STATE OF THE OFFICE COFFEE SERVICE INDUSTRY REPORT

OCS sales are on the rise, but not yet to pre-pandemic levels

The data for 2021 shows some recovery, but for OCS operators, there's still a long way to go to reach the industry's 2019 benchmark high.

By Molly Rogers, Managing Editor

The COVID-19 pandemic in 2020 was disastrous for the office coffee service channel. Sales declined 75% to $1.5 billion. But, as more employees return to the office, the data for 2021 shows an upward trajectory of $2.05 billion in OCS revenue.

Moreover, 75% of operators report that sales rose in 2021, compared with 2% in 2020. And, about 30% of OCS companies added staff in 2021, so signs of improvement for office refreshment services are evident – due to the ability of OCS operators to adapt and meet business challenges.

As this year's Automatic Merchandiser State of the Vending and Micro Market report also showed: 2021 and beyond still face a combination of lingering at-home work patterns, rising inflation, product shortages and supply chain disruptions.

CHART 1: OCS revenues – 10-year history

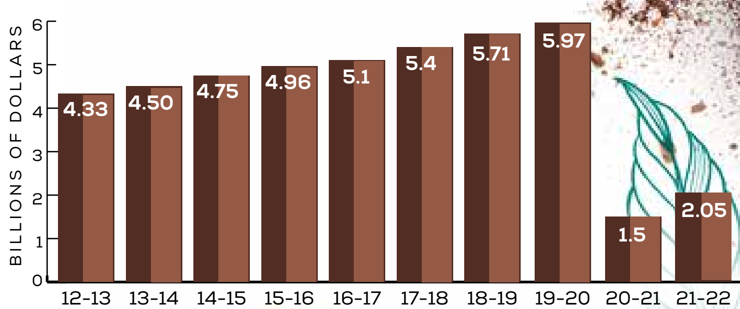


CHART 2: Operator sales change, 5-year review

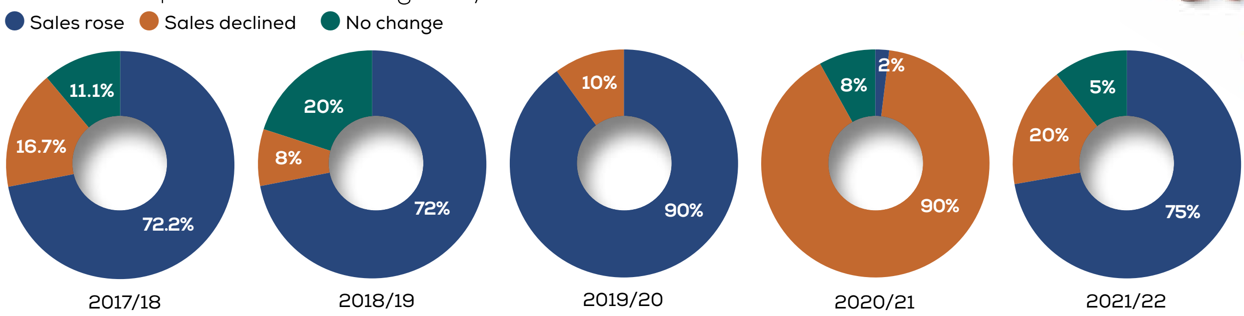
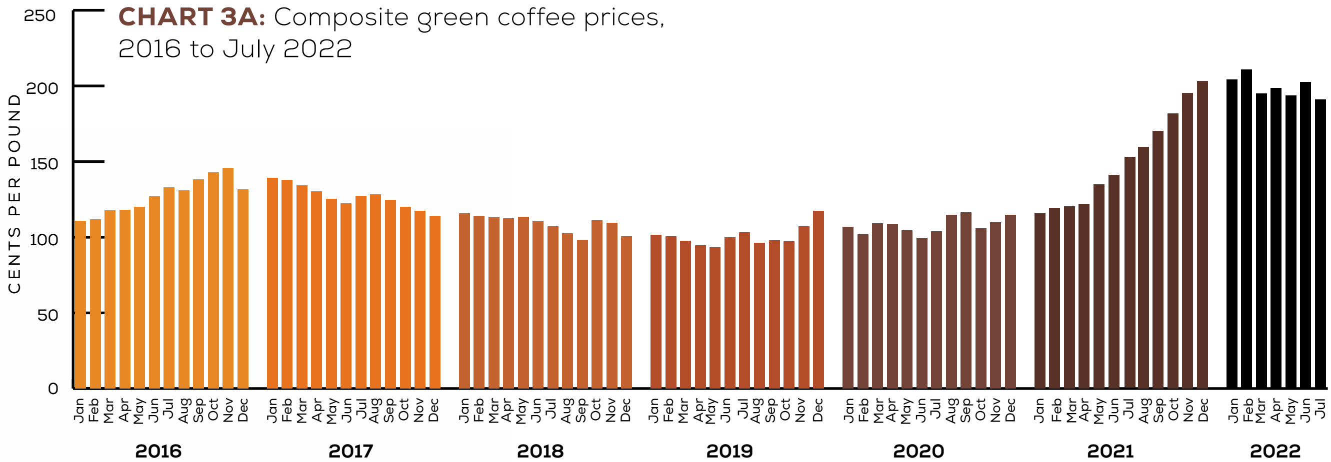
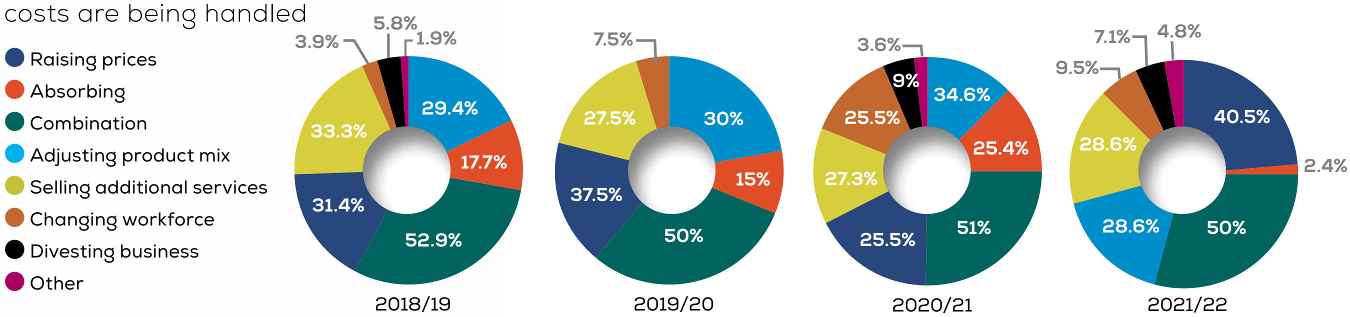


CHART 3A: Composite green coffee prices, 2016 to July 2022



Source: The International Coffee Organization, London, U.K.

CHART 3B: How rising costs are being handled



*Other included: Researched and found vendors for some specific products that had the biggest price increase; Adjusting service practices (ex: move clients to online ordering vs arriving on schedule to check stock levels)

CHART 4A: Revenue per cup in cents per cup, Fraction pack automatic/pourover coffee, 5-year review

	2017	2018	2019	2020	2021
Revenue	12.5¢	11¢	10.6¢	11.4¢	12.97¢

*Previous numbers have been adjusted based on additional data

CHART 4B: Revenue per cup, single-cup coffee, 5-year review

	2017	2018	2019	2020	2021
Single-Cup Capsule	47¢	46¢	46¢	49.4¢	46.6¢
Bean-To-Cup per cup cost	41¢	43¢	36¢	44.8¢	40.9¢

CHART 5A: % OCS sales by supplier type

SUPPLIER TYPE	2022
Private label	26.7%
Local coffee brands (known to customers)	22.55
National brand - value coffee	34.5
National brand - specialty coffee	10.75
Espresso coffee	5.5

CHART 5B: % OCS sales by product category

PRODUCT CATEGORY	2022
Frac pack	33.8%
Whole bean coffee	36.9
K-cups	14.5
Single cup (non K-cup)	14.8

CHART 5C: Top-selling OCS products for past 12 months, by volume

TOP PRODUCT	2022
Local coffee brands	25%
Private label	15
Value frac packs	5
Specialty drinks	0
Whole bean	15
National brand coffees	20
K-Cups	5
Single-cup	10
Tea	0
Pantry or direct delivery service (food/snacks/beverages delivered to locations)	5
Water filtration service (point-of-use/POU)	0

CHART 5D: OCS product category, % of sales

PRODUCT CATEGORY	2022
Coffee	41.5%
Non-coffee hot beverages	6.9
Soft drinks	9.3
Bottled water (5 gallon)	7.5
Creamers/sweeteners	6.8
Cups/plates/paper products	9.1
Tea	7.1
Pantry service/micro kitchen (paid by employer offered to employees)	3.5
Water filtration service (non bottled)	5.2
Ice machines	3.1

HIGH COSTS AND HIGH DEMANDS

According to the data from the International Coffee Organization, green coffee prices reached a 10-year high in late 2021 and continued into the first half of 2022. Weather, both drought and frost in 2021 in Brazil, as well as global supply constraints and other pandemic-related issues, have had a substantial impact on the coffee market. For 2022, inflation is an additional factor in the rising cost of coffee.

OCS operators tried to combat the challenges of rising costs in products, equipment, coffee, fuel and shipping. Some raised prices, and others absorbed costs. A small percentage of operators chose to divest their OCS businesses. Many adjusted their product mix and began selling additional services. About 14% of operators added pantry and water service, and 7% added micro markets. Of those that added micro markets, bean-to-cup brewing was the dominant choice of coffee service system.

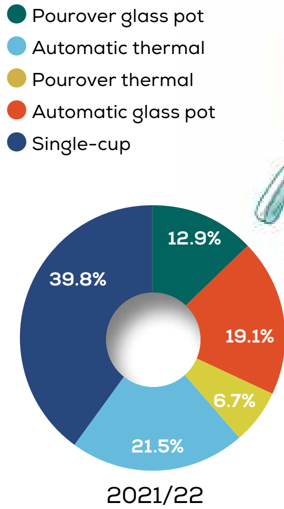
In 2021, whole-bean varieties showed an increase from 2020, and frac packs were also among the dominant coffee products sold in the OCS channel. Operators continue to provide high-quality coffee, with local coffee brands familiar to clients (25%) as the top-selling OCS product, then nationally branded coffee (20%), private-label products (15%), whole bean (15%), and single-cup at 10%.

Almost 39% of respondents said brand is fairly important to customers, 50% said important to some and not others, and 11% said it's not important for the majority.

For OCS product categories, ice machines showed a notable jump in 2021 sales due to customer demand.

Technology is also among the new services that some OCS operators are adding. Nearly 78% said they offered online ordering of coffee or related

CHART 6: Plumbed-in, automatic and thermal as % of total



products in 2021. And a little over 30% said they are using industry-specific software to manage OCS business; 16% are using the same software for vending.

Trends in sustainability and environmental concerns also affect the products that OCS operators offer to their customers. More than half of the respondents said they offer recycled products (cups, filters, pods, utensils), 16% said they offer water filtration devices to reduce bottled water, and a little over 11% said they supplied coffee with attributes such as organic and fair trade.

Cold brew, another trend in the office coffee service channel, shows an upward trajectory by the respondents with over 66% offering cold brew coffee options to locations. Among those, 22% offer on-draft kegs and 16% offer single-serve bottles.

LOCATION

About 42% of operators said the number of locations of their coffee service accounts increased in 2021; 26% said the number remained the same; and 31% said it decreased.

In 2021, the typical location population of coffee service accounts from respondents had

CHART 7: Estimated market share of single-cup brewer placements in the U.S., 5-year review

MARKETER	PRODUCT(S)	2017/18	2018/19	2019/20	2020/21	2021/22
Cafection	Avalon, Total Lite, Total 1, Alternative	5.1%	7.5%	8.35%	7.40%	5.69%
Bodecker Brewed	Bodecker	7.4	0.5	3.59	3.50	2.46
VE Global Solutions	Brio, Colibri, Koro, Korinto, Kinvivo, Trophy, Venus, Cypris, Juno, Prosyd	1.0	5.8	0.95	1.00	0.00
Crane	Coti, Café System, Genesis	0	3.4	2.56	2.50	0.00
Cafejo	Cafejo	0	0.2	1.03	1.00	2.40
Technologies Coffea	Coffea, Pro-II G2	0	1.2	0.00	1.00	5.73
JM Smucker's	Douwe Egberts C-300, C-600, C-60, N110, NG-300	6.2	4.6	5.87	5.10	1.88
VKI Technologies	Eccellenza Express, Eccellenza Touch, Eccellenza Cafe, Latte Lounge	2.4	2.0	2.05	1.90	3.82
Lavazza	Espresso Point, Lavazza Blue, Dual Espresso, EP 2500	1.3	2.0	1.03	0.90	1.14
Mars Drinks	Flavia Barista, Flavia Creation 500, Flavia Creation 400, Flavia Creation 200, Aroma	5.9	9.4	2.42	2.50	2.99
Filterfresh	Filterfresh	0	1.7	1.28	1.30	0.00
Grindmaster	Grindmaster	0.9	1.0	10.18	9.80	14.72
Kraft/Heinz	Gevalia, Tassimo T-3000, T-65	0.7	0.5	0.28	0.30	0.84
Keurig	K3000, K150, K145, B155, K155, K130	17.1	33.2	20.72	19.80	14.24
Rheavendors	Rhea, Cino	2.1	0.5	0	0.40	0.00
Saeco USA	Saeco, Estro	0.2	1.3	0	1.00	1.27
Newco	Smartcup, Freshcup, Freshcup Touch	6.9	7.4	7.59	7.80	13.89
Starbucks	Starbucks	1.8	2.7	4.48	4.50	2.83
Bunn	My Cafe Pod, AutPOD, Trifecta MB	22.3	15.8	7.80	8.30	11.37
Nespresso	Nespresso	0.5	1.8	5.90	7.20	2.34
Wilbur Curtis	Gold Cup, Expressions	6.7	5.8	0	0.50	1.39
Comobar	Comobar	n/a	0.2	1.96	1.80	0.00
MZB	La San Marco OC System	1.8	0.7	6.39	6.10	0.96
Cafe Primo	Cappuccino	n/a	1.4	2.31	2.20	3.13
Other		n/a	13.6	2.56	2.20	6.92

*Represents OCS provider placements only

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CHART 8: Account populations by size

2016/17 2017/18 2018/19 2019/20 2020/21 2021/22

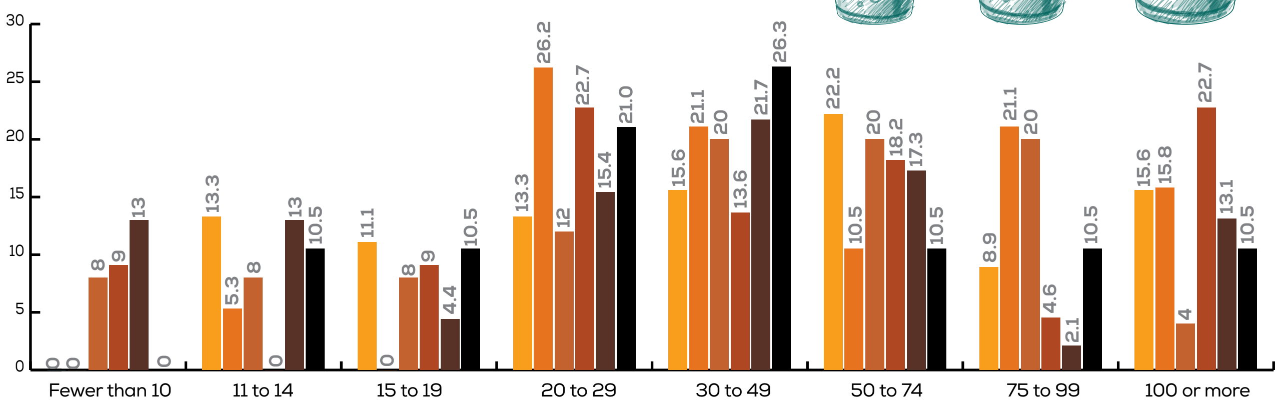


CHART 9: Accounts by type, 5-year review

	2017/18	2018/19	2019/20	2020/21	2021/22
Offices	53.%	60.1%	47.7%	51.2%	36.5%
Industrial plants	15.5	12.4	17.6	16.8	17.3
Schools/colleges	8.0	6.11	6.9	6.3	8.3
Convenience stores	7.4	4.2	9.0	8.6	8.0
Restaurants, delis, bakeries	5.4	4.8	7.3	4.1	8.0
Other (healthcare/hotels)	4.4	3.2	3.0	3.8	9.5
Government/ military	3.8	4.6	4.3	4.1	6.1
Retail outlets	2.5	4.5	4.2	5.1	6.3

30-49 employees (26%), followed by 20-29 employees (21%). There was a moderate decrease in white-collar workplace populations and an increase in blue-collar locations. Data also showed an increase in schools and colleges, as well as other locations such as heathcare/ hospitals, hospitality and auto dealerships.

WHAT'S TO COME

For trends that OCS operators are seeing, respondents said companies are trying to entice employees back to the workplace with incentives such as free snacks. Customers are also demanding more high-quality coffee choices, including bean-to-cup and liquid creamer options, single-drink coffee packs, and overall, new products and many options. ▪

CHART 10: New services added in 2021/22

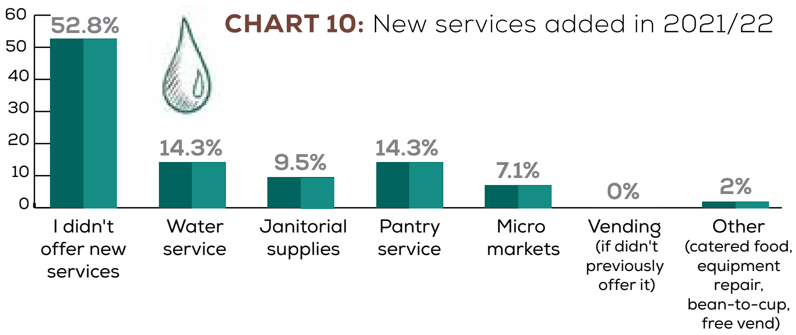
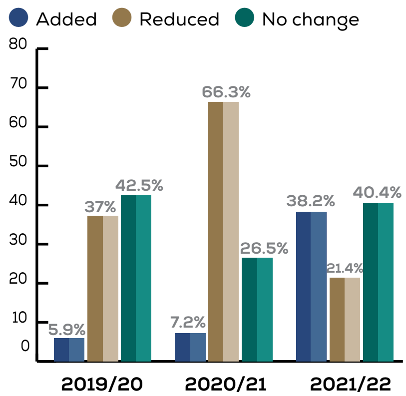


CHART 11: Where staff was added



66% of respondents said they provide cold brew options.

CHART 12: Most popular environmental product offerings

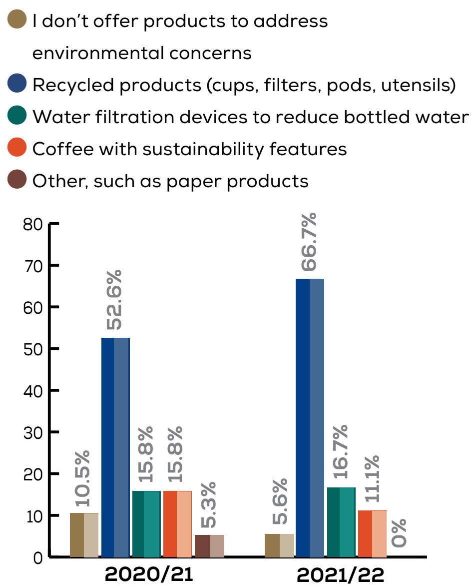


CHART 13: Company currently offers online ordering on its website

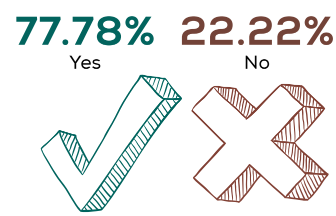
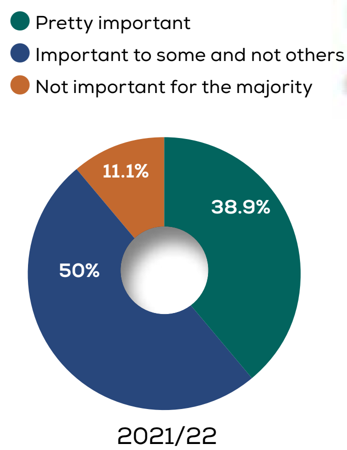


CHART 14: Brand importance to coffee customers



About the study

Data in Automatic Merchandiser's State of the Office Coffee Service Industry report are collected through a 50-question survey sent to OCS and vending operators. The annual report examines responses from small, medium and large OCS providers, as well as full-line vending operations offering office refreshments. The State of the Office Coffee Service Industry analyzes performance in various product and equipment categories. Data from the 2021 survey looks at the prior year. Caution should be used when comparing year-over-year numbers.