Prepared for:

Banks, Grant Providers, and Investors

Date: April 12, 2021

Prepared by:

Automated Vending Machine Storage

AVMS – Business Plan

## Table of Contents

**Automated Vending Machine Storage – Business Plan**

**Introduction**

**I – Confidentiality & Document Information 3**

**II – Cover Letter 4**

**Business Plan**

**1.0 – Executive Summary**  **5**

**2.0 – Business Overview**  **8**

**3.0 – Sales & Marketing Plan**  **11**

**4.0 – Operations**  **13**

**5.0 –** **Human Resources**  **13**

**6.0 –** **Action Plan**  **14**

**7.0 –** **Financial Plan**  **15**

**Appendices**

**Appendix – Supporting Documentation** **18**

# I – Confidentiality & Document Information

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## Document Information

|  |  |
| --- | --- |
| Document ID: | BUSINESS PLAN |
| Reference: | Automated Vending Hub |
| Version: | Final – April 12, 2021 |
| Prepared for: | Banks, Grant Providers, and Investors |
| Prepared by: | David Wei Zhou  Address  T: ()  F: ()  Email:zhouwei.mac@gmail.com |

# II – Cover Letter

April 12, 2021

**Automated Vending Machine Storage – Business Plan**

To Whom It May Concern:

On behalf of **AVH**, I am pleased to submit this business plan for your consideration. This document will help you to understand what we are aiming to do with our business by providing you with complete information within a variety of detailed sections.

AVMS is looking forward to the opportunity to work with you. Please feel free to call or contact me via email for any clarification on this document. Thank you in advance for your consideration.

Yours Sincerely,

Proprietor: David Wei Zhou

Automated Vending Machine Storage Inc.

T:

Email:zhouwei.mac@gmail.com

# 1.0 – Executive Summary

**Legal Name**

The company has been registered as a corporation called Automated Vending Machine Storage Inc., a business that will be owned and operated by David Wei Zhou.

**Business Location(s)**

The business is seeking multiple locations in Toronto & Greater Toronto Area preferably in the area of Markham or Richmond Hill. The following features will be keys to the success location:

* Inside plaza or shopping centers
* Have 24/7 security available
* Access to power sources that’s suitable for the unit
* The lease option to expand to multiple machines in the future
* Easily accessible by car and public transit
* Plenty of parking spaces near and around the location

The business will also consider other locations, such as Toronto Downtown, Mississauga, Oakville and other provinces in the future. Please refer to the Market Segment section for more information.

**Business Description**

AVMS has envisioned an exciting business concept, which is to launch a Vending Hub as a customized storage unit that is integrate into a cloud-based solution network that can manage inventory, flexible shelf space allocation in a specialized temperature-controlled environment. Able to provide a local pickup location to services surrounding customers.

**Mission, Vision and Goals**

AVMS mission is to bring convenience to consumers by providing them access to products that are locally produced.

To become a specialized storage hub that is able to tap into the ever-growing e-commerce market.

Leverage high-tech software to help local company’s access new consumer.

**Business Plan Objectives**

The objectives of this plan are to illustrate the business in its whole within one document and provide financial projections to help AVMS obtain capital investment from one or more sources. This may include bank loans, private capital, and/or grants.

**Project Financing**

The business is seeking a total capital investment of $250,000 for start-up purposes also a pilot project. Please refer to the Financial Section for a breakdown of start-up requirements.

**Management and Advisors**

The management and advisors of the business are as follows:

David Wei Zhou – Founder

* + Studied Electrical and Computer engineering at McMaster University and obtained Bachelor of Engineering and Master of Applied Science degrees

Lu Yi – Business Operator:

* + Studied Business Management at Trent University.
  + Worked 5 years in a management position at Home Depot
  + Worked 10 years (first part-time then full-time) as a Real Estate agent with a focus on residential real estate
  + Has always been passionate and knowledgeable about local market
  + Fluent in both English and Chinese so he can converse easily with both of the primary target markets

**Financial Institution**

AVMS Business Bank

**Supporting Documents**

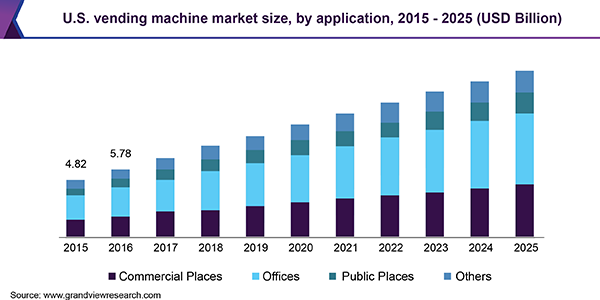
Additional documents in support of this business plan will be included in the Appendix as necessary.

# 2.0 – Business Overview

**Industry & Market Segment**

North American vending machine industry is an untapped marketplace. The global vending machine market size was valued at USD 30.30 Billion in 2018 and is expected to register a CAGR (Compound Annual Growth Rate) of 9.4% from 2019 to 2025. Growing demand for on-to-go products due to hectic lifestyle is boosting product sales. The growth can also be attributed to machine’s ability to deliver goods quickly making it an extremely convenient option for consumers.

With the introduction of technological innovations such as face and voice recognition, also QR code, interactive display system, and big data integration, making the product easier and more convenient to use.

****

AVMS takes advantage of the concept of vending machine and the accessibility of vending machine to create a new model that differentiate from the traditional vending machine model.

Traditional vending machine model focus on impulse purchases with majority of product being unhealthy, junk food and tobacco products in public places thus greatly restrict the growth of business.

AVMS focus on delivery specialized products to consumers by having the customer make purchases with their local suppliers, and pick up the products at designated AVMS locations. AVMS targets suppliers that wants to take advantage of AVMS created space to reach target market that cannot be reached through traditional method.

**Products & Services Information**

AVMS has carefully thought-out the idea for approaching the new market:

* Concept
  + - AVMS is a company that focus on delivery of local product to consumers, the product can be local ingredients, specialized products, and customer can pick up their products with their unique ID.
* Objective
  + - Falling in line with the AVMS mission statement, the idea is to provide customer with a convenience of ordering local products without the need to travel great distance or purchase at market at higher value.
* Product
  + - Product are sold by local vendors though their own network or through third party distributor, then placed inside AVMS designated vending hub for customer to pick up at specific timeframe.
  + Other Features
    - One of key feature of the vendor machine its ability to keep product at the required temperature ensuring the proper protocol of food handling and ensure the freshness of the product being stored.
    - Another feature is its ability to provide acute product displacement though its onboard software system which identify the product ensuring arcuate product is given to the customer.
* Data
  + - AVMS machines is managed by its cloud-based solution that enables real time inventory control, shelf allocation, pricing adjustment, using different data though its system, thus helping vendors understand which product works best in which geographic locations. The data is able to help understand customer behaviours & local trends thus introducing new products into the market.
    - Data further give insight to vendor on the traffic and help future product planning.
    - Additional advertising revenue can be generated with LED display and graphic design.
* Product Sales
  + - As AVMS focus is on selling the space inside the vending machine to local’s vendors, thus AVMS charges base on allocated shelf space and time.
    - Local vendors is able to purchase allocated time slot from any of our vending machine locations, proving the product QR to customer to pick up product at the given location.
    - Business can purchase reports on market trends, customer preferences, and other useful information.
    - Business is also able to purchase advertising with AVMS, with LED display or traditional billboard display

**AVMS Illustrations**

**Pricing Information**

Pricing model is based on a sample product:

Local Steak Vendor Grass Feed 2.0lb Beef Ribeye Steak cost $8.00 and retails for $16.65. Customer purchase steak directly from vendor networks, after purchase vendor purchase allocated space inside vending machine near customer location, orders get inputted into AVMS system and QR code is generated for consumers. Product gets distributed to designated vending hub for customer pickup. Customer have the allocated timeslot for pickup of product.

Fees are generated once order is placed, and pickup time is set. Based on 12 hour timeslot a fee of $3.50 is charged.

Separate changes for pick and delivery, storage, container of the product.

**Major Players & Competition**

* Currently, there aren’t any direct competition with this model:
  + Traditional Vending Machine Companies

Red Seal Vending Inc. – Sells vending machines & vending services

Canadian owned and operated vending machine Company with over 30 years’ experience vending and office coffee. Staff with hands on experiences in all part of vending business, including refurbishing and customizing vending machine.

<https://www.redsealvending.ca/>

* + Amazon Locker Service

Amazon lockers are self-service kiosks where Amazon customers can pick up their Amazon packages at a time that’s convenience for them.

Amazon Hub Locker is a fully automated secure and convenience delivery solution for customers to pick up or return their Amazon packages.

<https://www.amazon.ca/b?ie=UTF8&node=21156835011>

**Competitive Advantages**

AVMS will have numerous competitive advantages over the other traditional vending machine vendors in the city of Toronto for the following reasons:

* The one-of-a-kind concept which focus on the storage and convenience to consumers rather than focus on selling existing products.
* The business will be owned and operated by a highly-experienced programmer able to make changes to software used in the vending machine
* Product placed inside the machine are product purchased already rather than selling the product in the machine, thus it minimized product not being sold
* Able to use a controlled environment thus meeting multiple city and provincial guidelines
* Reduce “last mile” usually causing the biggest expense for local vendors in sourcing their products and adding additional costs to consumers
* AVMS is able to collect data and provide competitive advantage to local vendor that uses this service.

**Risk Factors**

There are some risks associated with launching the business, such as:

* The concept is relatively new, thus need to launch in a sample market
* Technical issues for both vending machine and related software need to be tested
* Finding right suppliers or distributor to work with
* The company will have overhead and high costs during the initial start-up for the purchase of machinery and space for placing vending machine

# 3.0 – Sales & Marketing Plan

**Sector Description**

The business and industry fall within the North American Industry

Classification System (NAICS) under code 454210 – Vending machine operators. This industry is described by NAICS as follows:

This industry group comprises establishment primarily engage in owning, stocking and servicing vending machines designed to retail merchandise

Companies in US that fall under code 45421

https://siccode.com/naics-code/45421/vending-machine-operators

**Marketing, Advertising & Promotion**

AVMS will be B2B business thus will focus on marketing as follows:

Reaching out to local specialty vendors to sign contracts

Reaching out to distributors

Reaching out to Wechat/Facebook and other social media network group seller

Influencer to promote the service and advertisement

**Business Policies**

Business policies, terms and disclaimers as well as legal documents such as contracts will be added to this business plan’s Appendix as they are created.

The business plans on having the following policies in place prior to launching the business:

* Product Placement Agreement
* Operations Manual
* Commercial Rental Agreement

# 4.0 – Operations

**Equipment, Furniture and Fixtures**

Ten vending machines as a pilot project

Transportation vehicle

Loading product vehicle

Extra parts for replacement or repairs

Power supplies and secure machine

**Technology Requirements**

Access to machine 24/7 via internal system or connect to existing Wi-Fi system

Software programming required

Hardware programming required

**Research and Development**

AVMS will continue with ongoing research and development of the business model, to simplify and give additional services to vendor, by providing data and attract different investors to help rapidly expand the operation of the business

**Quality Control**

AVMS will control the environment for the placement of the product and ensuring it meets all necessary standards

AVMS will also ensure that customer receives correct product, as it will have internal sensors to verify all necessary dispense of the product

Local vendor is responsible for the quality of product, however in-order to ensure future customer satisfactory, AVMS will only work with quality local provider

**Regulations and Insurance Requirements**

As with all Vending Machine business, AVMS will adhere to all regulatory policies enforced by Toronto Public Health, Product Inspection, and Fire Safety Inspectors. Lastly, general product insurance and liability insurance will be purchased in order to be fully covered for any future problems.

**Environmental Considerations**

The business will provide environmentally friendly product containers to insure product can be recycled to minimize damage to the existing environment.

# 5.0 – Human Resources

**Operating Hours**

AVMS as an automated service can be operated 24/7, however due to constrains of business, securing location that can give access 24/7 will be top

priority. Thus locating business or shopping center that can provide access will greatly ensure the success of the business

**Staffing Requirements**

The business will have the following staffing requirements:

* + Business operation team, that will focus on locate suitable local vendor or distributor

Distribution centre and delivery team that will focus on transportation of product and loading of product

Technical team to deal with software & hardware related issue concerning the vending machine and operation system

* + Staffing Characteristics: Sales, operation, manager, technical and event/marketing team must be passionate about the business and have a thorough knowledge of the topic; this will be listed as an asset in job postings. In addition to keeping good relationship with local vendors, the AVMS also wants its staff to be able to deal with problems on the go. The business is looking for aspiring new members who are passionate about a start-up business and are open to exploring new ideas, especially within an operating a business that will bring disruption to an existing industry

**Remuneration and Benefits**

The business will pay its staff by the use of cheques from the business and a future benefits packages will be considered once the business has achieved great success. All guidelines provided and enforced by the Ministry of Labour will be followed in the regular operation of the company.

**Training and Development**

Full on-the-job training will be provided to all employees as they are hired and a future Human Resources plan will be in place for continued development of all employed individuals. In order to maintain an above-par customer service experience, regular staff meetings and continued training will be provided to all employees. Various incentive programs and internal contests will also be put into place in order to inspire staff to perform at their optimum level.

# 6.0 – Action Plan

**Action Plan Table**

The following table lists actions and dates for major milestones in the launch of the business: Subject to change

|  |  |
| --- | --- |
| **Action Plan** | |
| **Action** | **Deadline** |
| Completion of Business Plan | April 30, 2021 |
| Obtain Capital Investment | June 30, 2021 |
| Lease New Location | August 15, 2021 |
| Commence Marketing Plan & Renovations | August 30, 2021 |
| Grand Opening | September 15, 2021 |

# 7.0 – Financial Plan

**Capital Requirements**

The business venture is seeking capital of $200,000 by [June 30th 2021].

|  |  |
| --- | --- |
| **Capital Requirements** | |
| **Source/Name** | **Amount** |
| Grants |  |
| Personal Financing (Name) |  |
| Bank Financing |  |
| Investor Financing |  |
| Total Financing |  |

**Start-Up Costs**

The following table lists all of the expected start-up costs:

|  |  |
| --- | --- |
| **Startup Costs - 2021/2022** | |
| **Item** | **Cost** |
| Vending Machine |  |
| Software |  |
| Placement Lease |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
| **TOTAL** |  |

**Ongoing Expenses**

The following tables indicate projected ongoing expenses that will be incurred annually, not including the start-up costs listed above. The tables apply to years 2021 to 2023:

|  |  |
| --- | --- |
| **Expenses (2021)** | |
| **Item** | **Monthly Cost** |
|  |  |
|  |  |
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|  |  |
|  |  |
|  |  |
| **TOTAL** |  |

|  |  |
| --- | --- |
| **Expenses (2022)** | |
| **Item** | **Monthly Cost** |
|  |  |
|  |  |
|  |  |
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|  |  |
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|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
| **TOTAL** |  |

|  |  |
| --- | --- |
| **Expenses (2023)** | |
| **Item** | **Monthly Cost** |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
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|  |  |
|  |  |
|  |  |
| **TOTAL** |  |

**Projected Revenue**

The following tables indicate projected ongoing revenue that will be earned annually. The tables apply to years 2021 to 2023:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Projected Revenue - 2021** | | | | | | |
| **Period** | | | | **Monthly** | | **Annual** |
| January - March | | | |  | |  |
| April - May | | | |  | |  |
| June - December | | | |  | |  |
| **TOTAL** | | | | | |  |
|  | |  | | | |  |
| **Projected Revenue - 2022** | | | | | | |
| **Period** | | | | **Monthly** | | **Annual** |
| January - March | | | |  | |  |
| April - May | | | |  | |  |
| June - December | | | |  | |  |
| **TOTAL** | | | | | |  |
|  | | | | | |  |
|  |  | |  |  |  | | |
| **Projected Revenue - 2023** | | | | | | |
| **Period** | | | | **Monthly** | | **Annual** |
| January - March | | | |  | |  |
| April - May | | | |  | |  |
| June - December | | | |  | |  |
| **TOTAL** | | | | | |  |

**Projected Cash Flow**

The following tables indicate cash flow projections showing revenue, expenses and profit or loss for each month of every year from 2021 to 2023:

|  |  |  |  |
| --- | --- | --- | --- |
| **Cash Flow Projections - 2021** | | | |
| **Item** | **Revenue** | **Expenses** | **Profit/Loss** |
| January |  |  |  |
| February |  |  |  |
| March |  |  |  |
| April |  |  |  |
| May |  |  |  |
| June |  |  |  |
| July |  |  |  |
| August |  |  |  |
| September |  |  |  |
| October |  |  |  |
| November |  |  |  |
| December |  |  |  |
| **TOTAL** |  |  |  |
|  |  |  |  |
| **Cash Flow Projections - 2022** | | | |
| **Item** | **Revenue** | **Expenses** | **Profit/Loss** |
| January |  |  |  |
| February |  |  |  |
| March |  |  |  |
| April |  |  |  |
| May |  |  |  |
| June |  |  |  |
| July |  |  |  |
| August |  |  |  |
| September |  |  |  |
| October |  |  |  |
| November |  |  |  |
| December |  |  |  |
| **TOTAL** |  |  |  |
|  |  |  |  |
| **Cash Flow Projections - 2023** | | | |
| **Item** | **Revenue** | **Expenses** | **Profit/Loss** |
| January |  |  |  |
| February |  |  |  |
| March |  |  |  |
| April |  |  |  |
| May |  |  |  |
| June |  |  |  |
| July |  |  |  |
| August |  |  |  |
| September |  |  |  |
| October |  |  |  |
| November |  |  |  |
| December |  |  |  |
| **TOTAL** |  |  |  |

# Appendix – Supporting Documentation

This section is reserved for future additional documentation in support of the business plan, as necessary.