

## THE VENDING INDUSTRY TODAY

The idea of a machine that accepts money and dispenses a product (or service) automatically is an ancient one. It was first applied on a widespread and practical basis in the 1920s. Today's vending industry took shape in the decade after World War II, and made the transition from a provider of cigarettes, candy and beverages to a full-line food and beverage service purveyor during the next ten years. Milestones along the way included the development of cup cold drink machines (using fountain syrup and delivering ice with the beverage), fresh-brew coffee equipment (both "batch" and single-cup types), and refrigerated food venders.

In 2002, total sales through merchandise vending machines totaled more than \$41 billion. Despite its magnitude, however, the industry is not highly visible. Most companies that operate vending machines reach their ultimate customers through the intermediation of third parties — factories, office complexes, colleges and universities, hospitals and other institutions — which contract with the vending companies to provide food and refreshment services. For this reason, these "vending operators" — unlike convenience stores and fast-food restaurants — have no direct contact with the general public.

The majority of vending operations, both in terms of total numbers and share of market, are entrepreneurial businesses serving one compact market area. Many of them are active in related enterprises as well.

There are two main categories of vending operation. One installs machines to serve people at their places of work or study. The other operates equipment that serves people in restaurants, hotels, taverns, transportation depots, and other public places. Many operating companies are active in both categories. The premises of these clients, where the equipment is installed, are known as "locations." Each type of vending operation is likely to pursue ways to increase its sales volume, and to meet additional client needs, by extending its services to those locations beyond pure vending.

# VENDED DOLLAR VOLUME

## *Composition of Sales through Merchandise Vending Equipment*

### 2002 TOTALS and AVERAGES:

Machine Type	Dollar Volume	Machines in Field	Average Years Sales	Average Week Sales	Percent. Total
Hot Drinks	\$3,900,000,000	340,000	\$11,471	\$220.59	9.5%
Cup Cold Drinks	\$1,900,000,000	162,000	\$11,728	225.55	4.6%
<b>Can Cold Drinks</b>	<b>\$17,228,000,000</b>	<b>2,500,000</b>	<b>\$6,891</b>	<b>\$132.52</b>	<b>41.9%</b>
<b>Bottled Drinks</b>	<b>\$2,060,000,000</b>	<b>620,000</b>	<b>\$3,323</b>	<b>\$63.90</b>	<b>5.0%</b>
Juice (dedicated)*	\$810,600,000	115,000	\$7,049	\$135.55	2.0%
<b>Snacks</b>	<b>\$8,310,000,000</b>	<b>1,250,000</b>	<b>\$6,648</b>	<b>\$127.85</b>	<b>20.2%</b>
Milk	\$446,000,000	80,000	\$5,575	\$107.21	1.1%
Ice Cream	\$825,000,000	115,000	\$7,174	\$137.96	2.0%
Pastries	\$174,000,000	40,000	\$4,350	\$83.65	0.4%
Hot Canned Foods	\$98,000,000	24,000	\$4,083	\$78.53	0.2%
All-Purpose Foods	\$2,820,000,000	161,000	\$17,516	\$336.84	6.9%
Cigarettes & Cigars	\$1,170,000,000	150,000	\$7,800	\$150.00	2.8%

Bulk Vending \$392,228,000 — — — 1.1%

The bulk vending industry uses a number of equipment types, all relatively uncomplicated and inexpensive. Per-machine gross is low, but margins are high and service needs are modest; one person can handle many machines.

All Other \$950,000,000 — — — 2.3%

Includes a wide variety of single-item or special-purpose vending machines, ranging from sundries and travelers' aids to animal food in zoos, bait for fishermen and almost anything else one can imagine.

**Totals \$41,093,228,000 VENDING SALES FOR 2002 100.0%**

\* Can venders selling only juice. Packaged juice also is a component of canned and bottled cold drink sales, and is sold through refrigerated food machines and dairy venders as well, in many package formats. Shelfstable juice concentrates, similar to soft-drink fountain syrup, also can be vended through cold cup equipment. This diversity of delivery media makes it difficult to compile precise figures for total vended sales of juices and juice-based drinks. Sales of packaged juice through dedicated machines, non-dedicated cold canned drink equipment, and refrigerated ("all purpose") food venders, totaled \$1,838,750,000 in 2001.

Source: VENDING TIMES *Census of the Industry* 2003