

# 2019: Another Record-Breaking Year For Operators

Last year, convenience services operators had their strongest year yet, expanding locations and boosting sales by diversifying product and service offerings.

By Abby White, Editor

It may be hard to imagine due to the current economic downturn, but 2019 was a great year for the convenience services industry. As *Automatic Merchandiser's* annual State of the Industry survey on the vending and micro market segments reveals, the total industry revenue climbed to \$24.2 billion, a nearly 3% increase over the previous year. (chart 1A).

More than a third of survey respondents reported that their operations' total sales increased by at least 10% between 2018 and 2019 (chart not shown). Operators also reported a larger percentage of sales in categories outside of vending, micro markets and office coffee service (chart 7C).

CHART 1A: Industry revenue in billions

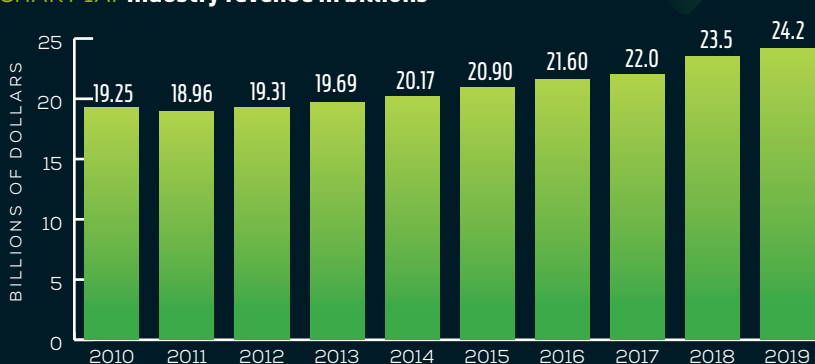


CHART 1B: Micro Market 2-year review

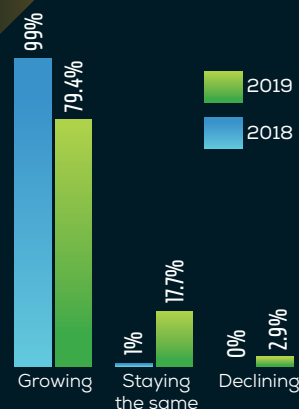


CHART 2: Operator sales

SIZE	REVENUE RANGE	% OF 2019 OPERATORS	PROJECTED 2019 SALES	% OF 2019 SALES
Small	under \$1M	67.1%	\$1.3B	5.2%
Medium	\$1M - \$4.9M	16.5%	\$4.4B	18.3%
Large	\$5M - \$9.9M	7.1%	\$5B	20.9%
Extra large	\$10M +	9.4%	\$13.5B	55.6%

**55.6%**  
of the industry's revenue  
is made up of 9.4% of  
the businesses

This category growth may be due to an increasing number of operators diversifying their revenue streams to better serve their customers in a competitive marketplace.

This year's State of the Industry report, which had the highest response rate from *Automatic Merchandiser* readers in four years, captured operators' data from January 2019 to December 2019, just before COVID-19 disrupted the American economy. In next year's report, we will explore how the coronavirus impacted the convenience services industry.

### SIZE BREAKOUT SHIFTS SLIGHTLY

Like previous years, "small" operators, or operators with a total annual revenue under \$1 million, account for most operations (67.1%) but yield the smallest percentage of the industry's overall revenue (\$1.3 billion or 5.2%, chart 2). "Extra-large" operators with more than \$10 million in annual revenue continue to contribute the highest percentage of the industry's total sales (\$13.5 billion or 55.6%).

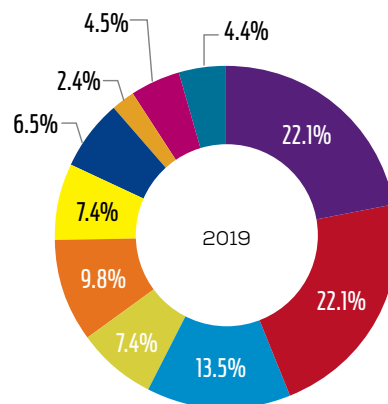
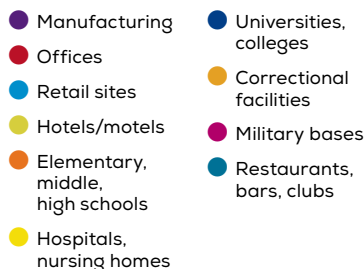
When comparing data to 2018 (not shown), operators in the "large" revenue range (\$5-\$9.9 million) nearly doubled their share of the industry's overall sales in 2019 while the "extra-large" category decreased, suggesting that while larger operations continue to acquire smaller ones, the industry's biggest players may not have experienced the highest gains.

### BUSINESS GROWTH CONTINUES

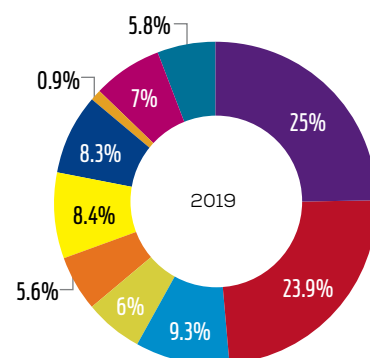
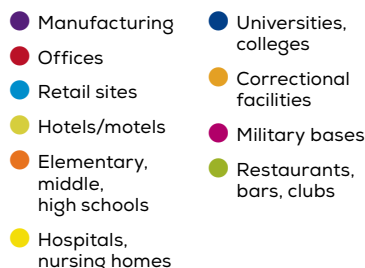
More than half of the operators surveyed added new accounts in 2019 (chart 3B). While the percentage of

**Respondents said theft was the biggest challenge for micro markets.**

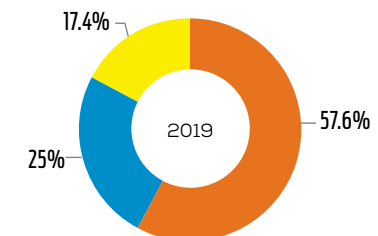
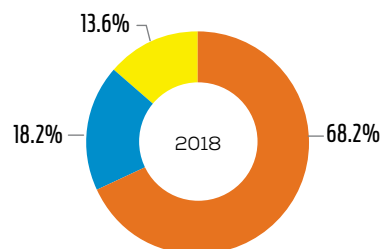
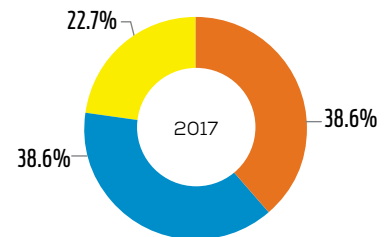
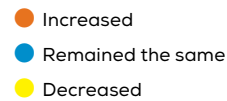
**CHART 3A:**  
**Machines by location**



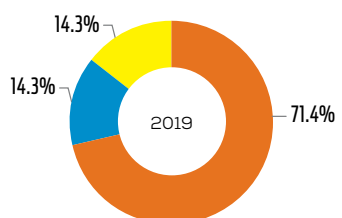
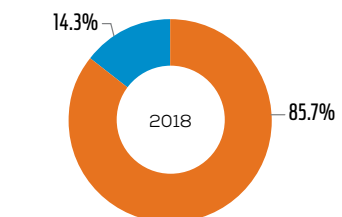
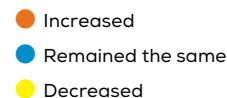
**CHART 3C:**  
**Micro markets by location**



**CHART 3B:**  
**Number of locations served**

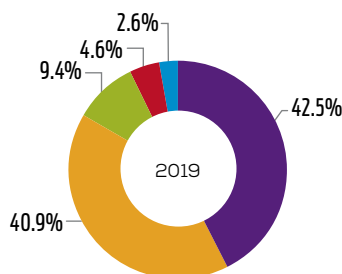


**CHART 3D:**  
**Number of micro market locations served**

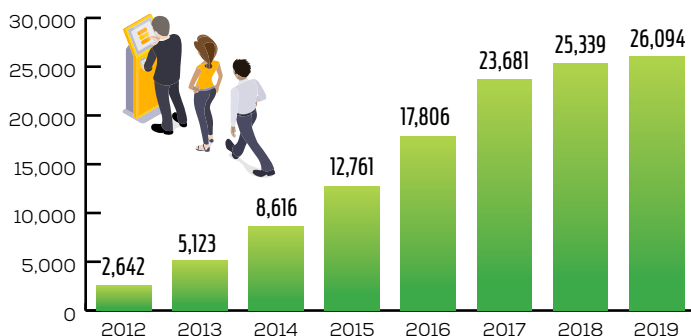


**CHART 4A:**  
Percentage of each type that makes up placed vending machines

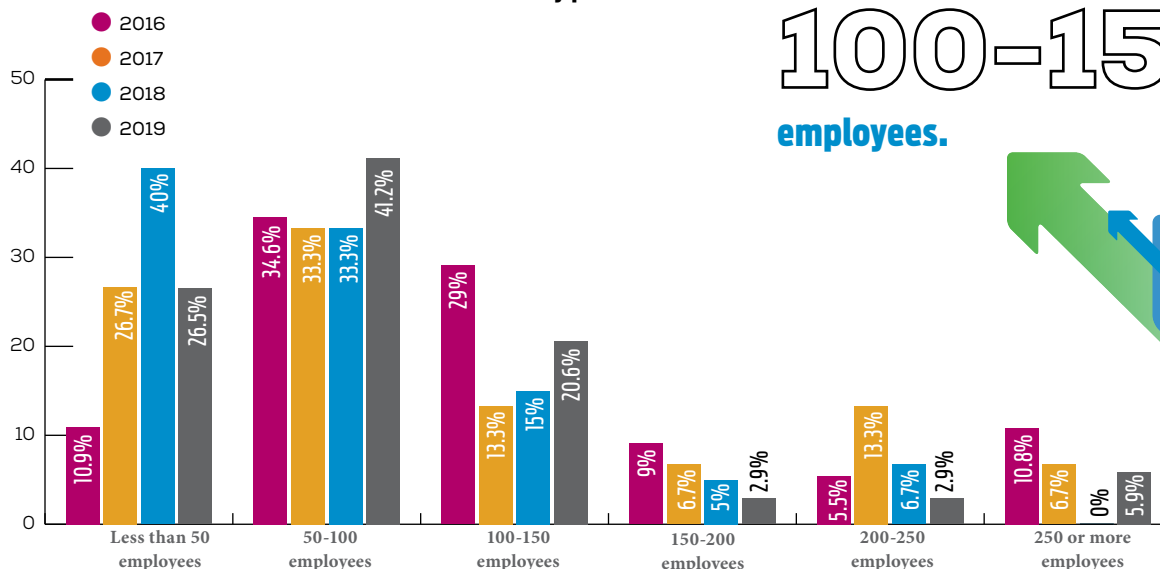
- Cold beverage
- Hot beverage
- Glassfront
- Frozen only
- Refrigerated food



**CHART 4B:**  
Active micro market locations



**CHART 4C:**  
Smallest location where a micro market is currently placed



Estimated total vending machines

**3,504,566**

in 2016

**2,103,473**

in 2017

**2,084,500**

in 2018

**2,175,756**

in 2019



**CHART 4D:**  
Average shrinkage rate in micro markets, as a %

	2017	2018	2019
0%	0%	0%	3.4%
1%	13.3	0	6.9
2%	33.3	35	13.8
3%	20.0	5	13.8
4%	6.7	6.7	10.3
5%	6.7	20	13.8
6%	0	14	13.8
>7%	6.7	19.3	20.7
I don't know	13.3	0	3.5

**CHART 4E:**  
Most common loss prevention techniques, as a %

	2018	2019
Regular market inventory	80%	62%
Hired loss prevention employee	60	17
Screens showing canceled orders	60	69
Signage about theft in micro market area	60	66
Camera feed displayed above kiosk	40	76

The average micro market is at a location with

**100-150**

employees.

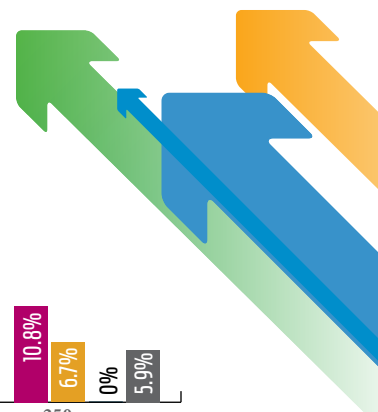


CHART 5A:

### Acquired or divested business

● 2015 ● 2016 ● 2017 ● 2018 ● 2019

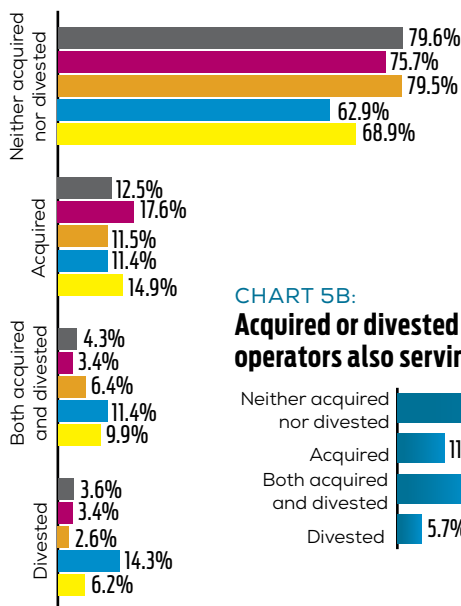
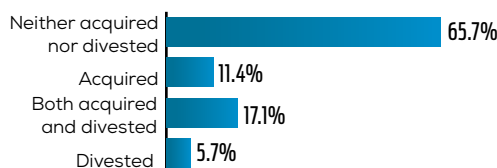


CHART 5B:

### Acquired or divested business breakout for operators also serving micro markets in 2019



operators who increased the number of locations served dipped from the previous year, this year's breakout is more consistent with data from the past five years, suggesting last year's figure of 68.2% of survey respondents reporting an increase may have been a slight exaggeration due to a low number of respondents.

This year, operators attributed growth to winning bids on new locations, acquiring other operations, adding accounts, customer referrals and rising consumer demand. Some operators reported making proactive moves such as focusing on market development and integrating aggressive marketing efforts.

As in previous years, manufacturing and offices make up the majority of vending locations served, but manufacturing accounts experienced an 8% drop from last year and offices decreased by 3% (chart 3A). All other location types except correctional facilities and hotels/motels experienced gains over the previous year, suggesting that operators may be actively seeking

locations in a variety of different areas to diversify their accounts.

For micro markets, 71.4% of operators said they increased the number of micro market locations last year, which is lower than 2018 but still a slight gain over 2017 (chart 3D). Survey respondents reported the increase in micro market locations was due to added locations, increased customer demand and improved efficiency due to using technology.

### MICRO MARKETS STILL GROWING

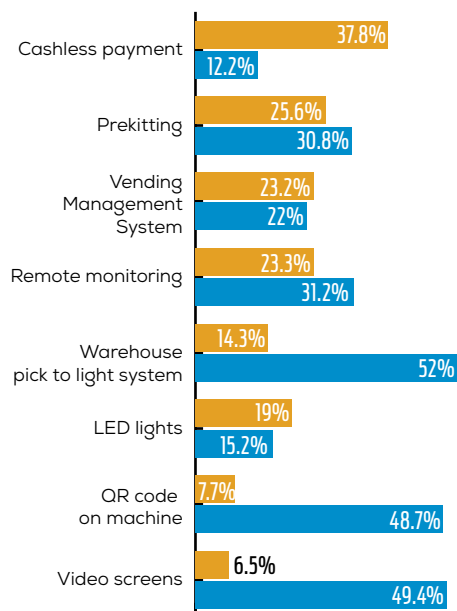
The majority of micro markets are still located in manufacturing facilities and offices, but these categories experienced double-digit drops over the past two years (chart 3C). The number of micro markets increased in every other location category except correctional facilities, adding more credence to the idea that operators are diversifying their accounts and location types.

The increase of micro market locations at retail sites, hotels, schools, hospitals, restaurants and military bases was much larger than in previous years.

CHART 6A: Technology rankings, averaged

● Great Investment - ROI

● Don't use it/like it



While the strong economy was certainly a factor, this could also be due to the use of technology that streamlined micro market implementation and management, increasing efficiency.

Another contributing factor may be growing consumer acceptance of unattended retail. Operators who invested in security tools such as locking coolers and camera monitoring have started placing semi-public and public-facing micro markets. This will be an interesting trend to watch, especially in the post-COVID-19 world, where consumers could seek out unattended retail options and contactless payments for safety reasons.

### MICRO MARKETS GROW SMALLER

Like last year, operators reported that they are managing an increasing number of micro markets at smaller locations (chart 4C), shifting the average micro market location size to 100-150 employees (down from 150-200 employees for the previous year).

Operators have reported that many mid- to large-sized locations already

had micro markets in place or were approached by a competitor (this may also explain why offices and manufacturing locations have experienced a decrease). Additionally, technology suppliers now offer innovative and

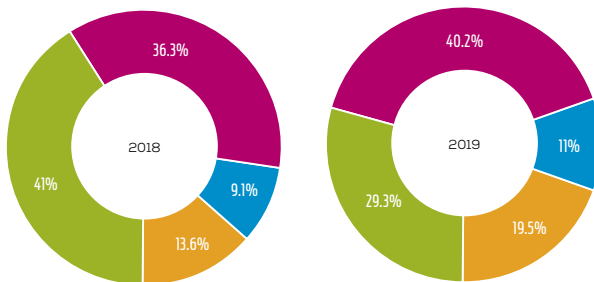
affordable tablet and mobile checkout systems, eliminating the need for a kiosk, which is a larger investment and takes up more space.

Locations that were previously considered too small to turn a profit

are now desirable. As one respondent noted, micro markets are “becoming more affordable for smaller locations. We are upgrading and taking used systems as well as nano market kiosks to smaller locations.”

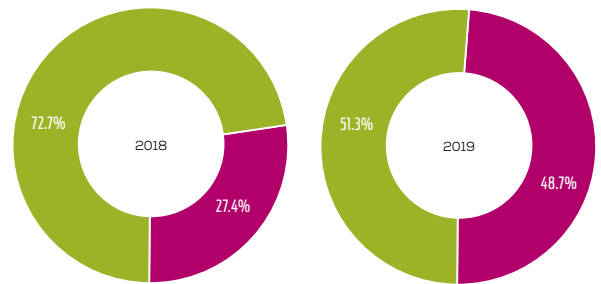
**CHART 6B:**  
**Vending data collection trends**

- Telemeter or cashless device remotely/using the cloud
- Manual process (such as paper and pencil) on location
- Handheld device on location
- Smartphone or tablet (Apple or Android) on location



**CHART 6C:**  
**Vending management systems**

- Use a VMS
- Don't use a VMS





- » **New and Refurbished Vending Machines**
- » **1 Year Parts Warranty**  
On All Refurbished Machines
- » **20+ years in industry**

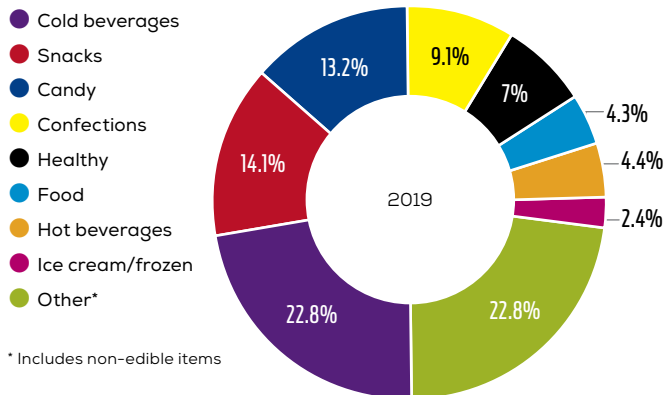
VENDWEB.COM

Thinking Outside The Box For You!

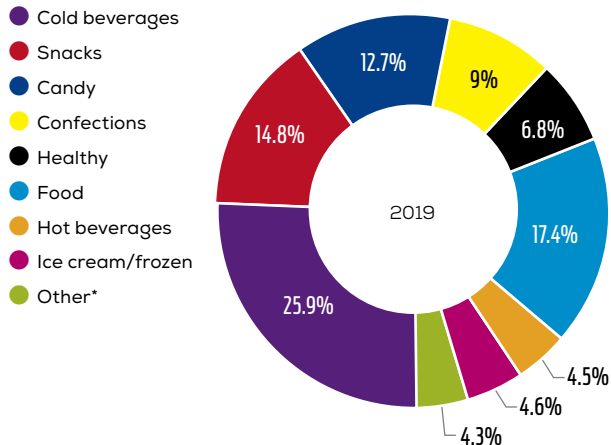
For more information contact us at  
**704-802-4394 | [vendweb.com](http://vendweb.com)**



**CHART 7A:**  
**Vended share of sales by product category**



**CHART 7B:**  
**Micro market share of sales by product category**



## Percentage of operators who reported having no cashless devices on any machines

7.9%



90900790 | Yehor Vlasenko | Dreamstime

# LET'S GET SNACKIN'!

## Meet The New Mini Doodles from Fieldstone Bakery

**COMING SOON!**

Individually wrapped and delicious Smart Snack that meets the USDA nutritional requirements for one ounce grain.

FieldstoneBakery.com
FoodService@McKee.com
1 (800) 251-6346 Ext. 24656

## VENDING MACHINES ON THE RISE?

In last year's report, the reduction of vending machines had decelerated, suggesting that the industry may have ceased vending machine removal. This year, operators reported an increase in machines placed for the first time in years, a boost of 91,256 over the previous year, totaling 2,175,756 machines.

Operators, aided by technology such as vending management systems (VMS) and prekitting, can manage vending routes more efficiently, saving time and increasing revenue. As reported in last year's survey, some operators have been placing more machines at existing vending locations to reduce service visits, while others are placing refurbished machines at smaller locations. This will be another interesting trend to watch, although the COVID-19 crisis will likely impact these numbers in next year's report.

## TECHNOLOGY TRENDS

Over the past three years, survey respondents have reported that they are becoming increasingly accepting of cashless payments, with 37.8% saying it's a great investment, up from 24.5% last year (chart 6A).

An interesting figure from this year's report is shown in chart 6C, in which 48.7% of respondents reported that they do not currently use a VMS, bucking the trend toward VMS usage seen over the past four years. This may be an anomaly in this year's data, but it appears there is still room for technology growth.

Alternately, the percentage of operators who reported having no cashless devices on any machine was the smallest number in four years: 7.9%, down from 9.1% in 2018 and 12.3% in 2017.

## COLD IS STILL KING

Cold beverages are still the top-selling product category in both vending and micro markets, although they experienced a significant drop in vending, capturing just 22.8% of sales, down

CHART 7C:

### Share of sales by service category, combined services

	2016	2017	2018	2019
Vending	78.1%	66.2%	63.8%	50.1%
Micro Markets	12.9	15	15.8	11.1
OCS	5.2	7.3	9.3	7.2
Water service	1.0	4	2.3	2.5
Other	0.7	2.9	1.4	8.0
Pantry service	-	-	2.9	4.1
Bulk vending	0.7	1.6	1.6	3.4
Manual foodservice	0.9	0.2	0.8	4.4
Music	0.3	0	0.8	2.8
Games	0.3	0	0.8	4.1
Janitorial Supplies	0.1	0	0.5	2.2

CHART 8:

### Projected sales by category, in billions

VENDING PRODUCTS	2019	MICRO MARKET PRODUCTS	2019
Vended ice cream/frozen	\$0.3(B)	Micro market ice cream/frozen	\$0.1(B)
Vended food	0.5	Micro market food	0.3
Vended candy	1.6	Micro market candy	0.2
Vended hot beverages	0.5	Micro market hot beverages	0.1
Vended healthy	0.8	Micro market healthy	0.1
Vended confections	1.1	Micro market confections	0.2
Vended snacks	1.7	Micro market snacks	0.3
Vended cold beverages	2.8	Micro market cold beverages	0.4
Vended other	2.8	Micro market other	0.1

SERVICES	2019	% CHANGE
Vending	\$12.1(B)	-19.1(%)
Micro markets	1.7	-53.4
OCS	2.7	23.2
Water service	0.6	13.0
Other	0.5	64.5
Pantry service	1.0	46.1
Bulk vending	1.0	157.5
Manual foodservice	1.9	910.6
Music	0.8	339.5
Games	1.1	471.0
Janitorial supplies	0.7	470.4

from 31.2% the previous year (chart 7A). Several product categories shifted slightly, which could be due to price increases or operators struggling with maintaining an ideal product mix. While the majority of respondents said theft was the biggest challenge

in managing a micro market, the second most common answer involved products — selling fresh products that spoil, monitoring trends, and offering healthy products that, according to one respondent, “everyone wants but doesn't buy.”

For vending, the “other” category experienced the largest gain, from 7.7% to 22.8%, further suggesting that operators are diversifying their revenue streams — not just in services offered, but in the types of products they’re selling, including non-edible items. At least one respondent noted that they are selling CBD, which could have an impact on this category. Micro markets experienced similar product category shifts as vending; the “other” category also increased in micro markets, by 4.3% (chart 7B), and respondents said this included items such as sundries and medicine (aspirin, cold and flu).

#### NOW TRENDING: OTHER

When asked for a breakdown of sales by service category (chart 7C), survey respondents reported decreases in the three largest categories: vending, micro markets and office coffee service

(OCS). “Other” is on the rise again, this time from 1.4% to 8%, including repair services, delivery, honor system snack boxes (which may also be classified as pantry service) and paper supplies.

Pantry, which was one of the most talked-about service categories over the past year, experienced gains, along with bulk vending, music and janitorial supplies. Pantry service was popular with employers to attract and retain employees during the strong economic period with low unemployment experienced in 2019. Outside of “other,” manual foodservice and games experienced the most growth over the previous year.

#### LOOKING FORWARD

While 2019 was another record-breaking year for operators, 2020 has been challenging. Much uncertainty remains about how the American economy will recover from the COVID-19 pandemic,

## Methodology


The *Automatic Merchandiser State of the Industry* report is compiled from a survey sent to operators in the spring. It includes small, medium, large and extra-large full-service operations as well as snack and soda operators. Last year’s survey had an extremely low response rate, which may have exaggerated trends. Great care should be used when comparing numbers from last year to this year.

but operators have the potential to come back stronger than ever. As one survey respondent noted, “Increased attention = increased revenue. We made changes, paid attention to the needs of customers and we are going to do even more after COVID-19.” Rebuilding from the effects of COVID-19 will take perseverance, diligence and creativity, but this industry has recovered before, and it will recover again. ■

**Operators:**  
Now is the time to  
reinvent your business

# A Game Changer From Electron

**For OCS, Vending and Micro Market Operators**

 **Mobile phone charging solutions**  
are a huge opportunity for operators

**The Electron Supernova Bloom plugs in anywhere**  
and goes right to work, delivering ongoing  
revenue in your existing locations.

**The Electron  
Supernova Bloom**



**Electron®**

**Become an Electron Operator today!**

Call Mark Sutton at 714 396-6410  
or email [mark@electronto.go.com](mailto:mark@electronto.go.com)