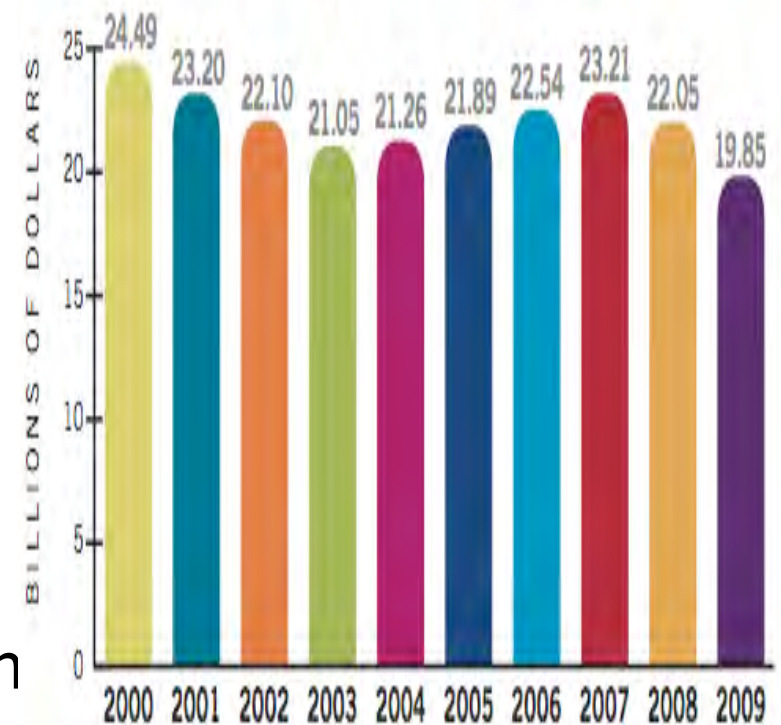
Sounds Good, But...

We Have a Problem!

Traditional Vending Troubles

YOY Revenue Down 10%, Pre-Tax Profits <1.5%

- Junk Food Sales Declining
- Old Equipment, Lagging Tech
 - Large Majority Don't Have CC Readers, Remote Monitoring
- Banned from Locations
(Local, State, & Federal Legislation)
- Lack of Knowledge & Education



What's the Solution?

Healthy Vending (Vending 2.0)

The Healthy Vending Opportunity

Shaking-Up a Stagnant Industry



➤ 2009 Nutritional Snack Revenues Up 16%

➤ Expanded Customer Base

➤ Higher Priced Items = More Profit Per Sale



And Most Importantly...

Sky-Rocketing Location Demand

- Local, State & Federal Legislation
 - Healthy, Hungry-Free Kids Act of 2010 (\$4.5B)
 - Michelle Obama's "Let's Move" Campaign
 - Statewide Bans on Junk Food & Soda in Schools



- Access to Locations Previously "Off-Limits"
- Increased Awareness (JO's Food Revolution, Employee Performance)





Fantastic, But...

We Have Another Problem!

Traditional Operators Complain: “Healthy Vending is Not Working”

- Nutritional Product Offerings Up 25%,
But Sales Only Up 16%
- They Only “Know” a Limited #
of Products
- Healthy Items are Too Expensive





So What's the REAL Solution?

Healthy, Automated Retail (Vending 3.0)

Healthy, Automated Retail

Vending 3.0 Defined

- Finally Catches-Up Vending Industry to the 21st Century
- Convenience (1.0), Health (2.0) & Innovation (3.0)
- Allows for Success by Solving Top 5 Healthy Vending Pitfalls



Healthy Vending Pitfall #1

Product Cannibalization (Selling Ferraris Next to Buicks)

- Mixed Message: Combining Unhealthy & Healthy
- Junk Food = Less Expensive, More Recognizable
 - Vending 1.0 is Purely About Impulse-Based Buying
 - Unhealthy Items Typically Have Better Packaging
- Unhealthy Items “Fit” Machine
 - Image Match
 - Machine Construction





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helping unite man and nutrition

Automated Retail Solution #1

100% Healthy, No Exceptions

- Clear Message of Health Promotion
- People Will Eat What's in Front of Them
- #1 Factor in Sell-Through of Healthy Items & HV Success
- Will Typically Lead to Maintenance or Increase in Sales



Healthy Vending Pitfall #2

Lack of Education at POS

- Only Recognizable Products Sell
- Conveyance of Health Benefits is Absolutely Essential
- Products Can't be Picked-Up & Felt
- Missing Opportunity to Influence Customer's Purchasing Decisions



Automated Retail Solution #2

PC-Powered LCD Displays Educate Consumer at POS

- 23" HD Displays Provide Nutrition Info, Health Tips, & Purchasing Advice
- Remote Loading, Always Fresh
- Products New to Channel Can Succeed
- Product Promotions, Advertisements, Contests, SMS Messaging, & More



Healthy Vending Pitfall #3

Using Same Old Vending Machines

- Jalopy Shell on a Ferrari Engine
- Consumer Psychology Mismatch
 - Machine Shouts “Sugar Fix” & “Guilty Pleasure”
 - Habit Formed Over Decades
- Whole Foods Feel & Environment Completely Absent



Automated Retail Solution #3

Automated Retailer that Conveys Premium Image

- Paradigm Shift in Psychology
- Shouts “I’m Different” & “Hey, I’m the Cool Kid in Class”
 - Consumers Expect Different Items
 - Willing to Pay More for Experience
- Wow-Factors Include:
 - Infrared Sensing Elevator
 - LED Lighting (Strobe Options)
 - Enhanced Appearance: Inviting Graphics, LCD Display
 - Touch Screen Technology (More Interactive)



Healthy Vending Pitfall #4

Lagging Technology, Stagnant Innovation

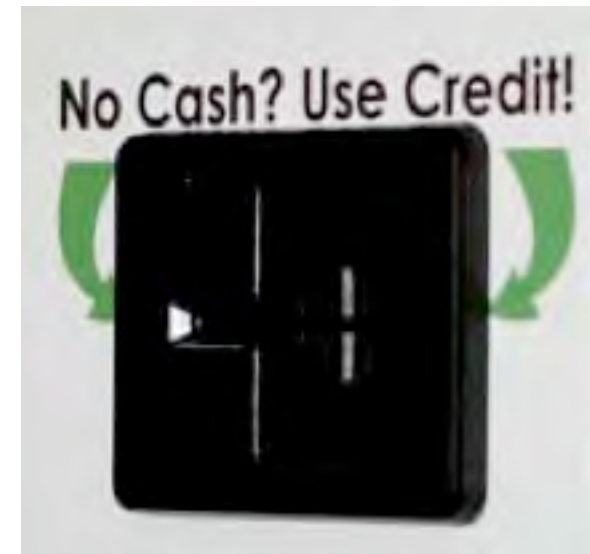


- Cashless Readers = Necessity
 - Only 2.3% of Machines Upgraded in '09
- Remote Monitoring, Advanced Reporting a Rarity
- Still Using Coils...Really?
 - Lack of Versatility
 - Limited Capacity

Automated Retail Solution #4

21st Century Technology

- Cashless Readers Allow for CCs, RFIDs, ID Cards & More
- SMS Text Alerts on Low Inventory, Machine Down, Other Events
- No More Coils: Conveyor Belts
 - Vend Just About Anything
 - Higher Capacity = Less Service



Healthy Vending Pitfall #5

Many Operators Don't Care



- Plop & Drop Service
 - No Sampling Events
 - Limited Customer Involvement

- Would Rather Sell Junk
 - It's What They Know
 - Rebates = Majority of Profits

- Machines are Energy Hogs
 - 1 Machine Can = Power Consumption of 1/2 US Household

Automated Retail Solution #5

Passionate Operators Fighting Country's Problems

- 10% of Profits to Charities that Fight Childhood Obesity
- New Model of Service – “I Really Care”
- Eco-Friendlier Machines
 - 30-50% Energy Savings
 - 10% Market Share = 517M kWh & \$62M Saved/Yr, Enough to Power 58K Homes





The End Result: **Healthy Automated Retail** **Success**

Fancy That: It Works

Healthy Automated Retail Performance in Schools

- EC Sodexo Schools: “Highest Commissions Ever”
 - Commission Guarantees Upon Replacement
 - Students Healthier, Budgets Stable
- 1 Machine Per 200 HS Students → 50 Vends/Day → Sales of \$1,500/Month → \$750+ Profits/Month





Get Involved: **How To Gain Access & Achieve Healthy Vending Success**

Achieving Healthy Vending Success #1

Recognize the Opportunity Internally

- Most Companies Ignore Channel
- Create a Plan & Go After It
- There are NO Clear-Cut Winners in Healthy Snacks/Dry Goods
- Next 3-5 Years Are Essential



Achieving Healthy Vending Success #2

Recognize the Opportunity Externally

- Create Your Own Automated Retail Brand (It's Easy)
 - Amy's Kitchen, Stonyfield, Del Monte, Fresh Direct
 - Immediate Access, Maybe Most Inexpensive Route
- Strong Marketing/Branding Opp
- Partner with a Company that Handles All Logistics for You (Just Provide Product)



Achieving Healthy Vending Success #3

Other Essentials to Successful Market Entry

- Create Packaging that POPS
 - Individual, Single Serve Wrappers Very Important
- Get Involved in Intimate Sampling & Education Events
- Location Leverage – If You Have Access to Good Account, You're in Like Flynn





Remember...

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Let's Chat About How Automated Retail Can Amplify Your Business in 2011 & Beyond!

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