

Study Material

Class - B. Com Hons Sem VI

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Subject – Principles of Marketing

Topic – Retailing – 9 (Vending Machine)

Prepared by - Dr. G. Vijayalakshmi.

Faculty of Commerce, Karim City College.

Learning outcome from this lecture note:

- Meaning of Vending Machine
 - Types of Vending Machine
 - Advantages of Vending Machine
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Vending Machine

A **vending machine** is an automated machine that provides items such as snacks, beverages, cigarettes and lottery tickets to consumers after cash, a credit card, or a specially designed card is inserted into the machine. The first modern vending machines were developed in England in the early 1880s and dispensed postcards. Vending machines exist in many countries, and in more recent times, specialized vending machines that provide less common products compared to traditional vending machine items have been created.

Automatic vending

The sale of products through a machine with no personal contact between buyer and seller is called automatic vending. The appeal of automatic vending is convenient purchase. Products sold by automatic vending are usually well-known presold brands with a high rate of turnover. The large majority of automatic vending sales comes from the "4 c's" : cold drinks, coffee, candy and cigarettes.

Vending machines can expand a firm's market by reaching customers where and when they cannot come to a store. Thus vending equipment is found almost everywhere, particularly in schools, work places and public facilities. Automatic vending has high operating costs because of the need to replenish inventories frequently. The machines also require maintenance and repairs.

The outlook for automatic vending is uncertain. The difficulties mentioned above may hinder future growth. Further, occasional vending-related scams may scare some entrepreneurs away from this business.

Vending innovations give reason for some optimism. Debit cards that can be used at vending machines are becoming more common. When this card is inserted into the machine, the purchase amount is deducted from the credit balance. Technological advances also allow operators to monitor vending machines from a distance, thereby reducing the number of out-of-stock or out-of-order machines.

The first modern coin-operated vending machines were introduced in London, England in the early 1880s, dispensing postcards. The machine was invented by Percival Everitt in 1883 and soon became a widespread feature at railway stations and post offices, dispensing envelopes, postcards, and notepaper. The Sweetmeat Automatic Delivery Company was founded in 1887 in England as the first company to deal primarily with the installation and maintenance of vending machines. In 1893, Stollwerck, a German chocolate manufacturer, was selling its chocolate in 15,000 vending machines. It set up separate companies in various territories to manufacture vending machines to sell not just chocolate, but cigarettes, matches, chewing gum and soap products.

Some Common vending machines

Change machine

A change machine is a vending machine that accepts large denominations of currency and returns an equal amount of currency in smaller bills or coins. Typically these machines are used to provide coins in exchange for paper currency, in which case they are also often known as bill changers.

Cigarette vending

In the past, cigarettes were commonly sold in the United States through these machines, but this is increasingly rare due to concerns about underage buyers. Sometimes a pass has to be inserted in the machine to prove one's age before a purchase can be made. In the United Kingdom, legislation banning them outright came into effect on 1 October 2011. In Germany, Austria, Italy, Czech Republic and Japan, cigarette machines are still common.

Since 2007, however, age verification has been mandatory in Germany and Italy - buyers must be 18 or over. The various machines installed in pubs and cafés, other publicly accessible buildings and on the street accept one or more of the following as proof of age: the buyer's identity card, bank debit card (smart card) or European Union driver's license. In Japan, age verification has been mandatory since 1 July 2008 via the Taspo card, issued only to persons aged 20 or over. The Taspo card uses RFID, stores monetary value, and is contactless.

Food and snack vending machines

Various types of food and snack vending machines exist in the world. Food vending machines that provide shelf-stable foods such as chips, cookies, cakes and other such snacks are common. Some food vending machines are refrigerated or frozen, such as for chilled soft drinks and ice cream treats, and some machines provide hot food.

Some unique food vending machines exist that are specialized and less common, such as the French fry vending machine and hot pizza vending machines, such as Let's Pizza.

Bulk candy and gumball vending

The profit margins in the bulk candy business can be quite high – gumballs, for instance, can be purchased in bulk for around 2 cents per piece and sold for 25 cents in gumball machines in the U.S., and other countries. Gumballs and candy have a relatively long shelf life, enabling vending machine operators to manage many machines without too much time or cost involved. In addition, the machines are typically inexpensive compared to soft drink or snack machines, which often require power and sometimes refrigeration to work. Many operators donate a percentage of the profits to charity so that locations will allow them to place the machines for free.

Bulk vending may be a more practical choice than soft drink/snack vending for an individual who also works a full-time job, since the restaurants, retail stores, and other locations suitable for bulk vending may be more likely to be open during the evening and on weekends than venues such as offices that host soft drink and snack machines.

The Bulk vending machines of today provide many different vending choices with the use of adjustable gumball and candy wheels. Adjustable gumball wheels allow an operator to not only offer the traditional 1-inch gumball, but they can also vend larger gumballs, and non-edible items such as toy capsules and bouncy balls. Adjustable candy wheels allow an operator to offer a variety of pressed candies, jelly candy, and even nuts.

Newspaper vending machine

A newspaper vending machine or newspaper rack is a vending machine designed to distribute newspapers. Newspaper vending machines are used worldwide, and they can be one of the main distribution methods for newspaper publishers. According to the Newspaper Association of America, in recent times in the United States, circulation via newspaper vending machines has dropped significantly: in 1996, around 46% of single-sale newspapers were sold in newspaper boxes, and in 2014, only 20% of newspapers were sold in the boxes.

Stamp vending machine

A stamp vending machine is a mechanical, electrical or electro-mechanical device which can be used to automatically vend postage stamps to users in exchange for a pre-determined amount of money, normally in coin.

Ticket machines

A ticket machine is a vending machine that produces tickets. For instance, ticket machines dispense train tickets at railway stations, transit tickets at metro stations and tram tickets at some tram stops and in some trams. The typical transaction consists of a user using the display interface to select the type and quantity of tickets and then choosing a payment method of either cash, credit/debit card or smartcard. The ticket or tickets are then printed and dispensed to the user.

Specialized vending machines

From 2000-2010, the specialization of vending machines became more common. Vending extended increasingly into non-traditional areas like electronics, or even artwork or short stories. Machines of this new category are generally called Automated retail kiosks. When using an automated retail machine, consumers select products, sometimes using a touchscreen interface, pay for purchases using a credit or debit card and then the product is dispensed,

sometimes via an internal robotic arm in the machine. The trend of specialization and proliferation of vending machines is perhaps most apparent in Japan where vending machines sell products from toilet paper to hot meals and pornography, and there is 1 vending machine per 23 people.

Book vending machine

Book vending machines dispense books, which may be full-sized. Some libraries use book vending machines. GoLibrary is a book lending vending machine used by libraries in Sweden and the U.S. state of California.

French fry vending machine

A French fry vending machine is a vending machine that dispenses hot French fries, also known as chips. The first known french fry vending machine was developed circa 1982 by the defunct Precision Fry Foods Pty Ltd. in Australia. A few companies have developed and manufactured French fry vending machines and prototypes. Furthermore, a prototype machine was also developed at Wageningen University in the Netherlands.

Pizza vending machine

A vending machine in Carpi, Italy that dispenses hot pizza

Let's Pizza is the name of a vending machine that makes fresh pizza from scratch. It was developed in 2009 by Italian company Sitos srl. The machine combines water, flour, tomato sauce, and fresh ingredients to make a pizza in approximately three minutes. It includes windows so customers can watch the pizza as it is made

Advantages of Vending Machine

1. 24 X 7 Continuous Operation
2. User friendly and secure
3. Touch-less Purchase
4. Payment Safety System
5. Digital Payment system
6. Error recognition technology
7. Cut-off technology
