



Impact Of OCS-Focused Operations

By Emily Refermat, Editor

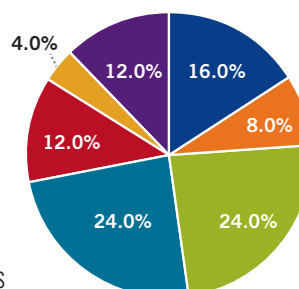
Few OCS-only companies venture into micro markets, sticking to high employee counts and coffee.

Office coffee service is still a strong business that is getting stronger. The 2017 State of Office Coffee Service report put revenues from the OCS segment of the industry at \$5.1 billion, thanks to customer appreciation for premium coffee, more single-cup brewer options and the expansion of businesses wanting to offer break room refreshment as a benefit.

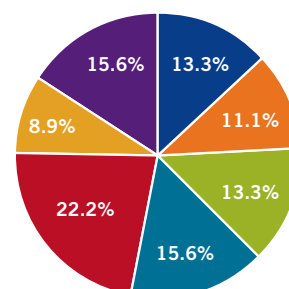
There are still many OCS focused operations. About 76 percent of our survey respondents are only OCS operations that do not offer any vending service. Another 24 percent define themselves as office coffee ser-

SIZE

- LESS THAN 10 EMPLOYEES
- 11-14 EMPLOYEES
- 15-19 EMPLOYEES
- 20-29 EMPLOYEES
- 30-49 EMPLOYEES
- 50-74 EMPLOYEES
- 75-99 EMPLOYEES
- MORE THAN 100 EMPLOYEES



All OCS Providers



OCS-Only Operators

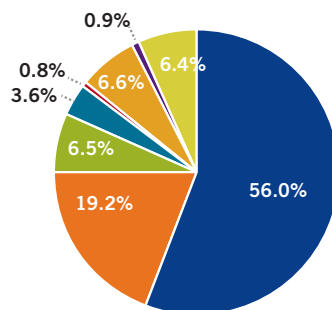
vice providers that offer some vending services. These two groups have a slightly different view of the industry and experience with customers than the full-line vending operators that also do OCS.

Location makeup differences

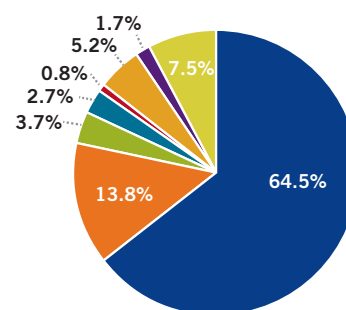
The number of locations for OCS operators tended to be larger, averaging in the mid 300s per operation, compared to the average of 250. In fact, the OCS-only operators tend to

TYPE

- OFFICES
- INDUSTRIAL PLANTS
- RESTAURANTS, DELIS, BAKERIES, ETC.
- CONVENIENCE STORES
- GOVERNMENT OR MILITARY FACILITIES
- SCHOOLS, COLLEGES, UNIVERSITIES, ETC.
- RETAIL OUTLETS
- OTHER



All OCS Providers



OCS-Only Operators



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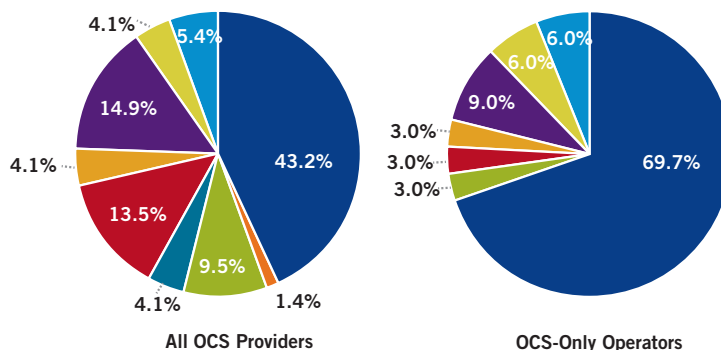


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MICRO MARKETS

- I DON'T OFFER MICRO MARKETS
- HOT BEVERAGE VENDING MACHINE
- KEURIG SINGLE-CUP BREWER
- FLAVIA DRINKS STATION
- OTHER SINGLE-CUP BREWING SYSTEM
- POUR-OVER/AUTOMATIC/THERMAL BREWER
- BEAN TO CUP BREWER
- NONE
- OTHER



service more of the larger locations. They report handling services for 46.7 percent of the locations that have 50 or more employees. For the segment as a whole, that number is 28 percent, meaning full line operators aren't winning as many of the larger accounts from OCS-only operators. With the other services they offer, full-line operators will also take smaller locations on for OCS, gaining the necessary revenue in vending or micro markets.

The type of location also varies. For OCS-only operators, a greater percentage serve offices, 64.5 percent compared to 56 percent. In nearly all other locations, the more diverse OCS providers that also offer other refreshment options report the bulk of the market share, however. The most notable being industrial plants where all OCS providers claim to service 5.4 percent more of the locations than what is reported from OCS-only operators.

Micro markets prove less inviting

While fewer than half of OCS providers claim not to have any micro markets, the number is nearly 70 percent for OCS-only operators. The challenges in servicing micro markets is the main issue. Micro markets require a greater number of SKUs, including a higher percentage of fresh food in order to be successful. OCS-only operators are adding SKUs, but mostly of ancillary

items or different types of single-cup options. Few have the resources or desire to entire into the micro market segment, any more than they want to add vending.

For those OCS-only operators that do have micro markets, because there are around 30 percent who do, bean-to-cup is the type of brewer used most often in a micro market. This is similar to the overall OCS providers, although one interesting difference is that other single-cup brews are not placed in micro markets as often by OCS-only operators as they are in the segment as a whole. Only 3 percent of OCS-only operators place other forms of single-cup options, including pod brewers and liquid coffee specialty drink machines. Whereas 13.5 percent of the segment as a whole, places these types of brewers predominantly in micro markets.

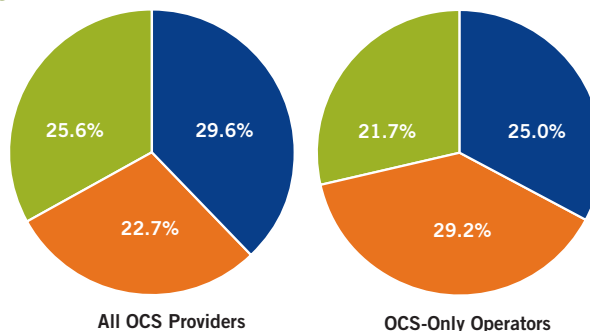
Threats differ by type

While the top three factors that contributed to changes in the office coffee service industry were the same for the two groups, where competition ranked was very different. For the segment as a whole, area businesses opening and closing impacted sales the most. With technology a close second, followed by competition. For those in the OCS-only business, competition was the top contender, showing the difficulty that these operators are having competing against national organizations, office supply stores and full-line operations.

At the right size in the right region, OCS-only operators still command a strong business. They handle larger offices and find their revenues increasing in-line with the industry as a whole. The majority don't intend to expand into food and snack services however, instead favoring other services in order to stand out. | ◀

OUTSIDE FORCES

- AREA BUSINESSES OPENING OR CLOSING
- COMPETITION
- TECHNOLOGY



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