

**Business Proposal of Putting-up
Three Vending Machines inside the Campus**

(University of the Philippines in the Visayas- Iloilo City)

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Project Duration: March 25-June 1, 2006

Project Cost: P409, 887

I . INTRODUCTION

Background

The feasibility study of putting-up vending machines inside the University of the Philippines in the Visayas- Iloilo City Campus was conducted last February 28, 2006. The study focused on the student's preferences in terms of type of goods, spending capacity allocated for purchasing the products, and the desired location of the vending machines. And, it was found out that the study is feasible and profitable.

This proposal encourages to put-up three vending machines inside the campus to meet the consumers' needs. The significance of this initial plan would be helpful to the knowledge of the investor on installing vending machines. It would also be better for the investor to consider the specific needs of the target market.

Purpose

The purpose of this proposal is to push through the initial plan of putting up three vending machines inside the University of the Philippines in the Visayas- Iloilo City campus. The proposal is rooted from the feasibility study of putting-up vending machine conducted last February 28, 2006. The feasibility study focused on the students' preferences in terms of type of goods and desired location. Accomplishing this purpose means that the investor should properly address the consumers' needs on that area to win the competition.

Benefits

The profitability rate of 58% computed from the feasibility study would be sufficient for the investor to purchase and install vending machines. It is ultimately able to compete in the university's cafeteria. It provides small business with the advanced technical assistance and training. This will be accomplished through a cooperative partnership of the investor and the school.

II. DESCRIPTION OF THE PROJECTS

Proposed Project

Criteria	SMI-9155 Vending Machine
1. cost of machine	P61,629.00
2. size of machine	53"x30.5"x22.5
3. number of products	111 snacks and 155 drinks
4. weight of machine	235 lbs.
5. selection of products	9 snacks and 5 drinks

Continuity of service is essential for success and for this to be achieved, regular feedback is required on the status of a machine, and the machine needs to be secure against vandalism.

Marketing

The University of the Philippines should undertake to raise awareness of the project and its rationale through a wide variety of means. Most used one or more of the following approaches:

1. Announcements in year assemblies, usually within the context of a broader food and nutrition message.
2. Raising awareness with students through discussion about the project and its rationale with their advisers and or professors.
3. The creation of poster displays about the project with essential benefits.

4. Student council activities with a focus on sampling opinions, promotions open forum with sample product available for comment and attitudes from the population.
5. Inclusion of the project description posted on bulletin boards.

These were all effective in raising awareness of new service prior to commencement, particularly those students who did not usually go to school cafeteria on a regular basis. Though there were good intentions on these campaigns during the project the reality was that the busy life of the school dictated against this happening.

Machine Security

In some locations, where vending machines may be at risk of vandalism and/or other damage, it may be advantageous to protect said machines with enclosures and other security features, such as security system and protective hoods.

In situation where the University of the Philippines in the Visayas requires the installation of such equipment, such equipment shall be installed at the university's expense and shall become the property of the said school. In all other instances, the installation shall be the investor's decision and at the investor's expense.

Brand Names

The investor shall indicate the brand names for each of the types of beverage and/or snack offered in the proposal. Should brands quoted herein become unavailable during the contract period, substitution of equal or better quality, without any change in price, may be permitted as determined by the university. The investor shall provide

healthy beverage and snack product options for the vending machines at youth centers. All products must have university approval prior to stocking machines.

Equipment

The successful investor shall provide all required vending equipment, vending enclosures, dispensing equipment, currency and coin changers. The investor shall furnish all tools, equipment, apparatus, facilities, transportation, labor and materials necessary to furnish supplies, equipment, and maintenance services at such times and places as directed by, and with the approval of, the University. The investor shall provide in its proposal the style and type of each variety of machine listed.

Customer Service and Repair Service

There must be the availability of a customer service representative who assists in maintaining proper inventory levels, and handles all questions regarding billing, charge terms, delivery and for placement of orders. The successful investor shall assign a route technician who is its employee to visit the facility and park sites, in order to evaluate each machine and item of equipment. The route technician shall fill and service the vending machines on a regular basis, and adjust route service as necessary during peak business periods.

The investor shall repair, clean and maintain the dispensing and vending equipment and the vending machine enclosures, and keep all equipment, machines and enclosures in good working order and condition at all times. The bidder shall be responsible for maintaining the cleanliness of the areas around, behind, on top of, and under the vending machines that are installed, and the bidder shall remove all of the

refuse created by filling and servicing the vending machines, and shall ensure that all vending machine enclosures are locked and secured.

III. EVALUATION CRITERIA

The proposal enumerated the following evaluation plan for the success of this business as follows:

- ✓ An evaluation of the quality, maturity and financial stability of the firm.
- ✓ An evaluation of the firm's ability and experience in providing the service offered, including:
level of client satisfaction, cost/benefit relationship and relative success.
- ✓ An evaluation of the experience and training of the personnel the firm will be committing for assignments at the University.
- ✓ An evaluation of the approach and related costs. When and if all other factors are considered equal, cost will be the deciding criteria.

IV. TIME SCHEDULE

Proposed Plan	MONTH	1st Week	2nd Week	3rd Week	4th Week
Construction	March				
Installation	April				
Management training	May				
Equipment set up	June				

Start of Business

V. COST BUDGET

Sales Projection Per Week

Items	Units Produced	Cost of Goods	Selling Price	Sales
Snacks	111	(111X5) P555	6	P666
Drinks	155	(155X13) P2, 015	14	P2,170
Total	266	P2, 570	20	P2,836

Variable Cost:

Electricity expense	P400
Product refill	P200
Misc. expense	P500
Cost of Goods	<u>P2, 570</u>
Total:	P3, 670

Fixed Cost:

Wages expense	P2, 500
Total:	P2, 500
Total Cost per Month	P6, 170

Capital Investment and Cost

Vending Machines	Cost of 3 machines
SMI-9155 Vending Machine	(P61, 629.00 X 3) P 184, 887

Other cost incurred:

Installation	P150, 000 (P50, 000X3)
Construction of the location	P30, 000 (P10, 000X3)
Equipments	P35, 000
Other costs	P10, 000
Total cost incurred and cost of machine	P409, 887

Capital Investment Analysis

Year	Present Value of P1 at 12%	Estimated Net Cash Flow	Total Present Value per Year
1	.893	P41,392	P36,963
2	.797	P41,392	P32,989
3	.712	P41,392	P29,471
4	.635	P41,392	P26,284
5	.567	P41,392	P23,469
6	.507	P41,392	P20,986
7	.452	P41,392	P18,709
8	.404	P41,392	P16,722

The machine is expected to have a useful life of 8 years. The study has selected a rate of 12% for the purpose of this analysis. By deducting the amount invested of P61, 629 from the total present value of net cash flow of P205, 593, the result was the expected income of P143, 964 for over 8 years.

Total expected Net Income for Three Vending Machines for over 8 years:

$$P143, 964 \times 3 = P431, 892$$

EXECUTIVE SUMMARY

This proposal encourages to put-up three vending machines inside the campus to meet the consumers' needs. The significance of this initial plan would be helpful to the knowledge of the investor on installing vending machines. It would also be better for the investor to consider the specific needs of the target market. The purpose of this proposal is to push through the initial plan of putting up three vending machines inside the University of the Philippines in the Visayas- Iloilo City campus. It provides small business with the advanced technical assistance and training. This will be accomplished through a cooperative partnership of the investor and the school. It requires the installation of such equipment, such equipment shall be installed at the university's expense and shall become the property of the said school. The investor shall provide healthy beverage and snack product options for the vending machines at youth centers. All products must have university approval prior to stocking machines. This small business required a total project cost of P409, 887 and computed targets sales per week worth of P2, 836. The expected net income for three vending machines for over 8 years was totaled to P431, 892.

VI. LOCATION

The Proposed Location of Three Vending Machines

Legend: Vending Machines ●

University of the Philippines in the Visayas

