

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and importance of the Convenience Store Industry to the U.S. economy but more importantly to provide you with a historical reference that will be the starting point for our 4 hour workshop on Convenience Store Careers.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



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.