

Smell the coffee...

Breakroom is now a must-have category in the OP sector and coffee within that segment is often hailed as its biggest sales driver. But are OP resellers really making sure that consumers are waking up to the smell of coffee? Not necessarily, it appears

by Heike Dieckmann

Yes, the US is the biggest consumer of coffee in the world in terms of total coffee drunk. But nine out of the top ten coffee consuming nations worldwide (per capita) are in fact located in Europe. The Finns are drinking a staggering average of 12kg of coffee per year, followed by fellow Nordic countries Norway and Iceland with just under 10kg per person.

Plenty of all that coffee is drunk in the office, and office products resellers have for some time been tapping into this add-on category in order to provide a full one-stop-shop to their customers.

Morten Damgaard, Managing Director of Lyreco's Scandinavian operations, confirms that breakroom products and coffee in particular are an ever-growing part of Lyreco's business, in range as well as in sales. But, he adds, Lyreco in Scandinavia sells coffee on a purely

transactional basis, unlike its colleagues in Switzerland, for example, where Lyreco's deal with Nespresso Business Solutions has taken on an extensive contractual format that sees the French giant reaping in revenues in excess of \$50 million in coffee, machine leasing fees and consumables, more than a third of its overall Swiss business (see also *OPI* #203, pg 39).

For Swedish dealer group RKV, the humble coffee bean has become an OP staple. According to Managing Director Stefan Sonesson, the group bought 60-65 tonnes of coffee in 2010 and it's now among its top-selling products. And while the sale of coffee and ancillary items such as cups, sugar and stirrers is not a new phenomenon, several of its 19 dealer members including Kontorsvaruhuset and Kontorsspecial have taken the business to a different level by also offering coffee/vending machine leasing contracts to their customers.

In that sense, they compete directly with dedicated coffee-focused distributors. If done properly, going down that route is a risk worth taking, says Mike Miller, VP/General Merchandising Manager Jan/San and Breakroom at United Stationers Supply in the US. "As with any high-use, fast-growing product category, it is a competitive market," he says. "But since coffee can be an add-on sale for the OP dealer, it can be sold more competitively than through office coffee services dealers that must cover all their costs on this sale.

"That said, you must break into the business by replicating the offer that your customer is used to and looking for. That includes offering brewer contracts and running sales demos, for example – not something that most dealers do today. [But from our experience], OP dealers that have pursued and won the coffee business with their customers are having great success."

Unfulfilled potential

Perhaps surprisingly, for some of the world's biggest coffee drinking nations, the potential hasn't resulted in real action yet, let alone in big revenues. Both Germany's major dealer groups, Büroring and Soennecken, confirm that, yes, coffee and accessories are in the catalogues and on the rise, but are not regarded as the new silver bullet and little is done to really push the category.

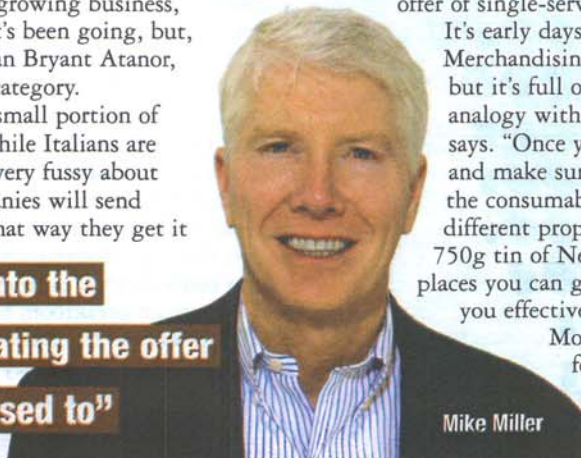
Or take Italy, a country where even the smallest of towns boasts a selection of coffee shops. But OP players have not exactly jumped on the bandwagon here either.

Francesco Villa, General Manager at Italian retail chain Gruppo Buffetti, says: "Yes, coffee consumption in Italy is very high, but Buffetti stores don't sell coffee even though we are convinced it'd be a good opportunity. Retailers in Italy need a specific licence to sell food in general and coffee in particular. Buffetti, a franchise network of 800 independent shops, would have to apply to about 600 different local authorities for those licences. It's a bureaucratic nightmare."

And while the contract stationers don't have the red tape to contend with (one licence suffices for the whole country), here also it remains an add-on rather than a must-have product. For contract stationer Errebian, for instance, it's not a big deal. Coffee, as part of the total breakroom category, currently generates about €25,000 (\$34,000) in annual revenue, 0.04% of the company's total. There's no doubt it's a growing business, especially in the short time it's been going, but, says Marketing Manager Susan Bryant Atanor, it's hardly a potential boom category.

"It's only interesting for a small portion of our customers," she says. "While Italians are big coffee drinkers, they are very fussy about coffee and many small companies will send out for it at the local bars. That way they get it

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Mike Miller

Coffee facts – did you know...?

Coffee is the second most traded commodity in the world; the first is oil.

Italy has more than 200,000 coffee bars.

The US is the largest importer of coffee in the world, but Finland has the highest per capita consumption.

Brazil is the world's largest coffee producer (one third), followed by Colombia.

27% of US coffee drinkers and 43% of German drinkers add a sweetener to their coffee.

Starbucks is the largest coffee house chain in the world, with about 17,000 stores in 50 countries, including about 11,000 in the US, 1,000 in Canada, more than 750 in China and 700 in the UK

personalised: coffee with a dash of cold milk, coffee with a dash of hot milk, cappuccino hot, cappuccino tepid, and so on. The medium and large companies, meanwhile, use vending machines and we're not involved in that."

Tin and spoon following

Unlike many of the western continental European countries that have had a longstanding coffee culture for many years, the UK – despite the ever-growing array of Starbucks, Costa Coffee and Caffè Nero outlets – remains a market that has a strong 'tin and spoon' (instant coffee) following, as UK wholesaler Spicers is experiencing.

The company's Director of Merchandising Greg Pritchett points to a decline in filter coffee sales over the past couple of years, but quotes the tin and spoon category as the one seeing good growth.

He says: "Sales of instant coffee have gone up in double digits over the past year. We have a direct relationship with Nestlé and as such are quite competitive in our offering. Coffee is a very emotive category for dealers – it definitely falls into the convenience category and allows them to tap into the one-stop-shop trend that we're increasingly seeing."

That said, while Spicers continues to promote its instant coffee offering, according to Pritchett its key focus is on the emerging 'hardware' market where Spicers has had an offering since April this year with its growing offer of single-serve coffee machines.

It's early days yet for this offering, says Merchandising Manager for FM Derren Stock, but it's full of potential. "You could draw an analogy with printers and consumables," he says. "Once you get the unit to the end-user and make sure it's established, you can drive the consumables business through it. It's a different proposition. If you want to buy a 750g tin of Nescafé coffee, there are lots of places you can go. But if you sell the machines, you effectively have an ongoing business."

More importantly perhaps, says former colleague Jane Rowe, "people are now demanding a decent cup of quality coffee in

