



# Venturing into the Cold Beverage Vending Machine Market: A Market Assessment Study for an International F&B Manufacturer

INDUSTRY INSIGHTS

# OVERVIEW

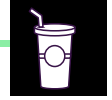
Target market: Beverage Vending machine market | Region under focus: Global | Focus Area: Cold beverage vending machine market

## Engagement scope

In a span of 5 weeks, the client, an international F&B manufacturer, gained comprehensive data-backed insights to successfully action their plan to venture into the cold beverage vending machine market. Infiniti's market assessment study for the F&B client included comprehensive insights including cold beverage vending machine market segmentation(based on region and application segment), critical market dynamics(market size, forecasted CAGR up to 2024, market trends, and challenges), competitive assessment of leading operators in the market, and key recommendations from industry experts.

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## Business challenge

The client, a prominent international F&B manufacturer, was evaluating the feasibility of promoting and selling their cold beverages through vending machines. Being a segment that they had no prior expertise in, the company partnered with Infiniti Research to support its market research efforts in the global cold beverage vending machine market. The F&B manufacturer wanted to gain a detailed understanding of the most lucrative markets to invest in and the target consumers, product descriptions and strategies used by key market competitors, and also identify innovative practices that would give them a competitive edge in the market. Apart from this, the client also sought a detailed ROI forecasting analysis taking into account the cost of the initial investment in different markets, annual repair, and maintenance cost, and the net profitability expected.

*"With the emergence of new technologies such as face and voice recognition systems, interactive display, and smart sensors, the additional costs associated with such beverage vending machines have also increased," says an industry expert at Infiniti Research.*



**For comprehensive market insights on the beverage vending machine market**

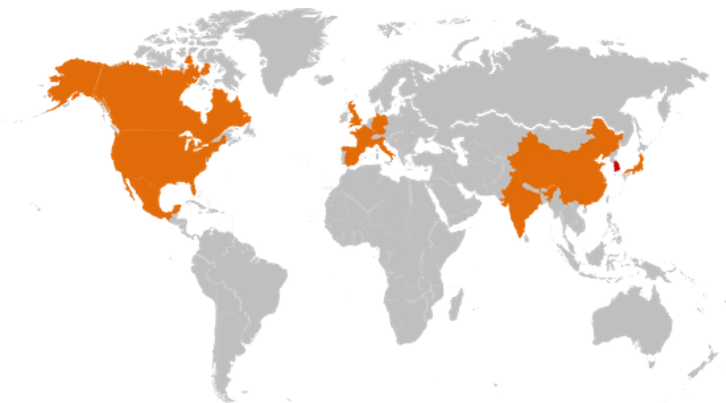
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## MARKET OVERVIEW: GLOBAL COLD BEVERAGE VENDING MACHINE MARKET

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The demand for vending machines has increased as F& B companies are increasingly becoming focused on profits by eliminating middlemen and continuing to disinvest on unprofitable sites while competing for suitable locations. The significant growth of the food and beverage industry, especially in terms of ready-to-drink packaged beverages, over the past decade has mostly fueled the demand in the beverage vending machines market. As a result, beverage vending machines are gradually becoming common in locations, including corporate offices, hotels, schools and colleges, airports, railway or metro stations, and quick service restaurants (QSR). Furthermore, instant service and innovations such as cashless payment options using smartphones are increasing the popularity of cold beverage vending machines among end-users.

According to experts at Infiniti Research, APAC and the Americas are the lucrative markets for cold beverage vending machine suppliers/operators. The strong installed base of cold beverage vending machines across Japan and the US, together constituting over 60% of the global installed base, is expected to drive market demand, followed by Italy, France, and China.



***Want market data on the country-wise breakup and region-specific insights of the global installed base of cold beverage vending machines?***

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# MARKET INSIGHTS

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## Key market trends

- Increasing demand for cashless payment options in vending machines to address the growing demand from consumers who prefer making payments using non-cash methods
- Technological innovations such as the introduction of smart sensors and interactive displays in beverage vending machines enhancing the operability, functionality, and efficiency of machines
- Increased focus on sustainability initiatives by vending machine manufacturers
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## Key market drivers

- Growing demand for ready-to-drink beverages such as energy drinks, flavored water, and fruit juices expected to boost the demand for beverage vending machines
- F&B manufacturers increasing their focus on offering nutritional and healthy beverages to attract health-conscious customers
- Increasing demand for iced coffee driving the sales of beverage vending machines for iced coffee
- Development of smart cities driving the demand for smart and intelligent beverage vending machines in supermarkets, theaters, and retail outlets

## Key market challenges

- Higher costs associated with smart and intelligent vending machines compared to traditional beverage vending machines expected to hinder adoption among medium-sized and small operators
- Stringent government regulations restricting the use of beverages with low nutritional value and high sugar content expected to hamper the market demand



## Our Approach

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Infiniti proposed a unique blend of rigorous secondary research and in-depth primary interviews to develop a complete understanding of the global cold beverage vending machine market.

The primary research comprised of telephonic discussions and interviews using an unstructured questionnaire with 45 seasoned respondents holding strategic decision-making positions or extensive industry expertise.

Research experts at Infiniti also conducted rigorous secondary market research through classified data sources.

The data gathered through these sources have been used for a detailed market assessment study with a region-wise and application segment-wise focus. Experts at Infiniti also conducted a competitor assessment and profiling study in the cold beverage machine markets in countries, including Japan, the US, China, Germany, and France, to name a few. This was done to provide the client with detailed insights on the competitors and their strategies in each of these markets. The client was also presented with specific data on the unique selling propositions, vending machine types, and innovations adopted by key competitors in various markets.

An ROI analysis was undertaken to help the F&B client understand the set-up costs in different regions. Details regarding the initial set up costs and the cost of maintenance were calculated to determine the operating costs to be incurred every year. Further, the demand planning and forecasting analysis helped the client determine expected demand levels and the level of inventory required to meet them.

*Gain access to the complete engagement, including strategic market insights, market trends, competitor analysis, and recommendations given to the client by industry experts at Infiniti Research.*

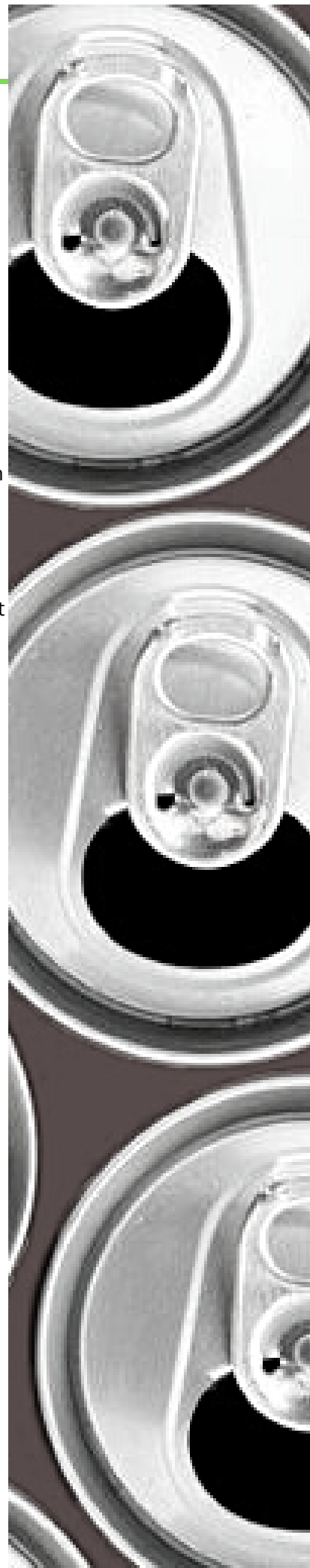
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# Key recommendations

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- **Phased implementation:** Since the client was new to the cold beverages vending market, experts at Infiniti suggested a phased approach of implementation. The initial phase includes targeting countries and locations with high demand for ready-to-consume-cold beverages and market popularity of vending machines. Experts at Infiniti helped the client identify two specific regions and audiences that need to be targeted for the initial roll-out. As the client was already established in the F&B business, the company's most profitable markets were also a major factor influencing this decision.
- **Targeting educational institutions:** In the target market chosen by the client for initial roll-out, experts at Infiniti identified that schools and educational institutions are lucrative segments with high demand for healthy and nutritional cold beverages. The product portfolios that can be targeted through cold beverage vending machines for this audience include 100% juice products, unflavored/flavored low-fat milk products, low-calorie beverages (five calories per fluid ounce), and no-calorie beverages (less than five calories per eight fluid ounces).
- **Digital payment methods:** Vending machines with cashless or digital payment methods are becoming highly prevalent globally. Infiniti recommended that the client invest in product portfolios with cold beverage vending machines that support payment gateways such as Alipay, GrabPay, Google Pay, and Apple Pay, which are especially favored among the younger and tech-savvy population. An in-depth list of product portfolio, along with a feasibility study, was provided to the client, along with examples of similar competitors' product portfolios to understand the investment requirements.
- **Sustainable solutions:** Beverage vending machine manufacturers are adopting more sustainable solutions by refurbishing and using natural refrigerants in their vending machines. Apart from contributing to the environmental welfare, this is also a proven way to build brand goodwill.
- **M&A:** The market is expected to witness several mergers and acquisitions in the next five years as FMCG, F&B, and vending machine manufacturers are focusing on expanding their product offerings and geographical presence. Manufacturers present across industries such as FMCG, F&B, and vending machines are focusing on acquiring beverage vending machine manufacturers to expand their current product offerings and improve their regional presence. Industry experts at Infiniti provided comprehensive insights on the M&A opportunities they can consider.
- **Iced coffee vending machine:** Factors such as population growth, increasing disposable income, and rising stress levels are driving the global consumption of coffee (including iced coffee), thereby driving the adoption of iced coffee vending machines. Rising demand for iced coffee is creating the need for a mechanism where iced coffee can be provided instantly. Therefore, our experts suggested the client invest in this segment by installing beverage vending machines across public places, malls, gyms, apartment buildings, and offices.
- **Government regulations:** Increase in stringent regulations by different food governing bodies across countries are restricting the use of beverages with low nutritional value and high sugar content. As such, based on the countries in focus for the initial roll-out, the client was provided with recommendations relating to the product portfolios of cold beverages to target based on different locations and associated government regulations.
- **Competitor analysis:** A detailed competitor profiling and analysis helped identify competitor strategies and the gaps in their offerings. This helped the client to capitalize on unmet demands and gaps in the market.



# Business outcome

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Based on the market assessment study and the detailed recommendations provided by Infiniti Research, the client ventured into the cold beverages vending machine market through a phased approach. Within seven months of entering the market, the company's beverage sales per unit doubled. Other key benefits achieved by the client include:

- Accurately targeted the audience in different locations and marketed the right cold beverage products that were in high demand among them. This not only helped the company increase the sales considerably but also increased its market share by 20% within the first nine months.
- The client initially rolled out Iced coffee vending machines in two vital commercial locations. This initiative became a huge success giving them an annual profit of \$ 2.1 million; this prompted them to expand into the business and set up their iced coffee vending machines in 50+ locations across the target market within a year.
- Although the initial set-up cost was higher, adopting vending machines with high-tech, self-servicing technologies helped the client gain high accessibility, low operation cost, and higher effectiveness
- Invested in R&D for diversification into premium healthy and nutritional drinks as the client identified this gap in competitor offerings. Although several competitors were offering healthy and nutritional beverages through vending machines, the demand for premium products in the category was high, with a limited number of players catering to this segment.
- Identified and eliminated under-performing product categories in the vending machines through a location-based approach, helping them in better inventory planning.
- Invested in technologies such as media controls that feature an LCD touchscreen to engage and connect with the end-user and display product information and promotional information for specific products. This increased customer experience and played a pivotal role in enhancing brand loyalty.





# ABOUT US

Positioned at the forefront of market intelligence, Infiniti Research has carved out a niche for itself as the premier provider of market intelligence solutions for leading players across industries. Our unmatched market intelligence solutions, consulting, and in-depth market assessments are well-known among industry leaders for their ability to solve the toughest challenges faced by industry players. With expertise across 50+ industries and business functions, we deliver transformational solutions to fulfill the needs of a more demanding, smarter world.

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