



VendSmart

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How to Start a Vending Machine Business: A Step-by-Step Guide

Any advantage or insight you have on vending machines is a great way to get in on this niche business. For example, if you've already identified a need for a snack machine near you, reach out to property owners you know and gauge their interest in placing vending machines at their locations.

But even without personal connections, you can start a vending machine business—and make money doing it. Here's how to start a vending machine business in six steps.

1. Consider Your Vending Machine Options

While most people may think vending machines only come in the standard snack-and-soda variety, if you've thought about how to start a vending machine business, you likely know there are more options. In general, there are three different categories of vending machines (which we'll outline below). Consider all three types when choosing the machine whose products would be the biggest hit with your target market.

Whichever type of vending machine you choose, start out with one or two machines with a specific market focus. That way, you can gradually learn about popular stock- and site-specific patterns and add new machines accordingly.



Food and Beverage Vending

Food and beverage vending machines with snacks, soda, and candy make up the majority of the vending market share, with beverages alone accounting for nearly a third of vending sales. If you're wondering how to start a vending machine business, you can't go wrong with this old standard.

Of course, there are variations on this standard—you can get a machine that offers just drinks, just snacks, or snack-and-drink combinations. Some vending machine entrepreneurs choose to purchase different types of machines for one location, or place one kind of machine in multiple locations.

Whatever you decide, it's a good idea for new vending operators to start with a specialty—be it healthy snacks, beverages, or even fresh food—until you learn more about the industry.

To make the most sales, cater your offerings to a specific, location-driven market. For instance, you might stock your food and beverage machine at a gym with protein bars and shakes, or stock a school vending machine with juice and granola bars. You may think of soda and chips when you think vending machine, but there is money to be made offering equally convenient healthy alternatives people want—and will pay for.

Bulk Vending

Starting a vending machine business with machines that stock gumballs, stickers, or rubber balls—also known as bulk vending—requires very little capital and low maintenance costs.



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These typically low-maintenance vending machines might not be glamorous, but they do add up. A refurbished vending machine could cost you less and bring in as much as. The products you're offering have incredibly low overhead. In the right market—like a school or amusement park—this modest investment offers the potential for a reliable, passive income source.

Most bulk vending machines are mechanical devices and don't require electricity or battery power to operate, which means the cost of operation is low to non-existent. That said, many candy and toy vending machines are older, so a used device might require minor repairs before it's functional.

Specialty Vending

You're not just limited to food and drinks when starting a vending machine business. Large public places like arenas, airports, and malls often have machines offering goods like tech accessories, beauty products, or

other specialty items. Some of these vending machines use the same technology as standard vending equipment.

Some specialty vending items include:

Hot beverages: Coffee or hot beverage vending is typically most successful in offices, but universities and conference centres are also good locations for this kind of vending machine business. Manufacturers often produce both specialty beverage equipment and traditional machines, so you may be able to combine your purchases.

Retail: Essential travel items like phone chargers, headphones, and neck pillows can be lucrative vending products if you're able to negotiate a contract with a local transit station, or even an airport. Upscale vending machines in malls and airports often contain luxury skincare products or electronics.

Laundry products: Individually packaged detergent, fabric softener, and dryer sheets make great vending products if you identify the right market for it—like laundromats, apartment complexes, or dormitories.

Tobacco: Tobacco vending is legal and can be lucrative. Even cannabis vending machines are also becoming available, but with a much more limited market.

2. Find the Right Location for Your Vending Machine

The type of vending machine you choose is crucial, but where you decide to *put* that machine is the most important factor in earning a profit from your vending machine business. For instance, an upscale food and beverage vending machine might fail in a strip mall full of restaurants, but that same machine might flourish in an office park.

When starting a vending machine business, think about the locations where you have personally purchased something from a vending machine, as well as the times people are most likely to purchase a beverage, snack, or other item. There's a good chance your restaurant selection was limited, you were in a hurry, or you were waiting somewhere like the airport.

Some other location ideas for your vending machine include:

Schools

Hospitals or medical centres

Grocery stores

Airports and shopping malls

Laundromats

Apartment complexes

Manufacturing plants

The next step is *securing* your location. A good salesperson might feel comfortable cold calling a property or business owner or soliciting them in person. This approach can work for smaller locations, especially if you're a frequent patron or already know the owner.



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You can also try visiting your local Chamber of Commerce. They can give you information about major businesses in your area, which might give you some ideas for potential locations. Ideally, try to place your vending machine at companies with at least one hundred employees, or considerable foot traffic, like a multi-business office park.

If you already have locations in mind, reach out to proprietors, or work on getting contact information for the relevant manager. Talking to prospective partners about location needs can help you get a better understanding of local demand and inform your vending machine and product selection.

Know Commission Requirements and Prepare a Proprietor Contract

Before pocketing the profits of your vending machine, you may need to pay commission to the proprietor who provides the location and the electricity required to operate your machine. Generally, you'll pay the property owner 10% to 25% of the revenue from your vending machine.

Whether or not you hope to establish an exclusive partnership with a location, draw up a contract with the proprietor stating your agreed compensation rate, contract length, and terms you have with the owner. Include provisions for breach of contract, too. It's also smart to include expectations and obligations regarding servicing and restocking your vending machines, vandalism or theft, and the possibility of unprofitability. As always, have a lawyer look over the contract before signing.



3. Find Your Vending Machine

You can't start a vending machine business without first obtaining a machine. Luckily, finding your vending machine can be as simple as an online search. To get an idea of the different vending machine offerings and price points out there, search both locally and from national suppliers. You should also consider the cost of inventory when looking at vending machine prices.

To find the vending machine of your dreams, start your search with these three types of sellers:

1. **Wholesale vending suppliers** have the widest selection of vending machines for sale, the newest technology, and the most end-to-end services for delivery, repairs, and training. This is the most expensive option, though—equipment through vending franchises might require a minimum order of multiple machines, or other fees that go toward machine servicing and entrepreneur development programs.



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2. **Secondary market sellers** or specialty online retailers allow you to browse multiple brands and models of vending machines, and often have helpful resources for business owners.
3. **Consumer-to-consumer platforms** have thousands of vending machines for sale. Save time by filtering by merchant or owner location, so you don't have to worry about major shipping costs. This may be the best option for first-time vending entrepreneurs who don't want to spend thousands on a new or refurbished machine.

As you'll quickly find once you start your search, vending machines come with a range of features and capabilities, all at different price points.

Some of those special features include:

- Snack/drink combination machines
- Credit card and large bill functionality
- Touch or voice accessibility
- Remote monitoring software and low-stock alerts
- Branded "wraps" for the front of your machine
- Interactive screens

Try not to be *too* tempted by these special features, though, since they can become costly. Choose the vending machine that best fits the products you want to offer, and what you can afford at the moment.

4. Stock Your Vending Machine With Inventory

Once you've landed on a vending machine, you're well on your way to starting a vending machine business. Next, you have to stock it with inventory.

Product selection is an excellent opportunity to boost sales. Rather than choosing to stock items based on wider food and beverage trends, pay attention to local, site-specific needs. To stay on the safe side, don't over-order stock in the beginning, and adjust your offerings based on demand.

If you choose to provide combined food and beverage services in your vending machine business, drinks will make up most of your sales. As the growing refreshments market expands from soda to coffee, flavoured water, and healthier beverages like coconut water, it's worth considering what your location can support in terms of pricier specialty foods and drinks.

Drink size and shapes will affect your range of machine choices, so if you feel strongly about selling cartons or irregularly shaped products, try to find a machine with adjustable product sizing.

5. Explore Your Financing Options

Starting a vending machine business doesn't require nearly as much startup capital as most other small businesses do—many vending machine operators recommend used or refurbished machines, which you can find between R15 000 and R40,000. A new vending machine will cost anywhere from R90,000 to R100,000, depending on its size and features.

Still, isn't exactly pocket change. If you need a loan to purchase your vending machine, consider these two options:



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Short-Term Loan

If you're already a business owner, and you have the business financial history to prove it, securing a short-term loan to finance your vending machine might be your best course of action.

Like traditional term loans, short-term lenders deposit a lump sum of cash directly into your business bank account, and you'll repay your loan, plus interest, over a predetermined amount of time. As you can guess based on their name, repayment terms for short-term loans are considerably shorter than their long-term counterparts—usually 18 months or fewer. And interest rates are a bit higher than longer-term loans. For those reasons, though, short-term loans are generally easier to qualify for than long-term loans.

But this *is* a small business loan, so short-term lenders need to review and approve your business's financials before agreeing to extend you a loan. If possible, you'll want to bring a good business revenue history and good personal creditworthiness to prove your candidacy.

Equipment Financing

You don't necessarily need tons of capital on hand to start a vending machine business that makes money. But if you need a little help, you can shoot for an equipment financing loan. The terms of these loans depend on the value of your equipment, which also acts as collateral in case you default on your loan payments.

Cared for properly, vending machines can last upwards of 10 years, which might help assure lenders. In addition to your own financial information and business plan, you will need equipment quotes for the machine(s) you plan to purchase if you choose to apply for an equipment loan. Additionally, if you need capital to purchase inventory, you may want to consider inventory financing.



6. Make the Right Investments

With a location selected, machine purchased, and placement terms taken care of, you're ready to start a vending machine business—now it's time to focus on making the business profitable.

Invest in a Vending Management System (VMS)

Depending on the technology in your machine, your vending equipment may come pre-programmed with management software, which you can use to streamline operations, record inventory, and track revenue.

But most standard machines require you to *manually* manage your inventory, which might be doable if you own just a couple of vending machines. Once you have five to 10 separate vending machines, though, it's probably a good idea to invest in a vending management system to help you stay on top of your inventory remotely. VMS software allows you to remotely manage your vending machines from an internet-enabled device. Most VMS systems provide real-time inventory updates and reporting tools.



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Invest in Customer Service

Even if you only have one or two vending machines, it's worthwhile to emphasize customer service from the beginning of this (or any) venture. To make sure your vending machine is optimized for your customers, you just need to follow a few best practices.

Like many location-based businesses, vending operators are often dependent on word-of-mouth referrals and in-person connections. Foster relationships with business owners, look up your state's vending association, or join local networking groups for entrepreneurs.

Most importantly, ensure that your vending machines are stocked and functioning on a weekly or biweekly basis. You can also consider providing an 800-number for service requests and comments, which is a great way to get useful feedback.

Invest Your Time

Just like any other venture, starting a vending machine business requires more than just capital investment—you'll have to invest at least some of your time and attention to your vending machine business, too.

A full-size vending machine might require you to collect money weekly, which is important to keep in mind when determining how much time you can realistically spend traveling to locations. In addition to the time it takes to purchase inventory, visit locations, and restock, operating a vending machine business requires you to spend time researching trends in sales, new products or locations, and talking to peers.

The typical service cycle for bulk vending—think non-perishable candy or stickers—is between four to eight weeks. So, if you can't get away from your full-time commitments often, bulk vending might be a good way for you to break into the vending machine business without sacrificing too much of your time.

How to Start a Vending Machine Business: Putting It All Together

The vending machine business drives billions globally each year. Luckily, you can break into this lucrative market with as little as R15,000, the right market research, informed decision-making, and entrepreneurial energy.

Invest incrementally as you learn about your vending machine's demand patterns and start generating a passive income without taking out a massive loan or going into debt. Depending on whether or not you'll continue to work another job, increasing the scope of your vending machine business gradually will allow you to take on more when you're ready, or scale back if necessary.

No matter where you are financially, the vending industry guarantees an opportunity to operate your own business, while only risking as much as you're comfortable investing.