



# NACS Magazine

## The Slushie Success Story By Sarah Hamaker

What do Play-Doh, super glue, the slinky, Velcro and slush drinks have in common? All were invented, more or less, by accident. In the case of the frozen carbonated beverage, a broken soda fountain at a Dairy Queen in Coffeyville, Kansas, was the catalyst for the drink's creation one day in the late 1950s. Owner Omar Knedlik transferred his room temperature soft drink bottles to a freezer for chilling so that he could still serve his customers cold drinks. Instead, he ended up creating a slush beverage customers loved. The soda's carbonation gave the drink its signature fluffy texture.

### Off to a Slow Start

When the drink became more popular, Knedlik hired artist Ruth Taylor to create a marketing name and logo for his slushie invention. She came up with ICEE and designed the original logo. But the frozen carbonated beverage had a rocky first few years, despite customer enjoyment of the drink. Between 1960 and 1965, Knedlik, along with John E. Mitchell, who developed the first slush machine, began peddling ICEE drinks to restaurants, drug stores and other retailers that sold soda-fountain-type drinks.

After the first few hundred units were sold, sales of the frozen beverages were lackluster. Many store clerks were unable to keep the machines working properly due to inadequate refrigeration and maintenance "know how," wrote Convenience Store News in 1959.

"The drink started out in the 1960s and my uncle was one of the original guys involved with it," said Kent Watkins, who owns and operates The ICEE Company of Atlanta. Back then, frozen carbonated beverage machines were patented and could only be obtained through ICEE. "Initial interest was great at traditional soda-fountain retailers," he said.

Then came 7-Eleven. In 1965, Bev Hopkins, a 7-Eleven zone manager in Dallas, saw a "strange new product" in a competitor's store and the light bulb went off. Hopkins called Dick Turchi, Southland's corporate merchandising manager, and told him about the great sales potential this innovative product could have for 7-Eleven stores.

7-Eleven jumped on the opportunity and purchased three ICEE units in the fall of 1965. They were an immediate hit with customers, and within two years, nearly every 7-Eleven store had an ICEE machine. This led to a licensing deal with The ICEE Company to sell the product under certain conditions: first, that 7-Eleven market the drink under a different name, and second, that the company only sell the product in 7-Eleven locations in the United States, a non-compete clause ensuring the two drinks never went head to head for distribution rights.

So now 7-Eleven needed a brand name for its new drink. In a May 1967 brainstorming session with its in-house ad agency, Bob Stanford had an epiphany: "The first time I heard that sound through a straw, it just came out 'slurp.'" In the chain's official history of the Slurpee, Stanford, who was the agency's director, said, "We added the two e's to make a noun. It was just a fun name and we decided to go with it."



### Beyond 7-Eleven

During that time, other convenience store operators also were developing interest in slush drinks. “As big as 7-Eleven was, I don’t think there’s any question that the company had a big impact on the spread of frozen carbonated beverages,” said Russ Warner, president of frozen drink company Alligator Ice.

John Roscoe, who ran a chain of Short Stop convenience stores in California in the mid-1960s, met with Alan Penniman Jr. in October 1965 about slush drinks. Penniman, who owned (with his family) several Pack-A-Sack stores in Louisiana, had put in one of the first ICEE machines, which was selling phenomenally well. “Penniman told me, ‘Forget gasoline. I’ll give you something bigger and that’s ICEE,’” Roscoe told NACS in an interview about the association’s early days.

“Alan had figures on how slush drinks sold and it was spectacular — developing \$50 to \$100 a day in margin,” said Roscoe, who soon purchased four ICEE machines for his stores that fall and immediately experienced great sales. Roscoe estimated he made \$20 to \$50 a day margin on the drinks in the late 1960s.

“Slush drinks — and more importantly, the high margins developed by slush drinks — are an important foundation product for convenience stores,” said Roscoe of that time, but his comments still hold true today.

### Traffic Driver, Margin Builder

Within five years of 7-Eleven’s introduction of the Slurpee, the craze for frozen carbonated beverages had accelerated. “People can go anywhere for a cold carbonated beverage, but an ICEE is a different experience,” said Watkins. “It has that memory staying power — people remember having it as a kid and continue to enjoy it as an adult.”

For convenience stores, slush drinks increase sales. “It’s highly profitable for convenience stores,” said Mark Holden division manager for Electro Freeze. “It’s 20 percent food cost and 80 percent margin, plus it’s an easy-to-use, self-serve machine.”

But slush drinks have not always held favor in convenience stores. With the exception of 7-Eleven’s sustained success with the Slurpee, Steve Walters, national sales manager for Caribbean Crème, said that interest in frozen carbonated beverages waned during the mid-1990s.

However, larger store footprints and an increased interest in all aspects of foodservice have brought slush drinks back to a place of prominence in convenience stores. “About five to 10 years ago, retailers started believing that this program could make money again, and frozen beverages began making a bigger splash,” said Walters.

Slush drinks add to a convenience store’s bottom line beyond the beverage sale itself. “When somebody goes into a convenience store to buy an ICEE, he will generally buy more stuff,” said Watkins. “ICEE adds value to store sales overall.” He pointed to a study by Coca-Cola, which found that an ICEE machine selling a Coke flavor drove sales of other Coke products as well.



“When you’re serving a good slush beverage, it becomes a destination,” said Warner with Alligator Ice. “People tell us all the time that they’ll drive to a favor-ite store because it carries our product.”

Today, frozen dispensed beverages deliver profit margins of around 50 per-cent, according to NACS data. And while the category makes up a small portion of an average convenience store’s overall sales, about 71 percent of convenience stores sell the beverages.

And the category continues to grow. Frozen dispensed beverages’ gross margin dollars increased by 7.2 percent to \$2,868 per month per store in 2010, according to NACS State of the Industry data.

### Iconic Status

Slush drinks and convenience stores are inexorably linked in the minds of consumers. It helps that 7-Eleven celebrates its birthday each July 11 by giving customers a free 7.11-ounce Slurpee.

Pop culture has embraced the frozen dispensed beverage, too. One notable example: “The Simpsons” convenience store owner Apu sells “Squishees.” And in 2007, to correlate with the release of “The Simpsons Movie,” 7-Eleven recreated the Kwik-E-Mart and sold Squishees from renamed Slurpee machines. For an entire month, Woo-Hoo! Blue Vanilla Squishees honored the show and its characters.

Even government officials appreciate the power of the slushie. Last November, President Barack Obama joked about holding a Slurpee Summit with newly elected House Republican leaders to discuss the upcoming legislative session. While Slurpees were not served, 7-Eleven seized upon the reference to promote its iconic beverage. The chain offered free small Slurpees on November 26, 2010, as part of its “Purple for the People” campaign.

One 7-Eleven store in Kennewick, Washington, has a special connection to the beverage. The store boasts of a wall of Slurpee machines to meet high demand from its customers — including the football team of Kamiakin High School. One day it dawned on owner Don Mariotto that the teens were responsible for regularly draining every last Slurpee dispenser. Soon, six additional machines were deployed to his store, which increased Slurpee sales so much that the store achieved the top spot in Slurpee sales in the world — a record the store has held from 2007 to 2011.

### Frozen Innovation

In the nearly half century since the debut of frozen carbonated beverages, the equipment and dispensing methods are about the only things that have been altered. “It’s more reliable equipment and it’s flashier equipment,” said Walters.

“That’s allowed the retailer to increase the ‘wow’ factor. Thirty years ago, you could barely see the flavors inside the big, steel machine. Now, the colors are visible and front-and-center.”

Gone are the gigantic floor models that dispensed only two flavors. In their place are sleeker, more reliable countertop models with computer chips to self-diagnose problems and mix more



flavors. “The equipment is much more reliable and easier for retailers to use than a few years ago,” said Warner with Alligator Ice. “The innovations have made the product more accessible to customers.” Bag-in-the-box syrups have replaced the old syrup jugs, translating into easier care and cleaning of the machines, as well as eliminating waste.

Technological advances allowed for more flavor innovations, too. “During the past five to eight years, we’ve seen retailers go from a single slush machine to multiple ones that offer four to six-plus flavors,” said Walters. “While red and blue are still the predominate flavors sold, we’ve added 10 different flavors to the mix.” A wider range of juice- or fruit-based frozen beverages also appeal to health-conscious customers, while bold and funky flavors attract the younger crowd.

Retailers also find inspiration for the category in new flavors and cups. “Novelty promos with cups, straws and flavor-of-the-month keeps the category exciting for the customer,” said Walters with Caribbean Crème.

Since the 1960s, 7-Eleven has given fun names like “Red Eye”, “Firewater” and “Fulla-Bulla” to its Slurpees and the cup’s frequent redesign contributes to the drink’s widespread appeal. 7-Eleven also has partnered with other entities, such as the X-Games, the World Wrestling Federation and movies, to develop collectible cups, straws and flavors.

But these external improvements have not taken away from the original properties of the frozen carbonated beverage; the drink’s basic ingredients have stayed the same for the past 50 years.

From its accidental beginning to its revival today, slush drinks are interwoven into the fabric of convenience stores. “Most people think of convenience stores when they want a frozen carbonated drink,” admitted Walters.

The drink has demonstrated a fairly consistent ability to bring in customers and pad the bottom line, all for little effort on the part of the retailer. Not bad for a bit of ice, sugar, water, carbonation and flavoring.

*Sarah Hamaker is a freelance writer based in Fairfax, Virginia. She’s also a NACS Magazine and NACS Daily contributing writer. Her favorite slush flavor is cola. December 27, 2011*