

Chapter 1: Executive Summary

Scope and Methodology

- Scope of coverage

Methodology

- Consumer survey methodology

- Market size and forecast

- Menu item trend analysis

- Other sources

- Restaurant categories

- Limited-service restaurant definitions

- Full-service restaurant definitions

Other definitions

Office Coffee Service Market Size and Forecast

Insight Capsule

Office Coffee Service Macroeconomic Drivers

Insight Capsule

Consumer Trends Shaping Office Coffee Service

Insight Capsule

Coffee Foodservice Menu Trends

Insight Capsule

Consumer Coffee and Office Coffee Usage & Behavior

Insight Capsule

Office Coffee Service Provider Analysis

Chapter 2: Office Coffee Service Market Size and Forecast

Market size and forecast summary

- Moderate growth ahead

- But competition looms

- Pursuing smaller accounts is paramount

- Consumer purchase patterns a wildcard

- Bottom line

Graph 2-1: Office Coffee Service Revenue, 2005-2014

Largest sales category? Coffee, naturally

Graph 2-1: Office Coffee Service Revenue, Dollar Share by Product Category, 2005-2011

Branded coffee makes a comeback

Table 2-1: Office Coffee Service Revenue, Percent Share by Product Category, 2005-2011

Industry segment analysis

Table 2-2: Office Coffee Service Accounts, by Industry Served, 2005-2011

Chapter 3: Office Coffee Service Macroeconomic Drivers

Overview

Macroeconomic trends: our take

Economic forecast through 2014

GDP: A long time getting back, but finally passes pre-recession levels

- Forecast factors

Graph 3-1: Unemployment, GDP & Inflation Forecast, 2011-2014

Consumer confidence remains abysmal but is rising from bottom

Graph 3-2: Unemployment Rate, Savings Rate & Consumer Confidence, 2007-2012

Unemployment remains high but is tapering downward

Demographic analysis

 Trouble areas

Table 3-1: Unemployment Trends, by Demographic, October 2009 to December 2011

Consumer spending trends

Consumer spending ticks upward

 Inflation-adjusted foodservice & accommodations consumer spending up 4% since 2005

Coffee price outlook

Commodity coffee prices coming back down to earth?

Graph 3-3: Monthly & Annual Coffee Price Trends: 2001-2011

 PPI for coffee

Graph 3-4: Producer Price Index: Coffee, 2007-2011

 PPI industry index follows commodity trends

Graph 3-5: Producer Price Index: Coffee and Tea Manufacturing, 2007-2011

Translation: higher coffee and coffee drink menu prices

Table 3-2: Average Increase in Price of Coffee and Drinks, by Beverage Type, 2007-2011

 Retail price trends

Graph 3-6: Consumer Price Index: Coffee, 2007-2011

Coffee imports: volume flat; value on the rise

 Increase in coffee sales highly influenced by cost per ton, not volume increases

Table 3-3: Coffee Imports, by Product Type Value, 2006-2010

Table 3-4: Coffee Imports, by Product Type Volume, 2006-2010

Table 3-5: Coffee Imports, U.S. Dollars per Ton, by Product Type, 2006-2010

Chapter 4: Consumer Trends Shaping Office Coffee Service

Overview

Opportunity: morale, retention and productivity

 Coffee does help employees through the workday—at least employees think so

 Employees view coffee as productivity tool

 For many, high-quality office coffee is an important workplace perk

Rise of the K-Cup

The office coffee pot is still king—but for how long?

 Pods/K-cups closing gap; office usage significantly influenced by personal purchases

Table 4-1: Office Coffee Service Single Cup Brewer Placements: Manufacturer Share, 2005-11

 Consumer K-cup purchases encroach on office coffee service territory

 It's going to get worse—fast

 Dunkin' Donuts

 Starbucks

 Tripling household penetration within 5 years?

Opportunity: move beyond coffee

 Water filtration

 Office and cleaning supplies

Specialty coffee & tea growth

Mainstreaming is at hand
Shift away from carbonated beverages

Opportunity and challenge: tapping into breakfast

142 million opportunities to sell coffee every morning: but office coffee service loses out
Pre-work coffee drinking siphons away workplace drinking

Challenge: the VIA effect

Starbucks VIA revitalizes instant; threatens office coffee
VIA raises instant coffee quality bar
The Via Effect

Challenge: virtual workspace trend

Off-site-only employment reaches 16% in 2009
Percentage of employed working only at home surges
Table 4-2: Employed Persons* Working At Home, At Workplace, and Away From Workplace, Time Spent Working At Locations, 2003-2009
Office coffee service vulnerability
Continued growth in remote employment expected

Opportunity: tap into wellness

A trend on the rise
Table 4-3: Wellness Program Benefit Access, 2000-2010
Healthy food promotion policies nearing majority status
Tea provides health and wellness halo
Tea's healthful properties a hit with consumers
Table 4-4: Consumer Beverages Purchased for Nutritional Benefits, 2011
Table 4-5: Tea Types Purchased in Last 12 months: Health Significance, 2011

Challenge: Restaurant options beckon offsite

Familiarity and ease of use drive restaurant decision
Convenience is King
Among restaurants, convenience comes in many forms
For employees, what does it mean?
Restaurant density analysis provides insight
As urban as it gets: Aon Corporation
400 restaurant choices!
A giant in Rural America: Tyson Foods
Setting up shop on the suburban fringe: General Motors
Suburban sprawls: Baxter International, Allstate and

Why it matters

Table 4-6: Restaurant Selection Density, Selected Fortune 500 Locations

Challenge: healthy coffeehouse and coffee-centric QSR chain performance

Same-store sales comparisons
Reading the graphs
One-year and multi-year comparisons

Coffeehouses ride positive sales wave

Graph 4-1: Coffeehouse and Donut Shop Restaurant Annual Same-Store Sales Index: 2005-10, 2006-10, 2007-10 & 2008-10

Positive segment momentum through 2011

Graph 4-2: Coffeehouse and Donut Shop Restaurant Quarterly Same-Store Sales Index:

2008-11, 2009-11 & 2010-11

QSR coffee players: coffee is big business

McDonald's: the behemoth grows while others falter

Graph 4-3: QSR Coffee-Centric Restaurant Annual Same-Store Sales Index:

2005-10, 2006-10, 2007-10 & 2008-10

Mixed momentum through 2011

Graph 4-4: QSR Coffee-Centric Restaurant Quarterly Same-Store Sales Index:

2005-10, 2006-10, 2007-10 & 2008-10

Chapter 5: Coffee Foodservice Menu Trends

Overview

Datassential

Coffee varieties

Table 5-1: Top Coffee Varieties, Restaurant Penetration, by Segment, 2011

Restaurant penetration increases

Table 5-2: Top Coffee Varieties, Restaurant Penetration, by Segment, 2007-2011

Coffee flavors and types

Table 5-3: Top Coffee Flavors/Types, Restaurant Incidence, by Segment, 2011

Chapter 6: Consumer Coffee and Office Coffee Usage & Behavior

Summary Analysis: Coffee

Mature usage dictates need for expanding varieties & usage occasions

The Via Effect

Single-brew/instant innovation cannibalizing ground/whole bean coffee?

Coffee conversion opportunities

143 million opportunities to sell coffee every morning

But office coffee service faces “first cup” dilemma

Weakness: Drive-thru

Competing on price and customized programs are keys to success

Coffee usage holds steady through recession

Table 6-1: Coffee Usage Trending, 2008-2011

Coffee drinks, espresso/cappuccino and instant coffee

Coffee drinks, espresso/cappuccino and instant coffee

Note on reading charts on this section

Instant coffee gaining traction among higher-income households

Espresso/cappuccino an important racial/ethnic distinction; usage trends are afoot

Table 6-2: Coffee Drinks, Espresso/Cappuccino and Instant Coffee Usage Trending, 2008-2011

Instant coffee & instant flavored coffee

Usage upswing among black consumers

Table 6-3: Instant Coffee & Instant Flavored Coffee Usage Trending, 2008-2011

Ground and whole bean coffee: suffering at the hands of single-brew?

Table 6-4: Ground and Whole Bean Coffee Usage Trending, 2008-2011

Framing foodservice coffee drinking trends: coffee drinkers

Usage baseline: 183 million adult coffee consumers

Age gap exists—but is gap narrower?

Relevance to Hispanic and Asian consumers

Table 6-5: Coffee Drinkers, Selected Demographics, 2011

Daily coffee consumption frequency

At least 240 million opportunities to sell coffee per day

Table 6-6: Daily Coffee Consumption Frequency, Selected Demographics, 2011

Coffee drinking by daypart

142 million opportunities to sell coffee every morning

Table 6-7: Coffee Drinking by Daypart, 2011

Coffee Procurement in Past 7 Days, by Method/Location

Coffee relevance rises among full-time employed

Coffee procurement methods among the employed

Before work versus during work

A toss up: Bringing coffee versus making coffee

On-the-go importance

Table 6-8: Coffee Procurement in Past 7 Days, by Method/Location:

Full-Time Employed Consumers, 2011

Feeding the habit: usage frequency

Table 6-9: Coffee Procurement Method/Location in Past 7 Days:

Full-Time Employed Consumers, by Coffee Usage Frequency, 2011

Generational analysis

Table 6-10: Coffee Procurement Method/Location in Past 7 Days:

Full-Time Employed Consumers, by Generation, 2011

HH income analysis

Table 6-11: Coffee Procurement Method/Location in Past 7 Days:

Full-Time Employed Consumers, by Coffee Usage Frequency, 2011

The office coffee pot remains king—for now

Pods/K-cups closing gap; office usage significantly influenced by personal purchases

Table 6-12: Coffee Types/Methods Used by Consumers Drinking Coffee at Work, 2011

Coffee usage frequency significantly influences office coffee procurement choice

Pods/k-cups may pose price barrier for frequent coffee drinkers

Table 6-13: Coffee Types/Methods Used by Consumers Drinking Coffee at Work,

by Coffee Usage Frequency, 2011

Generational differences

Table 6-14: Coffee Types/Methods Used by Consumers Drinking Coffee at Work,

by Generation, 2011

Coffee pods/k-cups: urban office usage emphasis

Table 6-15: Coffee Types/Methods Used by Consumers Drinking Coffee at Work:

Urban/Outer Suburbs/Rural, 2011

Satisfaction with office coffee procurement methods

Free vending on top?

Table 6-16: Satisfaction with Coffee Types/Methods Provided by Employer, 2011

Coffee helps them through the workday

Table 6-17: Coffee Helps Keep Me Productive Through The Workday, Selected Demographics, 2011

For many, high-quality coffee is an important workplace perk

Table 6-18: Coffee Helps Keep Me Productive Through The Workday, Selected Demographics, 2011

Aramark Corp

Foodservice operations

Chapter 7: Office Coffee Service Provider Analysis

Sales analysis

North America Education Sector

North America Health Care Sector

North America Business and Industry Sector

Vending & Office Refreshments Operations

Filterfresh acquisition

Waste-to-Energy and Terracycle sustainability initiatives

Small business service innovation

Giving clients choices

Equipment upgrades help drive bottom line

On-Site Foodservice

Event Catering

Strategy: Workplace Productivity, Value-Added Services, Contract Design

Workplace Productivity

Value-Added Services

Contract Design

Table 7-1: Aramark by the Numbers

Compass Group PLC

Compass Group North America (CGNA)

Sales analysis

Foodservice strategy

Room for growth

It Takes You - Eat Local

Leveraging role of single-source provider

North America Business & Industry Sector

Corporate Dining

Premium/Executive Dining

Catering and Event Services

Vending and Refreshment

Canteen Office Coffee Service

The Starbucks connection

Canteen's aggressive acquisition path

Coffee Distributing Corp brings strong northeast office presence

Strategy

Focused Promotions and Value Offerings

Kimco & Cross-Selling

Table 7-2: Compass Group by the Numbers

Farmer Bros. Co.

Acquisition-based growth

Business operations

Office Coffee Service: Custom Coffee Plan

Sales performance

Table 7-3: Farmer Bros. by the Numbers

Green Mountain Coffee Roasters, Inc.

Growth strategy

“A beverage for every occasion”—pushing beyond coffee

Penetrating away-from-home venues

K-Cup branding reach

Expanding its own foodservice & retail coffee brands

Tully’s

Timothy's Coffees of the World

Diedrich Coffee Roasters

Tea branding

Other beverages

Table 7-4: Green Mountain Coffee, Tea and Other K-Cup Brands, 2011

Coffee makers & accessories leader

Significant business relationships with coffeehouse giants

Dunkin Donuts

Starbucks

Lavazza

Filtered coffee machine in the works

Operating segments

Sales performance

Segment sales

Table 7-5: Green Mountain Coffee Roasters, Selected Metrics, 2007-11

Peet’s Coffee and Tea

Coffee & tea types and blends

Growth strategy

California base

Geographic expansion

Thwarted acquisition crimps single cup presence

Distribution channels

Retail stores

Grocery: strong growth

Home delivery

Foodservice and office

Office Coffee

Sales performance

Business segments

Business categories

Historical summary

Q3 2011

Table 7-6: Peet’s Coffee and Tea, Selected Metrics, 2007-11

Royal Cup Coffee Office Beverages

On the office menu

Table 7-7: Royal Cup Coffee, Coffee Offerings

Marketing & promotional activity

Sales performance

Sodexo Inc

Education Foodservice

North American Health Care

Corporate Foodservice

North American Corporate Foodservice

North American Corporate Foodservice

Strategy: Sustainability, Celebrity Chef Partnerships, Employee Health

Employee Health

Celebrity Chef Partnerships

Sustainability

Work/Life Balance

Cafes, Retail Brands

Catering

Office Refreshment

Recent initiatives

Table 7-8: Sodexo by the Numbers