

2021 *A year of RAPID RECOVERY*

The vending and micro market retail channel regained most of 2020's losses, but sales remained 13% behind 2019's benchmark high.

By Nick Montano, Contributor

CHART 1A: Industry revenue in billions

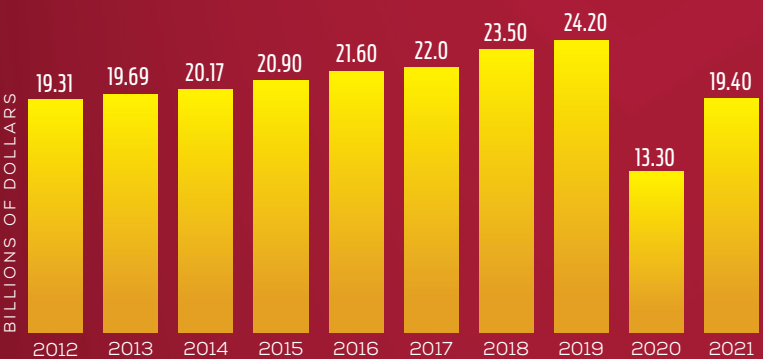
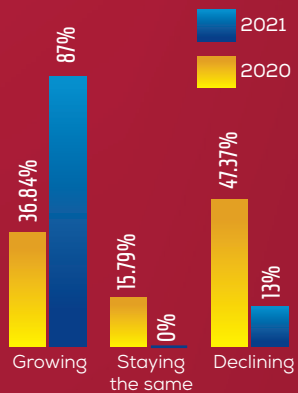


CHART 2: Operator sales

SIZE	REVENUE RANGE	% OF 2021 OPERATORS	PROJECTED 2021 SALES	% OF 2021 SALES
Small	under \$1M	58.2%	\$1.261B	6.50%
Medium	\$1M - \$4.9M	30.6%	\$4.520B	23.30%
Large	\$5M - \$9.9M	5.6%	\$4.016B	20.70%
Extra large	\$10M +	5.6%	\$9.603B	49.50%

CHART 1B: Micro market 2-year review



49.5%
of the industry's revenue
is made up of 5.6%
of the businesses

A STRONG REBOUND IN SALES IN all major food and beverage categories through vending machines and at micro markets led to a 46% increase in 2021 over the previous year's revenue, according to Automatic Merchandiser's latest State of the Industry report. Sales in the unattended retail channel totaled \$19.4 billion in 2021, compared with \$13.3 billion in 2020, when vending and workplace refreshments suffered their biggest downturn ever.

The vending industry's revenue was initially expected to fully return to, or surpass, 2019's benchmark revenue high of \$22.2 billion, after falling 45% in 2020, the first year of the pandemic that brought months-long lockdowns. Conversely, lingering at-home work patterns intensified by coronavirus variants, rising inflation and supply chain disruptions worked together to hinder a stouter recovery in 2021, and continue to do so this year. Vending operators tried to beat back this perfect storm of headwinds with price increases, which had a limited impact due to key product shortages. In the end, 2021 remained \$2.8 billion below 2019's pre-COVID high-water mark.

U.S. vending operators and the businesses they serve did their best to adjust to the new economic realities of the COVID world, with some success. Those realities are profoundly affecting workplace service providers more than any other merchant class. And the new reality that became evident in 2020 is a game-changer: the performance of vending, micro markets, coffee service and contract food-service is no longer tied to employment like it had always been. Low unemployment rates no longer translate to more people at offices as key U.S. employers have transitioned to remote or hybrid work models.

Last year, in fact, total job numbers grew 4.6%, according to the Congressional Budget Office, making 2021 the seventh-fastest year of job growth since the end of World War II. In general, according to CBO's relative pre-pandemic projections, adjusted for population, the U.S. economy

CHART 3A:
Machines by location

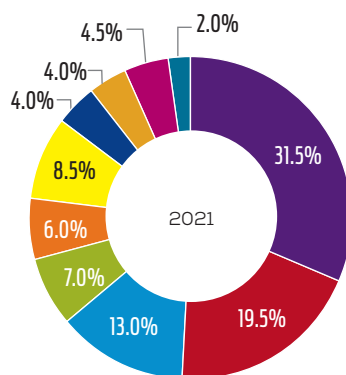
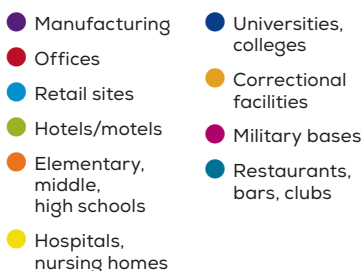


CHART 3C:
Micro markets by location

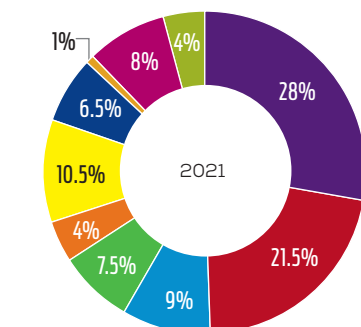
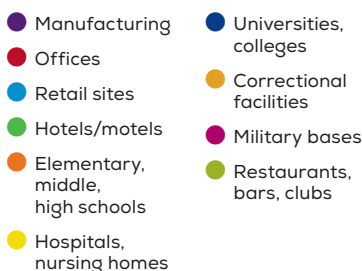


CHART 3B:
Number of locations served

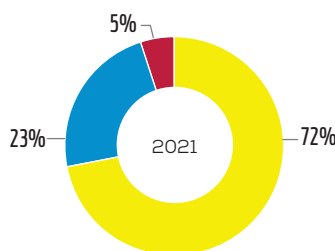
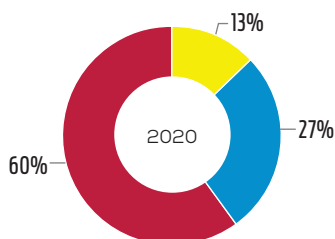
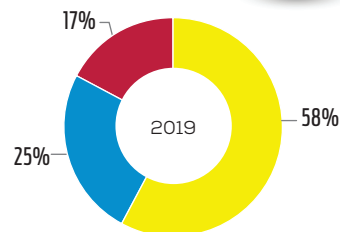
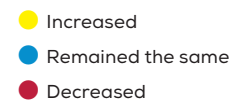


CHART 3D:
Number of micro market locations served

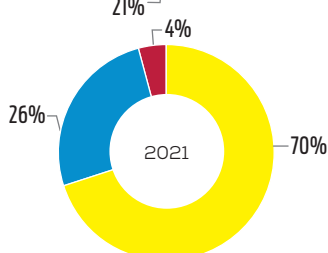
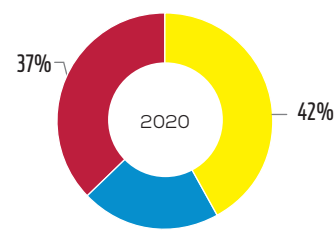
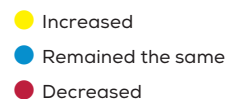
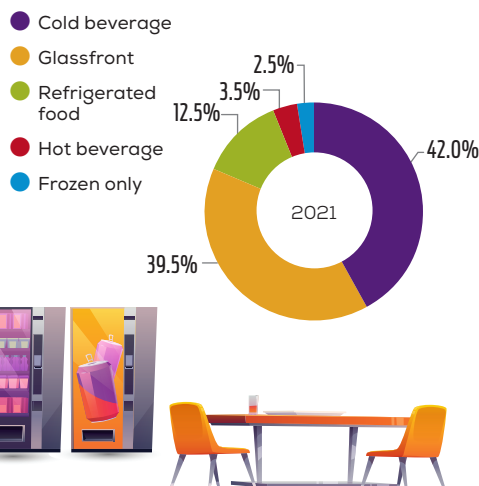


CHART 4A:
Percentage of each type that makes up placed vending machines



Estimated total vending machines

3,504,566

in 2016

2,103,473

in 2017

2,084,500

in 2018

2,175,756

in 2019

1,740,604

in 2020

1,971,600

in 2021

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

	2018	2019	2020	2021
0%	0.0%	3.4%	5.2%	0.5%
1%	0.0	6.9	0.5	6.5%
2%	35.0	13.8	5.3	8.5%
3%	5.0	13.8	37.0	15.0%
4%	6.7	10.3	21.0	31.0%
5%	20.0	13.8	10.4	15.0%
6%	14.0	13.8	5.2	15.0%
>7%	19.3	20.7	10.5	7.5%
I don't know	0.0	3.5	4.9	1.0%

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

	2019	2020	2021
Regular market inventory	62%	63%	69%
Hired loss prevention employee	17	5	23
Working with a loss-prevention consultant	-	16	7
Screens showing canceled orders	69	58	84
Signage about theft in micro market area	66	69	62
Camera feed displayed above kiosk	76	63	61

CHART 4B:
Active micro market locations

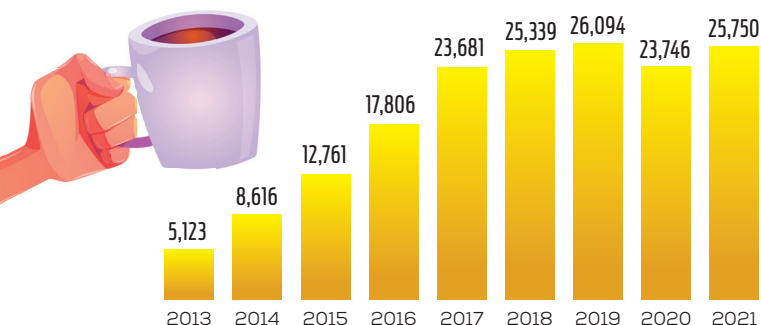
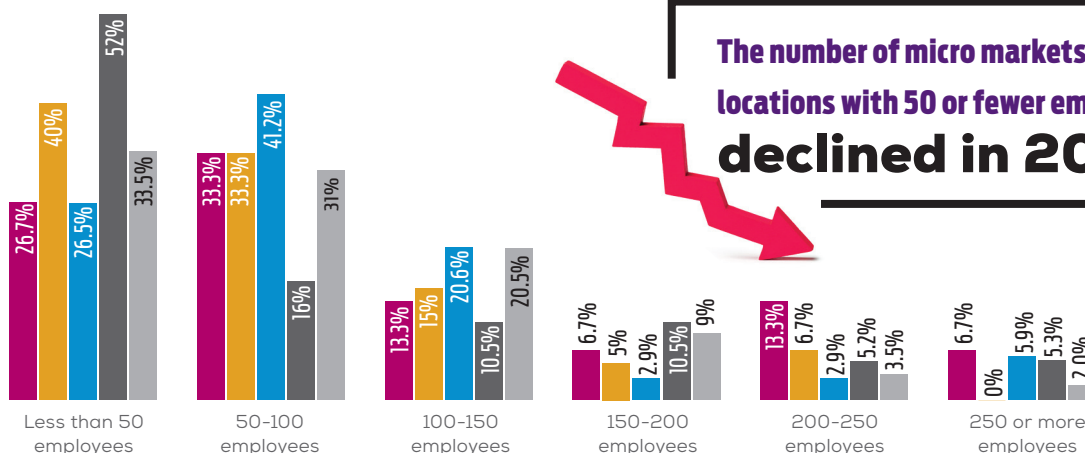


CHART 4C:
Smallest location where a micro market is currently placed

● 2017 ● 2018 ● 2019 ● 2020 ● 2021



The number of micro markets placed in locations with 50 or fewer employees declined in 2021.

Several operators noted that more manufacturing clients and prospective clients preferred vending over micro markets because the latter presented temptation of theft among employees.

CHART 5A:
Acquired or divested business

● 2016 ● 2017 ● 2018 ● 2019 ● 2020 ● 2021

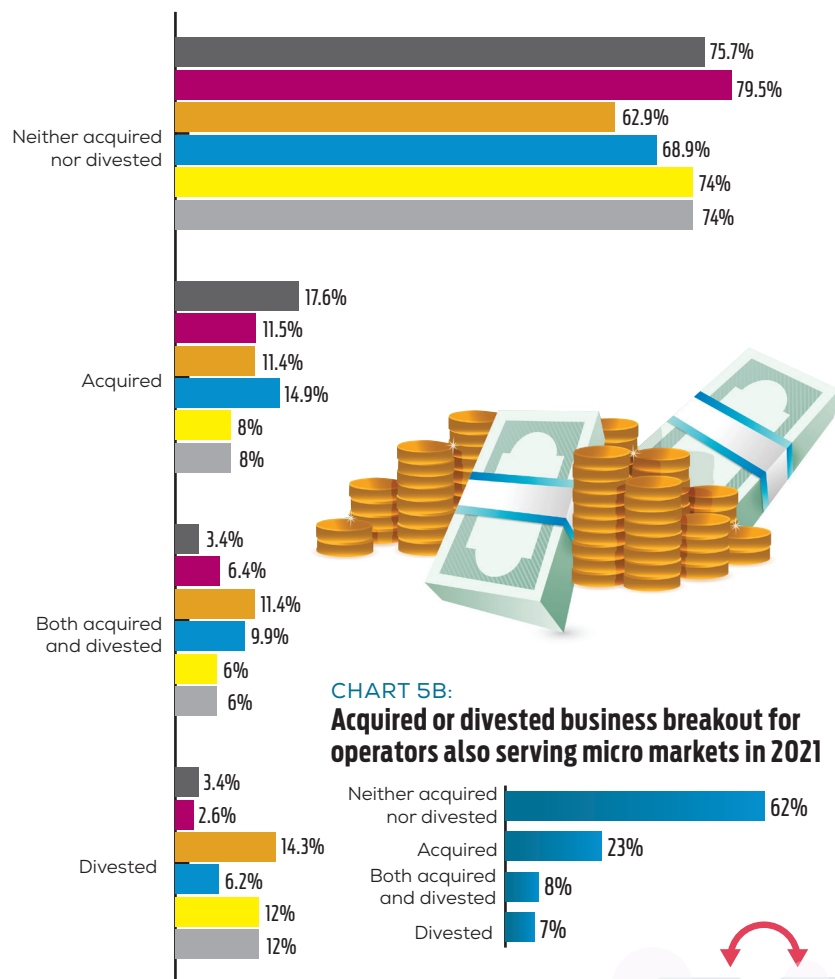


CHART 5B:
Acquired or divested business breakout for operators also serving micro markets in 2021

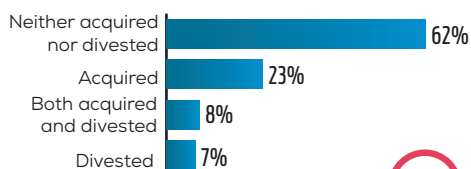
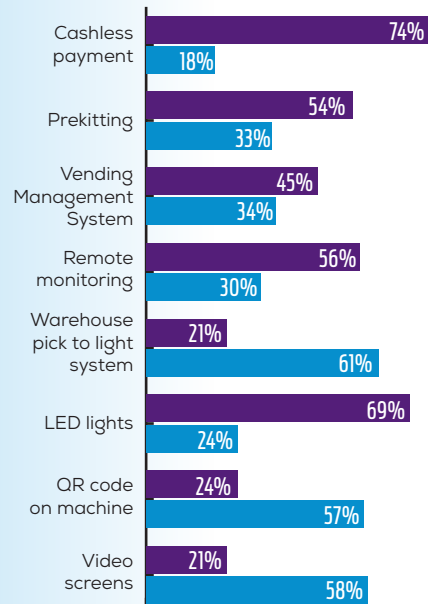


CHART 6A: Technology rankings, averaged

● Great Investment - ROI
● Don't use it/like it



40%

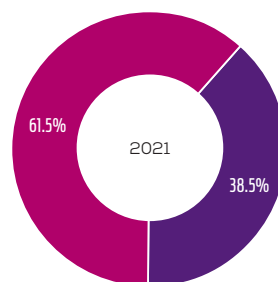
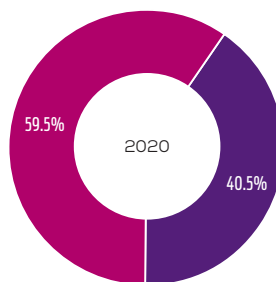
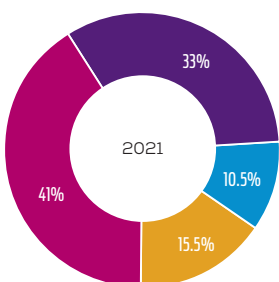
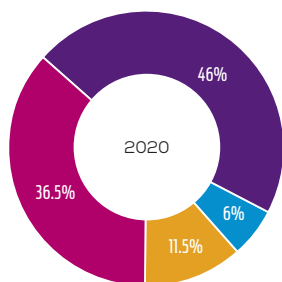
of survey participants said 90%-100% of their machines were equipped to accept cashless payments in 2021.

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



7% of survey participants said they had no cashless-enabled machines in 2021.

CHART 7A:
Vended share of sales by product category

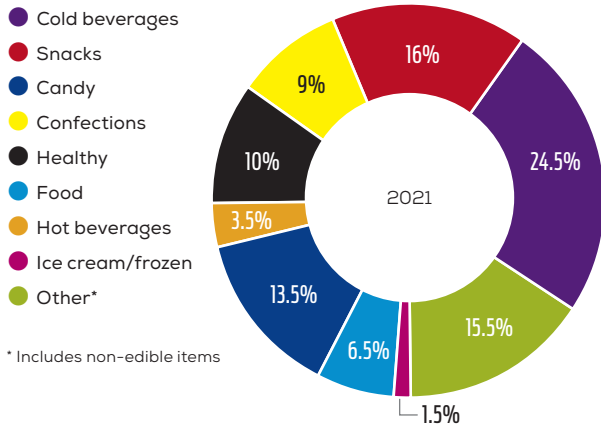


CHART 7B:
Micro market share of sales by product category

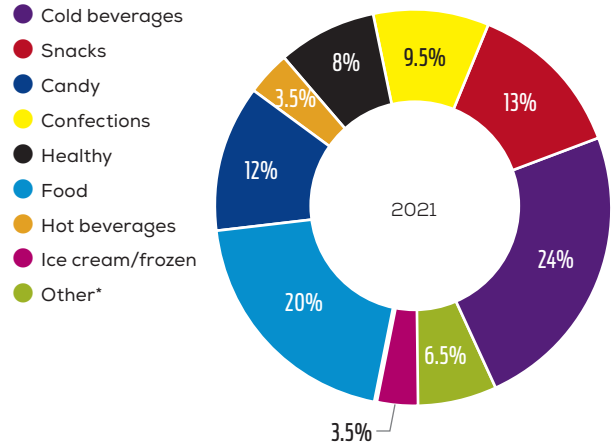


CHART 7C:
Share of sales by service category, combined services

	2019	2020	2021
Vending	50.1%	49.7%	48.0%
Micro Markets	11.1	14.6	18.5
OCS	7.2	7.0	11.0
Water service	2.5	2.5	2.5
Other	8.0	8.5	6.5
Pantry service	4.1	3.1	4.5
Bulk vending	3.4	3.1	2.5
Manual foodservice	4.4	3.1	1.5
Music	2.8	2.5	1.0
Games	4.1	2.9	1.0
Janitorial Supplies	2.2	3.0	3.0

in 2021 was still 4.4 million jobs short; additionally, 2.7 million fewer people were employed as of December than the CBO had anticipated pre-COVID. So, there's room for at-work employee population growth in the coming years.

ALL VENDED CATEGORIES UP

Regardless of the unpredictable nature of the COVID-influenced labor market, the pandemic has established the vending operator as an essential part of the business supply chain. The operator's ability to provide reliable services to workplaces was reflected in dramatic improvements in all major product categories last year.

Combined vending machine and micro market revenue gains were:

- Healthy items (including plant-based) up 200%.
- Food (sandwiches, salads, entrées) up 170%.
- Snacks (salted, bars, mixes, etc.) up 120%.
- Packaged cold drinks up 92%.
- Candy (chocolate and non-chocolate) up 85%.
- Confections (pastries, cookies, etc.) up 64%.
- Ice cream/frozen items up 50%.
- Hot drinks (vended coffee, tea, cocoa, etc.) up 40%.
- Miscellaneous "other" items up 26%.

AS EXPECTED

In the overall retail and foodservice economy, sales of plant-based foods grew three times faster than total food sales in 2021, according to data compiled by the Plant Based Foods Association, the Good Food Institute and wellness-focused research firm SPINS. Their data showed plant-based growth at 6.2% in 2021, bringing the total plant-based market value to a record high of \$7.4 billion. Likewise, micro markets and vending installations saw their strongest year in plant-based sales, which are currently recorded as part of AM's "healthy" category. Sales in the vended healthy segment (combined vending and micro market) beat

CHART 8:
Projected sales by category, in billions

VENDING PRODUCTS	2021	MICRO MARKET PRODUCTS	2021	SERVICES	2021	% CHANGE
Vended ice cream/frozen	\$0.2 (B)	Micro market ice cream/frozen	\$0.1 (B)	Vending	\$12.2 (B)	43.53(%)
Vended food	1.2	Micro market food	0.7	Micro markets	3.3	91.18
Vended candy	2.2	Micro market candy	0.4	OCS	1.5	37.61
Vended hot beverages	0.6	Micro market hot beverages	0.1	Water service	0.4	37.93
Vended healthy	1.5	Micro market healthy	0.3	Other	0.3	25.00
Vended confections	1.5	Micro market confections	0.3	Pantry service	0.4	33.33
Vended snacks	2.6	Micro market snacks	0.5	Bulk vending	0.1	-33.33
Vended cold beverages	4.0	Micro market cold beverages	0.8	Manual food-service	0.7	11.11
Vended other	2.3	Micro market other	0.2	Music	0.2	66.67
				Games	0.2	33.33
				Janitorial supplies	0.2	17.65

2019's high by 25%, increasing from \$1.4 billion to \$1.8 billion.

Packaged cold drinks held the No. 1 rank among the convenience product categories last year, generating 25% of revenue, or \$4.8 billion. Always dynamic categories, packaged snacks, confections and candy jointly constituted the largest market share of convenience services. In 2021, these items in these categories led the way in dollar volume, representing 38% of all sales through vending machines and 34% of all sales in micro markets, or \$6.3 billion and \$1.2 billion, respectively.

OPERATION SNAPSHOT

Most (47%) of this year's survey participants defined their businesses as full-line operations providing vending machines, micro markets and office coffee services. About 10% were traditional full-line vending operations without micro markets, while just under 5% operate micro markets only. And some 19% of the businesses claim to be candy, snack and beverage only operations. These unattended retail areas, prevalent in workplaces, are collectively known as convenience services. About 10% said they were bottlers.

Most of this year's survey participants (70%) said they operated between one and nine routes, and 40% employed between one and five people. Almost 40% of all operators were involved in acquiring or divesting routes or parts of their operation. And most vendors (75%) said their cold drink machines, ranging from count between 5% and 100%, were supplied by a bottler. Some 71% of operators said the number of locations they served in 2021 increased.

During the 2021 recovery, the nation's operators had an estimated 1.97 million vending machines on location, increasing from 1.74 million the year prior. Last year's micro market installed base climbed to 25,750, up 8.5%, compared with 23,745 installed markets in 2020. Manufacturing and office locations represented a little more than half of the convenience services demographic last year.

SHELF SHOCK

For most merchant classifications, 2021 was a year of empty shelves, severely impacting U.S. retail sales. Empty shelves were evident in the vending and micro market segment, too, as operators struggled to procure common confections and beverage

products that were once abundant. According to a NielsenIQ analysis of on-shelf availability, empty shelves cost U.S. retailers an estimated \$82 billion in missed sales last year. In the convenience services sector, product shortages significantly hampered the recovery.

Vending, and more recently, micro markets, rose in response to market challenges, and it has demonstrated an ability to keep on doing so. The marketplace vending operators serve has undergone a profound transformation in the past two years and their workplace clients recognize the value proposition they bring to their businesses. All signs point to continued recovery for the industry. ■

Methodology

Data in Automatic Merchandiser's State of the Industry report are compiled from a survey sent to operators in the spring. It collects responses from vending and micro market providers, as well as snack and soda operations. The State of the Industry report looks at performance results in major product categories.