

National Urban League

Career Awareness

C-Store Retail Opportunities

Pre-reading



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National Urban League-Career Awareness-C-Store Retail Opportunities---Pre-reading

The objective of this pre-reading is to provide you with some history and importance of the Convenience Store Industry to the U.S. economy but more importantly to provide you with a historical reference that will be the starting point for our 4 hour workshop on Convenience Store Careers.

Please take the time to read the document and bring it with you to the workshop. If you have questions from the pre-reading, we will have time allocated in the early part of the workshop to field and discuss your questions and issues.

History of U.S. Convenience Store

SOURCE: NACS (National Association of Convenience Stores)

Convenience stores evolved from a variety of sources early in the twentieth century. They drew upon characteristics of many types of retail establishments in existence at the time: the "mom-and-pop" neighborhood grocery store, the "ice-house" (from pre-refrigerator days), the dairy store, the supermarket and the delicatessen.

The Southland Ice Company is credited with the birth of the convenience store in May 1927 on the corner of 12th and Edgefield Streets in the Oak Cliff section of Dallas, Texas. "Uncle Johnny" Jefferson Green, who ran the Southland Ice Dock in Oak Cliff, realized that customers sometimes needed to buy things such as bread, milk and eggs after the local grocery stores were closed. Unlike the local grocery stores, his store was already open 16 hours a day, seven days a week; so, he decided to stock a few of those staple items. The idea turned out to be very convenient for customers.

Joseph C. Thompson, one of the founders and later president and chairman of The Southland Corporation, recognized the potential of Uncle Johnny's idea and began selling the product line at the other ice dock locations of The Southland Company. Further, these stores were open from 7 a.m. to 11 p.m., seven days a week.

In addition to convenience store development at The Southland Ice Company, other types of stores were emerging. There were "midget" stores in the 1920s and "motorterias" or mobile convenience stores. "Bantams" and "drive-in" markets were also around in 1929 where motorists never had to get out of their cars. "Delmat" vending machine type of stores was also popular for obtaining milk, eggs, produce and fresh meat. Dairy cooperatives often ran "dairy stores" or "jug stores" as outlets for their operations. Sometimes supermarkets had small outlets in rural areas for people who did not travel to the city enough for eggs, milk, etc.

The pattern of the emerging "convenience" types of stores grew modestly until World War II (although they were not yet called "convenience stores"). The big factor in all of these operations was fast service. The stores were most successful in warmer climates where the open front was a big attraction.

The end of the war and the increased ownership of automobiles sparked the rapid growth of the industry in the 1950s. The automobile helped fuel the growth of suburban living--of families wanting the "American Dream." Americans, with bigger cars and better roads, began flocking to the suburbs where they found plenty of space to live and raise children... but too much space between shopping centers.

The industry grew rapidly along with this consumer need for convenient shopping and supplanted the neighborhood grocery stores and became established in new suburbs and areas too small to warrant a supermarket.

Once again, convenience store companies were opportunistic and innovative, thriving in market niches too small for others to operate profitably.

Additional forces continued to drive convenience store growth. The growth of the supermarket industry affected convenience stores. As grocery stores became larger and larger, they became less convenient for the customer who was in a hurry. Convenience stores filled in. Suburban families often had two cars and two incomes; both spouses working meant more discretionary income and less time for using a supermarket. Also, the increase in the number of working women reduced the amount of time available for shopping.

Stores were conveniently located. Customers could park in front of stores and could even leave children in the car and keep an eye on them. With the variety of items available, it was virtually one-stop shopping without waiting in line. Stores were easily franchised since it was getting expensive to start up a new store. They entered the northern regions of the country and continued to grow through merger, acquisition and new building.

Convenience stores continued to evolve from characteristics of the competitors: supermarkets, mom-and-pop grocery stores, specialty food shops, drug and variety stores, vending fast food chains, and gasoline service stations. Convenience stores began offering gasoline when self-serve became popular. The number of gasoline stations declined while the number of convenience stores selling gasoline increased.

Today, the main competitors convenience stores face are those mentioned above as well as chain drug stores, superettes, warehouse stores, general retail stores, home delivery services and, of course, other convenience stores.

In addition, there are both C-stores with petroleum roots and gasoline locations with C-store roots.

Today, 7-Eleven is the undisputed leader in convenience retailing with more than 30,000 stores operating in the U.S. and 18 other countries and total sales of more than \$43 billion in 2005. Many 7-11 stores sell gasoline today. These companies have good c-store systems and gasoline is the additional profit center, they are generally not as dependant on fuel.

Other top C-store companies according to most experts are:

WAWA, SHEETZ, Quick Trip, and Circle K. They are tops based on store volumes. Although these companies don't have the national footprint of 7-11, they have the reputation for being Best-In-Class Retailers.



Oil Company and Major Grocers Activity

Grocery Stores with gas have also been a new competitor to the market. For example, **Safeway** now has in excess of 200 of these small c-store/gas stations.



Most of the major oil companies have developed C-Store concepts that they wanted to franchise, most have met with limited success or have been dropped. The major exception is ARCO which developed and franchised **AM/PM**.



Chevron is franchising **Extra Mile Market**. It has completed a test in the Seattle Washington with positive results and is now franchising in Southern California.



ExxonMobil have expanded their **On-The-Run** franchise to their wholesale organization at reduced franchise fees.



Major Types of Stores

(Source: NACS)

Mini Convenience Store

This store format, usually **800 to 1,200** square feet in size, was extremely popular with oil companies; and the emphasis was on gasoline sales. Now, however, the situation has changed to where the oil companies are more interested in building larger formats. Supermarkets today are building most stores in this format. However, in this format, the owners view store sales as an important part of the revenue and margin picture. Grocery selection is usually very thin and foodservice beyond prepared sandwiches, coffee and fountain is rare. There usually is not any parking other than that at the pumps, although some locations do have modest striped parking. These stores are open from 18 to 24 hours a day. Customers are usually people buying gasoline. However, there are stores of this size in urban areas that may or may not sell gasoline.

Limited Selection Convenience Store

These stores, which range from **1,500 to 2,200 square feet**, are becoming more numerous. Often affiliated with oil companies and in the size range of a converted two-bay service station, both gasoline and store sales are generally important parts of profitability. They differ from the “mini convenience store” in a broader product mix and grocery offering (although still somewhat limited by traditional convenience store standards). In addition, simple foodservice (hot dogs, nachos, popcorn, etc.) are options. Although gasoline buyers are normally still the main part of the customer base, traditional convenience store patrons are important. Striped parking and extended hours are common.

Traditional Convenience Store

Most of the original convenience stores now fall into this category. They are about **2,400 to 2,500 square feet** in size and offer an expanded product mix. Dairy, bakery, snack foods, beverages, tobacco, grocery, health and beauty aids, confectionery and, perhaps, prepared foods to go, fresh or frozen meats, gasoline, various services, and limited produce items are typical. Most stores of this size have 6 to 12 striped parking spaces or some form of convenient pedestrian access. Extended hours are typical, compared to average retailers, with a large percentage open 24 hours per day. Convenience store chains normally own such operations, but oil companies have also built or acquired stores of this size.

Expanded Convenience Store

Growth is occurring in the number of stores in the **2,800 to 3,600 square foot** range. Such stores can accommodate more shelving for additional grocery products or room for significant foodservice operations and seating. Stores using the space for more grocery items are taking advantage of the niche that has developed as supermarkets increasingly move above the 40,000 square foot range. A few large chains are using this “superette” approach. Even more are using the space to take advantage of the high profit margins in foodservice. As the number of smaller operations proliferates (largely because of the oil companies), many convenience store chains apparently view the move towards increased foodservice as essential. In terms of other products and services, such stores usually carry the traditional convenience store items. Parking is important with most having about 10 to 20 marked spaces. Extended hours are typical. Such operations not only attract the typical convenience store customer but also more families, women and senior citizens.

Hyper Convenience Store

These very large stores (**4,000 to 5,000 square feet**) usually offer an array of products and services arranged in departments. For example, such stores may offer variations such as a bakery, a sit-down restaurant area or a pharmacy. Many of these locations sell gasoline. The number of employees per shift can be large, particularly if a small restaurant is present.

The number of parking spaces is substantial, especially since the amount of time the average customer spends in such an establishment can be significant. Extended hours are typical. Here again, as in the case of the Expanded Convenience Store, families and senior citizens as well as traditional convenience store customers are patrons. In some locations, such stores are mini-truck stops that obviously affect product mix and the customer base

Convenience Store History and Pre-Reading Summary

The convenience store industry continues to grow; but the impact of increased competition, higher energy costs, new store expenses, higher labor expenses, and credit card fees reduce profits as a percentage of sales. The increases in labor as a percentage of sales absorb gross margins and emphasize the continued need for employee productivity both in the store and at the staff level.

Oil companies in general are very good at finding, refining, shipping and selling gasoline. Their priorities have always been in maximizing motor fuel sales. The C-store, although important is not the major emphasis of the industry in the U.S. and Europe.

Stiff competition from other channel competitors, unpredictable gasoline margins, and the rapidly changing technology area are providing new challenges and opportunities for the industry. Those companies that seek out customer needs and align themselves to serve those needs will be successful in the future.

About 80% of U.S. convenience stores sell fuel, according to Alexandria, Va.-based National Assn. of Convenience Stores. Fuel accounts for three-quarters of the typical U.S. outlet’s revenue and 40% of profit and drives traffic to the stores.