

Convenience Store

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SBDCNet San Antonio 9.07.04



SIC Code(s) Covered: 5411

NAICS Code(s) Covered: 447110, 445120

Despite increased competition from other retail venues, the convenience store industry has fared well over the last few years. Industry year over year sales increased by 16% in 2003, the best among all retailers. But convenience stores are not without competitive pressures. The 1990s saw lots of consolidations and bankruptcies among the largest chains as well as the exit of many independent convenience store operators. Today, competitive pressures come from the entry of hypermarkets, drug stores and dollar stores into the consumer market for fuels and convenience items. Highlights for the last year include:

- Increase in industry sales of 16.0% over 2002, the largest percentage change among retail venues
- Increases in credit/debit card fees costing the average convenience store \$24,265 in fees in 2003
- An average of \$2.12 million in fuel sales per store

Size of Business

According to the County Business Patterns, there were 81,171 Gasoline Station/Convenience Stores (4477110) and 30,560 Convenience Stores (445120) in 2001.

Convenience stores average 2,116 square feet in selling space, 720 square feet of additional space and are located on lots averaging 31,268 square feet in size.

The average convenience store in 2003 had \$883,000 in in-store sales, \$2,123,200 in fuel sales and an overall profit margin of 16.4%. Stores had \$392,260 in expenses with 44% of that in labor costs.

Demographics

Convenience stores locate near high traffic intersections and in areas near a large number of households. 81.3% of all convenience stores sold gasoline in 2003. Two thirds of all adult convenience store customers stop specifically to purchase gasoline.

- Average household spending on gasoline per year: \$1,167.50
- Average fuel consumption per vehicle (gallons): 532

According to *Convenience Store News*, there were 10,010 transactions per week in the average convenience store in 2003. 4,949 of these transactions involved in-store sales while the remaining 5,061 transactions were of motor fuel. The average transaction amount for in-store sales was \$5.51 while the average motor fuel sale was \$15.10.

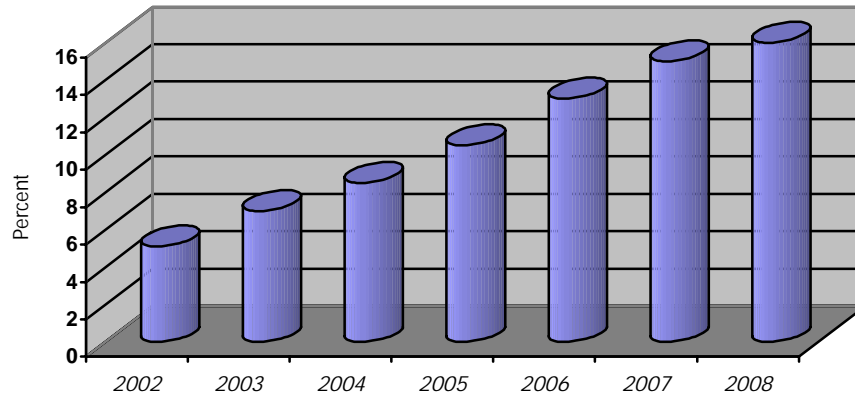
Seasonality: Customers tend to purchase more convenience store items during warm weather, so convenience stores traditionally fair better during the summer months or year round in areas with few cold weather spells.

Industry Trends

Impact of Hypermarts and Other Retail Venues

High volume retailers (supermarkets, warehouse clubs, and mass merchandisers) began offering gasoline at many of their locations and test marketing new retail concepts – including the test marketing of Wal-Marts new Neighborhood Market. The convenience store industry has been able to compete in the last few years by staying competitive on fuel prices. However, increased pressure by these retailers will be a constant in the foreseeable future.

Hypermart Share of Gasoline Sales



Source: IRI, Inc. 2004

Fuel Sales

Although gross profit margins are lower, fuel sales drive convenience store traffic. Fuel sales account for two-thirds of total sales, but only one-third of store gross profit margins. 81.3% of all convenience stores sold gasoline in 2003. On average, a convenience store sold 1.3 millions of gasoline in 2003 – a total of \$2.1 million in sales. Motor fuels sales accounted for \$170,642 in gross profit per store in 2003 (8.8%).

Top Branded Gasoline Outlets, 2003

<i>Top Brands</i>	<i>Outlets**</i>
1. Shell Oil Products/Motiva	18,279
2. BP America	14,900.
3. ConocoPhillips	14,616
4. CITGO Petroleum	13,844.
5. ExxonMobil	12,473
6. Chevron	7,827
7. Sunoco	4,528
8. Marathon Ashland Petroleum	3,908
9. Valero Energy	3,300
10. Sinclair Oil	2,124

Source: National Petroleum News

Selected Franchises

These days, most convenience stores are franchised. The largest franchisor is 7-eleven. Additional convenience store franchises include:

AMPM

<http://www.ampmfranchise.com/>

Circle K

www.circlek.com

Franchise Qualification Specialist

DC 7

1500 N. Priest Drive

Tempe, AZ 85281

UncleSam's Convenient Store

300 East Highway 107

Elsa, TX 78543-0870

7-11

www.7-eleven.com

2711 N Haskell Ave

Box 711

Dallas, TX 75204

(800)841-0711

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SEC 10-K Filings of 7-eleven, Dairy Mart, Unimart and National Convenience Stores Inc.

This material is based upon work supported by the U.S. Small Business Administration. Any opinions, findings, conclusions or recommendations are those of SBDCNet and do not necessarily reflect the views of the U.S. SBA. This U.S. Small Business Administration (SBA) Grant is funded by the SBA. SBA's funding is not an endorsement of any products, opinions, or services. All SBA funded programs are extended to the public on a non-discriminatory basis.