



———— THE STATE OF ————  
**CONVENIENCE SERVICES**

A 2020 INDUSTRY CENSUS

The 2020 Industry Census research was funded by the NAMA Foundation and conducted by Technomic.\*



Since 1982, the NAMA Foundation's mission has been to strengthen and advance the Convenience Services industry through support of three strategic initiatives:

**Voice** » Enables grassroots activities at all levels of government to promote and protect member businesses and the industry at large

**Knowledge** » Supports learning and leadership development opportunities for members, including providing scholarships

**Research** » Enables industry businesses to expand growth opportunities and stay current in a changing market

Funding is made possible thanks to the generous support received from companies across the industry, who believe in the Foundation's collective power to strengthen and grow Convenience Services.

*The NAMA Foundation is a 501(c)(3) charitable organization. All contributions to the NAMA Foundation are tax deductible to the fullest extent of the law.*



**Technomic**

For over 50 years, Technomic has provided foodservice clients around the globe with the research, insights and strategic consulting support they need to enhance their business strategies, decisions and results. Its services include category and channel analyses, customer satisfaction studies, market opportunity assessments and strategic entry planning, benchmarking programs and brand equity enhancement. The company excels at industry intelligence, forecasts, data, training support and consumer research.

*\*Data was gathered from April through June 2021, and this report was published in August 2021.*

## EXECUTIVE SUMMARY

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The 2020 census marks the fourth in a series of industry census reports conducted by the NAMA Foundation and the research firm Technomic. The purpose is to show trends, further build credibility, and engagement across the industry, policy makers and the general public. This research report enables NAMA to enhance its credibility as the leading source of industry information, and successfully educate on behalf of the industry and for general marketing purposes.

The survey group was comprised of Convenience Service operators. Results and trends included in this report include data from those surveyed, interviews with industry experts, and information from other foodservice and refreshment service reports.

### Study Goals

- Determine current industry size and makeup
- Assess the impact of COVID-19
- Track trends since NAMA's 2018 industry census
- Generate meaningful and definitive metrics on the industry for businesses and stakeholders within Convenience Services
- Conducted at the height of the COVID-19 pandemic, it reflects widespread changes in work and lifestyle patterns that generated significant shifts in sales and revenue
- While this 2020 census offers insights into trends, comparisons to the 2018 data, it reveals notable projections for the future

### Industry Size

- Even in the depths of the COVID-19 public health emergency, the Convenience Services industry is estimated to have produced total revenue of \$15.6 billion.
- While the Convenience Services industry grew by 2.1% from 2018 to 2019, driven by a boom in Micro Markets and Pantry Services, all segments took a significant hit in 2020 due to COVID-19.
- After experiencing a slight decline in revenues between 2019 and 2018, Vending continued to contract (-32.0% since 2019), which is largely due to COVID-19 related changes in work and lifestyle patterns.
- Convenience Services represented 1.8% of the total U.S. foodservice industry in 2020.
- Micro Markets were less impacted than other segments, given the appeal of contactless transactions during the pandemic. Overall Micro Market revenues declined by -21.5% in 2020, offsetting the previous strong growth in 2019 and earlier.
- Due to sweeping state shutdowns in white-collar industries, Office Coffee Service (OCS) and Pantry Service segments were most impacted by COVID-19, decreasing by -79.0% and -82.5%, respectively during the pandemic.

## EXECUTIVE SUMMARY

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### **Business Makeup**

Operators maintained levels of diversification in their offerings across business segments, with 63% engaging in more than one segment of Convenience Services, up one percentage point since the 2018 census survey.

### **Nutrition and Wellness**

53% of Vending operators increased their better-for-you food and beverages offerings in the past year, aligning with a shift in consumer demand to focus on low calories, sugar, and fat. While many consumers sought comfort food during the pandemic, demand for healthier options is expected to increase.\*

### **Future Growth**

After a challenging 2020, operators are bullish on the overall growth of the Convenience Services industry. It is expected to be 64% larger in 2022 than in 2020.

Pace of recovery will vary by segment. Micro markets will make the quickest recovery, reaching 2019 sales levels by end of 2021. Traditional Vending sales, OCS and Pantry services sales are expected to approach 2019 revenue levels in 2024-2025.



*\* Source: Technomic Economic Impact Navigator, July 2021*



# INTRODUCTION

## BACKGROUND

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Founded in 1936, NAMA represents the U.S. Convenience Services industry, which contributes \$31 billion to the U.S. economy.\* NAMA's core membership is comprised of owners and operators of vending machines, micro markets, and office coffee, tea, water and pantry services. With nearly 1,000 member companies – including many of the world's most recognized brands – NAMA provides advocacy, networking, education and research for its membership.

NAMA's mission is to foster profitable growth of the industry, with the long-term goal of being the leader in expanding and elevating Convenience Services within the U.S. economy. Key to these efforts are providing current and credible industry research – a primary function of the NAMA Foundation.



In 2014, 2016, and 2018, the NAMA Foundation engaged the research firm Technomic to conduct a review of the size and state of the Convenience Services industry. NAMA has used the resulting metrics to enhance its credibility as the leading source of industry information, to successfully educate policy makers on behalf of the industry and for general marketing purposes.

The NAMA Foundation's position as the trusted source for industry research requires that it conduct an industry census bi-annually to show trends and further build credibility and engagement with the industry, policy makers and the general public.

*\*Source: "The Convenience Services Industry Economic Impact Study," John Dunham & Associates, April 2020. \$31 billion represents the total economic impact the Convenience Services industry has on the U.S. economy.*



## OBJECTIVES

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The goal of the research was to determine:

- 1) Current Convenience Services industry size, sales and segment trends
- 2) Assess the impact of COVID-19.
- 3) Define trends by industry segments
  - Number strictly serving Vending
  - Number strictly serving Micro Markets
  - Number strictly serving OCS
  - Number strictly serving Pantry Services
  - Number of blended operators—i.e. those serving more than one segment of Convenience Services
  - Number serving all our segments of the market
- 4) Provide business leaders with useful metrics on the current industry
  - Number of locations served (Vending, Micro Markets, OCS, Pantry Services)
  - Growth expectations for Convenience Services overall, and by segment
  - Critical business operations metrics with comparison to earlier studies
  - Relative share of Convenience Services as a segment of Foodservice
- 5) Track trends following data collected between 2014-2020 census period

## METHODOLOGY

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The survey methodology used in the census included all traditional Vending, Micro Market, OCS, and Pantry Services sales as of the end of calendar year 2020.

Total revenue figures for Vending, Micro Markets, Office Coffee Services and Pantry Services are representative of mainstream industry companies from individual proprietors to large multinational firms, as well as all distribution sources.

The census does not include individuals who operate on a part-time basis or “self-op” locations with one or two points of service using equipment and products purchased from big box stores.

**Market size estimates should be viewed with an error margin of  $\pm 5\%$ .**

### STEP 1: PROGRAM INITIATION MEETING

As with the previous studies, it was important for the NAMA Foundation and Technomic to clearly establish coverage, scope, research, critical metrics and timing. This was accomplished through virtual meetings between Technomic and the NAMA team.

### STEP 2: SECONDARY SOURCE REVIEW

Technomic conducted a comprehensive review of secondary information available on the Convenience Services industry. Importantly, Technomic accessed its research analysis on hot and cold beverages, snack food items, as well as the broader foodservice industry.

### STEP 3: OBTAIN NAMA MEMBERSHIP DATA

Technomic conducted in-depth interviews with the NAMA Board of Directors and other NAMA operator, distributor and supplier members to obtain Vending, Micro Market, OCS and/or Pantry Services segment data and to understand key industry trends. NAMA was directly and closely involved by providing contact information and introductions to facilitate data gathering. Members were reassured that their data would be aggregated by Technomic and kept strictly secure and confidential.

Data collected during in-depth interviews included the following:

- Annual sales for Vending, Micro Markets, OCS and pantry services for 2020
- Annual sales growth/decline during the pandemic and more generally since 2019
- Expected sales growth/decline over the next 3-5 years
- Total number of customers and locations
- Key trends impacting their businesses



#### **STEP 4: NAMA MEMBER SURVEY**

As with the previous studies, Technomic surveyed nearly 100 Convenience Service operators drawn from both NAMA member and non-member segments. The survey serves as a reference for operator-level metrics and insights used to update and expand Technomic's proprietary Convenience Services market model.

The survey was conducted online utilizing NAMA's membership list as the primary source for the survey sample. Respondent turn-out was boosted through multiple NAMA and Technomic communications and reminders.

#### **STEP 5: MODEL DEVELOPMENT AND REPORTING**

Technomic leveraged survey data and input from the in-depth one-on-one interviews as inputs to update its Convenience Services market model (which provides the data for this report in defining size, growth and segmentation of the Convenience Services industry.)





# INDUSTRY OVERVIEW



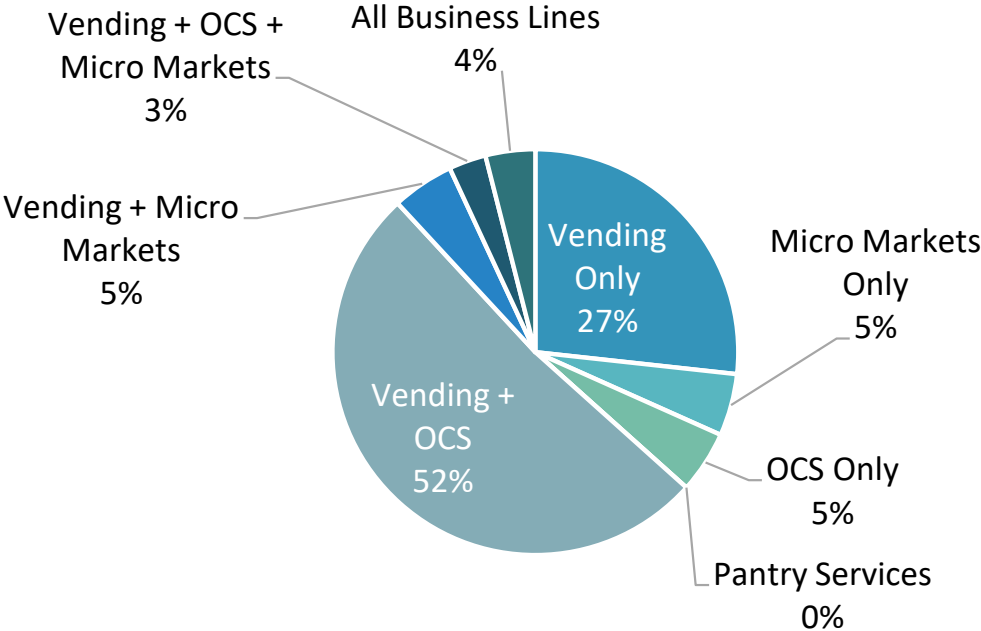
# INDUSTRY MAKEUP

For this research, NAMA, the Foundation and Technomic identified four segments within the Convenience Services industry:

- 1) **Vending Machines:** Self-service devices that automatically dispense a predetermined unit serving of snacks or beverages without having to be replenished after each use.
- 2) **Micro Markets:** Unattended retail stores located in a secure building or workplace that offer fresh foods, snacks and beverages for purchase via a self checkout kiosk.
- 3) **Office Coffee Services (OCS):** The providing of coffee, tea, water and related products to a workplace.
- 4) **Pantry Services:** Providing snacks, food, beverages and related products to a workplace; paid for by the employer.

## INDUSTRY MAKEUP BY BUSINESS LINE

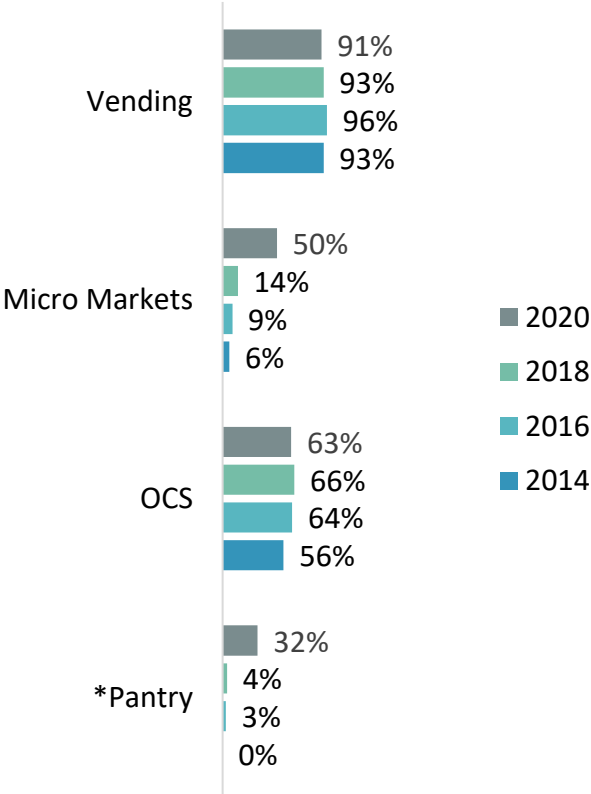
Most operators are engaged in more than one line of business as a diversification strategy.



# INDUSTRY SEGMENT

- Nearly all Convenience Services operators surveyed are involved in the Vending industry, while approximately two-thirds work in OCS.
- Micro Markets showed the largest growth since 2018.
- Sixty-three percent (63%) of operators are involved in more than one segment which is similar to 2018.

## INDUSTRY SEGMENT TRENDS



In 2020,  
**63%**  
of operators were  
“blended,” offering  
more than one business  
segment

\*Pantry was not included in the 2014 study

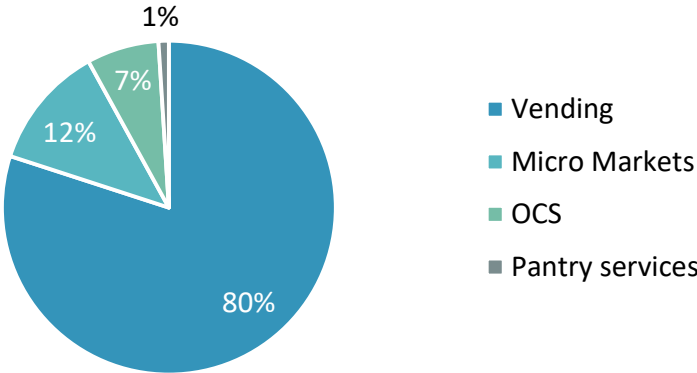
# INDUSTRY REVENUE

The Convenience Services industry is estimated to represent total annual revenues of \$16 billion, reflecting a nearly \$11 billion contraction since 2019 due to COVID-19. However, operators remain optimistic on a recovery to 2019 industry levels in 2023, driven by Micro Markets.

In 2020, the bulk of the revenue (\$12.5 billion) came from the Vending segment. Micro Markets, Office Coffee Services (OCS), and Pantry Services represented smaller percentages and are expected to have varying growth trajectories considering the pandemic’s impact on office work.

The Convenience Services industry composes a notable portion of the total US foodservice industry. According to data from Technomic, combined with the data collected in this research, Convenience Services represents a 1.8% share of the total 2020 U.S. foodservice industry (as measured by retail sales equivalents), a decline from 2.7% in 2018.

**INDUSTRY SEGMENT TRENDS**  
\$16 BILLION MARKET



Segment	2016 Revenue (\$B)	2018 Revenue (\$B)	2019 Revenue (\$B)	2020 Revenue (\$B)	2018-2020 Growth (%)
Vending	\$19.1	\$18.5	\$18.4	\$12.5	-32.5%
Micro Markets	\$1.0	\$2.0	\$2.4	\$1.9	-5.0%
OCS	\$4.6	\$4.9	\$5.1	\$1.1	-78.3%
Pantry Services	\$0.3	\$0.5	\$0.6	\$0.1	-78.5%
<b>Total</b>	<b>\$25.1</b>	<b>\$26.0</b>	<b>\$26.6</b>	<b>\$15.6</b>	<b>-40.0%</b>

# INDUSTRY SIZE

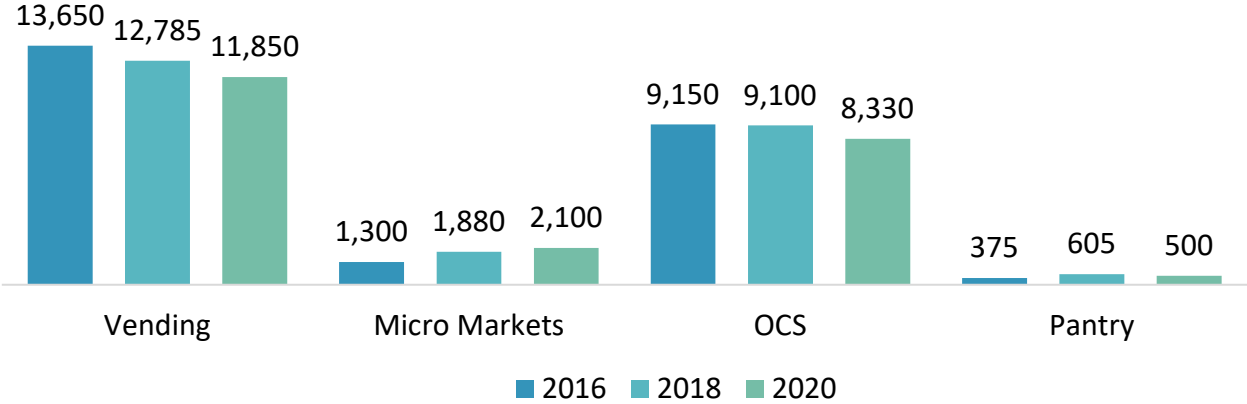
Operators hold on to Vending and add Micro Markets.

- 5% decline in the number of Operators since 2018.\*
- The Vending segment dominates the Convenience Services industry in revenue and number of operators.
- While Vending, OCS and Pantry Services have experienced declines, Micro Markets have increased steadily since 2016.

Micro Market kiosks grow as Vending machines decline

- In 2020, the number of vending machines declined by 21% while Micro Markets increased by 39% since 2018.

**TOTAL OPERATORS (2020) = 13,100**



**NUMBER OF MACHINES**

	2016	2018	2020
Vending	4,327,050	3,963,350	3,140,250
Micro Markets	19,671	31,250	43,500

*\*This study used a combination of hard figures from the online survey of operators plus input from industry*



## INDUSTRY GROWTH, 2016-2020

COVID-19 workplace restrictions resulted in the greatest negative impact to Pantry and Office Coffee Service. At the height of the pandemic, total foodservice industry revenue declined -25%. Convenience Services revenue declined -40%, and the total number of operators declined by -4.9%, but all are recovering. Growth in the number of Micro Market operators is a response to market opportunities and industry innovation more than a result of the pandemic.

		Total Revenue	Total Operators	Total Locations Served*	Total Machines	Revenue per Operator
2020	Vending	\$12.58	11,850	1.1M	3.1M	\$1.1M
	Micro Markets	\$1.9B	2,100	34,400	43,500	\$0.9M
	OCS	\$1.1B	8,330	0.9M	NA	\$128,369
	Pantry	\$01.B	500	4,500	NA	225,664
	<b>Total</b>	<b>\$15.6B</b>	<b>13,100</b>	<b>1.4M</b>	<b>3.2M</b>	<b>\$1.2M</b>
2018	Vending	\$18.5B	12,785	1.5M	4.0M	\$1.5M
	Micro Markets	\$2.0B	1,880	27,225	31,250	\$1.1M
	OCS	\$4.9B	9,100	1.5M	NA	\$542,734
	Pantry	\$0.5B	605	43,500	NA	\$866,432
	<b>Total</b>	<b>\$26.0B</b>	<b>13,775</b>	<b>2.0M</b>	<b>4.0M</b>	<b>\$1.9M</b>
2016	Vending	\$19.1B	13,650	1.6M	4.3M	\$1.4M
	Micro Markets	\$1.0B	1,300	18,500	19,671	\$782,692
	OCS	\$4.6B	9,150	1.4M	NA	\$503,880
	Pantry	\$0.3B	375	35,000	N/A	\$840,000
	<b>Total</b>	<b>\$25.1B</b>	<b>14,225</b>	<b>2.0M</b>	<b>4.3M</b>	<b>\$1.8M</b>
2016-2018 Total Growth	Vending	-3.0%	-6.3%	-4.7%	-8.4%	3.5%
	Micro Markets	99.0%	44.6%	47.2%	58.9%	37.5%
	OCS	7.1%	0.0%	1.3%	NA	7.7%
	Pantry Services	66.0%	61.0%	24.3%	NA	3.1%
	<b>Total</b>	<b>3.9%</b>	<b>-3.2%</b>	<b>1.1%</b>	<b>-8.1%</b>	<b>7.3%</b>
2018-2020 Total Growth	Vending	-32.5%	-7.3%	-30.5%	-20.8%	-27.2%
	Micro Markets	-5.0%	11.7%	26.4%	39.2%	-15.0%
	OCS	-78.3%	-8.5%	-36.9%	NA	-76.2%
	Pantry Services	-78.5%	-17.4%	-89.7%	NA	-74.0%
	<b>Total</b>	<b>-40.0%</b>	<b>-4.9%</b>	<b>-30.5%</b>	<b>-20.3%</b>	<b>-36.9%</b>

\* Location data is as of 12/31/2020.

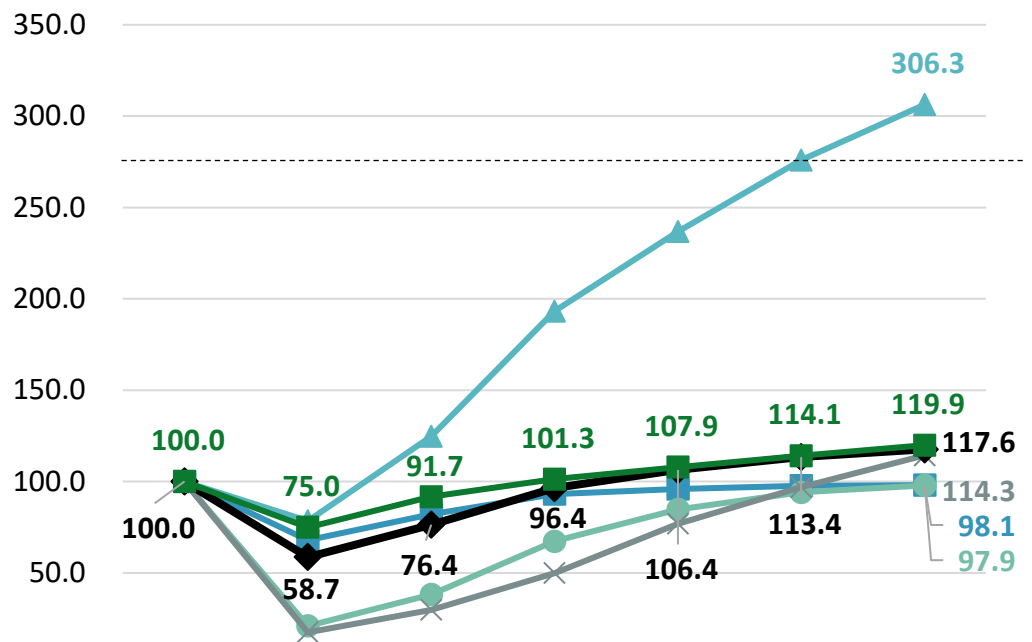
# INDUSTRY GROWTH PROJECTIONS THROUGH 2025

- The overall Convenience Services industry is expected to nearly reach pre-pandemic levels in 2023, slightly behind the pace of the broader foodservice industry.
- Micro Markets, which had been experiencing high levels of growth prior to the pandemic, is expected to rebound and accelerate quickly as other channel operators shift into this business.
- OCS and Pantry Services are poised for a rebound in 2022 but are not likely to reach 2019 levels until 2025 or beyond due to remote and hybrid work schedules.
- Traditional Vending is expected to attain 2019 levels beyond 2025.

Industry expected to be **18%** above 2019 levels by 2025

## GROWTH BY SEGMENT

2019 = 100

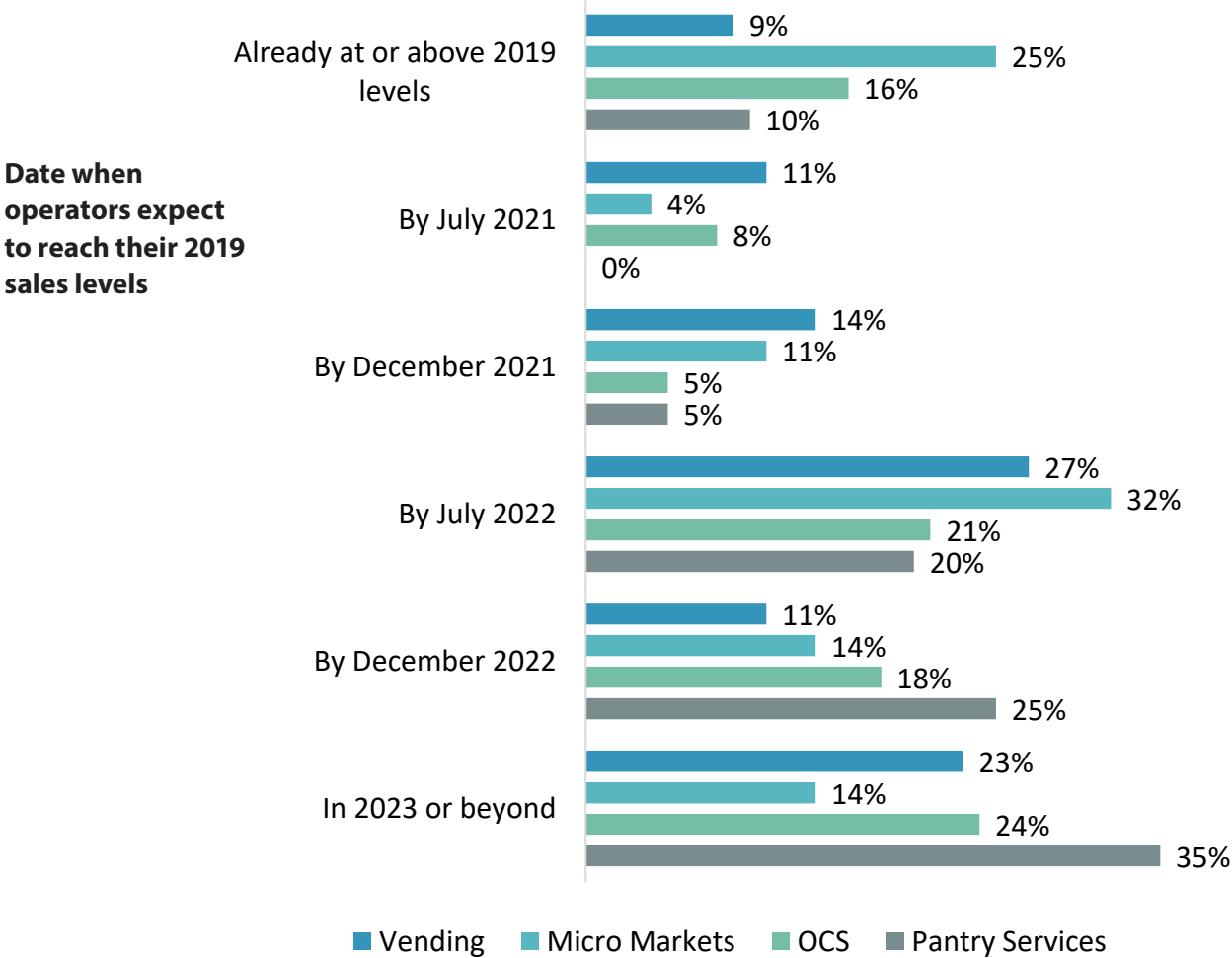


	2019	2020	2021	2022	2023	2024	2025
—■— Vending	100.0	68.0	82.1	93.2	96.0	97.7	98.1
—▲— Micro Markets	100.0	78.5	124.7	193.3	236.8	275.9	306.3
—●— OCS	100.0	21.0	38.2	67.3	84.8	94.1	97.9
—×— Pantry	100.0	17.5	29.8	49.9	76.9	96.9	114.3
—◆— Total Convenience Services Industry	100.0	58.7	76.4	96.4	106.4	113.4	117.6
—■— Total Foodservice Industry	100.0	75.0	91.7	101.3	107.9	114.1	119.9



# INDUSTRY GROWTH, OPERATOR EXPECTATIONS

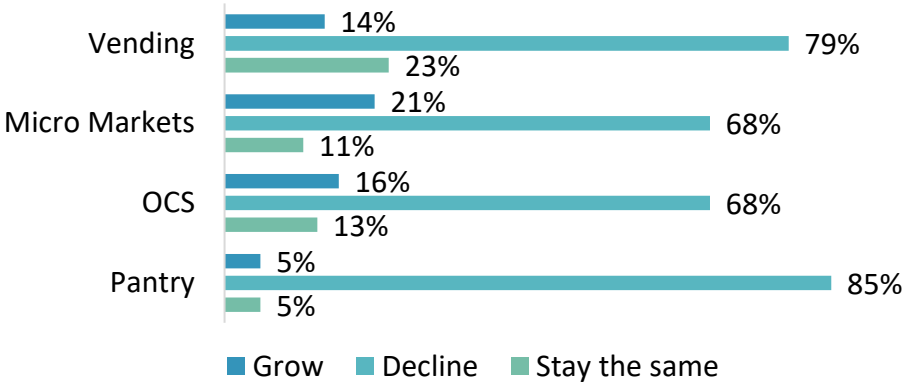
- Operators expect sales to quickly return to previous levels, with the majority expecting to reach their 2019 levels by the end of 2022.
- Micro Market operators are more optimistic than other channel operators—40% expect to reach 2019 levels by the end of 2021.



# CONVENIENCE SERVICES IN 2019-2020

- NAMA’s advocacy work was successful in having Convenience Services deemed as “Essential” during the Pandemic, allowing operators to continue servicing critical locations such as hospitals and rest areas.
- While most operators reported that their sales have declined since 2019, fourteen percent (14%) of Vending operators reported an increase in revenue, likely due to locations serving as Essential Businesses during the pandemic.
- About one in five (21%) Micro Market operators reported a growth in revenue.

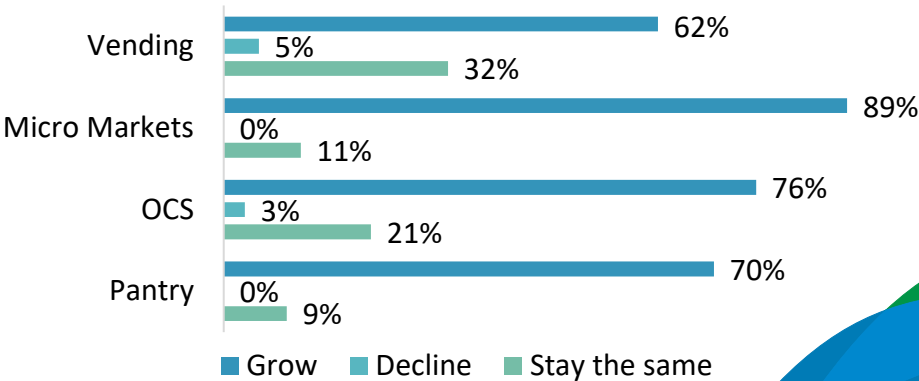
**PERCENTAGE OF OPERATORS REPORTING ANNUAL SALES GROWTH/DECLINE SINCE 2019**



# CONVENIENCE SERVICES IN 2022

- 70% of operators surveyed are optimistic that the market will continue to rebound in all areas.
- 32% of traditional Vending operators and 21% of OCS operators expect their sales to stay the same.
- Micro Markets anticipate greatest growth, followed by Pantry Services and OCS.

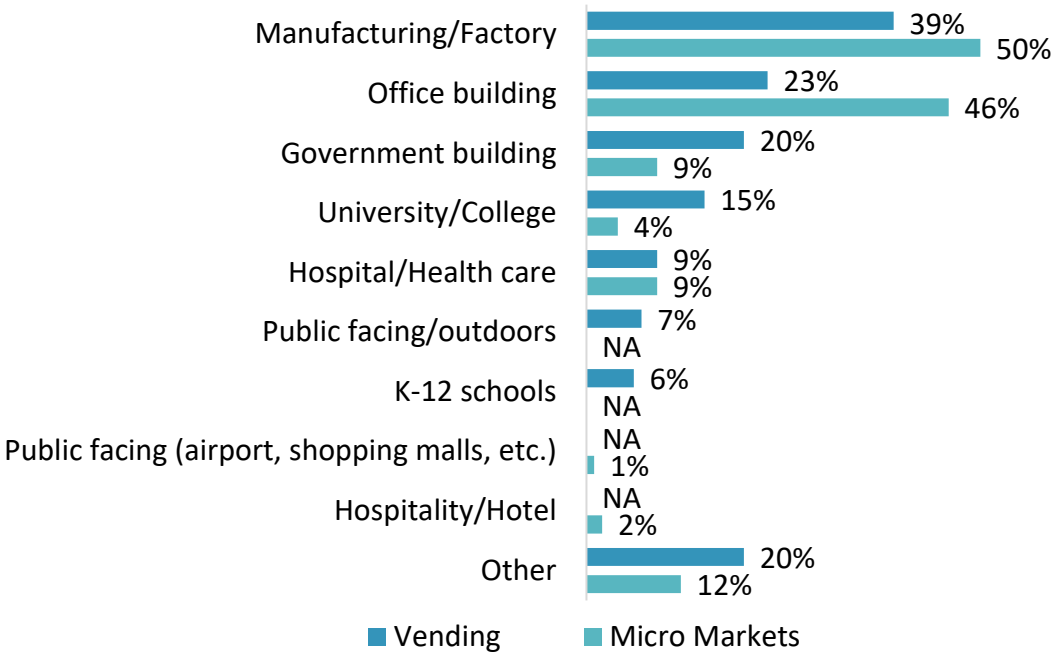
**PERCENTAGE OF OPERATORS EXPECTING GROWTH/DECLINE IN 2022**



# VENDING AND MICRO MARKET LOCATIONS

- Manufacturing facilities and office buildings are the most common locations for Vending and Micro Markets.
- Facilities with cafeterias and traditional Vending areas are prime candidates for Micro Markets.
- Micro Market operators continue to see avenues for expansion including universities and hospitals.

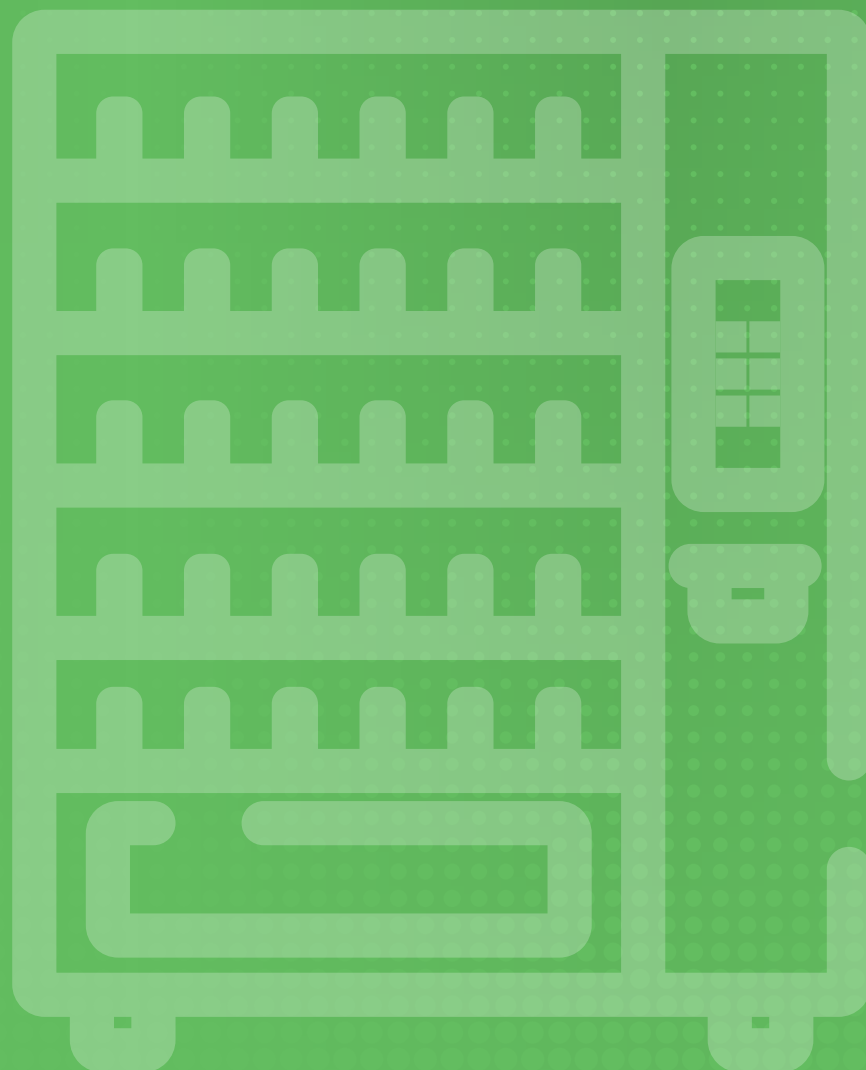
## WHAT PERCENTAGE OF YOUR BUSINESS IS IN THESE TYPES OF LOCATIONS?



## ARE YOU CURRENTLY DOING BUSINESS OR EXPLORING NEW MICRO MARKET OPPORTUNITIES IN THESE LOCATIONS?

Commercial/Office Building	23%
Manufacturing/Factory	22%
University/College	16%
Hospital/Health Care	15%
Government Building	12%
Hospitality/Hotel	10%
Residential Building	7%
Public facing locations (airport, shopping malls, etc.)	6%
Health/Fitness Club	5%
K-12 Schools	3%

# VENDING



# VENDING REMAINS LARGEST SEGMENT

- Vending machines continue as the largest Convenience Services industry segment.
- 2020 revenue was \$12.5 billion, representing an 80% share in the Convenience Services industry.
- The typical operator maintains 262 machines, generating more than \$4,000 in revenue per machine.

## VENDING MACHINE METRICS

	2016	2018	2020
Total revenue/sales	\$19.1B	\$18.5B	\$12.5B
Total operators	13,650	12,785	11,850
Total locations with vending machines	1.6M	1.5M	1.1M
Total machines	4.3M	4.0M	3.1M
Average machines per operator	317	313	262
Average machines per location	2.7	2.6	2.8
Average sales per machine	\$4,416	\$4,678	\$4,032



# ELECTRONIC PAYMENTS

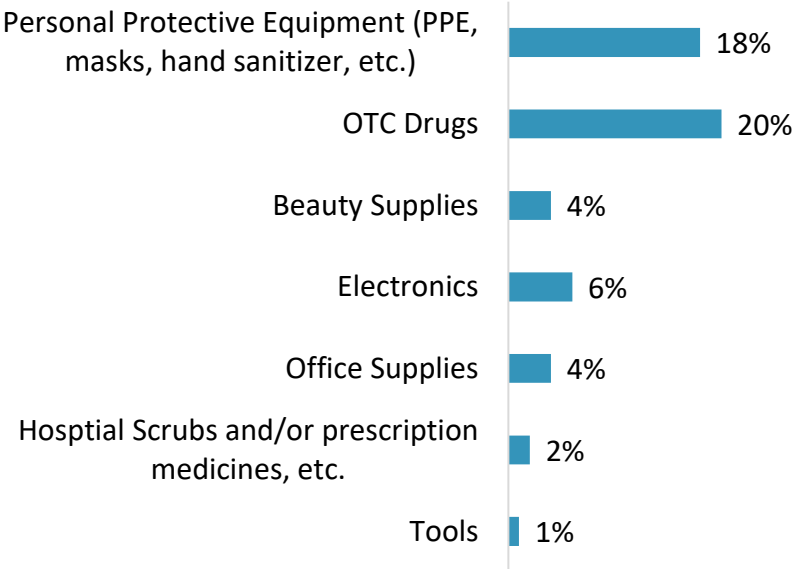
- Approximately 80% of the 3 million Vending machines take cashless payments, up from 69% in 2018.
- 95% of machines offer standard debit/credit. 87% offer contactless payments.
- Stored value card use has declined.
- While contactless payment options are increasingly available, the uptake remains low.

	Payment Type Accepted 2018	Payment Type Used 2018	Payment Type Accepted 2020	Payment Type Used 2020
Debit/credit	89%	81%	95%	82%
Contactless (Apple Pay, etc.)	77%	15%	87%	19%
Stored Value Cards	19%	6%	13%	1%
Biometrics (thumb print, facial recognition, etc.)	2%	0%	1%	<1%



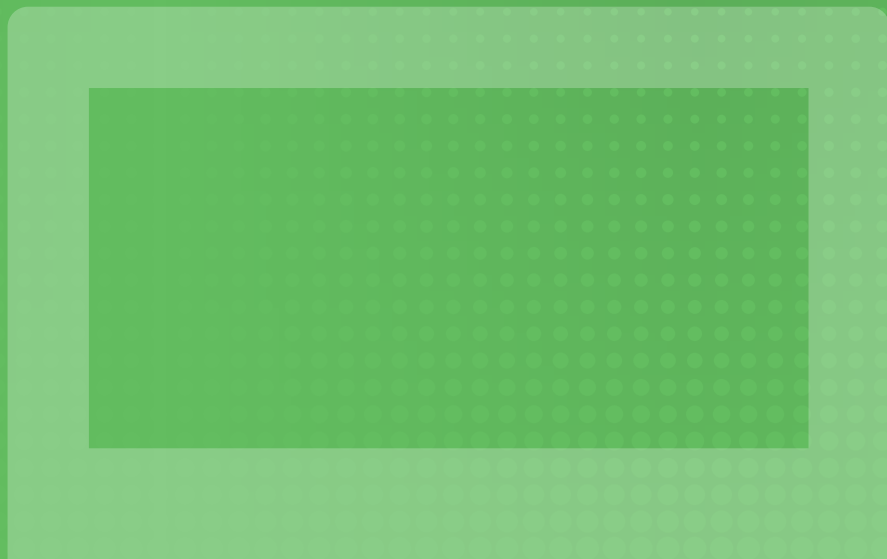
# NON-FOOD ITEMS IN VENDING MACHINES

Non-food items represent an opportunity for operators to expand their Vending operations. While only 8% of operators indicate they currently offer non-food items, there is increasing consumer demand for convenience beyond food and beverages. Demand for specific items would be unique to the customer so Vending operators will have to adapt offerings to the businesses they serve.





# MICRO MARKETS



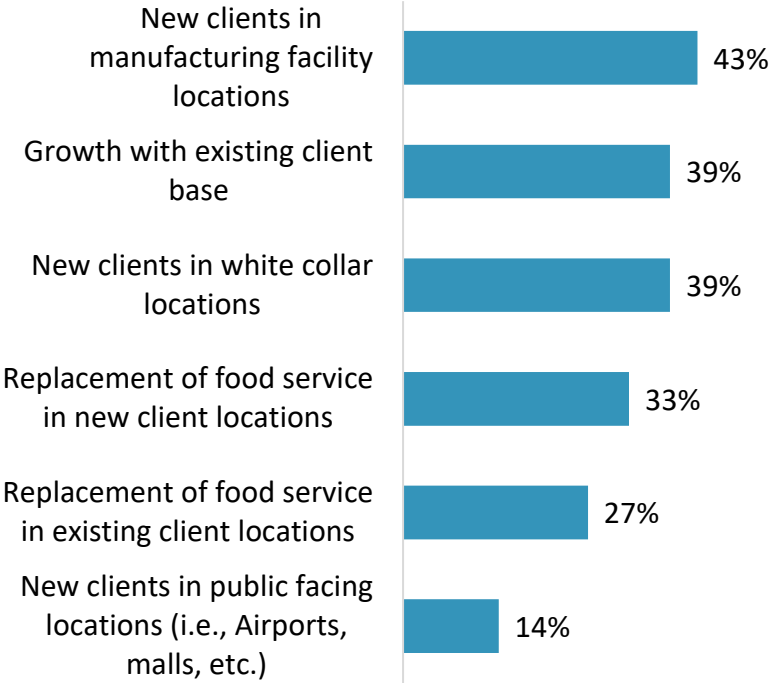
# MICRO MARKET SEGMENT GROWTH

The Micro Market channel was least impacted by the pandemic, with 2020 revenue decreasing only 5% since 2018, from \$2.0B in 2018 to \$1.9B in 2020. This includes a pandemic-induced decline of -21.5% in 2020 after some strong growth in 2019.

The number of operators, locations and kiosks have increased, aligning with operators' 2022 growth expectations.

The table below gives summary data for the Micro Market line of business within the Convenience Services industry.

### FUTURE GROWTH DRIVERS



Manufacturing facilities and office buildings are the most common locations for Micro Markets

### MICRO MARKET METRICS

	2016	2018	2020
Total Revenue	\$1.0B	\$2.0B	\$1.9B
Total Operators	1,300	1,880	2,100
Total Locations	18,500	27,255	34,400
Total Payment Kiosks	19,671	31,250	43,500
Average Sales per Operator	\$782,692	\$1,076,006	\$914,973



## MICRO MARKET DETAILS

Most operators are confident in this segment's continued growth both from existing locations and into new markets.

*"Micro Markets are growing because they are replacing vending machines or are being added to new locations. Where you once had a cafeteria, that is no longer being subsidized, now you have or will have a Micro Market."* —Convenience Services Industry Executive

*"Micro Markets have always been about enabling consumer choice and being consumer-centric. That didn't change during the pandemic and it's probably more important now than before."*  
—Convenience Services Industry Executive

Operators reported that approximately

**73%**

of Micro Markets accept biometric payments, but make up only

**11%** of sales

Operators indicated that approximately

**26%**

of Micro Market sales are from fresh or prepared foods and

**10%** are from frozen foods



# COFFEE IN MICRO MARKETS

82% of operators sell coffee in their Micro Market operations

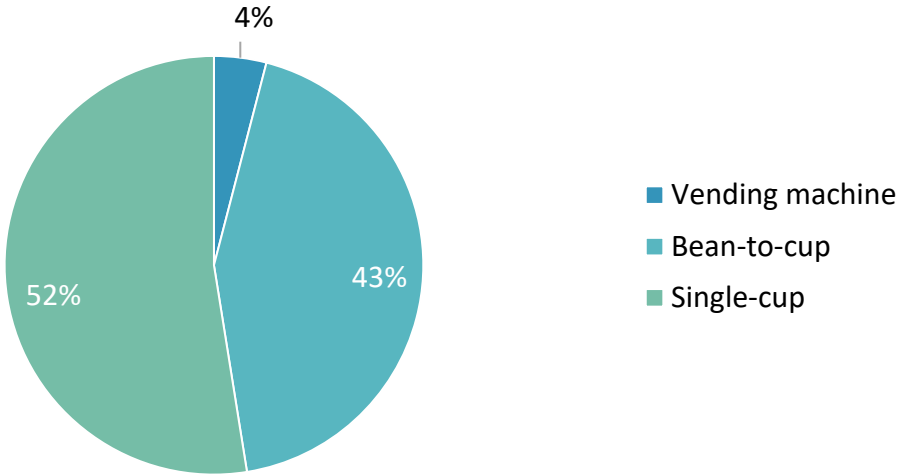
- 36% offer coffee in all or most
- 46% offer in some
- 18% of don't sell coffee

These levels are similar to 2018.

## DOES YOUR ORGANIZATION SELL COFFEE IN MICRO MARKETS?



## WHAT TYPE OF MACHINE DO YOU USE TO SERVE COFFEE IN YOUR MICRO MARKETS?



# OFFICE COFFEE SERVICES



# OFFICE COFFEE SERVICES TRENDS

- Despite significant declines in 2020, OCS accounts for 7% total Convenience Services revenue
- Overall, OCS 2020 revenue dropped 78% from 2018, down to \$1.1 billion in revenue. This included a massive drop during 2020 of nearly 80% in revenue as much of the OCS business was lost due to office closures and restrictions.
- OCS is expected to grow 220.5% by 2022.
- By 2025, revenue is expected to reach nearly \$5.0 billion, or back to nearly pre-pandemic revenue levels.

## OCS METRICS

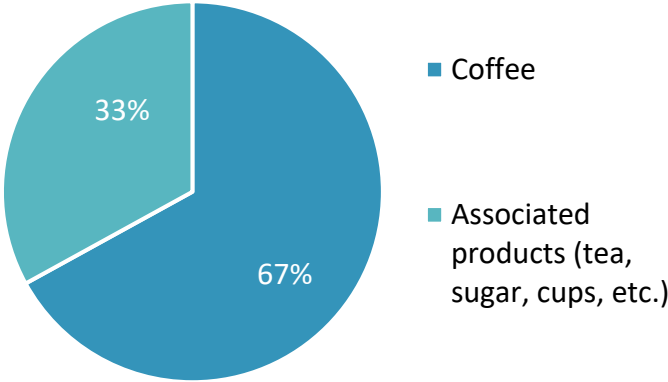
	2016	2018	2020
Total Revenue	\$4.6B	\$4.9B	\$1.1B
Total Operators	9,150	9,100	8,330
Total Locations with Office Coffee Services	1,445,700	1,465,100	924,630
Average Sales per Operator	\$503,880	\$542,734	\$128,369

# OFFICE COFFEE SERVICES REVENUE

- 67% of all OCS revenue comes from coffee, while the remaining 33% come from tea, hot chocolate, cups, sugar, sweeteners, or snacks.
- 38% of revenue comes from single-serve coffee versus traditional fresh-brewed coffee, up from 31% in 2018.
- 37% of single serve sales in 2020 is from packs or pods.

On average, **↑ 38%** of OCS operators' coffee sales revenue comes from single-serve coffee

## WITHIN YOUR OCS BUSINESS WHAT PERCENTAGE OF SALES ARE DERIVED FROM:





# PANTRY SERVICES



# PANTRY SERVICES DETAILS

- Pantry Services is considered a sub-segment of Office Coffee Services but is now being tracked independently for purposes of this Industry Census.
- Pantry Services currently accounts for less than 1% of the overall Convenience Services industry down from 2% in 2018.
- Overall sales were impacted significantly in 2020.

## PANTRY SERVICES METRICS

	2016	2018	2020
Total revenue/sales	\$0.3B	\$0.5B	\$0.1B
Total operators	375	605	500
Total locations with pantry services	35,000	43,500	4,500
Average sales per operator	\$840,000	\$866,432	\$225,644



*\*Pantry Services were not included in the 2014 study.*



# INDUSTRY TRENDS



## OVERALL CONVENIENCE SERVICES TRENDS

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- Challenges experienced during the pandemic produced great opportunities for growth. Recovery will vary by segment.
- Growth will be driven by return-to-work policies, adoption of technology, industry consolidation, consumer demand for grab-and-go options with limited interaction with staff.
- After a boom in comfort food sales during the pandemic, while consumers are seeking healthier options, healthy foods will not dominate purchasing behavior.
- Micro Markets will continue to expand, including into the blue-collar space.
- Although Vending revenue had been declining prior to the pandemic, consumer demand for touchless ordering options, non-food items, or grab-and-go meals opens opportunities for Vending operators to grow their business.
- Recovery of Pantry Services and Office Coffee Service is highly dependent on the labor market, including remote work trends.
- However, some employers are considering incentives and benefits including boosting food and beverage offerings to those returning, and as a recruitment tool.

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*“We’re optimistic. We expect a full recovery and to grow above pre-pandemic levels. People will always need to eat, and we’ll never get to a point where people don’t need to work. But the industry will look different, more consolidation. There may be fewer players, but [they’ll] come back bigger and better.”*

—Convenience Services Industry Executive

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*“Health and wellness will come back, but slowly. Better-for-you offerings are accelerating in Vending in blue-collar [locations], which will continue. For white collar, better-for-you will come back. Maybe in spring [2022].”*

—Convenience Services Industry Executive

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*“No recent game-changers in technology. But there will be greater adoption [of current technology]. We’re going to see more touchless capabilities especially as white-collar workers come back. I can’t see hospitals having a machine where you put in a dollar.”*

—OCS Industry Representative



# DRIVERS OF GROWTH

New business, in both blue-and white-collar locations, will be a driver of growth.

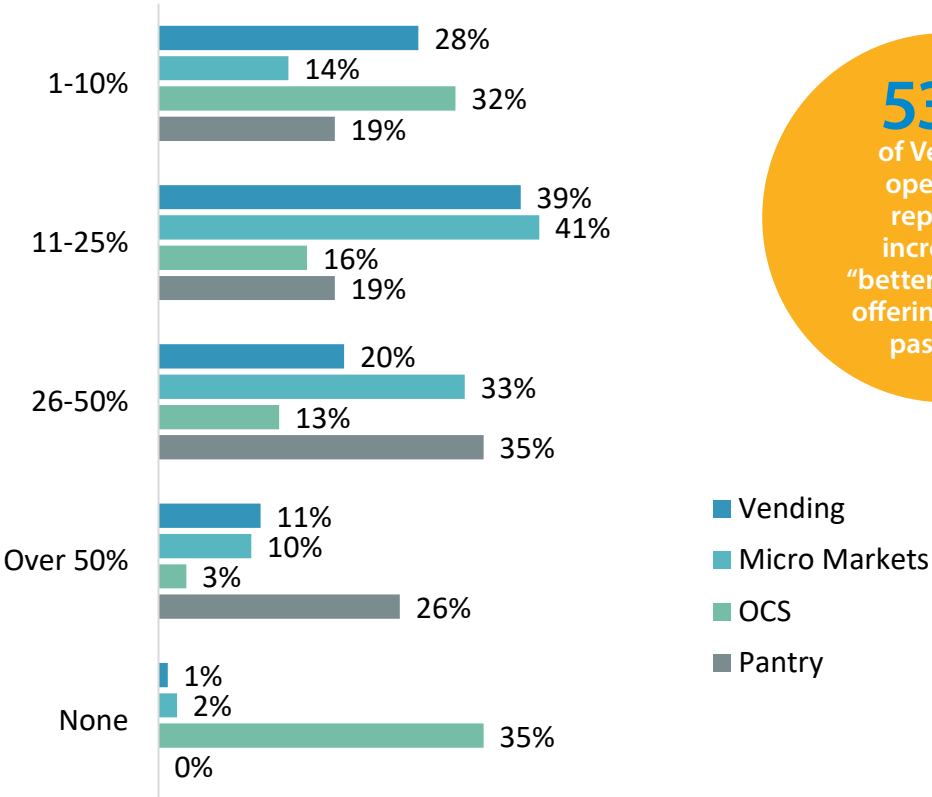
<b>FUTURE GROWTH DRIVER</b>	<b>VENDING</b>	<b>OCS</b>	<b>MICRO MARKETS</b>	<b>PANTRY</b>
Organic Growth with Existing Client Base	28%	31%	39%	29%
New Business	NA	NA	NA	90%
New clients in white collar locations	15%	34%	39%	NA
New clients in manufacturing facility locations	20%	32%	43%	NA
New clients in public facing locations (i.e., Airports, malls, etc.)	NA	NA	14%	NA
Replacement of food service in existing client locations	NA	NA	27%	NA



# BETTER-FOR-YOU OFFERINGS

Micro Markets and Pantry Services stand out as providing more “Better-For-You” offerings than other business lines. The expansion into healthier food and beverages in the industry is likely to continue especially as consumers seek healthier options coming out of the pandemic.

## WHAT PERCENTAGE OF YOUR TOTAL PRODUCT OFFERINGS IN YOUR BUSINESS LINES WOULD BE CONSIDERED “HEALTHIER” OR “BETTER-FOR-YOU”?



**53%**  
of Vending operators reported increasing “better-for-you” offerings in the past year





# CONCLUSIONS

## CENSUS CONCLUSIONS

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### » THE CONVENIENCE SERVICES INDUSTRY IS POISED FOR GROWTH IN 2022

COVID-19 had an outsized impact on Convenience Services, causing a contraction of -41% from 2019 to 2020. However, the number of industry operators and customer locations did not decline at the same rate, with far fewer operators closing their businesses. Driven by Micro Markets, the industry is recovering and is expected to be 64% larger in 2022. Industry revenues are expected to reach 2019 levels by 2023; however, the pace of recovery varies by segment.

### » TRADITIONAL VENDING CUSTOMERS ARE DIVERSIFYING INTO OTHER SEGMENTS. MICRO MARKETS EXPAND

Traditional Vending still comprises 80% of industry revenue. Even prior to the pandemic, operators were poised to diversify into other segments. Better offerings and variety offered in Micro Markets softened revenue losses during the pandemic, as Micro Markets saw the smallest decline in 2020 (-5%). Traditional Vending is expected to take the longest to recover from under the pandemic, with revenues expected to reach 2019 levels after 2025. By leveraging technology such as contactless payments, and offering new products to meet consumer demand, Vending will likely see an earlier recovery.

### » MICRO MARKET AND OCS REBOUNDED BY 2025

Prior to the pandemic, Micro Market revenue share was rapidly growing as companies were expanding food and beverage offerings to employees. Despite many businesses being closed, Micro Market revenue only declined 21% in 2020, is poised exceed 2019 revenue by the end of 2021, and double 2019 revenues by 2022. Additionally, despite the decline in revenue, the number of operators, locations and kiosks increased since the 2018 census, aligning with rapid growth expectations 2022.

## CENSUS CONCLUSIONS

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### » PANTRY AND OCS RECOVERY IS HIGHLY DEPENDENT ON THE LABOR MARKET

OCS and Pantry Services and were hardest hit by the pandemic as their core customers' businesses were shuttered. While recovery has begun as workers return to the office, the timeline to return to pre-pandemic revenue levels extends into and beyond 2025. The labor market has experienced a permanent shift, with expectations that many office workers will not return to the workplace full-time. However, some employers are looking to Pantry/OCS offering to attract and retain employees during a tight labor market.

### » CONVENIENCE SERVICES CHANNELS ARE BLURRING

The Convenience Services industry is part of a broader shift to "on-demand" food spending. C-stores, third-party delivery and unattended retail outlets in public locations are all competing with the traditional Convenience Services segments for share of consumer wallet. As the on-demand industry becomes more competitive, new market entrants may disrupt the industry.

### » OPPORTUNITY EXISTS TO RECONNECT CONSUMERS WITH "BETTER-FOR-YOU" PRODUCTS.

After a boom in comfort cravings during the pandemic, consumers are seeking healthier options, indicating an opportunity to expand "better-for-you" offerings that align with consumers' evolving definition of health, dietary patterns and lifestyle.



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