PARITY

How small operators can get good prices

By David Murphy

First, I would like to thank everyone for the best wishes I received during my recent health setback. The phone calls, cards, letters, flowers and fruit baskets were overwhelming. I now know that all these things not only made me feel good but helped speed up my recovery. It is people such as you that help make this profession what it is today.

One question often asked of by other operators is how much difference is there in the pricing structure between vending companies with sales from $200 to $1 million and larger companies with sales over the $1 million mark? In some cases the price difference is huge and in others, negligible. There are many variables.

Let me say upfront that all the figures in this article are only estimates. Having said that, let's break down what we all buy in our daily operations. I chose to divide them into three categories: beverages, confectionery and perishable foods.

Each of these categories has its own set of unique pricing structures. Take beverages, for example. The average wholesale invoice price of a case of 24 cans is $7.50 plus taxes. And yes, you can buy a case at the Price Club for as low as $6.49 and at some variety stores for below the $6 mark. Now if I were to guess, any large operators - over $1 million plus in sales including the multi-nationals - would have the product delivered in the range of (just an estimate) $6.25 per case. There is a drawback because your biggest competitor is also your supplier and they will do anything and everything to maintain market share.

Why such a range in prices? The bottlers have created their own monster in rebates, and I personally feel they have lost control. But, if you look at the overall picture, you, the smaller operator, don't lose that much when we factor in variables, which I'll explain later in this column.

Coffee is another beverage that is a big part of our operations. Coffee prices for the smaller operators should be around the $3 a pound range. Larger operators tend to buy on speculation and futures for which they sometimes pay more. If it was a level playing field, I would guess the multi-national companies are in the $2.25 per pound range, delivered.

Again there are many different factors that contribute to this price such as coffee quality and equipment, etc. Please note: I've heard that coffee prices will rise over the next year because coffee-producing countries are not covering their costs. But is this just a way for suppliers to get us thinking about an increase?

Confectionery sales are the next category and are a very sore point for me. As I have stated, I believe we are treated like second-class citizens with regard to confectionery pricing. While writing this article I have bought chocolate bars for as little as 37 cents to 43 cents each at city stores. The wholesalers are charging in the range of 47cents to 50 cents. So if these larger operators are paying in the range of 40 cents why am I only being offered 47 cents by wholesalers? We are not given enough credit for our marketing ability. Most confectionery companies think only in the variety and large food stores can sell snack foods.

Here's a tip. If you want to get better prices for your confectionery products all you have to do is form a numbered company and when purchasing from the Price Club or wholesaler just give them your number - you'll probably get the rebate.

The final category, perishable foods, is an area where you definitely need to shop around. Pricing basically depends on where you operate. If the product can be delivered fresh, volume is everything. Finding good perishable foods and paying a little more is definitely worth it. I have been with the same supplier for many years. Volume will get you better pricing but not at the expense of quality.

If you have a good fresh food supplier, stay with them. Now to get back to the variables I mentioned earlier regarding the pricing differences for small, medium, large, and multi-national companies. My best estimate in purchasing prices ranges as follows: There's a 20 per cent difference, from top to bottom, with themulti-nationals paying about 20 per cent less than the small operator; 10 to 15 per cent for medium and large-sized companies. If you take a look at the full picture you will see that this is not a large difference. If you consider overhead, waste, shrinkage (theft) and sometimes foolish marketing (the bottlers are in that category), your small operation will have a significant larger margin of profit per dollar than you realize.

In closing, the best advice I can give you is to shop the market and negotiate. Sometimes pick up your product, other times have it delivered. Your biggest asset is you, so keep up-to-date with trends in product movement, which can save you a lot of money.

Don't be fooled by what you think is going on, focus on your own route operation. If your bottom line is good, keep up the good work and let the latger companies muddle through the system. You may be making far more profit than you realize and, with a little old fashioned bargaining, you will be pleasantly surprised at the discounts available to you.

If you have any questions at any time, or tips, email me at speedee@bellnet.ca because there are some things we cannot always talk about in public.