

Convenience Stores

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The View of 2004

After the late summer months of high fuel prices resulting from hurricanes Katrina and Rita, most of the country's refining capabilities are on the mend, the fuel supply is rising or at least and the prices are more to the consumer's liking. According to the "2005 State of the Industry Report" from the National Association of Convenience Stores which covers 2004 activity, stores saw a "strong 17.1 percent growth in sales driven largely by higher gasoline prices". This, in turn, "helped the industry set record revenues of \$394.7 billion, while profits shot up 23.5 percent to reach \$4.99 billion--despite a one cent drop in motor fuels margins and another year of escalating credit card fees."

Convenience stores are responsible for close to three-quarters of the gasoline purchased in the U.S. which equals to more than \$262 billion in motor fuels sales in 2004. The remaining one-fourth of the motor fuel is sold in hypermarkets, service stations without convenience store operations, and limited "kiosk" operations.

Customers like the convenience of the "corner store", longer hours and easy in/out access. However, another positive feature is the relationships that customers develop with the corner store employees. Imagine the number of workers scheduled in the supermarket or hypermarket in a given week versus the average convenience store which employs 10 people for that same week.

Trends

Innovation appears to be the keyword as convenience stores are finding new ways to increase their customer service. In some markets, pagers and prepaid phone cards have been successful while in others National Association for Stock Car Auto Racing (NASCAR) merchandise is available. In some markets, one might even be able to visit the local cable Kiosk and pay the cable bill. Beyond the box services include:

- drive- through banking
- dry cleaning
- shoe repair
- check-cashing for support services like print/copy shops and postage stamps.

Consumers stop to buy coffee more often than they fill up their cars. According to the National Coffee Association more than three out of four adult Americans say that they drink coffee regularly and convenience stores are one of the preferred destinations for coffee drinkers. However, coffee is not the only drink that draws the customers into the store. There are the new barista stations for espresso, cafe latte and cappuccino drinks. From hot drinks to cold, customers get what they want and just the way they like it.

For example, there are fountain drink stations with 16 different fountain drinks and four flavor shots allowing customers to mix and match their drinks as they wish. And for those hungry customers, technology is leading the way to ease customized order taking with the touch screen ordering system. The touch screen ordering system provides eye catching graphics that make it easier for customers to customize their order while freeing employees to promote and increase sales.

Customer Service

Good customer service is essential to every business. The qualities of good customer service for convenience stores should include a warm and friendly greeting for the customer, knowledgeable sales assistants, fast and friendly service with a smile and of course, an heartfelt and unforgettable "thank you". In addition, convenience stores should have good signage, well stocked shelves and accurate pricing.

Remember that good customer service is an attitude, a mindset that says every customer is important. Customer loyalty makes the difference between that \$2.47 single transaction and hundreds of dollars spent by a loyal customer over the course of a year.

Safety Concerns

Technology is leading the way to curbing crime:

- Video cameras are monitoring the front door while pinhole cameras monitor employee activities.
- Smart Safes can actually count money placed in the safe
- Alarm switches can be located in multiple locations for employee safety and...
- while the use of bullet-resistant glass for checkout enclosures provide another level of safety for the employees, other establishments are providing workstations complete with phone and fax for police officers to do paperwork.

The National Association of Convenience Stores has urged store operators to use three basic strategies to help prevent crime.

1. Provide training for store personnel and have a plan in case of a robbery
2. Establish systems of control for the cash.
3. Ensure that stores are well lit and improve visibility by removing signs from windows.

Also of concern is the growing rate of gasoline theft. National gasoline theft cost the industry an estimated \$237 million in 2004. The average loss per store was \$2,141 and that figure is expected to grow as gasoline prices continue to rise. Unfortunately, higher gasoline prices contribute to lower in-store sales because people have less disposable income.

More disturbing is the emergence of gasoline theft rings where specially designed trucks siphon fuel from the stations' underground storage tanks. These thefts rings can undetectedly siphon upwards of 1,000 gallons of fuel.

Additionally, the convenience store owner risks underground fuel loss. The EPA's office of Underground Storage Tanks requires that underground storage tanks (UST) be equipped with leak detection systems. If a leak is detected, the owner may face high cleanup costs or lawsuits brought about by third parties.

Convenience Store Saturation Levels and Station Count

An annual station count by National Petroleum News for 2005 showed an increase of 1,641 sites over the 2004 total of 167,346 stores. There are more big-box stores and supermarkets moving into the service station sector.

On a regional basis, the South continues to have the highest concentration of convenience stores, with 46.1% of all U.S. locations and a population per store of 1,831 in 2000. The Midwest ranked second in total convenience store units and saturation in 2000, with 22.2% of U.S. units representing one store for every 2,449 people.

The West showed the highest growth rate in unit count (44.3%) and population (9.7%) during 1995-2000 and surpassed the Northeast in saturation levels during the period, ending with one store per 2,913 people versus one store per 3,371 people in the Northeast.

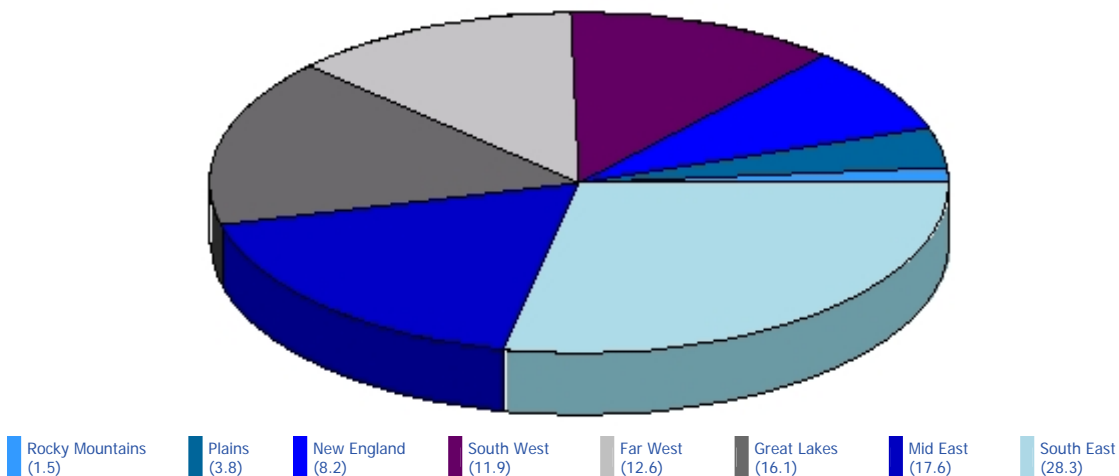
At the state level, New Jersey may have the greatest potential for convenience store growth as it showed the least saturation in 2000 with a ratio of one convenience store for every 6,228 residents. Alaska, Rhode Island, New York, and Maryland rounded out the top five least-saturated U.S. states in 2000, with saturation levels well below the national average of 2,372 residents per unit.

California, the most populated state in the U.S., has a relatively low saturation level with one convenience store per 3,572 people. This is less than half the saturation level of Texas, the second most populated state in the U.S.

The most saturated states in 2000 were Vermont, Maine, West Virginia, South Carolina, and Oklahoma. These markets may experience below-average levels of future unit growth in light of their current high saturation levels. This data is based on a survey commissioned by the National Association of Convenience Store, conducted by The Gallup Organization, published in Oct. 1997

Concentration Levels per capital	
Highest Concentration Levels	Lowest Concentration Levels
Vermont	New Jersey
Maine	Alaska
West Virginia	Rhode Island
South Carolina	New York
Oklahoma	Maryland

Geographic Spread



The Geographic Spread graph gives an indication of the relative importance of this Industry in each state.

* Figures above in Percentage

2004 In-Store Sales (excluding cigarettes)

1. Packaged Beverages (non-alcoholic)
2. Beer
3. Hot Beverages
4. Other Tobacco
5. Candy
6. Salty Snacks
7. Foodservice
8. Fluid Milk Products
9. General Merchandise
10. Packaged Sandwiches

http://www.npnweb.com/uploads/researchdata/2005/ConvenienceStoreData/0510_ccss.asp

Major Chains

RANK	COMPANY/HEADQUARTERS	STORES
1	7-Eleven Inc., Dallas	5,750
2	Shell Oil Products US, Houston	5,615
3	BP North American, Warrenville, Ill.	4,832
4	Exxon Mobil Corp., Houston	4,227
5	Alimentation Couche-Tard, Laval, Quebec (1)	2,772
6	Chevron Texaco Corp., San Ramon, Calif.	2,734
7	Speedway Super America LLC, Enon, Ohio	2,514
8	Conoco Phillips Inc., Houston	1,688
9	Sunoco Inc., Philadelphia	1,556
10	Casey's General Stores Inc., Ankeny, Iowa	1,375

Click on a copy of the CSNews Top 100 list at <http://csnews.com/csn/research/index.jsp>.

Links of Interest

http://www.nacsonline.com/NACS/News/Press_Releases/2005/pr071305.htm - 2005 State of the Industry Report to order

[State, Regional & International Associations Online NACS](#) List of Associations

[CSNews Online](#) - this site has informative information on the trends in the convenience store and truck stop marketplace.

[CSPNet Magazine](#) - online version of CSP Magazine.

[C-Store](#) - convenience store news, trends, and supplier directory.

[National Association of Convenience Stores \(NACS\)](#) - major industry trade association

[National Petroleum News and Resources](#) features, forums and discussion

[Convenience Stores - National Advisory Group](#) Convenience Stores / Petroleum Marketers Association

Sources:

“An Industry in Flux” Top 100 Convenience Store Companies 2005, VNU Business Media, August 29, 2005, Rpt. In Gale Group

“Gasoline Theft at Convenience Stores,” The National Association of Convenience Stores Online (www.nacsonline.com). Accessed Online September 7, 2005.

“The Customer Mindset,” The National Association of Convenience Stores Online (www.nacsonline.com). Accessed Online September 7, 2005.

“Dollars and Sense Financial Responsibility Requirements for Underground Storage Tanks” <http://www.epa.gov/swrust1/pubs/dol&sens.pdf>

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