

THE STATE OF CONVENIENCE SERVICES

A 2022-2023 INDUSTRY CENSUS



NAMASM
FOUNDATION



INTRODUCTION

About This Report

Background of the convenience services industry census

Every other year since 2014, the NAMA Foundation has engaged research firm Technomic to conduct a review of the size and state of the convenience services industry. These studies have been used by convenience services operators as a means of assessing their own performance and to better understand broader industry trends and outlook. Additionally, NAMA has used the resulting metrics to enhance its credibility as the leading source of industry information, to successfully advocate on behalf of the industry, and for general marketing purposes.

The NAMA Foundation's mission as the trusted source for industry research necessitates that it conduct an industry census biannually to show trends and further build credibility and engagement with the industry, policymakers and the general public.

Study goals

The purpose of this latest industry census is to provide NAMA members with key data and results to understand overall business performance and outlook. The timeframe was expanded to include the first 6 months of 2023, and 2023 year-end forecasts, when relevant to display the rapid post-pandemic recovery experienced in some convenience services segments.

Traditionally the biannual census includes data for two years - in this case 2021 and 2022 - but select 2023 details are included based on data and qualitative and quantitative surveys conducted in the third quarter of 2023.

Included in the objectives were the following:

- Determine current convenience services industry size and makeup, both for calendar 2022 and projected for calendar 2023.
- Generate meaningful and definitive metrics on the industry for businesses and stakeholders within convenience services based on data and surveys collected in the third quarter of 2023.
- Track trends since the last industry census (which was conducted in 2021 for calendar year 2020).
- Provide a five-year outlook for the industry and projections for growth and recovery (through 2028).

More information on the study authors, objectives and methodology can be found in the appendix.

About This Report

About NAMA

NAMA promotes and protects the advancement of the convenience services industry. Founded in 1936, NAMA is the association representing the \$34.9 billion US convenience services industry.* With nearly 1,000 member companies – including many of the world’s most recognized brands – NAMA provides advocacy, education and research for its membership.

<https://namanow.org/>



About NAMA Foundation

Founded in 1982, the Foundation of the National Automatic Merchandising Association (NAMA Foundation) is a 501(c)3 charitable organization (EIN #36-3169508).

The NAMA Foundation works to strengthen and promote the convenience services industry in three strategic areas:

- **VOICE:** Provides information and insights for use in educating the general public and government officials, positively shaping perception of the industry and its interests.
- **KNOWLEDGE:** Delivers whitepaper research, workforce development tools, and scholarships that support learning and leadership development opportunities for operators.
- **RESEARCH:** Empowers businesses to make informed decisions and inspires industry innovation by delivering critical data on workplace, consumer and technology trends.

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.

<https://namanow.org/foundation/>



*Source: “The Convenience Services Industry Economic Impact Study,” John Dunham & Associates, February 2023

*Note: \$34.9 billion represents the total economic impact the convenience services industry has on the U.S. economy



SUMMARY OF KEY FINDINGS



Key Findings

Summary of Industry Size and Segmentation

- **Convenience services is projected to be fully recovered by the end of 2023.** Convenience services projections from Q3 2023 showed full recovery by the end of the year. In 2022, the value of the convenience services industry was \$22.4 billion (as measured in overall industry revenue); this value is projected at \$26.6 billion for year-end 2023. As such full recovery from the deep declines caused by COVID-19 in 2020 will be achieved as of the end of 2023. While the industry should be considered fully recovered from a value perspective, it has gone through a number of changes, and has emerged with different growth patterns and outlook than it had prior to 2020.
- **The overall return of the industry has been inconsistent.** Industry recovery has not been evenly spread across all parts of the convenience services industry. The key driver for industry growth has been micro markets, which have fueled strong growth among operators. Micro markets saw only minor disruption during 2020 and each year since the pandemic have seen incrementally strong gains. In 2023, micro market revenue was forecasted to be twice as large as it was pre-pandemic.
- **Vending remains the largest segment within convenience services, but its recovery has been lengthier, with revenue levels just approaching that of pre-pandemic.** There has been an ongoing shift away from traditional vending machines toward micro markets. This trend line is expected to continue as technology and consumer choice create new opportunities for micro markets and other services that will continue to erode the share of traditional vending. Overall vending revenue in 2023 is projected to be just slightly below 2019 pre-pandemic levels; as such vending is a slightly smaller share of convenience services today (68%) than it was pre-pandemic (69%).
- **Office coffee service and the related pantry services remain well below pre-pandemic levels.** This situation has been exacerbated by the slower return to the workplace and continued shifts in service offerings by convenience services operators. As of 2023, revenue data both for office coffee service and pantry indicate these service areas will be just over half of pre-pandemic revenues.
- **With a number of key segments still below pre-pandemic revenue, this demonstrates a sea change regarding where industry revenue is generated.** In 2014, micro markets were 2% of the convenience services industry. This rose to 12% in calendar 2020. Since then, micro markets have increased revenue by 41% annually and now comprise 20% of the convenience services industry (2023).

Key Findings—Noteworthy Trends

- **Since 2020, the recovery from the impact of COVID-19 has varied by segment** based on return-to-work policies, geography, client site, industry consolidation, adoption of technology, labor trends, and evolving consumer need states such as demand for grab-and-go options.
- **Future growth will be driven by technology acceleration, return-to-work trends and a focus on new customer segments.** Remote work remains elevated compared to 2019. The forecasts in this report assume that a full return to the office (i.e. full-time, five days per week) is unlikely, although the potential exists for a push toward returning to the office more often in 2024 or beyond, which will have a net positive impact on the industry.
- **Technology will continue to evolve, creating more unattended tech-based solutions in the segment, such as nano markets and smart coolers.** These are likely to replace existing offerings, particularly vending. As consumers grow accustomed to new technology, it will be critical to adapt accordingly to remain part of consumers' consideration set.
- **Pantry services and office coffee service are highly dependent on remote work trends.** Some businesses are leveraging these services to help entice workers back to the office by providing more premium options or greater customization capabilities for coffee drinks, for example, but the absolute number of office workers that are not fully returned to an office environment will be an ongoing drag on recovery.
- **Vending solutions are adapting.** Although vending revenue had been declining prior to the pandemic, consumer demand for touchless ordering options, nonfood items or grab-and-go meals opens opportunities for vending operators to expand their business opportunities.
- **Industry consolidation has accelerated in the last few years, primarily impacting vending, and is likely to continue.** The overall number of operators is much lower than pre-pandemic, which continues a trend that was evident even before 2020.

Key Findings—Issues and Outlook

Nutrition and Wellness

Micro markets stand out as the segment most likely and able to provide better for you offerings among the four business lines assessed. However, although it is a much smaller piece of the industry, census respondents indicated that operators in pantry services offer the highest share of better for you offerings of all business lines, closely followed by micro markets. Operators were asked to describe the types of items they were focused on offering to their customer base and they prioritized items with low/no sugar, low-calories or low-fat. The use of fresh or organic ingredients rounds out the types of better for you offerings that operators were most likely to prioritize to their customers.

Sustainability

While 57% of convenience services operators in the survey currently follow sustainable practices, 41% expect sustainability to play a larger role in their organization within the next two years. Sustainability is increasingly seen as important and is often driven by client/host company requirements. Among the various elements of sustainability measured, operators prioritize reducing food waste and energy use as well as recycling and reducing carbon footprint.

Future Recovery and Growth

Operators are optimistic about the overall performance of the convenience services industry. Based on longer-term, five-year projections using operator input, economic modeling and Technomic's broader industry forecasting, the convenience services industry is expected to be 54% larger in value in 2028 than in 2023 (which includes both organic growth and inflation). Given the new dynamics throughout the industry, this pace of future growth will vary by segment and, in many cases, these future gains will help underperforming segments get closer to a full value recovery. Micro markets are expected to grow the most, at 19% annually from 2023 through 2028. Traditional vending sales (5%), office coffee service (10%) and pantry services (14%) sales are expected to increase, recovering more moderately on an annual basis through 2028.



INDUSTRY OVERVIEW

A Review of Key Industry Metrics

Timeseries of Industry Revenue

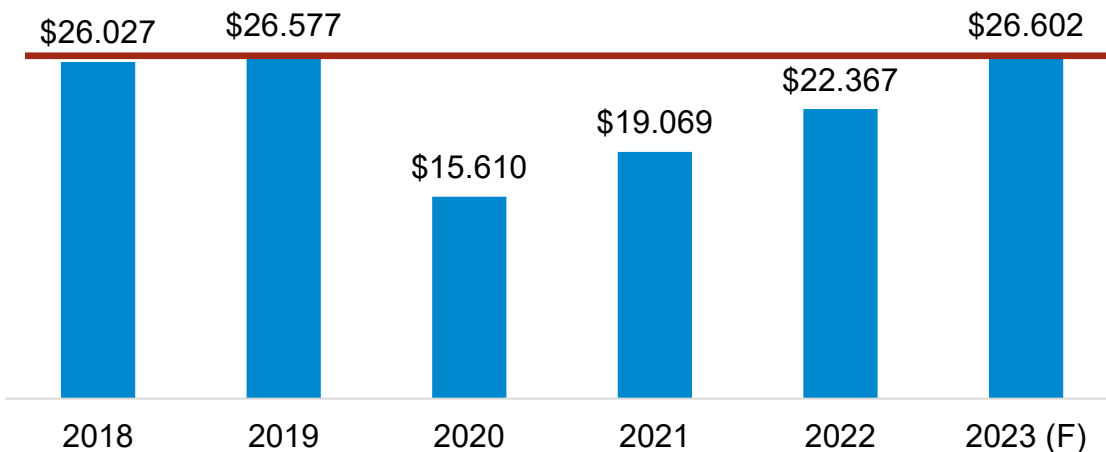
For this research, the convenience industry has been defined to include four key segments:

- **Vending Machines:** Self-service devices that automatically dispense a predetermined unit serving of snacks or beverages without having to be replenished after each use.
- **Micro markets (MM):** Unattended retail environments in controlled access locations where consumers can access fresh foods, snacks and beverages on shelves and in open coolers, available for purchase via self-checkout kiosk.
- **Office Coffee Service (OCS):** The providing of coffee, tea, water and related amenities to a workplace by the employer.
- **Pantry Services:** Snacks, food, beverages and related amenities provided by the employer within an office or workspace.

The 2023 convenience services industry is estimated to represent total annual revenue of \$26.6 billion, reflecting a \$11 billion change in value since 2020 and fully achieving its pre-pandemic value.

Importantly, while this figure represents the value of the industry, there have been historic highs in terms of price inflation and higher costs throughout the supply chain. This has in turn led to a significant increase in the level of consumer spending. The value shown here is inclusive of these higher prices passed through the channel. While an industry-specific inflation rate is difficult to fully ascertain, it's evident from the broader rates of inflation that the underlying volume of goods sold through the entirety of convenience services remains below the level last seen in 2019.

**CONVENIENCE SERVICES INDUSTRY REVENUE
TIMESERIES**
\$B



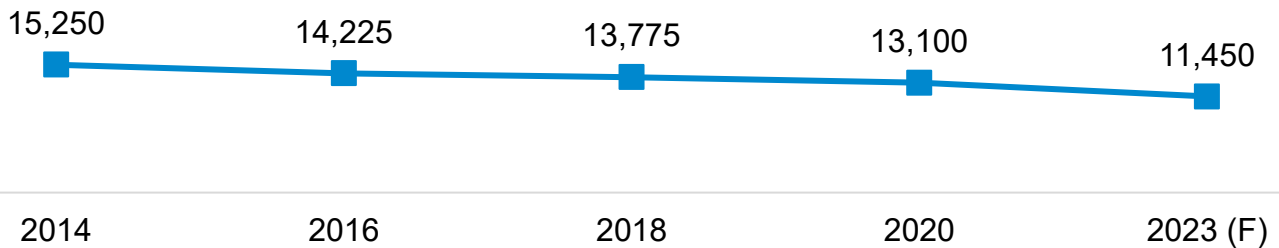
Industry revenue is projected to be fully recovered as of the 2023 calendar year

Source: Technomic
Note: (F) = forecasted

Operators Serving the Industry

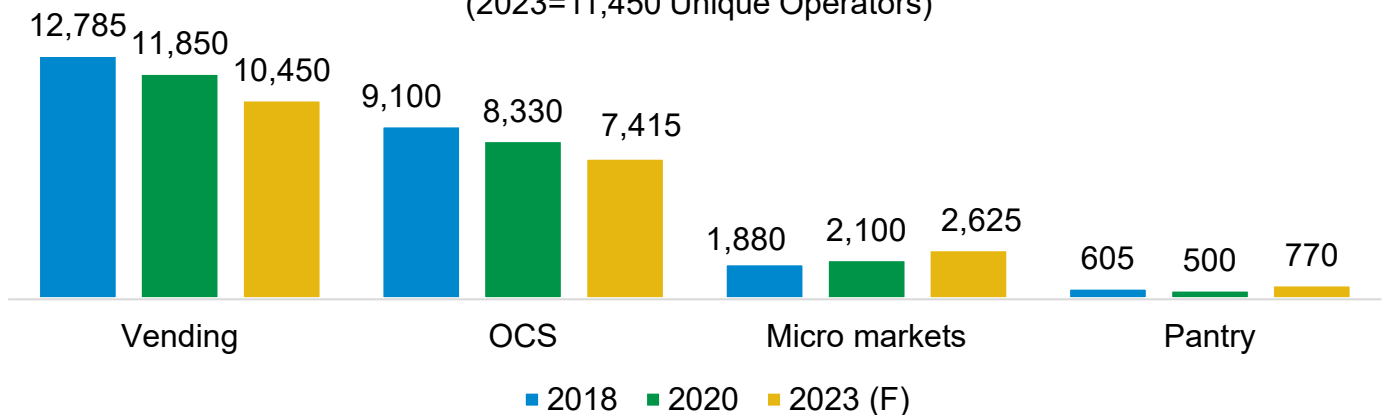
While the industry has seen a recovery to pre-pandemic levels, the recovery has been spearheaded by a fewer number of operators. Over the course of the past several years, there has been significant consolidation within the industry, leading to fewer operators today than there were pre-pandemic. There is a 4.4% average annual decline in the number of operators since 2020, reflecting both challenges in the business environment as well as mergers and acquisitions by larger industry operators.

TOTAL OPERATORS* SERVING CONVENIENCE SERVICE
2014-2023



In looking at the number of operators serving each segment, the overall trend of operators offering vending is clearly on the decline. Meanwhile, an increasing number of operators have added micro markets and pantry services. This is a critical trend. While the vending segment dominates the convenience services industry in terms of revenue and number of operators, there are an increasing number of operators that have shifted out of vending, particularly as operators view micro markets as a more impactful segment in which to be involved. Many operators offer more than one business segment, which is covered in more detail on the following page.

TOTAL OPERATORS* BY SEGMENT
(2023=11,450 Unique Operators)



Source: Technomic

*Note: Study used a combination of hard figures from online survey of operators, government figures, input from industry sources and Technomic estimates to develop figures

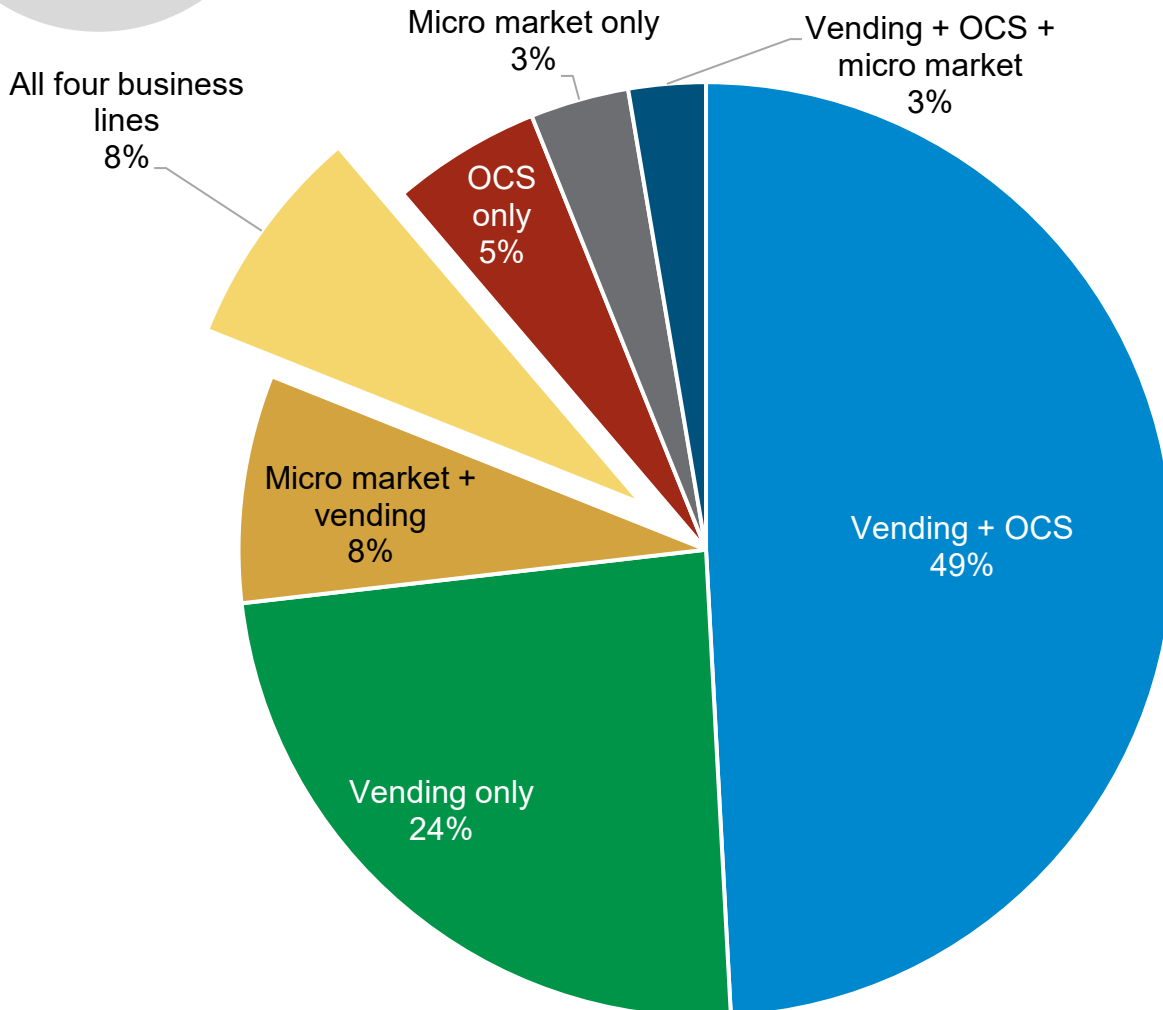
Note: (F) = forecasted

Industry Makeup

Based on survey data and additional research, most operators within convenience services are engaged in more than one line of business. This is true as a diversification strategy, particularly as certain segments (like OCS and, to some degree, vending) have underperformed relative to broader convenience services industry growth.

INDUSTRY MAKEUP BY BUSINESS LINE
% OF OPERATORS INVOLVED IN EACH AREA

In 2023,
67%
of operators were
“blended,” offering
more than one
business segment



Source: Technomic

Industry Segmentation

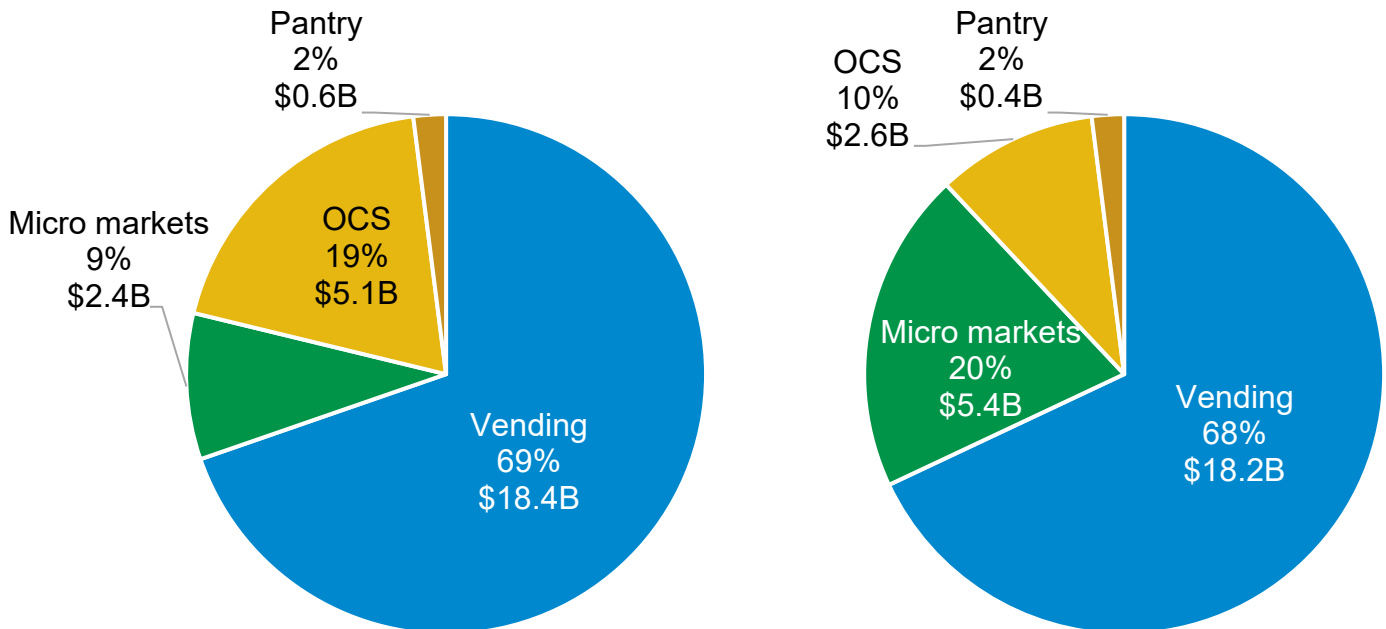
As noted, convenience services is projected to be \$26.6 billion in value as of calendar year 2023. However, there have been some significant shifts in the segmentation of the industry, particularly since 2019.

In 2023, the bulk of this industry’s revenue (\$18.2 billion) still stems from the vending segment, or approximately 68%, which is just slightly less than its pre-pandemic share. At the same time, micro markets grew revenue from \$2.4 billion in 2019 to an estimated \$5.4 billion in 2023, with its share jumping from 9% of total industry revenues to 20%. In 2023, both OCS and pantry services will represent smaller percentages compared to the period just before the pandemic. OCS in particular continues to be impacted by remote work policies and has lost 9 share points of value versus before the COVID-19 pandemic.

SHARE OF CONVENIENCE SERVICES BY SEGMENT

2019 =\$26.6B*

2023 (F) =\$26.6B



Source: Technomic

Note: (F) = forecasted

*Percentages for 2019 share of services by segment do not equal 100% due to rounding

Industry Performance by Segment and Year

The following table provides performance figures for the convenience services industry in 2018, 2020 and 2023, based on the current and previous census reports. Overall, a typical operator has gained in revenue across segments; this has been caused both by a decline in the number of operators (meaning existing operators have gained incremental revenue as overall industry revenues have returned) and by inflation, which has driven average transactions higher and has been a boost to overall revenue recovery.

PERFORMANCE BY SEGMENT AND YEAR					
		Total revenue (\$B)	Total operators	Total POS/outlets	Revenue per operator
2023 (F)	Vending	\$18.190	10,450	2,894,650	\$1,740,704
	Micro markets	\$5.397	2,625	76,250	\$2,056,267
	OCS	\$2.619	7,415	NA	\$353,236
	Pantry	\$0.395	770	NA	\$512,575
	Total	\$26.601	11,450	2,970,900	\$2,323,317
2020	Vending	\$12.506	11,850	3,140,250	\$1,055,439
	Micro markets	\$1.921	2,100	43,500	\$914,973
	OCS	\$1.069	8,330	NA	\$128,369
	Pantry	\$0.113	500	NA	\$225,664
	Total	\$15.610	13,100	3,183,750	\$1,191,645
2018	Vending	\$18.540	12,785	3,963,350	\$1,450,207
	Micro markets	\$2.023	1,880	31,250	\$1,076,006
	OCS	\$4.939	9,100	NA	\$542,734
	Pantry	\$0.524	605	NA	\$866,432
	Total	\$26.027	13,775	3,994,600	\$1,889,428

Source: Technomic
Note: (F)=forecasted

Industry Performance, 2018-2023

- Growth rates from 2020 onward seem robust, but since the pandemic, most of the growth that has been seen can best be described as “recovery-driven,” and has led the convenience services industry to return to levels of revenue last seen before the pandemic.
- Micro markets propelled industry growth and recovery from 2018 to 2023 both in revenue and volume. Vending revenue has increased per operator, while overall OCS revenue has not.
- Longer-term growth rates from 2018 are reflective of the fact that the industry is only reaching full recovery in 2023. Annual growth figures show a 0.4% growth in total industry revenues since the 2018 Census until now, with micro markets the only segment to show a net positive annual growth rate.

GROWTH RATES VS. PRIOR NAMA CENSUS REPORTS

		Total revenue	Total operators	Total POS/outlets	Revenue per operator
2020-2023 CAGR	Vending	13.3%	-4.1%	-2.7%	18.1%
	Micro markets	41.1%	7.7%	20.6%	31.0%
	OCS	34.8%	-3.8%	NA*	40.1%
	Pantry	51.8%	15.5%	NA*	31.5%
	Total	19.4%	-4.4%	-2.3%	24.9%
2018-2023 CAGR	Vending	-0.4%	-4.0%	-6%	3.7%
	Micro markets	21.7%	6.9%	19.5%	13.8%
	OCS	-11.9%	-4.0%	NA*	-8.2%
	Pantry	-5.5%	4.9%	NA*	-10.0%
	Total	0.4%	-3.6%	-5.8%	4.2%

* Machine counts are estimated for vending and micro markets only
 Note: CAGR=compound annual growth rate

Number of POS/Outlets

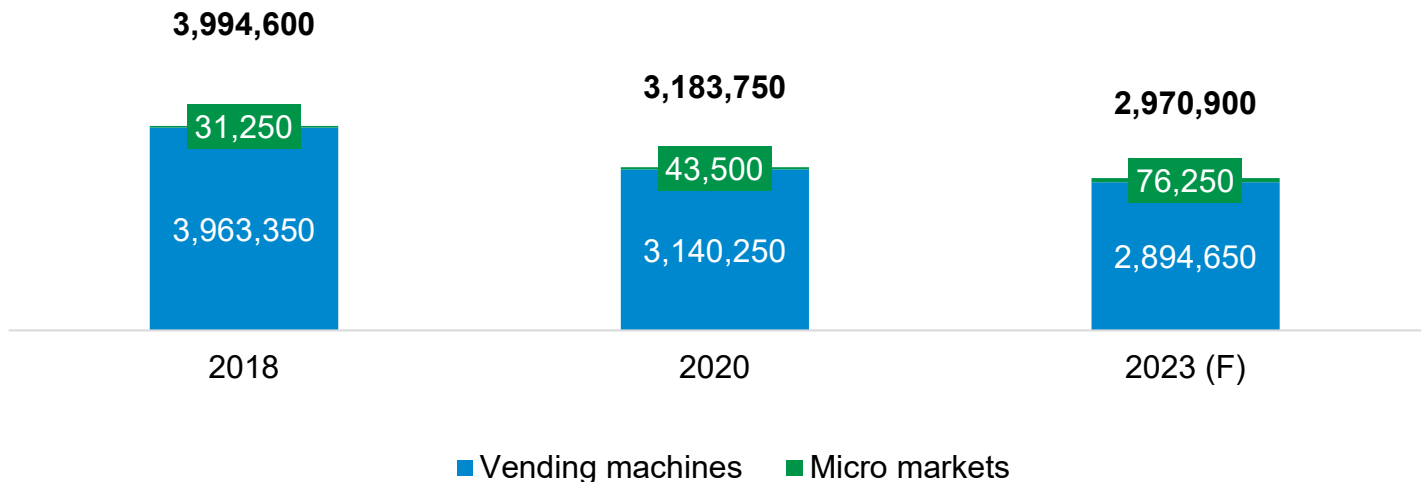
Within the convenience services industry, the number of outlets currently in active use confirms the trends of a growing focus on micro markets (often at the expense of vending).

Consistent with its strong and ongoing growth, micro markets continue to grow and add outlets, even as vending machines decline. In 2023, the number of vending machines is showing an average annual decline of 3% per year since 2020, while micro markets increased by 21% since 2020. Given the ability for micro markets to achieve higher annual sales than vending machines, this shift toward micro markets has helped drive operator sales and accelerated the growth and recovery of the industry.

Part of the aggressive growth of micro markets is seen in the types of markets sold. There are an increasing number of smart coolers coming into the market, which creates the ability to serve smaller-footprint locations and which operators note are often easier to use to replace traditional vending.

The overall number of vending machines is estimated to be under 3 million currently in use. This figure includes all traditional beverage and snack food vending machines.

NUMBER OF POS/OUTLETS*



Source: Technomic

*Note: Study used a combination of hard figures from online survey of operators and input from industry sources to develop and estimate figure

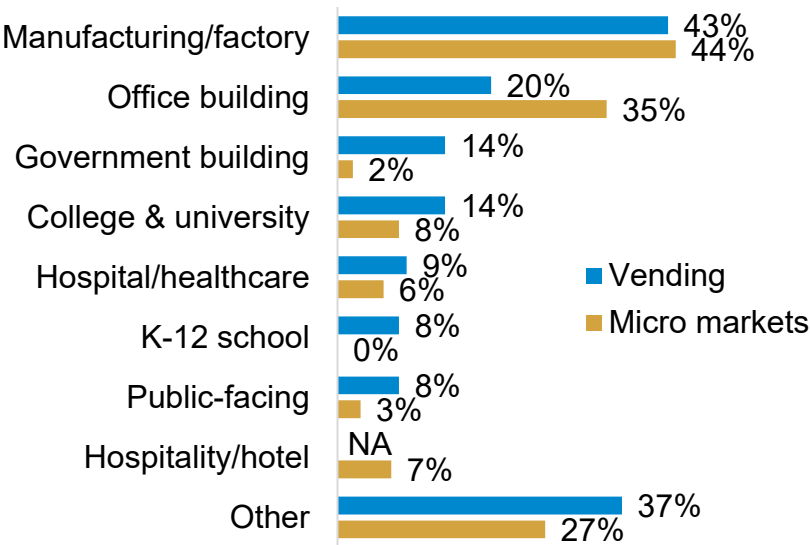
Note: (F) = forecast

Locations for Vending and Micro Markets

As part of this year’s census, convenience services operators were asked about where their vending and micro market outlets are located, as well as where they view the best opportunity for potential new locations.

- Manufacturing facilities are the most common current locations for vending and micro markets.
- Office buildings rank second for micro markets, though these operators continue leveraging all avenues for expansion including universities and hospitals.
- In looking at locations where operators feel there are new opportunities for micro markets, manufacturing, hospitality and colleges lead, each with over 50% of operators noting that segment as an opportunity.

% OF BUSINESS BY TYPE OF LOCATIONS (MEANS SHOWN)*



Manufacturing facilities and office buildings are the most common locations for micro markets

PERCENT OF MICRO MARKET OPERATORS EXPLORING OPPORTUNITIES IN THE FOLLOWING LOCATIONS

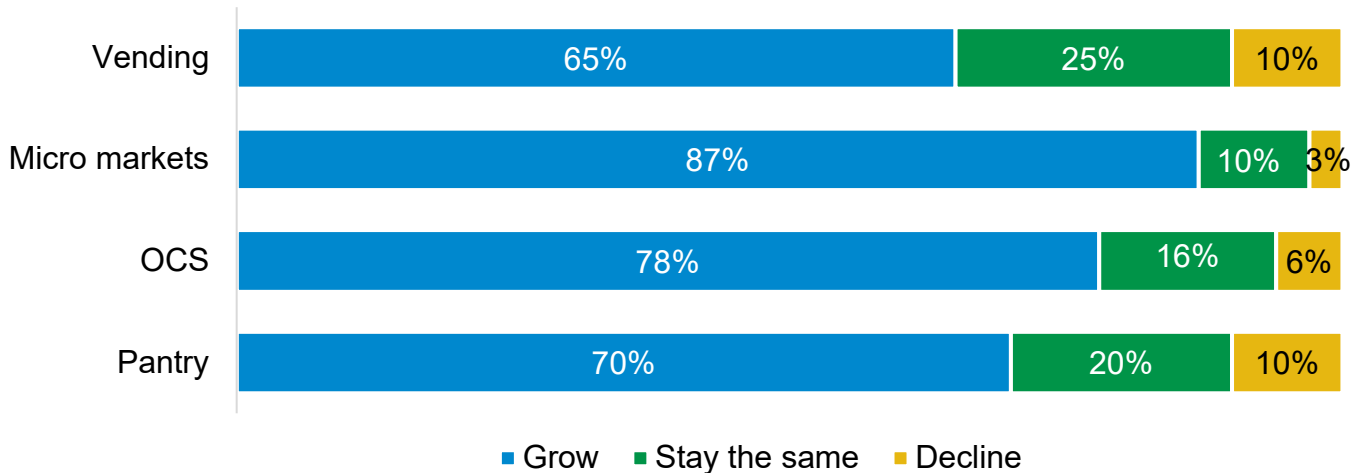
Manufacturing/factory	68%
Hospitality/hotel	58%
College & university	55%
Commercial/office building	45%
Public-facing (e.g., airport, mall, etc.)	45%
Hospital/healthcare	42%
Residential building	39%
Government building	39%
K-12 school	23%
Health/fitness club	23%

Source: Technomic
 *Data is from the census survey conducted in Q3 2023
[2022-2023 Industry Census](#)

Operator-Reported Performance, 2022-2023

- While most operators reported that their sales increased from 2022 to 2023, one quarter (25%) of vending operators reported sales in 2023 were consistent with 2022.
- Of all segments, micro market operators were most likely to report a growth in revenue in 2023 versus the prior year.

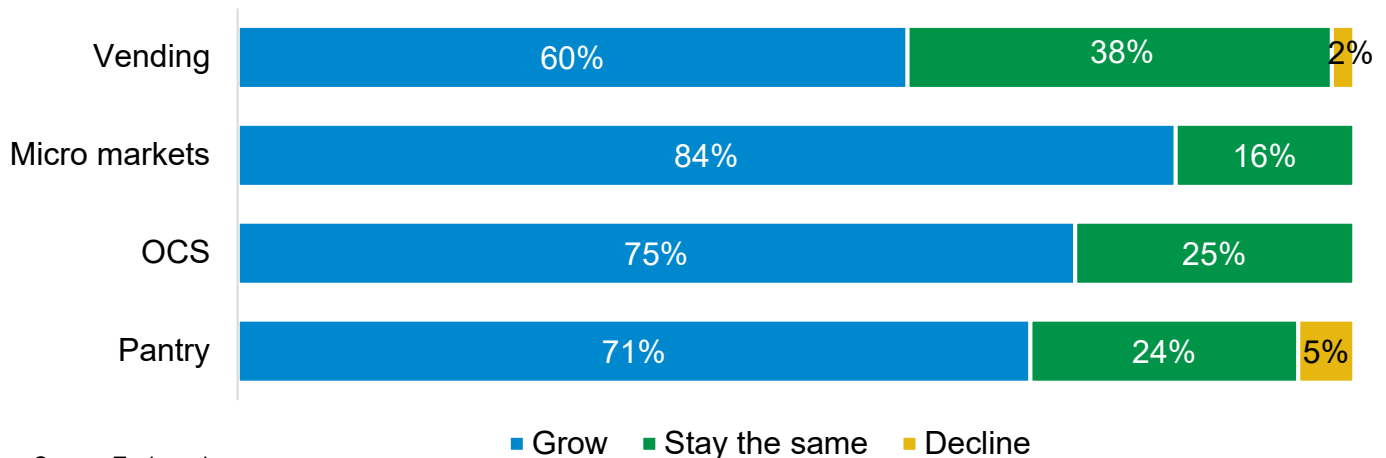
% OF OPERATORS EXPECTING ANNUAL SALES GROWTH/DECLINE FROM 2022-2023



Expectations for 2024

- Operators surveyed are optimistic that the market will continue to rebound in all areas.
- Thirty-eight percent (38%) of traditional vending operators expect their sales to stay the same.
- Micro markets anticipate the greatest revenue growth in 2024, followed by OCS and pantry services.

% OF OPERATORS EXPECTING ANNUAL SALES GROWTH/DECLINE IN 2024



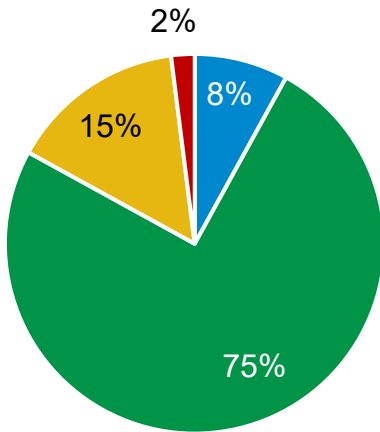
Source: Technomic

Availability of 'Better for You' Offerings

Micro markets stand out as the segment most likely to provide 'better for you' offerings among the four business lines assessed. Interviews with operators indicate that efforts are ongoing to provide healthier options, particularly as clients (primarily in white collar workplaces and higher education) are requesting more 'better for you' items. Census respondents indicated that pantry services are most likely to have increased 'better for you' offerings in the last year (70% of pantry operators). Over half (53%) of vending operators report increasing 'better for you' offerings in vending machines in the past year.

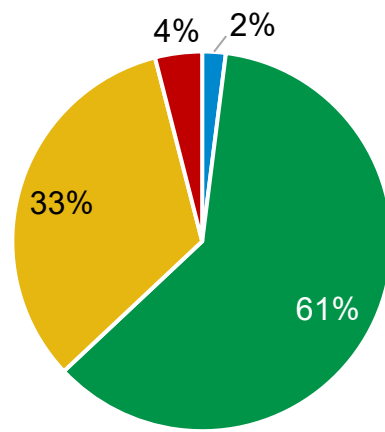
% OF TOTAL PRODUCT OFFERINGS CONSIDERED HEALTHIER OR 'BETTER FOR YOU' BY BUSINESS LINE

VENDING



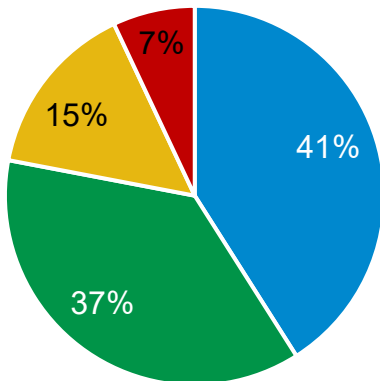
■ None ■ 1-25% ■ 26-50% ■ Over 50%

MICRO MARKETS



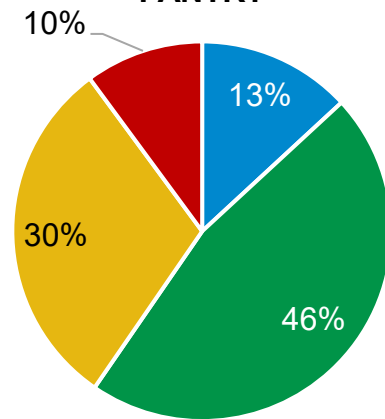
■ None ■ 1-25% ■ 26-50% ■ Over 50%

OCS



■ None ■ 1-25% ■ 26-50% ■ Over 50%

PANTRY



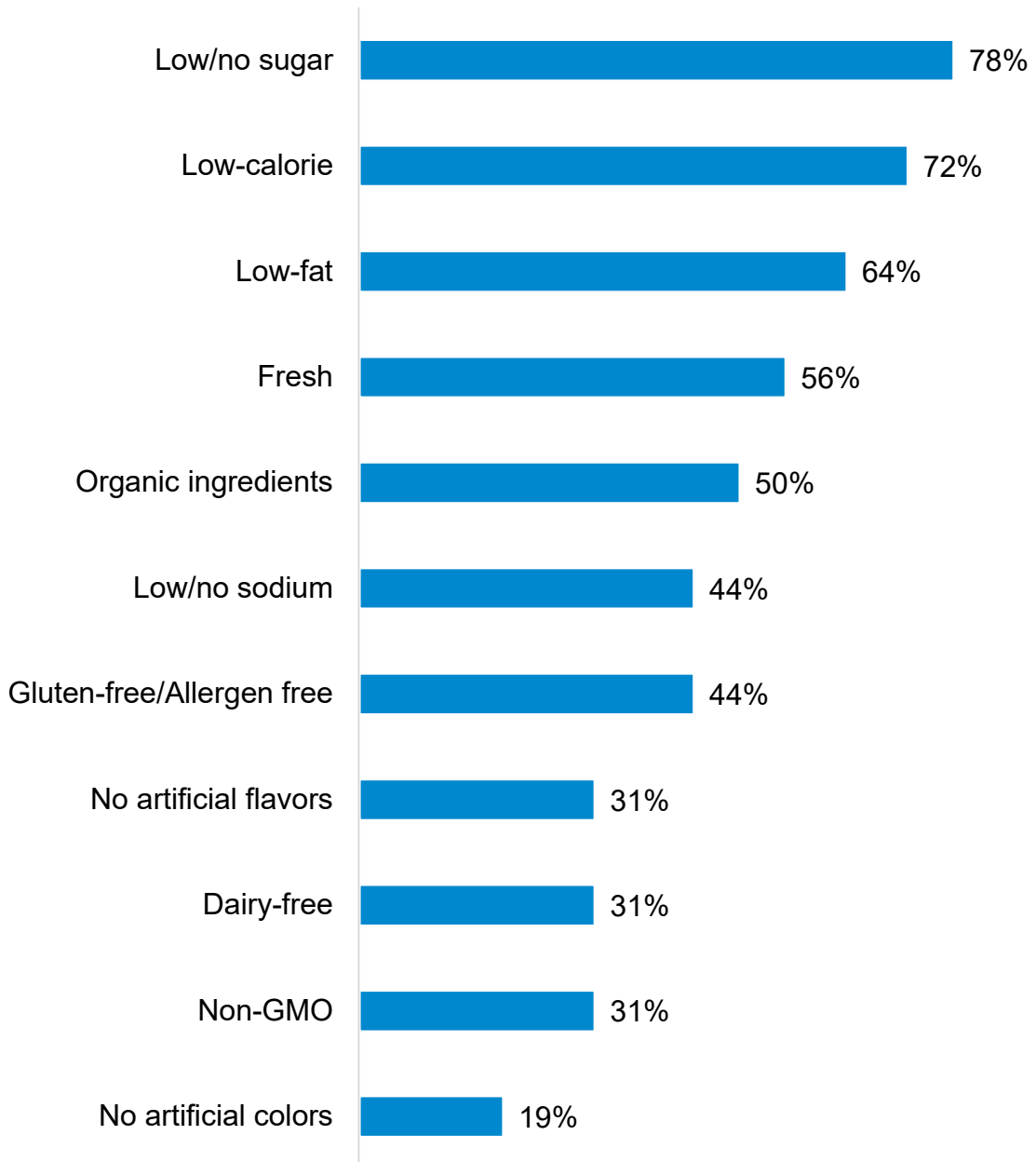
■ None ■ 1-25% ■ 26-50% ■ Over 50%

Source: Technomic

Healthy Product Priorities

“Healthy” items can be defined in a number of ways, and operators were asked to describe the types of items they were focused on offering to the customer base. Generally, operators who are adding ‘better for you’ offerings prioritize items with low/no sugar, low-calorie, and low-fat. At least half of operators are also offering fresh or organic ingredients.

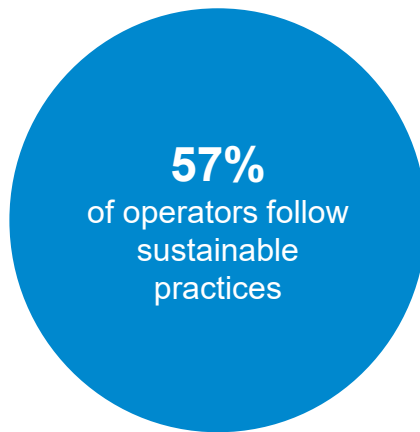
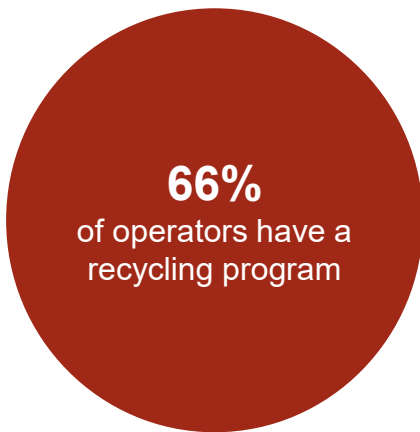
% OF OPERATORS WHO USE THE FOLLOWING TERMS TO DESCRIBE THE ‘BETTER FOR YOU’ OR HEALTHY PRODUCTS IN THEIR PORTFOLIO



Source: Technomic

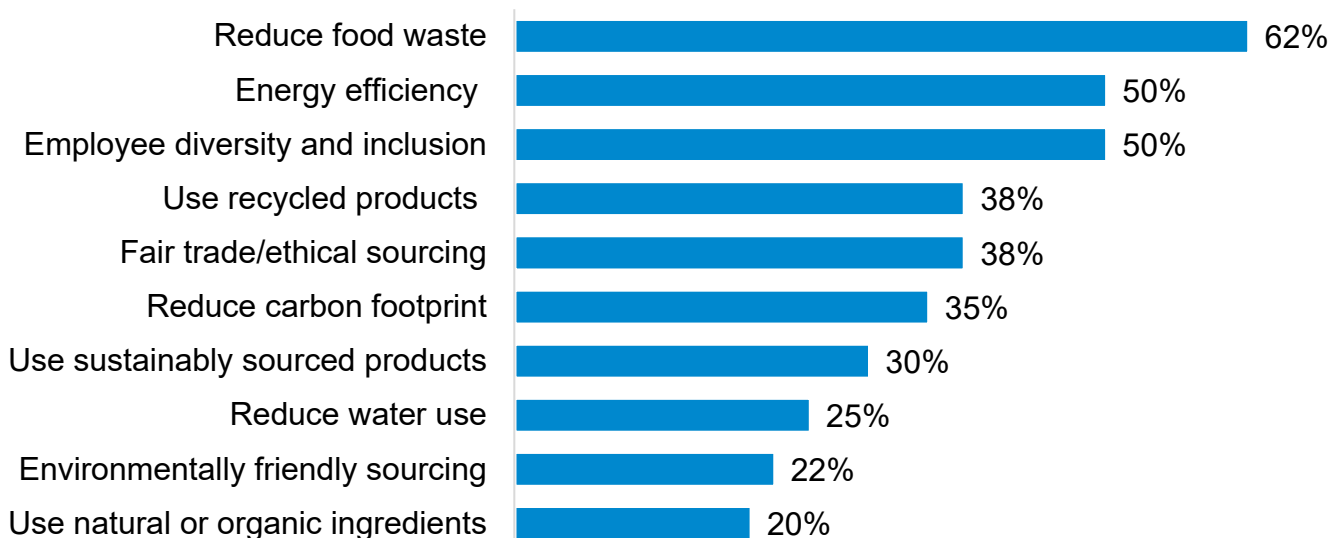
Trends in Sustainability and Corporate Responsibility

- Operators were asked to name their five most important sustainability and corporate social responsibility initiatives, and sustainability is poised to play a greater role in the convenience services industry in the future. OCS and pantry services are slightly more likely than vending and micro markets to expect expansion in these areas. While operators prioritize reducing food waste and energy use as well as recycling and reducing carbon footprint, they can focus on sustainability efforts that best fit their concept.
- From a corporate social responsibility standpoint, operators also note the importance of DEI and fair trade/ethical sourcing.
- Separately, survey results show that operators who have a recycling program mainly recycle paper (96%) and plastic (85%), which is due in part to the infrastructure already established for recycling these items.



MOST IMPORTANT SUSTAINABILITY PRACTICES

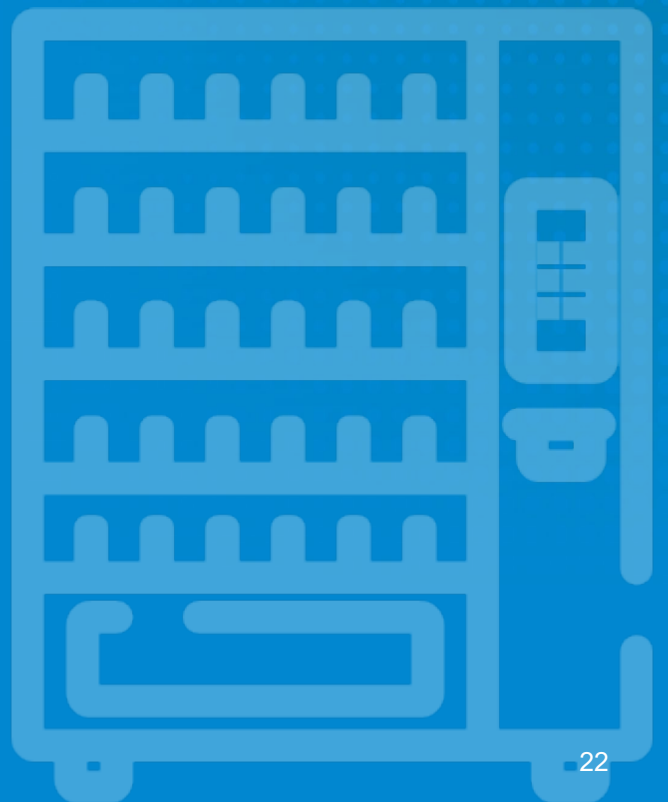
% OF OPERATORS NAMING PRACTICE AS BEING WITHIN TOP 5*



Source: Technomic

*Note: Operators were asked to select their top five most important sustainability practices

A DEEPER LOOK AT VENDING



Vending Remains the Largest Segment

- Vending machines continue to be the largest convenience services industry segment.
- 2023 revenue is estimated at \$18.2 billion, representing a 68% share of the convenience services industry. Vending saw an increased share during the pandemic (when OCS sales in particular plummeted), but over a longer period, vending has fallen from a share of 71% in 2018 to 68% in 2023 as OCS has recovered and as micro markets continue to gain share.
- Based on survey results as well as looking at the total number of machines and vending operators, the “typical” operator maintains 277 machines, generating more than \$6,000 in revenue per machine per year. This is higher than previous results; qualitatively, operators note that per-item pricing has accelerated dramatically since the previous census report.

VENDING SEGMENT METRICS			
	2018	2020	2023 (F)
Total revenue/sales	\$18.5B	\$12.5B	\$18.2B
Total operators	12,785	11,850	10,450
Total machines	4.0M	3.1M	2.9M
Average machines per operator	313	262	277
Average machines per location	2.6	2.8	2.9
Average sales per machine	\$4,678	\$4,032	\$6,284

Trends in the Vending Segment

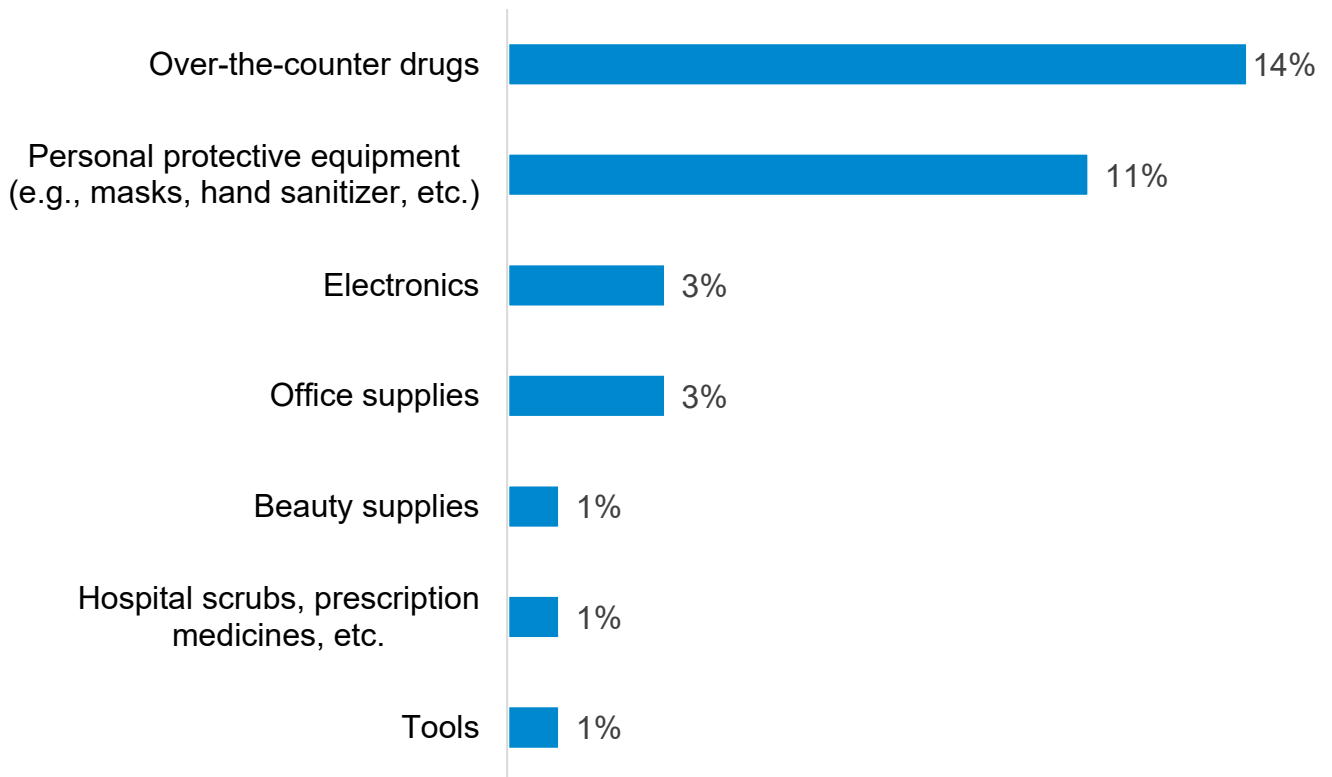
- During COVID-19, many operators decommissioned vending machines, and many of these have not returned to active use, either because the location's sales haven't warranted a reintroduction or because the vending banks have been replaced with micro markets. Smart coolers are also increasingly being used as a replacement for vending machines.
- Vending remains an area that many operators offer for legacy clients. However, most operators that are involved in multiple segments note that they don't lead on new sales opportunities with vending but rather provide it as part of a broader offering if it fits the client's overall needs.
- Cashless payment opportunities have caused an increase in average spend per consumer and per machine. Consumers tend to spend a higher amount per transaction when not inserting cash into the machine.

Note: (F) = forecast

Non-Food Items in Vending

Nonfood items represent an opportunity for operators to expand their vending operations. While operators indicate that only 1%, on average, of their vending machines offer non-consumable 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 continue to adapt offerings to the businesses they serve.

% OF VENDING OPERATORS REPORTING THEIR MACHINES OFFER THE FOLLOWING



Payment Benchmarking (Specific to Vending)

- Approximately 75% of the 2.89 million vending machines take cashless payments, up from 69% in 2018. During interviews, operators noted that a shift toward cashless has simplified their operation and has led to higher transaction averages.
- Of machines that accept cashless transactions, 94% of machines offer standard debit/credit. 88% offer contactless payments.
- While contactless payment options have increased slightly to be accepted by 88% of vending machines, the share of contactless payments remains under 25%.
- Stored value card acceptance has increased, with 20% of machines that accept cashless now accepting stored value cards as a form of payment, although its share of actual payments remains very low.

CASHLESS VENDING MACHINE METRICS

	Percent that Accept Each Payment Type 2020	Estimated Share of Payments By Type 2020	Percent that Accept Each Payment Type 2023	Estimated Share of Payments By Type 2023
Debit/credit card	95%	82%	94%	76%
Contactless (Apple Pay, etc.)	87%	19%	88%	22%
Stored value cards	13%	1%	20%	1%
Biometrics (thumb print, facial recognition, etc.)	1%	< 1%	<1%	<1%



75% of vending machines accept non-cash payments, up from 69% in 2018



A DEEPER LOOK AT MICRO MARKETS



Micro Markets Driving Industry Recovery and Growth

- The micro market channel has seen substantial growth, with 2023 revenue increasing 41% from \$2.0 billion in 2020 to an estimated \$5.4 billion in 2023.
- The number of operators, locations and kiosks have increased, aligning with operators' growth expectations. The table below gives summary data for the micro market line of business within the convenience services industry.

MICRO MARKET SEGMENT METRICS			
	2018	2020	2023 (F)
Total revenue/sales	\$2.0B	\$1.9B	\$5.4B
Total operators	1,880	2,100	2,625
Total payment kiosks	31,250	43,500	76,250
Avg. sales/operator	\$1,076,006	\$914,973	\$2,056,267

Trends in the Micro Market Segment

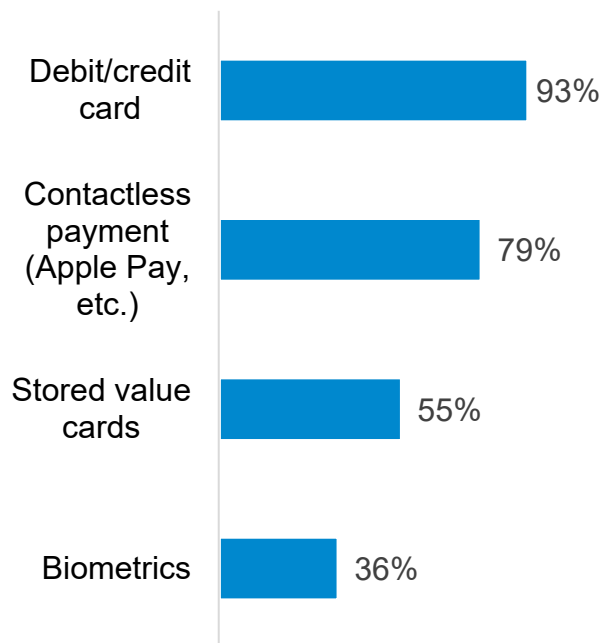
- While micro markets are often seen as a replacement to vending, a number of larger operators also view these unattended retail outlets as an extension of broader foodservice offerings. Micro markets can be placed in areas that also have cafeterias/manual foodservice and can provide broader 24/7 offerings.
- Micro market expansion has also meant that smaller markets are being used to move into locations that may not have otherwise supported a traditional micro market. Smart coolers and smaller markets are increasingly gaining share and often can take the place of a traditional bank of vending machines.
- Micro market operators indicate that approximately 22% of micro market sales are from fresh or prepared foods, and 10% of sales are from frozen foods.
- Micro markets are seen as ways to introduce a broader retail mentality into this industry. Video screens can engage with patrons, and micro markets offer more opportunity for the consumer to engage with the products.
- With consumer choice front and center, many operators view the management of micro markets differently than vending. It tends to require a more wholistic understanding of the consumer and the categories that drive growth. Operators note that success requires a broader consumer-centric, marketing-oriented mindset as opposed to simply filling a glass-front machine with snacks or beverages. A number of industry participants have noted that in addition to the shift in how operators run their businesses, this can require a shift in how the industry positions itself.

Note: (F) = forecast

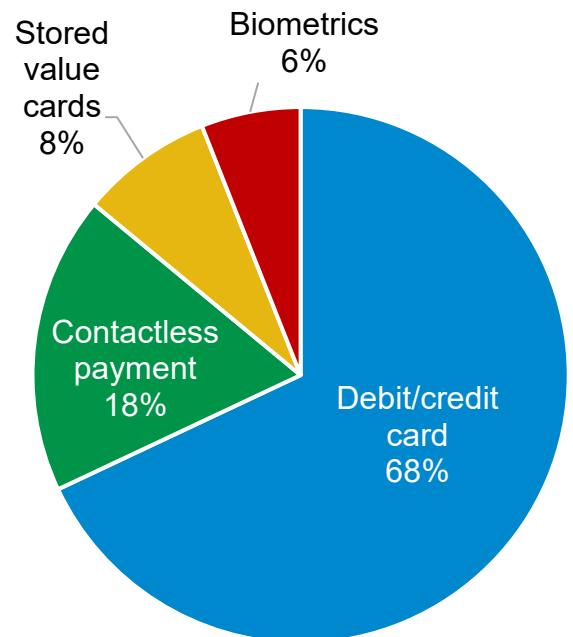
Micro Market Payment Types

While debit or credit cards remain the leading noncash payment method at micro markets, tech-based payments like biometrics are accepted at some micro markets. However, tech-based payment options comprise a low share of sales (32%) – although the percentage is higher than within the vending segment (24%). Micro markets are generally a more technology-forward part of this industry, and operators expect payment technology to continue to become more prominent in this channel in line with customer/consumer expectations and behaviors.

% OF MICRO MARKET KIOSKS THAT ACCEPT THE FOLLOWING PAYMENTS



% OF MICRO MARKET NONCASH PAYMENTS FROM THE FOLLOWING



Coffee in Micro Markets

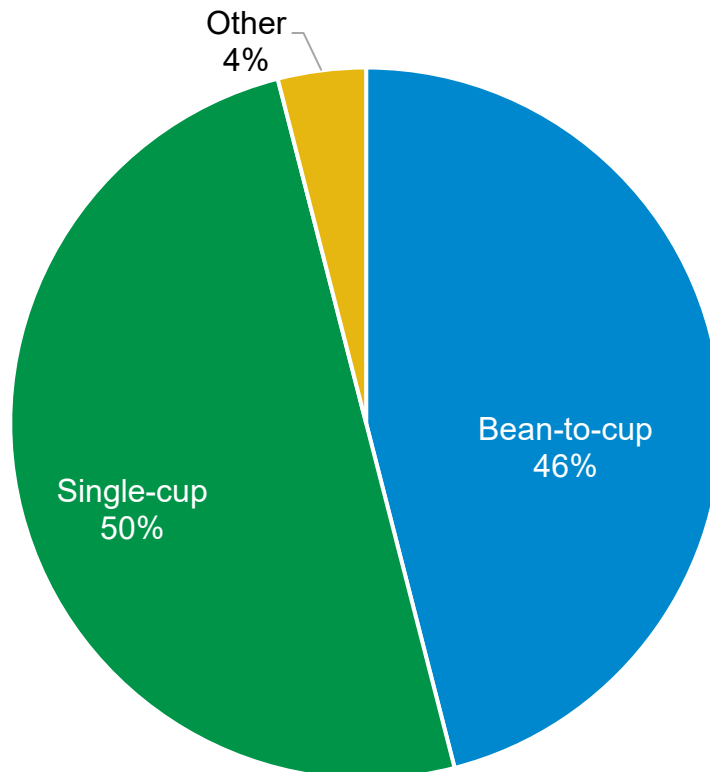
Overall, 84% of operators sell coffee in their micro market operations. However, most of these operators only sell coffee in some locations.

Compared to 2020, a similar share of operators sell coffee in micro markets. However, fewer are offering coffee in all or most locations (29%, down from 36% in 2020).

% OF MICRO MARKET OPERATORS WHO SELL COFFEE

Yes, in all or most locations	29%
Yes, in some locations	55%
No	16%

TYPE OF MACHINE USED TO SERVE COFFEE IN MICRO MARKETS





A DEEPER LOOK AT OFFICE COFFEE SERVICE AND PANTRY



Office Coffee Service Still Below Pre-Pandemic Levels

- After a sharp drop in revenue in 2020 due to the COVID-19 pandemic, office coffee service is on a slower pathway to recovery and today accounts for 10% total convenience services revenue.
- Overall, OCS revenue has increased sharply from 2020 and is projected to be \$2.6 billion in revenue as of the end of 2023. However, this performance remains well below pre-pandemic levels, both overall and relative to the revenue OCS generates per operator.

OFFICE COFFEE SERVICE METRICS			
	2018	2020	2023 (F)
Total revenue	\$4.9B	\$1.1B	\$2.6B
Total operators	9,100	8,330	7,415
Avg. sales/operator	\$542,734	\$128,369	\$353,236

Trends in Office Coffee Service

- While office coffee has always been offered as an amenity to workers, OCS (and broader pantry services) continue to evolve to provide extra incentives to entice returning workers. OCS operators report working to create “events” and unique experiences to help drive incremental volume, particularly given the slow return of office workers.
- Beyond the issue of workers returning to the office, labor is another significant challenge in the route-based OCS business. Operators note that finding drivers has been a major problem, as these positions are no longer just about delivery. Providing coffee has become an experience for many workplaces, and customers expect more knowledge and ability from their driver representatives to assist office managers once onsite. Finding qualified route drivers that also have these skillsets has been difficult.

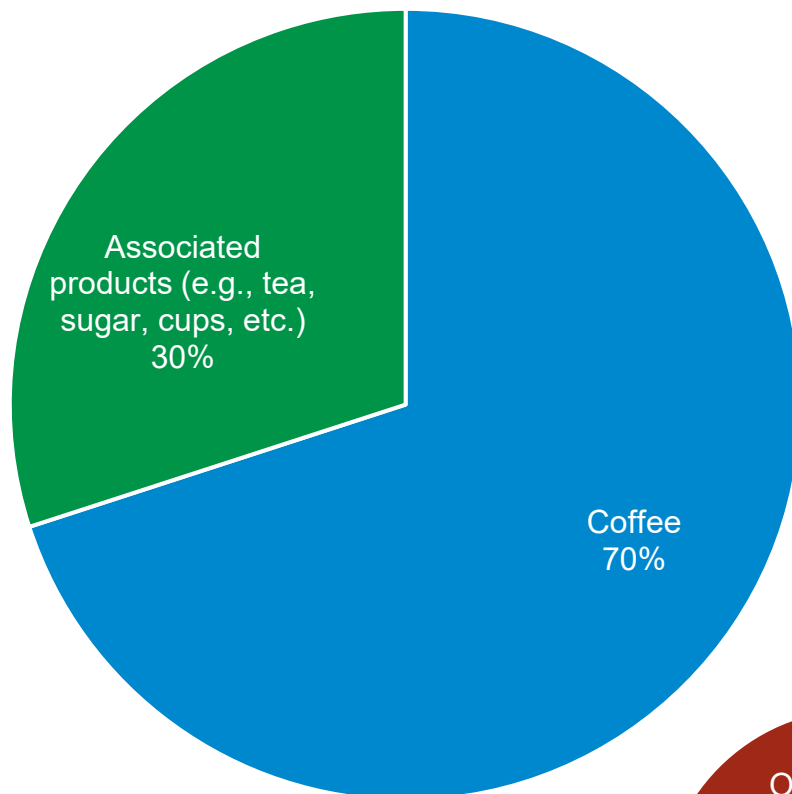
Note: (F) = forecast

Office Coffee Service Revenue Composition

Operators involved in OCS report that 70% of all OCS revenue comes from coffee, while the remaining 30% come from tea, hot chocolate, cups, sugar, sweeteners or snacks.

- Overall, 38% of revenue (up from 31% in 2018) comes from single-serve coffee vs. traditional fresh-brewed coffee.

% OF OFFICE COFFEE SERVICE BUSINESS SALES DERIVED FROM THE FOLLOWING



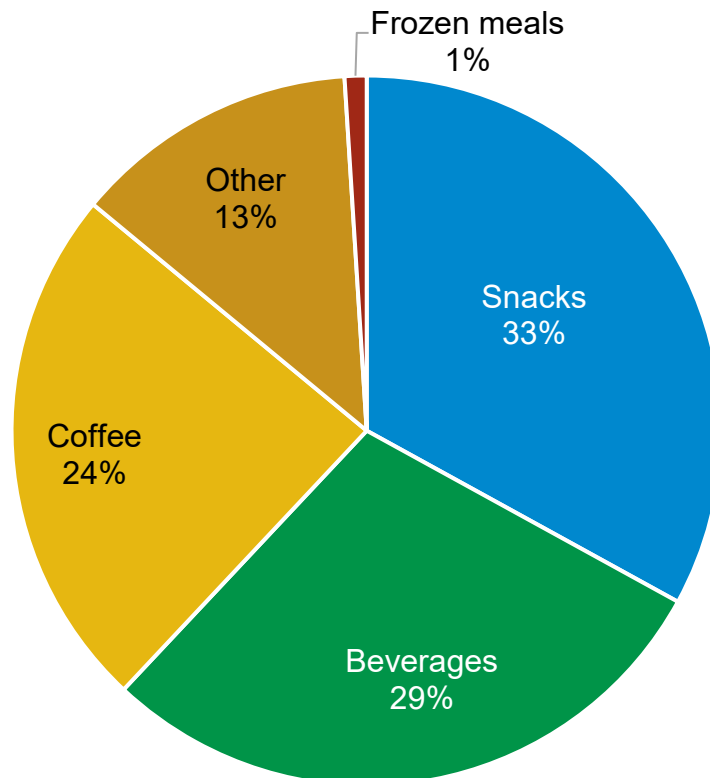
On average, **38%** of OCS operators' coffee sales come from single-serve coffee

Details on Pantry Services

- Pantry services is considered a subsegment of office coffee services by some operators, but is being tracked independently for purposes of this industry census.
- Pantry services currently accounts for 1.5% of the overall convenience services industry, up from 0.7% in 2020, but remains a very small part of the broader industry.
- The majority of pantry sales are from snacks and beverages. Some operators include coffee as a pantry product, indicating that there is strong cross-over between OCS and pantry services.

PANTRY SERVICES METRICS			
	2018	2020	2023 (F)
Total revenue	\$0.5B	\$0.1B	\$0.4B
Total operators	605	500	770
Avg. sales/operator	\$866,432	\$225,644	\$512,575

**% OF PANTRY SALES DERIVED FROM THE FOLLOWING
(MEANS SHOWN)**



Note: (F) = forecast



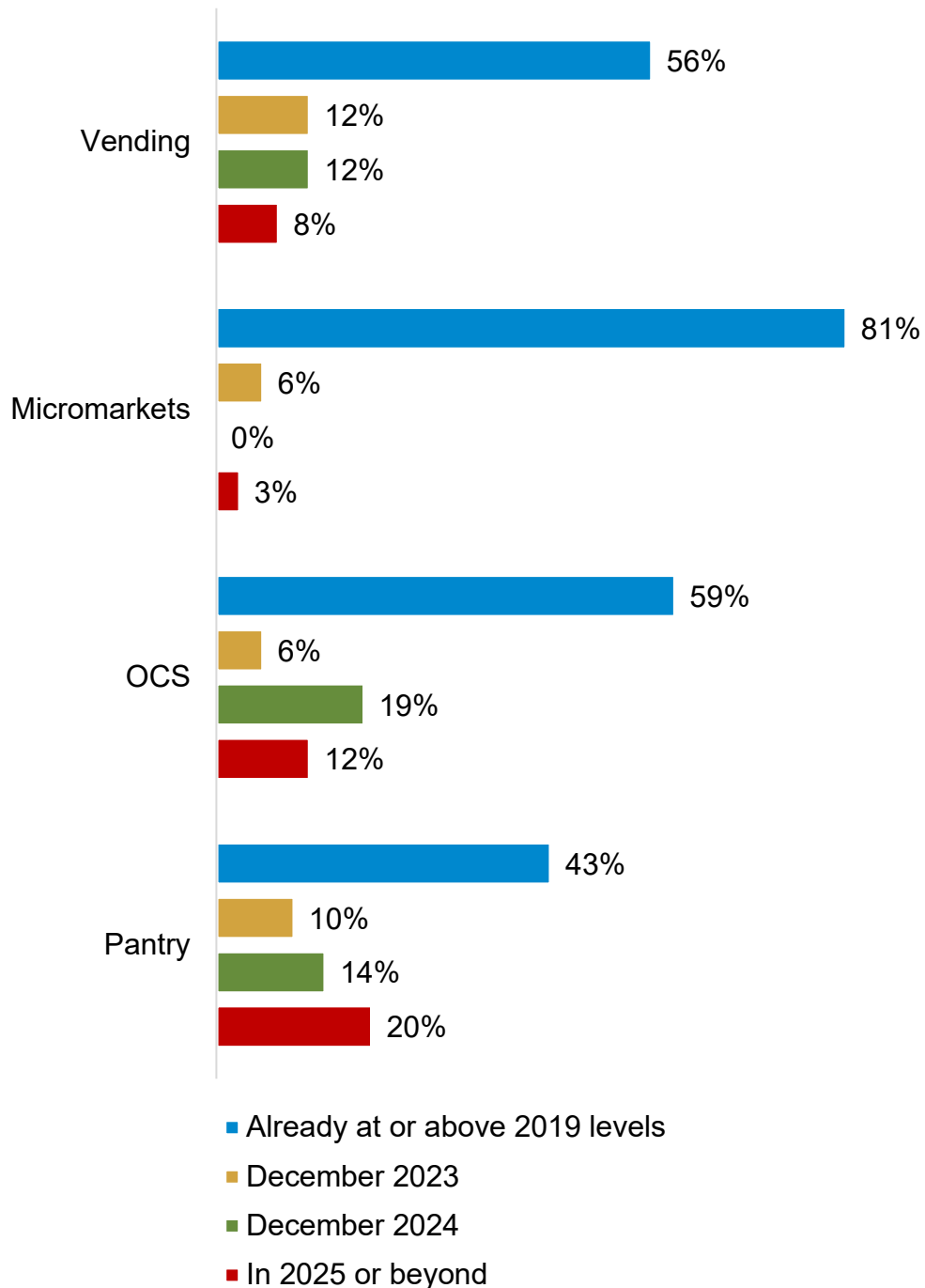
OUTLOOK AND CONCLUSIONS



Operator View on Full Recovery

Except for pantry, more than half of operators in the other three business lines assessed report that their sales have already recovered to 2019 levels. Pantry is expected to take longer to recover, but most pantry operators expect to be back to 2019 sales levels by the end of 2024.

WHEN OPERATORS EXPECT TO REACH THEIR 2019 SALES LEVELS

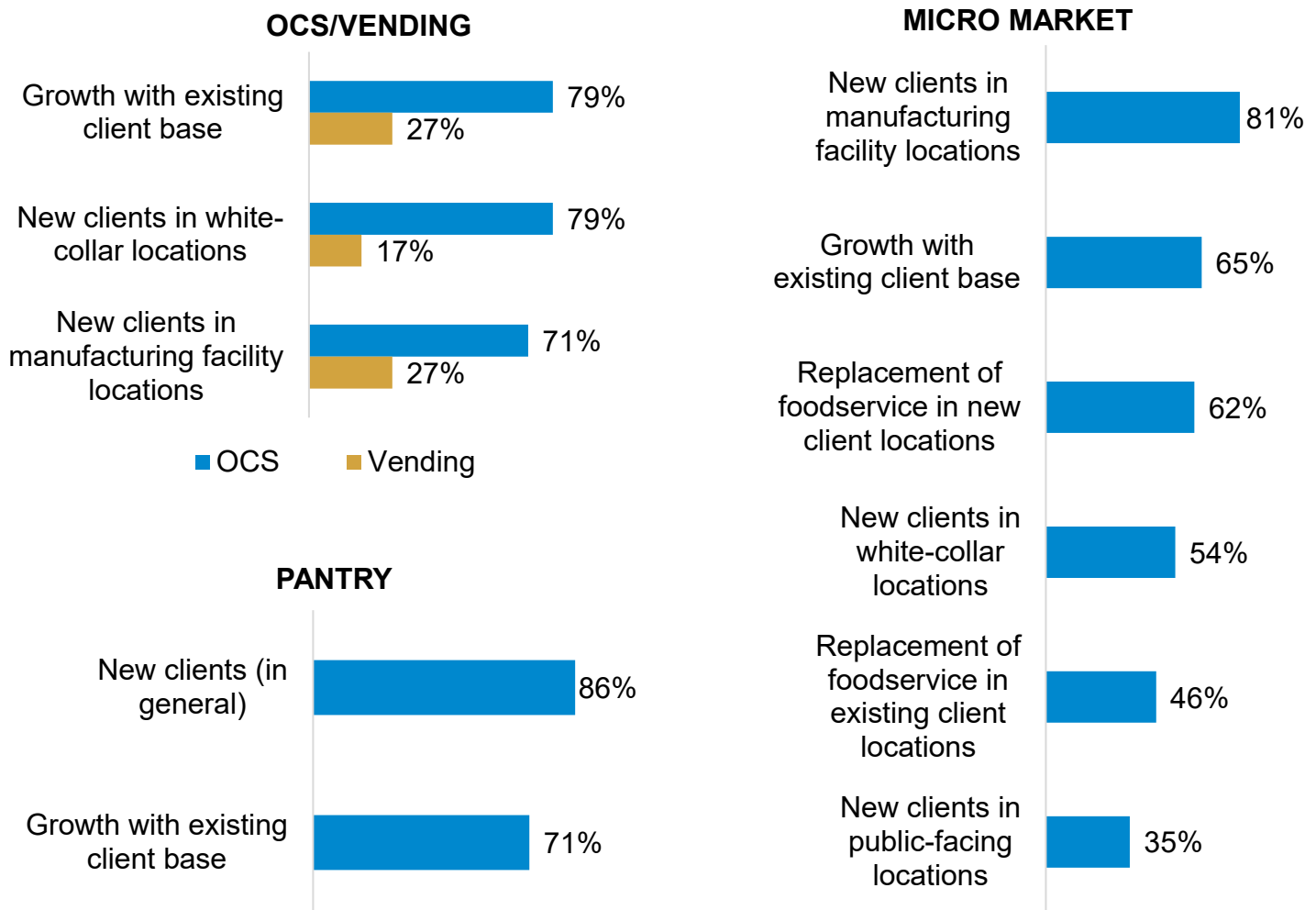


Drivers of Future Growth

Operators were asked to name the drivers of future growth for various parts of their business that are included in the scope of the convenience services census. For the most part, operators were generally optimistic that they'd be able to obtain new/incremental growth with existing customers. Particularly as locations like offices recover, operators seem to feel that finding new placements and riding the continued recovery of certain segments can help them find growth opportunities in the years ahead.

- Generally speaking, existing clients and new business, in both blue- and white-collar locations, will be drivers of growth. New manufacturing facilities stand out for OCS and micro markets.
- Operators that have a vending business report fewer growth expectations than the other three business lines from either existing or new clients.

% OF OPERATORS WHO CITE FUTURE GROWTH WILL COME FROM THE FOLLOWING (BY BUSINESS LINE)



Convenience Services Outlook Through 2028

While the convenience services industry has fully recovered on a revenue basis as of the end of 2023, the recovery has not been equal among all of the segments. Going forward, the segments that have yet to fully recover still have some challenges, and the overall industry composition and segmentation will continue to evolve and shift.

- Projected growth for the next five years - through 2028 - is shown below. Overall growth expectations are more moderate and will begin to align with pre-pandemic growth figures as the industry moves further and further past the pandemic years. Overall, industry revenue is expected to grow at an annual average rate of 8.9%.
- Micro markets, which had been experiencing high levels of growth prior to the pandemic, are expected to have the highest increase over the next five years, followed by pantry and OCS.
- When viewing these growth rates relative to the recovery of each service area, the next page shows the level of revenue compared to 2019. As previously noted, micro markets are well above pre-pandemic levels already, and traditional vending sales are expected to exceed 2019 levels in 2024.
- Office coffee service and pantry are poised for growth, although this growth should still be viewed through the lens of ongoing recovery from the pandemic. Pantry services is expected to reach pre-pandemic revenue levels in 2027, while OCS is not expected to reach 2019 sales levels in the next five years. Still, both of these segments are largely dependent on return to office practices and policies in the future.

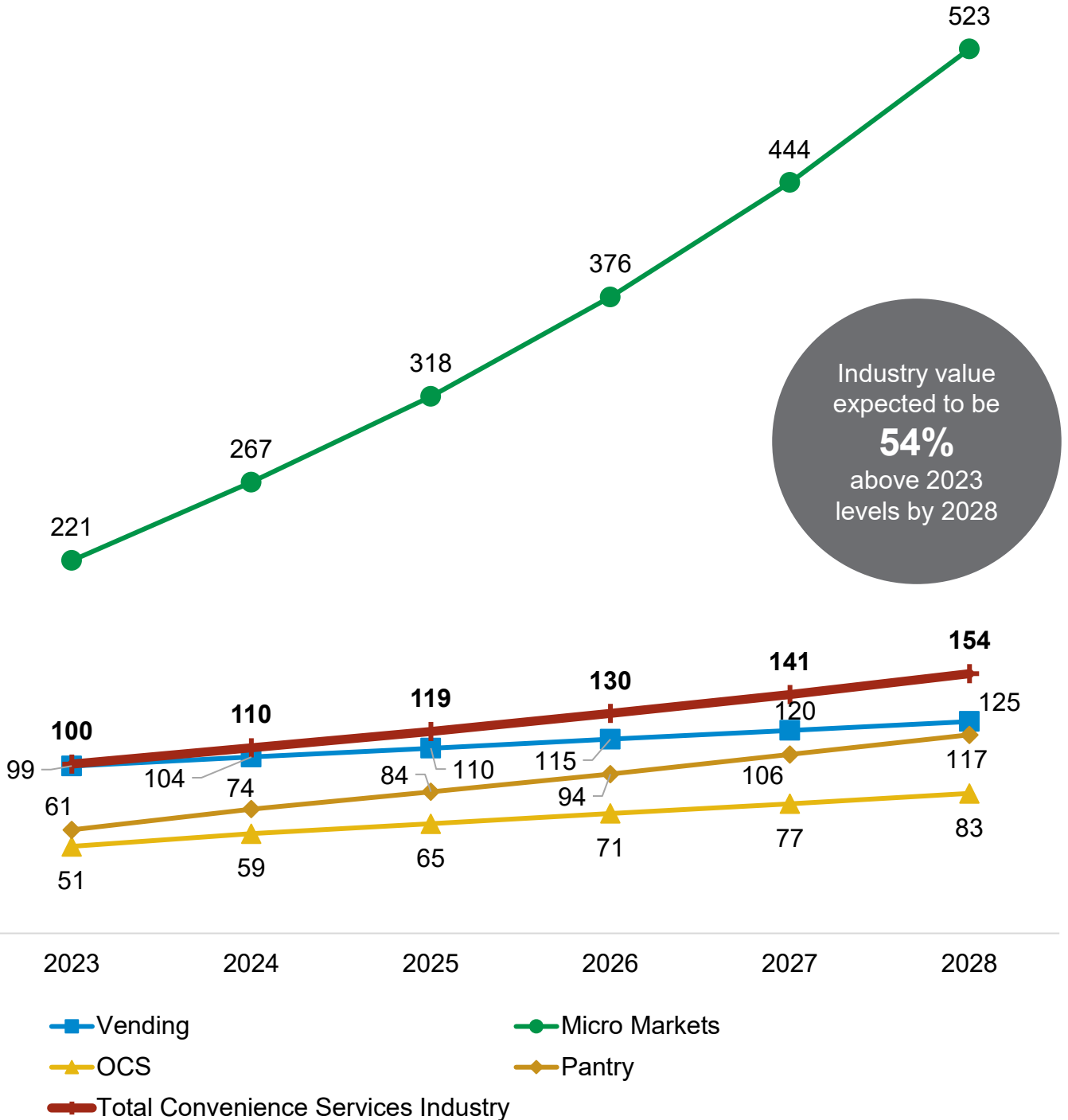
	PROJECTED GROWTH PER YEAR BY SEGMENT					CAGR*
	2024	2025	2026	2027	2028	2023-28
Vending	5.5%	4.9%	4.9%	4.5%	4.4%	4.8%
Micro Markets	21.0%	19.0%	18.5%	18.0%	17.8%	18.9%
OCS	14.5%	10.0%	9.5%	8.0%	8.0%	10.0%
Pantry	20.0%	14.0%	12.5%	12.3%	11.0%	13.9%
Total industry	9.7%	8.7%	8.8%	8.6%	8.8%	8.9%

*CAGR = compound annual growth rate

Convenience Services Outlook Through 2028

Value Indexed to 2019 Revenue Levels

PROJECTED GROWTH IN VALUE BY SEGMENT
GROWTH INDEXED TO 2019
 (2019 = 100)



Source: Technomic

1. RECOVERY HAS BEEN STRONG, BUT IS STARTING TO MODERATE

The convenience services industry has experienced strong growth since 2020, increasing revenue by 19.4% annually. The industry as a whole is now fully recovered to 2019 revenue levels (as of the end of 2023). However, recovery has varied by segment. Volume growth is driven by micro markets, while the rest of the industry, including pantry and office coffee service in particular, have yet to fully recover their pre-pandemic volume levels.

Industry revenues are expected to grow 9% per year from 2023 to 2028 and reach \$40.8 billion in 2028. While all segments are poised to increase, micro markets and pantry services are expected to have the largest gains from 2023 to 2028, at 19% and 14% increases, respectively. To maximize growth, operators will have to be nimble in order to adapt to new technology and consumer trends. Traditional vending will not disappear but is often being replaced by different retail technologies that bring additional choice and value to the consumer.

2. VENDING HAS GROWN DUE TO PRICE INFLATION, BUT VOLUME REMAINS SLIGHTLY BELOW PRE-PANDEMIC LEVELS AS MICRO MARKETS TAKE SHARE

Traditional vending comprises 68% of industry revenue. While revenues increased on average 13% per year from 2020 to 2023, the number of vending operators declined by 4%. Even prior to the pandemic, operators were poised to diversify into other segments. Better selection and variety offered in micro markets helped to drive industry growth, as micro markets experienced increases in both revenue (up 41%) and in volume (up 8%) from 2020 to 2023. As micro markets grow, this segment is blurring more with vending. For traditional vending, operators can leverage technology such as contactless payments and offer new products to meet consumer demand. Cashless technology has also unlocked the ability to drive per-machine revenue higher, as consumers are less likely to object to higher prices when they are not physically placing money in the machine.

3. OFFICE COFFEE SERVICE IS STILL BELOW PRE-PANDEMIC LEVELS

OCS is still lagging pre-pandemic levels in terms of volume as remote work remains elevated compared to 2019. While OCS volume declined 4% from 2020 to 2023, revenues grew about 35%. And, while pantry services have recovered and grown in terms of volume since 2020 (up 16%), revenues remain below pre-pandemic levels despite the 52% revenue increase from 2020 to 2023. The labor market remains tight, with far more jobs available than workers. Therefore, some employers are looking to pantry/OCS to help attract and retain employees amid the tight labor market.


4. TECHNOLOGY CONTINUES TO DRIVE GROWTH IN CONVENIENCE SERVICES

Technology is continuing to make inroads in the convenience services industry, both in vending and in micro markets. Beyond micro markets, new unattended and self-service retail solutions are emerging such as smart coolers and nano markets that utilize technology for access and payment. Technology can include cameras or sensors as well as biometrics. Additionally, palm-scanning technology may grow as a safer alternative to facial recognition. These new tech-forward unattended retail options provide greater competition with traditional vending and continue to blur the lines between channels.

This technological evolution will have a significant impact on the industry. Many industry participants see the future as a blurring of unmanned retail across channels, and operators in this industry should be evaluating how the technological evolution allows them to compete in broader retail spaces.

5. SUSTAINABILITY INITIATIVES ARE BECOMING INCREASINGLY MORE IMPORTANT, BOTH TO CONSUMERS AND CLIENTS

While sustainability is already prevalent in the convenience services industry, it is poised to become a greater area of focus, especially within OCS and pantry services where many businesses expect their suppliers to align with broader organizational sustainability goals. Forty-one percent (41%) of convenience services operators expect sustainability to play a larger role in their organization within the next two years. Efforts will center around packaging, local and/or ethical sourcing, as well as sustainable production methods. Operators will also integrate methods to reduce food waste, along with energy and water use.



APPENDIX

About This Study Methodology

Methodology

The survey methodology utilized in the census tracked sales from January 2021 through June 2023 for traditional vending, micro markets, office coffee service and pantry. Technomic utilized this data, along with some of its broader foodservice tracking, to develop estimates for final 2023 industry sales figures across all lines of the convenience services industry.

Total revenue figures for vending, micro markets, OCS and pantry services are representative of mainstream industry companies from individual proprietors to large multinational firms, as well as all distribution sources.

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 consultation between Technomic and the NAMA Foundation leadership.

STEP 2: SECONDARY SOURCE REVIEW

Technomic conducted a comprehensive review of secondary information available on the convenience services industry. Technomic has been tracking the broader foodservice industry for over 50 years and has a number of additional data points within its library, and Technomic accessed its non-proprietary information on hot and cold beverages, snack food items and the broader foodservice industry.

STEP 3: IN-DEPTH QUALITATIVE RESEARCH

Technomic conducted in-depth interviews with NAMA operator, distributor, and supplier members to obtain vending, micro market, OCS and/or pantry services segment data, as well as to understand key industry trends. Firms that were interviewed were assured 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 2022 and projected 2023
- Annual sales growth/decline since 2019 and recovery from COVID-19 years
- Expected sales growth/decline over the next five years
- Total number of customers and locations
- Key trends impacting their businesses

STEP 4: NAMA MEMBER SURVEY

The survey was open to all convenience services operators and Technomic surveyed 70 of these operators. 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 operator contact lists as the source for the survey sample. Respondent turnout was boosted through multiple NAMA direct communications, NAMA member social media mentions, 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 contributions 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.



Image source: Shutterstock

The 2022-2023 industry census research was funded by the NAMA Foundation and conducted by Technomic, a Chicago-based food industry research and consulting firm. Data was gathered in October 2023, with the report published in February 2024.



The Foundation of the National Automatic Merchandising Association (NAMA Foundation) works to strengthen and promote the convenience services industry in three strategic areas:

- **VOICE:** Provides information and insights for use in educating the general public and government officials, positively shaping perception of the industry and its interests.
- **KNOWLEDGE:** Delivers whitepaper research, workforce development tools, and scholarships that support learning and leadership development opportunities for operators.
- **RESEARCH:** Empowers businesses to make informed decisions and inspires industry innovation by delivering critical data on workplace, consumer and technology trends.

Founded in 1982, the NAMA Foundation is a 501(c)3 charitable organization (EIN #36-3169508).



For more than 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. The company excels at industry intelligence, forecasts, data, training support and consumer research.



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