Valentyn Volkov / Shutterstock

# Despite inflation-driven headwinds, the OCS market grows again

**Sales climbed in 2023, with a 25% increase over the previous year's revenue.**

*by Linda Becker*

IN SOME WAYS, THE COVID-19 pandemic seems a distant memory: everyday life has returned to normal, with crowded airports and other transportation venues, full classrooms and sold-out social and sporting events. Yet in the workplace, work-from-home shifts triggered by the pandemic have yielded permanent change. According to the Bureau of Labor Statistics, nearly 20% of workers performed their roles remotely or via telework in 2023. What's more, demand for remote work remains high, with 98% of respondents to a Buffer survey saying they would like to work remotely at least some of the time.

Does this mean that opportunities for building an exceptional office coffee service business are a thing of the past? Of course not! As the pandemic receded, many companies — more than 50%, according to a study by Resume Builder — had already instituted return-to-office plans by the end of 2023, and nearly 40% planned to put such policies in place in 2024.

**CHART 1:** OCS revenues – 10-year history

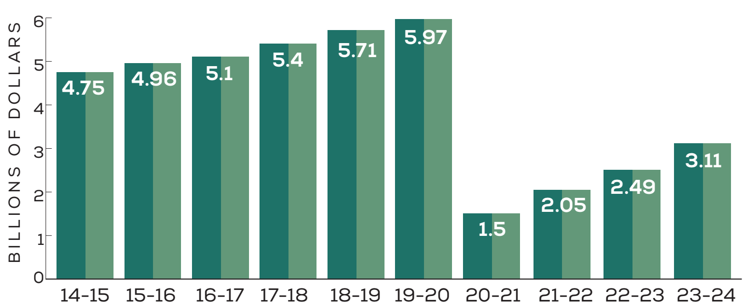



**CHART 2:** Operator sales change, 5-year review

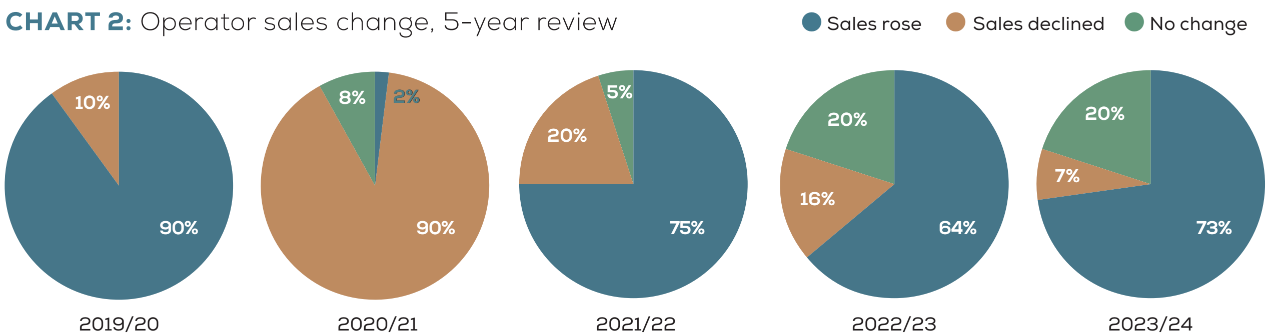


**CHART 3A:** Composite green coffee prices, 2018 to July 2024

Source: The International Coffee Organization, London, U.K.

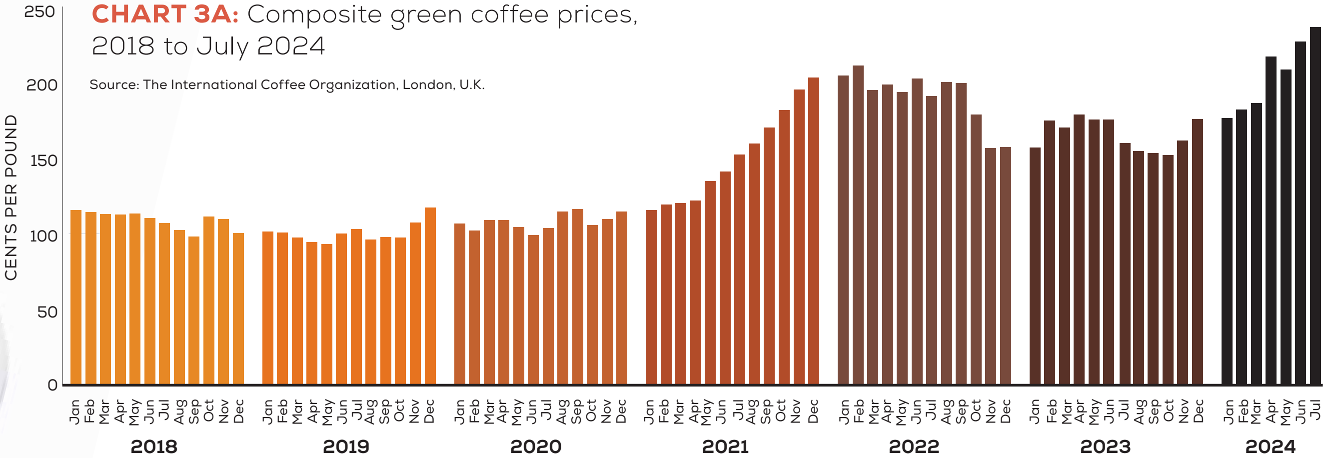
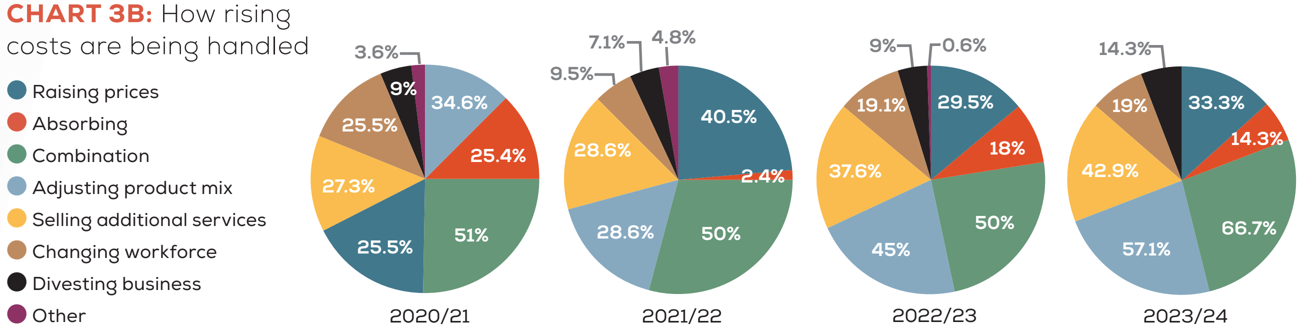



**CHART 3B:** How rising costs are being handled



ONYXprj / Shutterstock

**73%** of respondents reported an **increase in sales** in 2023.

**20%** more reported **no change** in revenue.

**CHART 4A:** Revenue per cup in cents per cup, Fraction pack automatic/pourover coffee, 5-year review

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| Revenue | 10.6¢ | 11.4¢ | 12.97¢ | 11.67¢ | 11.5¢ |

*Previous numbers have been adjusted based on additional data

**CHART 4B:** Revenue per cup, single-cup coffee, 5-year review

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| Single-Cup Capsule | 46¢ | 49.4¢ | 46.6¢ | 34.6¢ | 38.14¢ |
| Bean-To-Cup per cup cost | 36¢ | 44.8¢ | 40.9¢ | 35.1¢ | 36.13¢ |

What does all that mean for OCS operators? As our own Bob Tullio has said all year, the time is now to capitalize on the return-to-office push, tailoring your offerings to help position OCS as a workplace perk worth going into the office for.

## NIMBLE OPERATORS ALREADY CAPITALIZING ON RTW GAINS

In this year's State of the Office Coffee Service Industry Report, 73% of respondents reported an increase in sales in 2023, and 20% more reported no change in revenue.

For the number of locations served in 2023, more than half of respondents (54%) reported an increase in locations — a slight decrease from the 62% reported in 2022. The rise in locations was accompanied by a reported increase in OCS staff as well with 52%

**CHART 5A:** % OCS sales by supplier type

| SUPPLIER TYPE | 2023 |
|---|---|
| Private label | 29.8% |
| Local coffee brands (known to customers) | 30.5 |
| National brand - value coffee | 16.2 |
| National brand - specialty coffee | 12.7 |
| Espresso coffee | 10.9 |

**CHART 5B:** % OCS sales by product category

| PRODUCT CATEGORY | 2023 |
|---|---|
| Frac pack | 39.0% |
| Whole bean coffee | 32.9 |
| Single cup (non K-cup) | 14.4 |
| K-cups | 13.7 |

**CHART 5C:** Top-selling OCS products for past 12 months, by volume

| TOP PRODUCT | 2023 |
|---|---|
| Local coffee brands | 29% |
| Private label | 17 |
| Value frac packs | 5 |
| Specialty drinks | 4 |
| Whole bean | 12 |
| National brand coffees | 20 |
| K-Cups | 3 |
| Single-cup | 5 |
| Tea | 1 |
| Pantry or direct delivery service (food/snacks/beverages delivered to locations) | 4 |
| Water filtration service (point-of-use/POU) | 0 |

**CHART 5D:** OCS product category, % of sales

| PRODUCT CATEGORY | 2023 |
|---|---|
| Coffee | 40% |
| Non-coffee hot beverages | 10.8 |
| Soft drinks | 3.7 |
| Bottled water (5 gallon) | 3.5 |
| Creamers/sweeteners | 6.6 |
| Cups/plates/paper products | 7.7 |
| Tea | 6.4 |
| Pantry service/micro kitchen (paid by employer offered to employees) | 8.2 |
| Water filtration service (non bottled) | 10.3 |
| Ice machines | 2.5 |

of respondents reporting that they added staff in 2023.

## RISING COSTS REFLECT IN NET REVENUE

The costs of goods and labor were top of mind for many. Green coffee prices climbed steadily after stabilizing somewhat in 2022 and 2023, topping the 10-year high set in late 2021. OCS operators continued to face challenges of inflation, transportation costs, products, supplies and labor.

The cost of both coffee and supplies cut into revenue gains per cup (chart 5). Respondents employed multiple techniques to deal with rising costs in 2023, with the largest share (66%) both absorbing some costs while passing others on to their customers. Other respondents exclusively passed on the increases to customers (33%) or absorbed the costs (14%).

To make up for gaps on the balance sheet, operators turned to multiple techniques, including adjusting the product mix (51%), selling additional services (43%), changing their workforce (19%) and divesting businesses (14%).

Among the new services offered by some to pad the

**CHART 6:** Plumbed-in, automatic and thermal as % of total

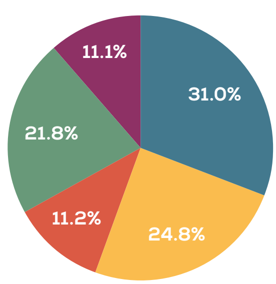


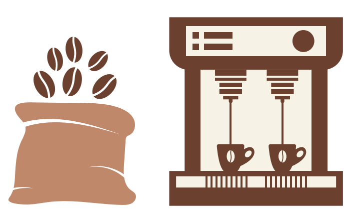
**CHART 7:** Estimated market share of single-cup brewer placements in the U.S., 5-year review

| MARKETER | PRODUCT(S) | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|---|---|---|---|---|---|
| Cafection | Avalon, Total Lite, Total 1, Alternative | 8.35% | 7.40% | 5.69% | 8.1% | 12.2 |
| Bodecker Brewed | Bodecker | 3.59 | 3.50 | 2.46 | 3.8 | 5.9 |
| VE Global Solutions | Brio, Colibri, Koro, Korinto, Kinvivo, Trophy, Venus, Cypris, Juno, Prosyd | 0.95 | 1.00 | 0.00 | 0.7 | 0.9 |
| Crane | Coti, Café System, Genesis | 2.56 | 2.50 | 0.00 | 1.7 | 1.5 |
| Cafejo | Cafejo | 1.03 | 1.00 | 2.40 | 2.6 | 5.9 |
| Technologies Coffea | Coffea, Pro-II G2 | 0.00 | 1.00 | 5.73 | 3.6 | 0.9 |
| JM Smucker's | Douwe Egberts C-300, C-600, C-60, N110, NG-300 | 5.87 | 5.10 | 1.88 | 4.9 | 3.5 |
| VKI Technologies | Eccellenza Express, Eccellenza Touch, Eccellenza Cafe, Latte Lounge | 2.05 | 1.90 | 3.82 | 3.7 | 2.6 |
| Lavazza | Espresso Point, Lavazza Blue, Dual Espresso, EP 2500 | 1.03 | 0.90 | 1.14 | 1.5 | 1.1 |
| Mars Drinks | Flavia Barista, Flavia Creation 500, Flavia Creation 400, Flavia Creation 200, Aroma | 2.42 | 2.50 | 2.99 | 3.1 | 3.0 |
| Filterfresh | Filterfresh | 1.28 | 1.30 | 0.00 | 0.9 | 0.6 |
| Grindmaster | Grindmaster | 10.18 | 9.80 | 14.72 | 13.2 | 10.2 |
| Kraft/Heinz | Gevalia, Tassimo T-3000, T-65 | 0.28 | 0.30 | 0.84 | 0.5 | 1.1 |
| Keurig | K3000, K150, K145, B155, K155, K130 | 20.72 | 19.80 | 14.24 | 13.9 | 10.8 |
| Rheavendors | Rhea, Cino | 0 | 0.40 | 0.00 | 0.2 | 1.0 |
| Saeco USA | Saeco, Estro | 0 | 1.00 | 1.27 | 1.1 | 1.1 |
| Newco | Smartcup, Freshcup, Freshcup Touch | 7.59 | 7.80 | 13.89 | 13.3 | 13.6 |
| Starbucks | Starbucks | 4.48 | 4.50 | 2.83 | 4.1 | 4.7 |
| Bunn | My Cafe Pod, AutPOD, Trifecta MB | 7.80 | 8.30 | 11.37 | 11.2 | 11.9 |
| Nespresso | Nespresso | 5.90 | 7.20 | 2.34 | 4.7 | 2.2 |
| Wilbur Curtis | Gold Cup, Expressions | 0 | 0.50 | 1.39 | 1.1 | 1.2 |
| Comobar | Comobar | 1.96 | 1.80 | 0.00 | 0.2 | 0.3 |
| MZB | La San Marco OC System | 6.39 | 6.10 | 0.96 | 2.8 | 1.0 |
| Cafe Primo | Cappuccino | 2.31 | 2.20 | 3.13 | 2.9 | 7.9 |
| Other | | 2.56 | 2.20 | 6.92 | 3.2 | 8.3 |

*Represents OCS provider placements only

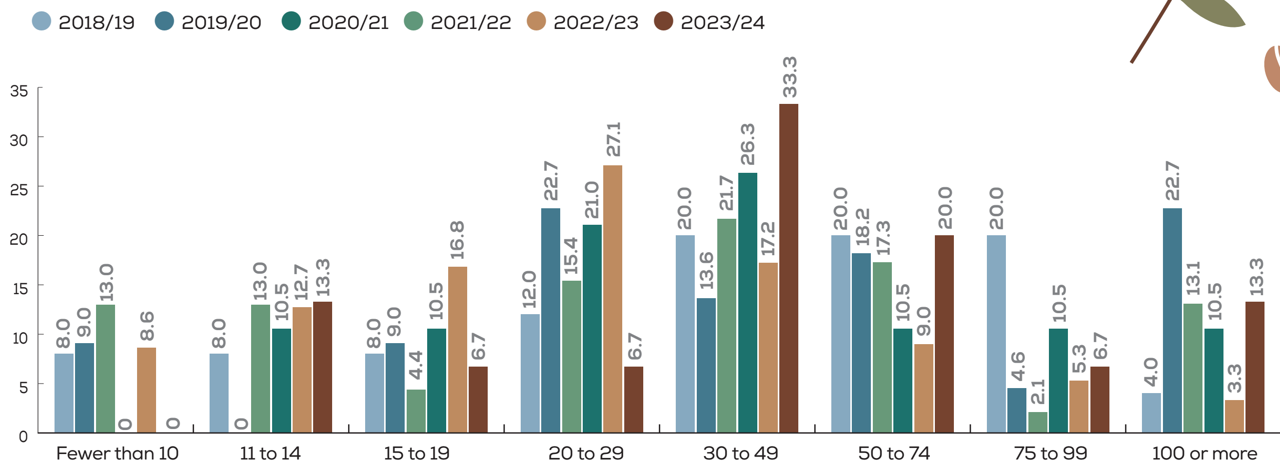


OCS still remains largely a coffee-driven service with **40% of sales** credited to coffee.



ONYXprj / Shutterstock


**CHART 8:** Account populations by size




bottom line, pantry service (28%) was added most often. Other respondents added micro markets (19%), water services (14%) and even janitorial services (14%). Still, nearly 40% did not offer any new services and looked to other strategies.

With rising costs, some respondents reported turning a critical eye on the account size, with no respondents reporting they serviced accounts with fewer than 10 employees. The majority (60%) had typical account populations of 30 to 75 employees, with another 20% serving accounts with more than 75.

**CHART 9:** Accounts by type, 5-year review

| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|---|---|---|---|---|
| Offices | 47.7% | 51.2% | 36.5% | 40.2% | 37.0% |
| Industrial plants | 17.6 | 16.8 | 17.3 | 19.3 | 16.0 |
| Schools/colleges | 6.9 | 6.3 | 8.3 | 12.1 | 7.8 |
| Convenience stores | 9.0 | 8.6 | 8.0 | 4.1 | 11.0 |
| Restaurants, delis, bakeries | 7.3 | 4.1 | 8.0 | 3.6 | 3.3 |
| Other (healthcare/hotels) | 3.0 | 3.8 | 9.5 | 12.8 | 12.3 |
| Government/ military | 4.3 | 4.1 | 6.1 | 4.2 | 5.5 |
| Retail outlets | 4.2 | 5.1 | 6.3 | 3.7 | 7.3 |

**CHART 10:** New services added in 2023

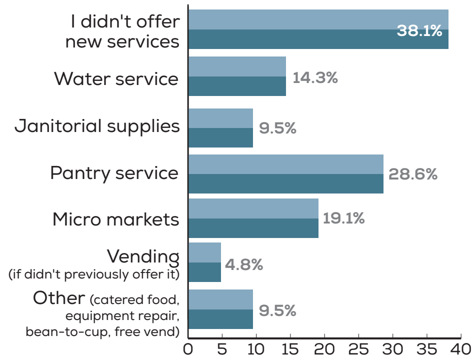
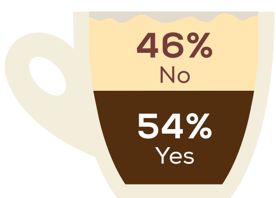


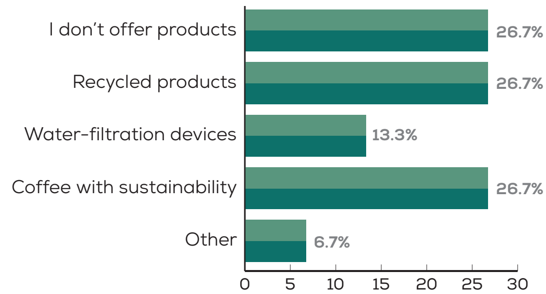

**CHART 11:** Company currently offers online ordering on its website




ONYXprj / Shutterstock

| Respondent revenue profile: | |
|---|---|
| Less than $500K | 40.0% |
| $500K to $1M | 20.0 |
| $1M to $2.5M | 6.7 |
| $2.5M to $5M | 0.0 |
| $5M to $10M | 6.7 |
| Over $10M | 26.7 |

**CHART 12:** Most popular environmental product offerings






## LOCAL COFFEE BRANDS GAIN WIDER ACCEPTANCE

In 2023, a preference for local brands came to the fore. Local coffee brands known to the consumer edged out whole bean and national coffee brands as the top-selling OCS product. Whole-bean varieties decreased from making up 39% of OCS sales to 13% while local brands nabbed 33%. Private label claimed 20% of the share for top-selling products from our respondents.

OCS still remains largely a coffee-driven service with 40% of sales credited to coffee. Other well-selling products include non-coffee hot beverages (10.8%), water filtration services (10.2%), pantry service (8.2%) and tableware supplies (7.7%).

## COFFEE STILL ACCOUNTS FOR MOST GROWTH

When asked to rank their fastest-growing service categories, respondents reflected the variations among markets by ranking five out of six categories equally important: non-single-cut coffee service, single-cup coffee service, tea, water service and pantry or delivery services. Only janitorial or office supplies ranked noticeably behind, perhaps reflecting operators' willingness to consider such services as well as their markets' willingness to add those services from their OCS providers. ■