

Vendi Vending Machine

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INTRODUCTION

Wavetec is a multinational technology company that is on the forefront of technological revolution since more than two decades, and enjoys a firm presence in over 70 countries with its Information Display solutions installed at 22 leading financial markets around the world. Wavetec's credible customer portfolio, rich integration tools, and customized solutions are eminently known worldwide.

Since its inception in 1986, Wavetec has demonstrated an urge to be the best with its mission to specialize in customer experience solutions and financial information display.



It provide solution to meet the requirements of various industries, particularly educational insitutions and corporates. Headquartered in Dubai Silicon Oasis, Wavetec is ISO 9001:2008 certified Microsoft's Gold certified partner, IBM and Cisco's business partner. Its cutting edge customized solutions, and vast experience of transforming customer service areas in diverse

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industries such as Stock exchanges, brokerage houses, airlines, mass transit, retail, banks, entertainment, and healthcare around the world have made it emerge as a global leader of digital signage and queuing solutions.

NEW PROJECT: VENDI – SMART VENDING MACHINE

Vending machines are a common mode of buying snacks around the world, but the hassle of carrying cash and collecting the remaining amount in coins was a setback for Vending machine users in Pakistan. To deliver a completely unique vending experience, that allows users to buy snacks and beverages on the go, Wavetec has launched “Vendi – a cashless vending solution in Pakistan.

Consumers tap the slim and smart Vendi tag against the vending machine, and they can select the desired item, which dispenses out in the item tray. Users can stick the Vendi tag to their phones or cards, and carry them around easily. The Vendi tag is essentially a prepaid card which saves users time and effort of carrying cash and getting change in return.

Vendi is equipped with digital signage for playing interactive videos, which add up to the beauty of machine, and provides an engaging experience to its customers. Going forward, Wavetec plans to provide mobile top-ups through Vendi in order to make Vendi even more convenient for its consumers.

From its frame to software, the machine has been manufactured by Wavetec at its Karachi office. Vendi is an attractive looking machine with a height of 6’2” and width of 4’ (approx.), which is unique and appealing for the people around. The user friendly interface of the machine engages the users resulting in an increasing customer base. It has a capacity of around 350 items providing various choices to its customers. Adding up to the look, it also has a 24” digital signage and LED ticker which plays up videos and messages for increasing customer interaction.

CHARACTERISTICS FOR VENDI’S LOCATIONS

GEOGRAPHIC:

Urban population around Pakistan, mainly Karachi, Lahore and Islamabad

DEMOGRAPHIC:

Universities:

Minimum Population: 500

Target Market: Age 18-25

SEC A+, A and B+

Gender: Male and Female

Corporate Offices:

Minimum Population: 500

Target Market: Age 24-35

SEC A+, A and B+

Salary: Minimum 75% of employees with more than 25k

Gender: Male and Female

CLIENTELE

ROUTE TO MARKET

Since youth are early adapter to technology, the company will start the rollout from educational institutes and corporate offices, and later expand it to other public places like

<i>Schools</i>	<i>Universities</i>	<i>Corporate Offices</i>
Beaconhouse PECHS	IBA City Campus	Jubilee Life Insurance
Beaconhouse DHA Phase VI	SZABIST	Samaa TV
Foundation Public School PECHS	Iqra University	Mobilink Islamabad
	Habib University	UBL Omni
	Indus Valley School of Arts	
	PAF-Kiet City Campus	
	Karachi School of Arts	
	Newport	

hospitals, railway stations and airports.

The company will install up to 10 machines in the launching phase starting from Institute of Business Administration, Asian Institute of Fashion Design, Shaheed Zulfikar Ali Bhutto Institute of Science and Technology and the headquarter of the United Bank Limited. It plans to add 20 to 30 machines every month in different stores and takes the total to 200 machines by the end of 2015 and 1,000 machines in two years, said officials.

“The machines will operate on both NFC cards and a smartphone app at the time of launch,” said Wavetec Corporate Strategy Manager Saim Shibli Ehtesham.

EXPECTATIONS

According to the project head, “Going forward, we also plan to introduce a payment mechanism for mobile phone top ups through these machines,” said Ehtesham concluding that they are currently in talks with Cellular Mobile Operators. About 60% to 65% of the country’s

population is young and cellular telecom density is very high.

According to Faraz, “almost everyone has a phone and soon everyone will have a smartphone,” he said. “With this kind of power in your hand, you will see major changes in the digital payment system.”

BUSINESS PLAN

The revenue stream for vending machines is either to earn by selling products placed on vending machines or to provide machines on rent to institutes that have footfall of less than 1000 customers. Vendi being a card based payment method has advantage over other vending machines as the customer’s data remains intact with the software. Therefore, Vendi can use this data which will be helpful to marketers. There are three major revenue streams of Vendi and they are mentioned as follows:

ADVERTISEMENT SELLING

The major revenue stream will be generated from advertising and branding on the vending machines. Vendi offers brands various advertising avenues on the machine that includes the top front, the bottom front, and the sides of the machine. Firms can advertise on the trays in front of the springs carrying products in the branding machine. Moreover, the LED screen on Vendi offers both video and image/still advertising. The screen will be divided into three sections; the top half offers video advertising and the bottom half will be divided in two offers still/image advertising. In order to make the machine more interactive to consumers, Vendi offers spot advertising. Spot advertising allows the consumers to change the advertisement being played by tapping on the screen. Spot advertising will be offered on the bottom half of the LED screen, that is, on still/image advertising.

Being a brand which works on card payments, Vendi will be data of everyone who registers with the machine, hence the data can be used in future for the selection of brands to be kept in the machines.

PRODUCT SELLING

The company earns revenue by selling products placed on Vending machines located at various institutions, that is, offices, schools, colleges and universities. However, profit margin on each product will be quite low as they are being sold at cheaper prices in market. Therefore, there is a chance to strengthen this revenue stream by selling the products in large volumes through expansion and placement of machines at various locations, making the products available to more and more consumers.

RENTAL MODEL

Keeping in mind the first method of revenue stream, Vendi has to be placed in a location with minimum of 1000 customers as to have maximum reach for the advertisers.

To all those locations, which has a footfall of less than 1000 customers, management decided to charge a minimum amount of rent depending on the transactions per month. Location with less number of footfall will have less transactions and no interest for advertisers and therefore,

management has to come up with the best plan for these locations.

COMPETITIVE LANDSCAPE

DIRECT COMPETITORS

Vending machine industry is new in Pakistan with minimum of 2 players in the market. Aruba vending machines are the pioneers of vending machines alongwith Grab n Go being the second largest player.

Aruba vending machines have an edge over other two competitors as being pioneers in the industry. They have a market share of 72.9% followed by 27.1% market share captured by Grab n Go.

Aruba vending machines started off as cash based machines which further changed to cashless concept. Grab n Go just offers cash based vending machines. Aruba has an advantage over other countries as it has a bigger network and can provide either cash based or cashless vending solution depending on the customers' needs.

INDIRECT COMPETITORS

Snacking has always been loved by Pakistani but due to low labor wages, snacking has always been handled by people in their tuc shops or retail stores. Educational institutes of canteens and offices have cafes for their staff.

Vendi and other vending machine providers are facing continuous competition from these tuc shops as customers are not much prone to technology and are used to the person effect.

VENDI'S LAUNCH

LAUNCH AND INITIAL CUSTOMER RESPONSES

After customer research and careful analysis of competition, Vendi's management launched the machine on April 13, 2015 in Asian Institute of Fashion Design followed by Institute of Business Administration on April 29, 2015.

During the launch, company faced quite a few technological issues which were solved on the ground. The customers were quite excited to see the machine but had difficulty in understanding with usage. They all knew how to use a cash based vending machine but the concept of card solution for snacking was difficult to grasp.

The fancy looking machine grabbed the attention but was not able to maintain due to lack of awareness on how to use the card and technological glitches in the machine.

Though company was quite enthusiastic with the launch, it came as a setback as not much customers came forward to use or understand the working.

Here, came the biggest problem of how will vendi manage to get customers to use the machine and create a trial experience with minimum of marketing budgets and how will the

work on the technical glitches while not losing customer interest and irritating them.

VENDI'S MARKETING STRATEGY

As a result of thorough research, Vendi's marketing team had been able to identify the two major objectives that they had to devise marketing strategies. The two objectives are; create brand affinity and develop a base of repurchase customers. The team had everything in order to come up with a plan; research, feedback and objectives. After several brainstorming sessions, it was decided that the marketing strategy will be divided into four steps; objectives, strategy, action plan and measuring of outcome. The first step had already been successfully crossed and they were now responsible for coming up with a full proof strategy that could be translated into an action plan. These strategies set out how the objectives would be achieved within the designated budget set by the management team.

Another cornerstone of Vendi's marketing strategy was promotion. Vendi sought to build on and develop the approach that had been used in the past by several other brands. Since 2000, there has been a greater emphasis on consumer needs and an increasing use of experiential activities in the promotional mix. Experiential marketing is about engaging consumers through two-way communications that bring brand personalities to life and add value to the target audience. This helps build an emotional connection between the brand and the consumers. Vendi planned a campaign based on the principles of experiential marketing for its objective to create brand affinity. The campaign was based on social media because according to the research conducted consumers were of the opinion that high level of engagement could only be achieved through social media presence (see appendix)

The strategy was then translated into an action plan in which brand ambassadors were positioned at different locations where machines were advised to engage with customers, help them to use the machine and talk to them about the benefits. The brand ambassadors would then casually ask the target audience to check out Vendi's Facebook page and provide them with an opportunity to win a free chocolate right there and then if they just liked the page and shared it on their wall (see appendix) As a result, the campaign did not only increase organic reach which justified budget utilization (See appendix) but also worked on an emotional connection. The fact that brand ambassadors were there to help users through every step and guide them on their first time use, satisfied their fear of being embarrassed if they were unable to use the technology.

Repeat purchase is only possible once you give your customer an incentive to come back and purchase from you. The probability of a customer repeating the action after purchasing twice from your is at least 45% which emphasizes on the importance of developing a strategy for repeat customers. According to the survey conducted, customers chose soft drinks as their priority when purchasing from the vending machine or the cafeteria. The marketing team used this information and devised a marketing strategy that was planned on products rather than the brand itself.

The plan is to provide discounts on a certain category of products on a specific day and call it 'Pick of the Day'. Based on the result of the survey as mentioned above, soft drink will be the first category to be experimented. Customers chose SMS as a medium that they preferred

for promotional offers and therefore customers whose data had been stored in the system through their NFC tags were texted the promotional offer on soft drinks for that particular day. Furthermore, a ticker and advert was played on the digital screen of Vendi regarding the discount on soft drinks. Now that Vendi had a stronger social media presence after the previous campaign for brand affinity; an image regarding the campaign and the discount was posted on Vendi's Facebook page as well. On the day the campaign was run, soft drinks category experienced an increase in sales by 16%. It did not only help boost sales but also provided users with an incentive to choose Vendi over their canteens. According to the addition in the NFC tag database, the campaign attracted a lot of non-users as well.

A WAY FORWARD

Authors in their case study want to launch NEW SMART VENDING MACHINE-VENDI, which will be a world renowned company namely Wavetec in near future. They wish to relieve customers from the strain of collecting coins that a typical vending machine gives out and with people chasing time of course, a slim and smart vendi tag will be introduced which will be tapped and used like prepaid card.

Vendi will be set up in Schools- namely Beaconhouse PECHS and DHA phase VI campus, and Foundation Public School PECHS campus, in Universities like SZABIST, IBA, Iqra, Habib, Indus Valley, PAF-KIET, Karachi School of Arts and in corporate organizations like Jubilee Life insurance, UBL Omni and Mobilink. It is also being planned to introduce a payment mechanism for mobile phone top ups through these machines. Moreover, the LED screen on Vendi will offer both video and image/still advertisement to consumers.

Furthermore, Vendi will face fierce competition with Aruba vending machines as they are pioneers followed by Grab n Go being the second largest player in Pakistan. Vendi will create brand affinity and develop a base of customers, which are the two most important marketing strategies of Vendi, to overcome current threat in market.

In the initial years, the MROI-Marketing Return on investment will be quite low due to the increased cost of placement of Vendis and the promotional expenditures. However overtime Vendi will drive its way to the road of success as this new concept of vending machine will really be appreciated by the working class, especially the generation to be precise. This is new product development where the risk associated is high, and as a rule of thumb higher risk fetches higher return.

APPENDIX

Chart 1 – Growth in comparison to competitors (Over a period of a year)

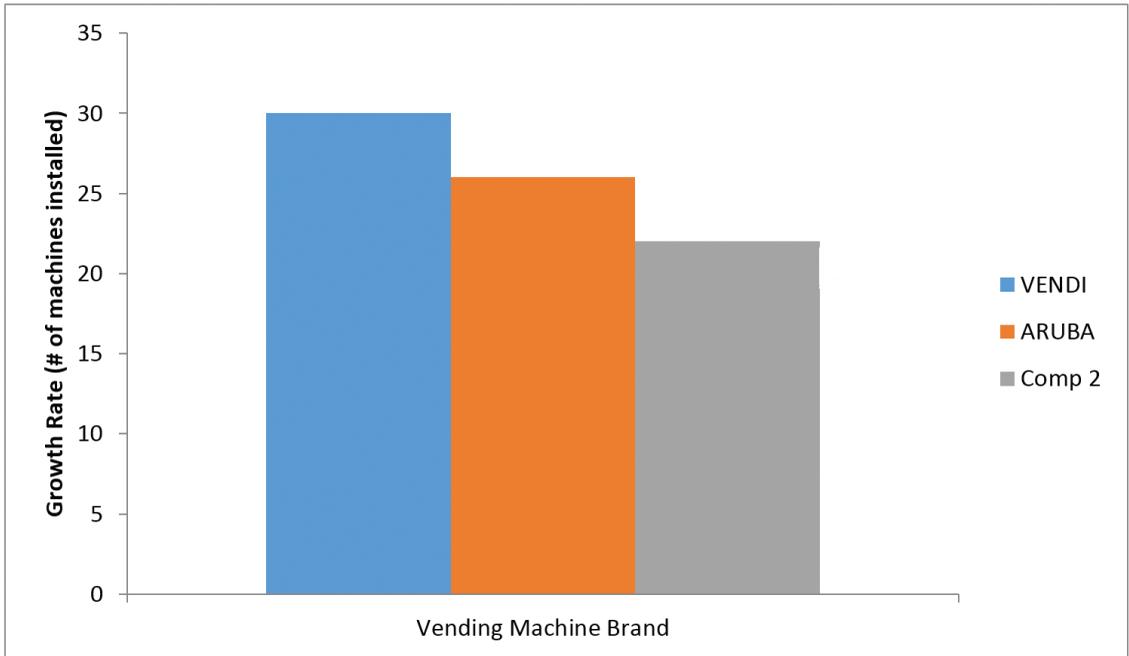


Chart 2 – Quarterly Growth Rate of Vendi

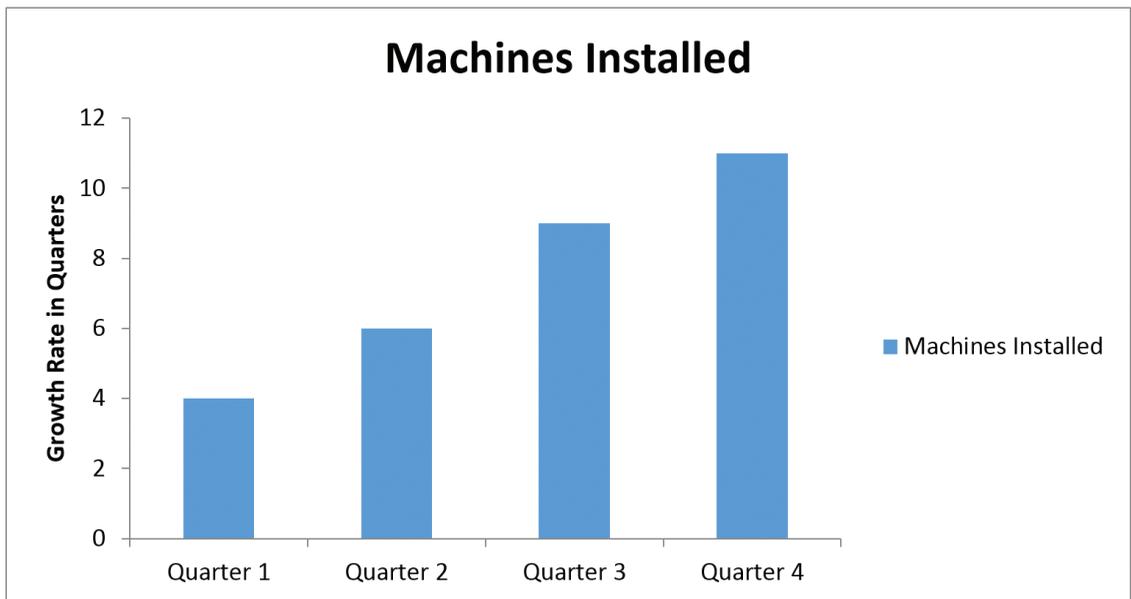


Chart 3: Communication platform preferred by customers (Research Data)

Communication Platform

■ Email ■ Screen ■ SMS ■ Social Media

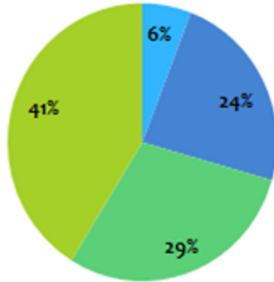


Chart 4 – Effect of campaign on Facebook reach

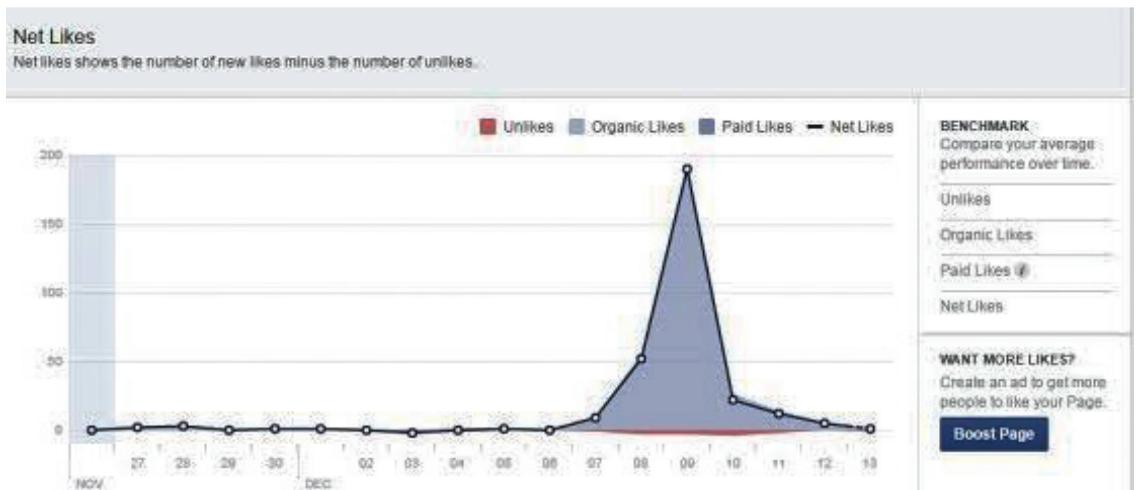


Chart 5 – Effect of campaign on Facebook likes

