

Vending Operation & Business

Vended products can be dated back to 215 B.C. when Hero of Alexandria used a coin-operated mechanism to dispense a fixed-amount of holy water at temples. Moving forward to 1888, Thomas Adams of New York installed Tutti-Fruiti gum machines on elevated train platforms, and forever rewrote the way humans can purchase products today. Vending in only the USA, is a \$30 billion-a-year industry.

Nowadays you can get just about anything you can think of from a vending machine. In addition to the standard tradition of vending snacks, you can also buy electronic devices, or over-the-counter medicines from vending machines. Advancements in technology and the internet have created ever-increasing revenue streams in the vending business. The business players who are sailing faster on this success stream than others are the vending machine operators.

To begin with why, the first reason is of course the fact that they earn as long as a vending machine is selling, unlike the manufacturers, importers or distributors. They also have more options on the income through the machine because of the varied product selections offered by vending machines and the fact that the operators buy these products at wholesale prices. Moreover, most big vending operators usually import their own vending machines or even act as the distributors for vending machine manufacturers.

Why start a vending business?

The idea of machines making money for you while you relax in a bed or work hard at another job, sounds almost too good to be true. Of course, like all lucrative business opportunities, the vending business also requires a few details to be carefully handled and we will come to that later in this book.

- **You start earning from day one!**

Once your vending machines are functioning and stocked with products, they start earning money for you without much further investment. There are hardly many businesses out there where the cash flow can be predicted so correctly before they start moving towards the break-even point.

- **Day and night, every day!**

There's no doubt that when you compare the working-hours of your vending machine to those of a salesperson (or even three salespersons!), the machine scores far more. Your vending machine is like a sales person who works 24 x 7 without a single break in the whole year!

- **Stable and continuous returns on your investment**

Once you have knowledge of the machines' usage history, you can predict the returns more correctly than most other business start-ups. With a simple but smart setup, your vending machine will not require any maintenance charge before your first break-even point is achieved.

- **Part-time to full-time**

You can start your vending business even without quitting your full-time work. Whether your work is a nine-to-five job or your own business, buying and then operating your vending machines can be carried out part-time. Once your vending business starts and the profits start growing, it will make increasingly more sense to be your full-time work.

- **Be your own Boss!**

Although there may be maintenance and other initial support provided by the manufacturer, you own your vending machine! Depending upon your vending machine manufacturer, there are various instructions that your machine can be programmed with.

- **Negligible overhead costs**

Having your own vending machines considerable reduces overhead costs compared to other business that offer you the same relaxation time. If you look after maintenance requirements and service route of the machines yourself, you can even eliminate the need for more employees. This means fewer issues with payrolls, employee health and benefits. A fully stocked machine at the right location and with the right selection of products also eliminates the need for any advertisements for your business.

After operating your own vending business for a certain period of time will teach you the right machines for your business, how to select the right product & locations, how to get the best factory-price and understand better route management. Increasing profits from your vending business while operating on a shoestring is another lesson that will be important to rapidly grow your business in the future.

Finding the Right Location

The right location can fast make or break the return on your vending business investment. Depending on the available time or resources that you have, there are various ways of finding the right locations.

- **Pay a vending locator**

This can be rather expensive in most cases and, after you've found the right location using this way, you may feel like the task could have been accomplished by yourself but there's no denying the fact that these professionals can find you the right locations in the least time. Moreover, if they have been in the business since sometime, they would know the people or organizations that have authority in these locations. Some vending-solution providers even have space already leased for the purpose of vending at important locations and such spaces can save you considerable time and money.

- **Contact schools, malls or other busy locations**

Phoning or emailing various potential locations may not only get you a perfect location but will also give you a comparison of the current prices for vending space at these locations. New malls that are opening up may provide you with introductory price for such a space and can be a long-term partner for your business.

- **Physically search for a location**

Before finalizing a location for vending, you or your representative will physically visit it to be sure about the expected footfall or its visibility. It is a better idea to do this at an earlier stage – even before shortlisting the locations from which you are going to finalize a few. Most new entrepreneurs in the vending business

prefer to drive around to search for these locations and carry out surveys that will not only help them pinpoint the right vending space but also give them an idea of the products which will bring good business through vending at these locations.

Even the most experienced vending operators have trouble getting a maximum ROI from their vending locations. There are various uncontrollable factors which affect the efficiency of these locations. These range from ever changing buying trends to unpredictable location owners. Thus, vending operators need to remain alert in order to respond appropriately to these changes even in order to maintain the pace of profits from their vending business. Such responses can include re-locating their vending machine(s) or vending new products from their vending machines.



Maxi Buffet in IST Airport, Istanbul

Midi Mobi in Barcelona Metro, Spain

Types of Vending Businesses

(Based on machine-types)

Today, almost anything can be sold through a vending machine -- soft-drink cans, gum, hot coffee, cold coffee, cigarettes, even hot dogs and pizzas. There are three basic categories of vending business based on the type of machines they operate:

Snack vending machines

Snack vending machines form a common type of vending machines. Instant snacks or chocolates which can be eaten right out of the box are the kind of snacks that can be commonly found stocked in snack vending machines. These machines can be used to vend almost any other item that can fit in them and that does not require the machine to be cleaned more often.

An efficient example is Tru-VEND[®] Mini-Buffer[®] vending machine that has a small footprint and can be wall-mounted or made to stand on its pedestal.

Combo vending machines

These machines are capable of dispensing snacks like chocolates, packed cookies or chips as well as chilled soda bottles, while storing them at the optimum temperatures that they require to be served at. These machines are commonly seen at malls, schools, airports or other busy public places.

Maxi Buffet – Combo →



Drinks vending machines **Maxi Kafe →**

These include beverage vending and dispensing machines like coffee vending machines, hot drinks' or juice vending machines. They come in two types:

1. Tea or coffee vending machines

Some coffee vending machines prepare various types of coffee with instant premixes that are easily available in the market while others use a built-in coffee grinder to grind the beans first.

Both these types of machines can either have various selections like espresso cappuccino, Mochaccino, etc. or may have the option of vending only a single type of drink.



2. Beverage dispensers

These machines store a ready-to-drink beverage at the optimum temperature (like juice or other beverages) and simply act as dispensers when instructed to vend the beverage. They can be part of a free coffee service for HoReCa (Hotels, Restaurants and Cafes) businesses or they may be coin-operated. Bill validators or change-giving electronic coin mechanisms are usually not supported by such machines because of the value of the drinks they usually dispense.



Mini Black-Instant

Bulk vending machines

These are smaller in size and vend gumballs, candies, gums or novelties in randomly selected order. The gross profit on these machines is higher than that from snack vending machines but the sales' volume is generally lower than that of snack vending machines. Locating bulk vending machines can be another issue. If the gross is greater on gumball machines than soda machines, then it makes more sense to have more gumball machines. For example, if you are grossing about 20 USD per week from a gumball machine and you want to make 400 USD per week, you would need to place 20 such machines. Finding locations for all these machines can be a problem.



Maxi Buffet & Maxi Kafe for Çankaya Municipality, Ankara

Finding the Right Machine Supplier

Finding a reliable vending machine manufacturer or supplier is very crucial to the long-term success of your vending business. A little research will always work in your favor. You can visit a few established operators in your area, and find out where and how they purchased their machines, and if they were experiencing any problems with them, how did they go about solving the issue. This way you will be sure of buying it from a good source. As these machines come in a variety of shapes and sizes, researching will also help you select the one that is perfect for what you intend to sell.

- **Email and call**

Explanation of your business and requirements in an email is the first way of shortlisting your manufacturer or supplier. The time they take to reply to your email and the understanding of your requirements in their reply can help you find the right match. Following up with a phone call after sending the email is also a way to confirm if they received your email.

- **Watch out for “optional”**

This is unfortunately a highly common practice in the vending business and almost all other businesses. The line between good marketing and “rip-offs” gets diminished when some features or accessories crucial to a vending machine’s functioning are sold as “optional”. This means you may opt to pay extra for these accessories or features!

Some common optional to watch out include:

- **Product Delivery Sensor, IR**

Infrared sensors or IR sensors are used in vending machines usually to detect whether a product was efficiently vend from it or otherwise, the buyer's money can be returned by the machine. It is given fancy names by various vending machine manufacturers and some even charge an extra price if you wish to opt for it!



- **Anti-vandalism built or accessories**

You will find many manufacturers providing you with a more robust or “brave” version of the same machine at an extra cost.

The concept of vending machines arose from the need of eliminating the requirement of a human seller or the need for cutting the “middlemen”. Thus, if a manufacturer claims the vending machine to be a “less-secure” version, it is pointless to buy such a vending machine!

An optional “robust frame” or an “impact alarm” are necessary to make all heavy-duty vending machines secure.

There should certainly be some optional accessories that can provide extra protection to a vending machine (like a Lexan glass, a metal keypad, etc.) but not at the cost of human monitoring of the machine 24x7 while it is in operation without these options!

- **Buy from the factory and at factory prices!**

Buying directly from the factory of the manufacturer will save you the distributor's commission and will considerably reduce cost of the machines. Factories can give discounts on bulk orders that cannot be obtained by buying the same machines from anywhere else.

- **Location of the manufacturing facility**

The location of manufacturing plays an important role in deciding the cost and delivery-times of the machines or part-replacements. If you are going to import the equipment from another country, remember to thoroughly check the custom rules or regulations regarding imports from that particular country. There can be unheard rules or regulations that can save you or cost you money. For example, Turkey is not a member of the European Union but has a free-trade pact with the European Union which allows trade between EU-Turkey without custom restrictions. Turkey is also geographically good for trade because of its location as the meeting point of Europe and Asia.

- **Visit their manufacturing facility**

Some prestigious manufacturers would welcome you to their manufacturing facility to check out their production processes. This is the probably the single most reliable way of judging their capabilities and facilities to serve your requirements. Moreover, if the top-level management of the facility is present at the facility, you may get to discuss per-unit pricing for your bulk orders. Such visits can be even better in case of family-run businesses.

- **Check for customization options**

Manufacturers who offer self-designed vending machines can offer you a host of customization options ranging from the color of

the machine to the number of trays or the choice of payment systems.

For example:

Some manufacturers may offer you a master-key along with your bulk-order of vending machines, which will enable you to administer several vending machines with the same key

The welcome message on the LCD screen may be set to any text of your choice like your company's website.

Some manufacturers even help you find the payment systems that will be compatible with their machines and make the required changes to your ordered machines so you may install the payment systems yourself.

The above ways can help you not only shortlist the right manufacturer/supplier for your vending business, but will also help you judge what to expect in terms of after-sales' services from the manufacturer or supplier.

The reliability, affordability and after-sales' services of the Tru-VEND[®] vending machines, make Elektral A.S. such a manufacturer. You may find more information from their presentation at this link



Precautions

Keeping all previous points in mind, there are some not to be forgotten. Even after all the advantages it has to offer, the vending business, like all businesses, needs to be practiced with some precautionary measures.

- **Self-filter advices from established operators**

Taking advices from established operators in your region can be more detrimental to your start-up than helpful. It can be tricky finding operators who will share their own success and failures. So your best bet is to wisely filter the advices you hear from them.

- **Beware of used equipment**

Buying used equipment can end up in wastage of time and money on its repairs. Moreover, used equipment usually means old technology with unattractive appearance. It does not help you acquire or retain good locations. It is certainly a better bargain to buy new equipment at factory prices directly from the manufacturer.

- **Don't opt for far-off locations**

Don't let the attractiveness of a busy location blind you to its distance from where your business is headquartered. Correctly weighing the time and cost it takes to service vending machines at a far-off location with the estimated minimum sales that the location can get you, is the key in such situations.

- **Watch out for “optional accessories”**

As discussed before, this is a very common “rip-off” practiced by most manufacturers. Be careful not to be fooled by extra-cost accessories with fancy trademarked names given to an efficient refrigeration system or a simple Infrared motion sensor to detect

product delivery. Many manufacturers even tend to place the thermostat in an area very close to (if not inside!) the refrigeration unit to demonstrate a refrigeration temperature which is quite different from that experienced by products stored in the furthest trays (usually the upper trays) of the vending machine.

- **Plan the route correctly**

When managing vending machines at different locations, planning a route correctly is crucial to save time and costs while servicing or restocking the machines. Higher the number of these vending machines, the more sensitive your revenue stream becomes to changes in the service route.

- **Keep your machines clean and stocked**

Once you are a vending operator, the vending machines are your employees. Keeping the machines clean and stocked is as important as looking after your employees. Failing to do so results in reduced sales and can make it harder to retain prime locations.



- **Read the location-agreement carefully before signing**

The contract you sign with the location-owner can be a life-saver or a bone-breaker. Consider factors like ownership of the machine in times of conflict, ending of contract, liabilities in cases of damage or poor market conditions. You can find attached a Vendor-Proprietor Agreement in Appendix II.

Frequently Asked Questions (FAQs)

Is the vending business as good as it sounds?

There are lots of ads or stories on the internet telling you that the machine does all the work for you. It's just a matter of setting them up and waiting for the money to start pouring in, 24 hours every day – while you are on vacation or asleep.

Well, it is not really true. It is true that people have made fortunes in vending while some have created a steady second income. But it is also true that some people have lost everything trying to set it up.

Vending can be an extremely lucrative business but, like most businesses, requires wise investments, excellent end-user experiences and wise cost-cutting measures.

What if I can buy two re-furbished machines at the price of one?

When buying a re-furbished or second-hand machine, you need to consider questions like; *what can I do if the refrigeration stops working? How reliable is the cheaper machine? Is it worth spending money on the repairs than buying a new machine from the local supplier of a foreign manufacturer? And most importantly, is it worth risking your prized location?* After having considered the answers to these questions, you can go ahead with buying your next vending machine. Even if a re-furbished machine manages to look as attractive as a brand new one, they are more prone to break-downs. An experienced vending operator would usually recommend a new machine at a competitive price.

Can I do it part time?

Yes, you may organize yourself to be in the field for approximately 30 minutes per machine. This figure may vary as per your individual speed and the distance between your vending machines.

Can I run the business from my house?

Yes, there is no need for renting an expensive office or a warehouse. Many new operators use their home or garages to store equipment and fill up products.

Are there tax advantages?

The vending business is an all-cash business and there are various tax- advantages depending on your local tax regulations. To better analyze the advantages your new business will offer, you may contact a taxation consultant.

How long does it take to start making money?

Although you may have read it many times throughout this book, it still bears repeating that the vending business starts generating income from day one. Depending on the number of machines and quality of your locations, the time it takes to get a good rate of income may vary.

Do I have to advertise the products?

No, your vending machine is your sales person. The manufacturers of the products you are selling have spent a fortune on advertising and creating a demand for them. You take the advantage of it.

This is why it is also a good idea to only sell products of well-known brands through your machines.

Are there enough locations for my business?

The vending industry is a 30 billion dollar-a-year industry in the USA alone and every day there are several new vending operators entering the industry in various countries. With labor prices reaching sky-high limits, the increasing demand for vending machines compensates for the locations already taken.

Where to purchase the products for stocking?

Wholesalers or distributors of snacks and various other products usually used for vending, can easily be found in your city or town. You may ask your nearest store for advice.

What kind of products are hot selling items?

The products that may sell like hot-cakes in your city may not necessarily sell the same way in an industrial zone located few meters outside your city. The people who are living or regularly visiting the vending locations are the best people to answer this question. You may refer to the Site Survey Form for Workplaces in Appendix III for guidance.

How many machines can I look-after myself?

It depends on how much money you want to earn, how much time you are willing to spend and if you can manage other people for larger vending routes.

How much money can I earn?

It depends on the quality of your locations and type of vending machines you are running.

What to do if I need parts or service?

Parts of popular types of vending machines are available easily. Buying straight from the manufacturer can get you the advantage of better after-sales' services and parts' supply.

Do I need to buy a van?

Most people start with servicing their route from their existing four-wheeled vehicles till they grow their business to the point that it becomes unpractical to continue operating in this manner.

Where can I locate vending machines?

Vending machines can be placed in almost any workplace or busy location. High traffic locations will usually generate more revenue.

Does it take a long time to get started?

If you are seriously considering starting a vending business and do not have a business plan already, you need to make one ASAP! Your plan should be written and should include measurable goals and objectives.

Appendix I: Vending Facility Site Survey

Site Location Address: _____

Name of Location: _____

Date this Survey was Taken: _____

Survey Done by (Name, Title): _____

Recommendations based on Survey: _____

Employees at the Location

1. Number of persons employed at the location on a daily basis: _____
2. Employees' normal work hours: ____AM to ____PM
3. Number of employees at the location beyond regular work hours: _____
4. Number of hours these employees work: _____
5. Lunch break: ____AM to ____PM
6. Amount of time each employee has for lunch: _____
7. Other break hours: AM: _____, PM: _____
8. Estimated number (or percent) employees that will or do bring their lunches on a daily basis: _____
9. Estimated number of individual sales in this location in a: day _____, week _____, year _____
10. Estimated average Euro amount per sale: € _____
11. Projected average sales per: day € _____, week € _____, year € _____
12. Estimated number of employees to be assigned to this location in one year: _____
13. Special employee needs that have not been provided for that could be sold at this location: _____

Non-Employees at the Location

1. Estimate of the number of visitor/guests at the location per: day _____, week _____, year _____
2. Will all visitors/guests will or will have access to the proposed vending location: _____ . Reasons if conditionally: _____
3. Estimated number of individual sales at this location in a: day _____, week _____, year _____
4. Estimated average Euro amount per sale: € _____
5. Projected average sales per: day € _____, week € _____, year € _____
6. Special needs that have not but could be provided for by this vending facility at the location: _____

Total Employees and Non-Employees at the Location

1. Estimated total number of persons at the location who will be served by this facility in a: day _____, week _____, year _____
2. Estimated average Euro amount per sale: € _____
3. Projected average total sale per: day € _____, week € _____, year € _____

Building Housing the Facility

1. Total amount of square feet within this building: _____
2. Daily hours this building is open: _____ to _____
3. Days of the week this building is open: _____
4. Holidays (if any) this building is closed: _____
5. This building is owned by: _____
6. This building is leased by: _____
7. This building is directly controlled by: _____
8. If leased, the term length of the lease is: _____
9. Any physical limitations of this building in relation to the proposed facility: _____
10. Rules or regulations that would affect the operation of the proposed facility: _____

11. Future plans for this building such as a remodeling, general changes to the area, enlargement, etc.: _____

Competition

1. Summary of any competition planned or actual that will be direct or indirect in competition within the location of the proposed vending facility:

2. Name of the direct competitor nearest to the location: _____

a. Distance of the location for the competitor: _____

b. Time it takes to walk to this operation: _____

c. Categories of items sold: _____

d. Sample items sold and their prices: _____

e. Comment on this operation on customer satisfaction, speed of service, attitude toward the customer etc.: _____

1. All information pertaining to competition (B) if it will influence this vending location:

2. All information pertaining to competition (C) if it will influence this vending location:

3. General comments (if any) about competition and its effect on the proposed vending location: _____

4. Name of the nearest food facility to the location:

a. Distance of the location from this food facility: _____

b. Time it takes to normally walk to this facility:

c. Estimated number of people who eat at the food facility on average day at lunch time: _____

d. Estimated average time of service during lunch time:

e. Estimated average sale per person € _____

f. Sample of items sold and their current selling price: _____

g. Comments on the food facility such as sanitation, type of service, attitude, and any opinions of guests who frequent this operation: _____

Proposed Vending Machine Location

1. Total square meter of this location: _____ Sufficient? _____
2. Total square meter of serving space: _____ Sufficient? _____
3. Total square meter of storage space: _____ Sufficient? _____
4. Length of service/display area: _____ Sufficient? _____
5. Does the proposed location and site appear sufficient for the projected volume of sales and customers? _____ Comment: _____
6. Can the location be easily seen or found by both employees and guests? _____
7. Is access to the location sufficient? _____ Comment of any noted problems: _____
8. Does the location have an optimum temperature for the machine(s)' operation? _____
9. Does the location have sufficient ventilation/air conditioning? _____
10. Does the location have adequate electricity for the present and projected needs? _____
11. Does the location have sufficient number of drains? _____
12. Is a hand wash with hot water available at this site location: _____
13. Are restrooms close to the location? _____
14. Are sufficient trash storage facilities available? _____
15. Is there sufficient security? _____ Note: _____
16. Deliveries to the location will present no problem to the functions within the workplace or to the operation of the facility: _____
17. Adequate fire alarm/warning and protection is available for both the location and the facility: _____
18. All requirements of the local health department have been met if applicable to this location and workplace: _____
19. Any recommendations to be made to the above questions, or suggestions on equipment needs etc.: _____
