Convenience Stores

Keep the Core; Appeal to More

MAY/JUNE SPECIAL REPORT 2013

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The Quiet Revolution in Convenience

There's a quiet revolution underway. Some convenience store owners are replacing those long aisles with kiosks, experimenting with larger footprint stores and adding "good for you" products next to the candy bars. Shoppers have rewarded convenience store management for these innovations: when compared to grocery and drug stores, the convenience channel was the only channel that enjoyed both dollar sales and unit growth in 2012.

Despite the new innovations, the convenience channel faces several challenges. Many convenience stores sell gasoline, and sales are therefore somewhat tied to gas prices. While these prices have been relatively stable during the past year, they are high and impacting shopper wallets, particularly those of younger shoppers—a key target for convenience store marketers. And, ever-changing world politics and evolving financial markets can very quickly set off a price spike.

In addition, convenience store sales tend to be concentrated in a relatively small number of categories. Of the top six convenience store categories, three are tobacco related. While cigarette sales topped $52 billion in 2012 and are a key driver of trips, volume is in a sharp downward trend.

More than half of convenience store shoppers are younger than 39. IRI's first quarter 2013 MarketPulse™ report notes these millennial shoppers continue to suffer from a less-than-ideal economy, with 38 percent stating they are struggling today, up from 33 percent two years ago.

Savvy convenience store owners are very familiar with these trends and many are rapidly innovating and experimenting to ensure their stores remain relevant to core shoppers, while attracting new ones. Convenience store owners have an outstanding opportunity to increase sales through new levels of innovation closely tied to shoppers' evolving wants and needs. I'd appreciate hearing your thoughts and opinions on how they can navigate the challenges of today's economic and shopping environments to take advantage of these opportunities.

Kelley Vacca
Principal, Client Insights
IRI

Headlines

- The convenience store channel is experiencing above-average growth, supported by an increasing store count and a business model that is well suited to address consumers' on-the-go lifestyles.
- Gasoline is a top-selling product for the convenience channel, providing both opportunities and challenges for convenience store marketers vis-à-vis in-store sales activity.
- Cigarettes, too, contribute heavily to convenience store revenues; this segment is under significant pressures from regulation and changing consumer lifestyles, harkening a need for change in existing strategies in this and related CPG categories.
- The foodservice segment is experiencing strong growth within the convenience store arena, and has the potential to act as a catalyst in elevating the channel's reputation around health and wellness as well as value while allowing consumers to fuel up without slowing down.
- Outdoor advertising is a powerful, yet under-leveraged, quiver in convenience store marketers' arsenals.

Introduction

The convenience store channel has long played a significant role in serving consumers' consumer packaged goods (CPG) needs. Indeed, it is a destination location for convenient, often immediate, consumption purchases.

But, the channel is undergoing a bit of a metamorphosis. Competition is heating up, and convenience stores find themselves increasingly pitted against other channels, particularly dollar and drug channels, for share of spending in this area.

Two major sources of revenue and trip behavior for convenience stores—gasoline and cigarettes—are facing their own challenges, including high prices, increased taxes, and, for cigarettes, changes in consumer lifestyle.

These challenges, in turn, have brought both challenge and opportunity to convenience store marketers vis-à-vis in-store purchase behavior. Effectively tackling these challenges and capitalizing on these opportunities is the key to finding sustainable growth beyond fuel and cigarette sectors.

The channel is also being forced to adapt to meet a growing market for healthier living, or else risk being left behind. Two-thirds of consumers, for instance, are trying to eat healthier these days. For a channel long hailed as an outlet for indulgence, building a solid reputation for health and wellness is a major undertaking.

Explored in a number of recent IRI studies, including *New Product Pacesetters* and *State of the Snack Industry*, eating occasions have and will continue to blur as consumers look to fuel up without slowing down.

On the positive side, convenience stores are well positioned to compete for share of on-the-go eating and drinking dollars.

This report provides insights into current and emerging challenges and opportunities within the convenience store marketplace and imparts guidance on how to compete in this evolving environment with strategies that will deliver ongoing growth for convenience store banners, categories and brands.

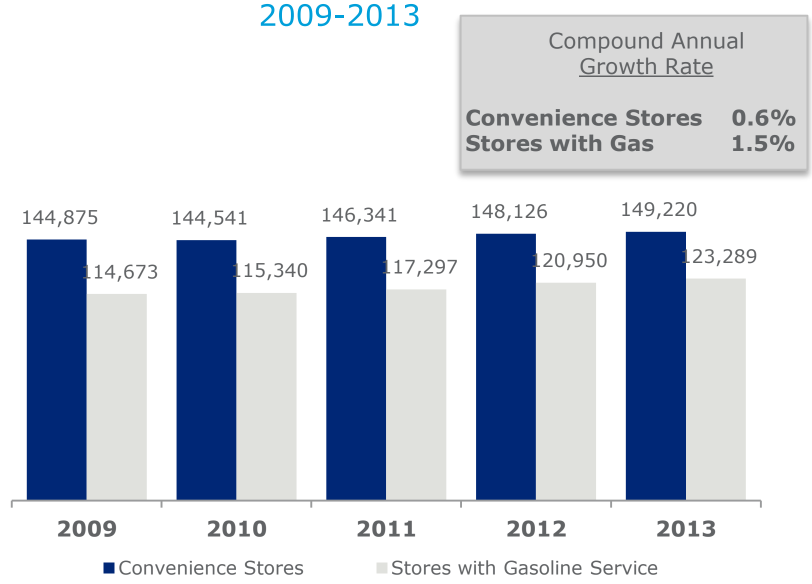
Industry Overview

While convenience stores of the past had a rather homogeneous look and feel, today's convenience store is much more varied: some take the form of kiosks, while others seem to be convenience stores on steroids, with a rather large footprint and a relatively broad assortment of products. Still, according to the National Association of Convenience Stores, convenience stores tend to share the following characteristics:

- Footprint of less than 5,000 square feet
- Off-street parking and/or convenient pedestrian access
- Extended hours
- Stock of at least 500 SKUs
- A product mix of grocery items, including beverages, snacks and confections, and tobacco

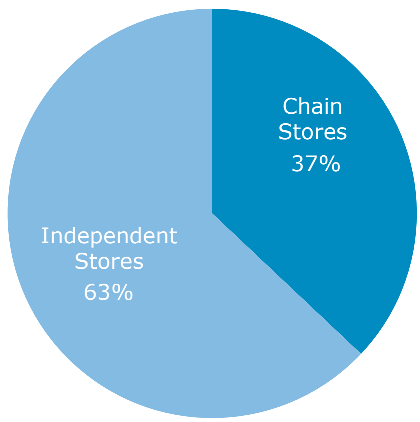
Convenience store population has been on an upward trajectory for a number of years, with the exception of a dip in 2010, when the impacts of a recessionary economy resulted in a fair number of store closings and some consolidation.

U.S. Convenience Store Population
2009-2013



Source: National Association of Convenience Stores Website

Convenience Industry Concentration
2013
% Store Population



Source: National Association of Convenience Stores Website

Today, there are more than 149,000 convenience stores in operation. About two-thirds (63%) of those stores are independently owned, while the remaining are chain store operations. Gasoline fill-up services are quite prevalent, and growing more so rather quickly.

The following pages provide insights into key shopper segments, trends and opportunities within the convenience store marketplace.

Industry Overview

Though convenience store shoppers hail from across age, income and ethnic backgrounds, some groups stand out as key areas of opportunity.

For instance, about six-in-10 convenience store shoppers are male. This is good news for convenience store marketers, for men tend to hold a sunnier view of the current and evolving economy as compared to their female counterparts.

Illustrated in IRI's Q1 2013 MarketPulse survey, for instance, 28% of men feel the economy has improved in the past six months, compared to 21% of females. Similarly, 29% of men expect the next six months to bring continued improvement, versus 25% of females.

Logically, then, these shoppers are more likely to make impulsive or splurge purchases—purchases that are quite common in the convenience store aisles.

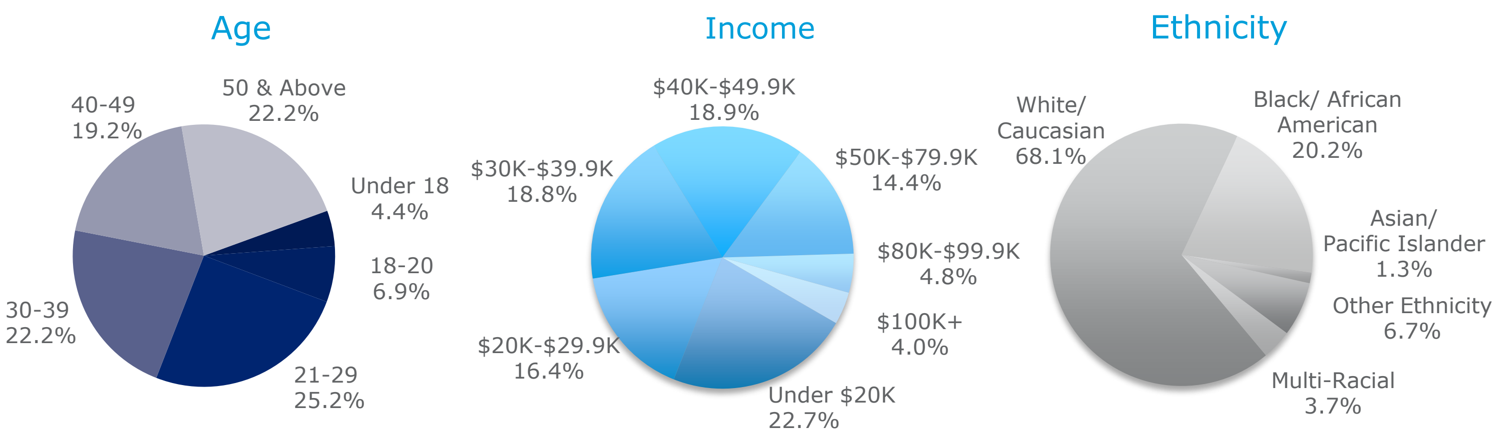
In contrast to this opportunity, convenience channel marketers face challenges in the fact that their shopper base skews a bit toward younger age groups. More than half of convenience shoppers are under the age of 39. Among the population as a whole, one-quarter to one-third of Americans are between the ages of 19 and 39.[1]

This segment of the population has been struggling more than other age groups throughout the economic downturn. In fact, Q1 2013 MarketPulse results reveal more millennials (38%) are struggling today versus two years ago (33%).

These two examples truly tell the story of retail CPG today. In their day-to-day lives, even when they are splurging, consumers are entrenched in a conservative mindset. They are practicing shopping behaviors that are allowing them to get more with less of a financial outlay. And, they are willing to change brands and/or channels in order to do so. These behaviors will be explored throughout this report.

Convenience store shoppers skew younger and slightly less wealthy versus the population as a whole.

Convenience Shopper Demographics
% Channel Shoppers: 2013



Source: Mintel

[1]Source: U.S. Bureau of the Census

Industry Overview

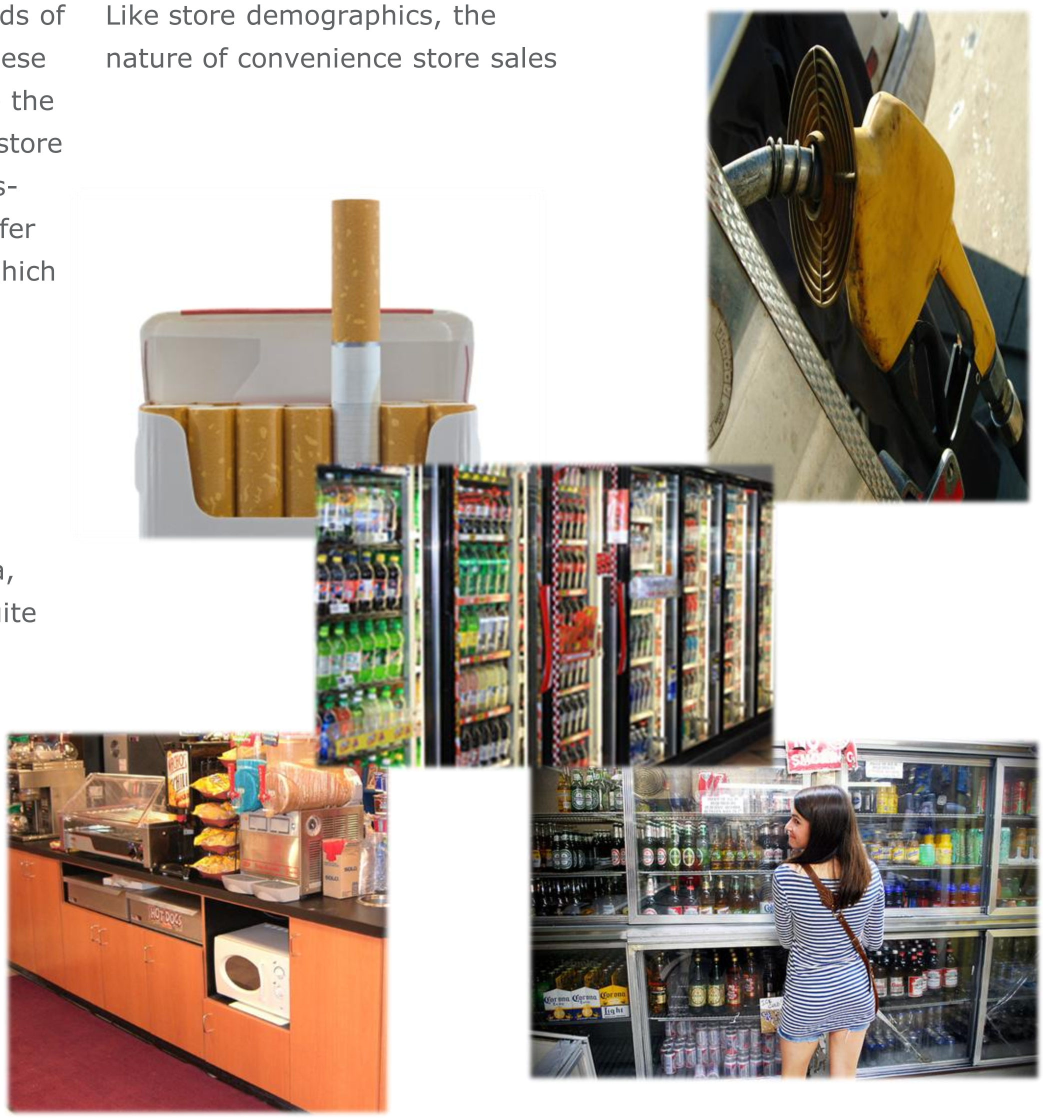
Mentioned earlier in this report, convenience stores generally carry more than 500 SKUs. Nonetheless, convenience store dollar sales are rather concentrated.

On the whole, the top-selling product for the channel is fuel. On average, convenience stores that sell gasoline see hundreds of fill ups each day. Many of these purchases take place outside the confines of the convenience store building. In fact, 95% of gas-selling convenience stores offer pay-at-the-pump services, which eliminates the need for purchasers to come into the retail store.

According to the National Association of Convenience Stores and IRI's AllScan data, inside store sales are also quite concentrated. The top-selling product is cigarettes, which account for about 40% of convenience store dollar sales and 20% of trips. Foodservice also holds a sizable share of in-store sales (about 17%), with packaged beverages rounding out the top three in-store sellers.

Like store demographics, the nature of convenience store sales also offer opportunities and challenges for convenience store marketers. Some of these factors, including fuel prices and lifestyle changes, are beyond the control of convenience store marketers.

Top-Selling Products Based on Dollar Sales



Source: IRI AllScan; National Association of Convenience Stores Website

Industry Performance: Total CPG Growth Trends

Detailed in the February 2013 edition of *Times & Trends*, at the multi-outlet level, CPG unit sales slipped slightly in 2012, while dollar sales, aided by inflation, grew 2.6%.

The convenience channel was a standout for the year, posting unit sales growth of 1.2% and dollar sales growth of 2.4%, due to strong first-half 2012 performance. The channel is benefitting from an expanding store population and its ability to accommodate consumers' desires for quick and easy on-the-run food and beverage options, often with the added benefit of fueling up the automobile at the same time.

But, the convenience channel, like other CPG channels, is facing pressure on a number of fronts, and some of these pressures aligned to slow traction in the second half of the year. Like other channels, convenience stores are struggling against an increasingly intense competitive landscape.

Competition from drug and dollar channel competitors is particularly intense. After all, these channels share a number of similar features, including size, general proximity and some level of commonality across assortment.

In fact, a recent IRI analysis of convenience store growth at the zip code level revealed that in zip codes with no drug or dollar store presence, convenience channel same-store sales climbed 3.5% in 2012. In contrast, in zip codes that have both drug and dollar presence, same-store sales climbed less than 1% (0.7%).

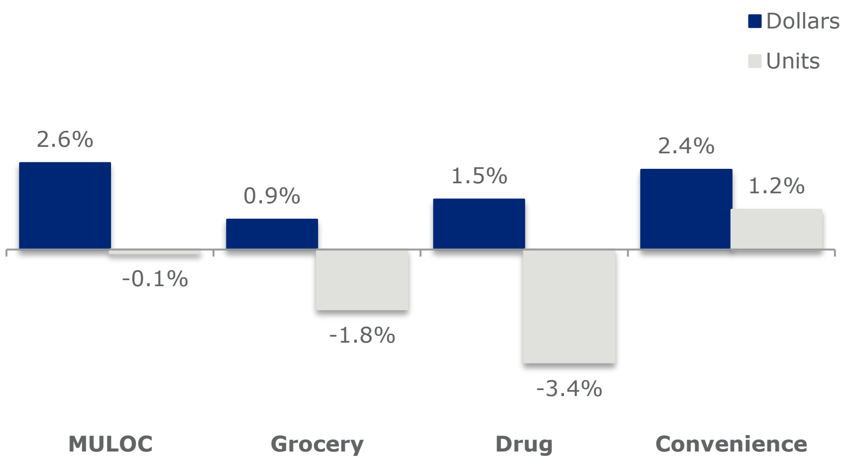
In 2012, CPG industry unit sales trends were largely flat, but the convenience channel stood out as a top performer.

Same-Store Convenience Dollar Sales Growth

Zip code with…	2012 $ Sales Growth
Total CStore Growth	2.4%
No Drug or Dollar	3.5%
Drug Only	3.1%
Dollar Only	1.5%
Drug & Dollar	0.7%

Source: IRI AllScan™

CPG Industry Growth Trends: Dollar & Unit Sales Multi-Outlet + Convenience and by Channel 2012 & 2011



Source: IRI AllScan™; 52 weeks ending 12/30/2012 and same period prior year

Category & Department Growth Trends: Fuel

According to AAA's *Fuel Gauge Report*, the average national gas price for the first three months of 2013 was $3.64, an increase of nearly 9% versus 2011, and on par with 2012. This increase is having a negative impact on consumers' wallets, with 44% of Americans feeling additional budgetary strain due to high gas prices.[1]

And, among some consumers, including the millennial population, even more consumers (56%) are feeling the pinch.

Today, 44% of consumers are paying more attention to the price of groceries due to high gas prices.[2] This, in turn, is impacting the channel selection process.

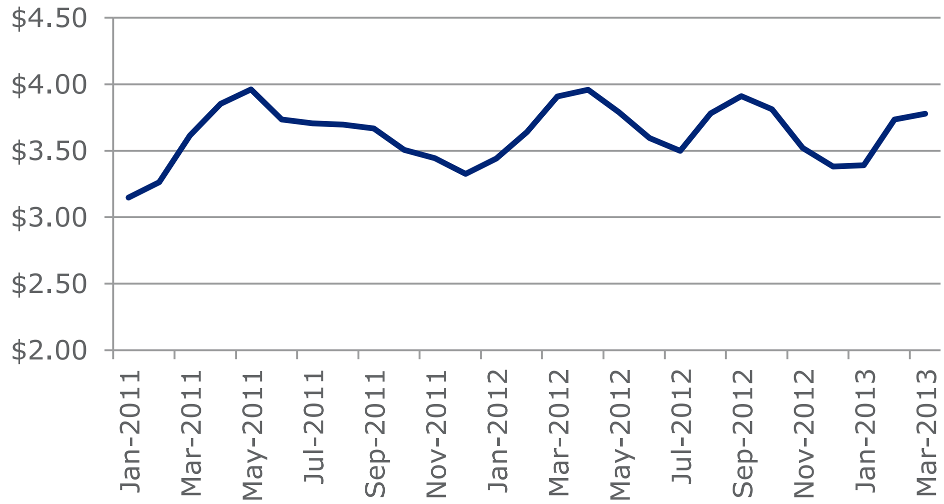
According to IRI's 2013 Brand & Retailer Loyalty survey, more than four in 10 consumers choose the channel they shop because it offers the lowest prices on needed items. This behavior is rather consistent across age and income groups, and is only slightly higher among households with children.

This is a challenge for convenience store marketers, as the convenience store channel is generally perceived as being higher priced versus many competing channels.

In contrast, the proximity of convenience stores is a benefit in times of high gas prices. Today, for instance, 10% of consumers state that they are shopping convenience stores more frequently in the presence of high gas prices due to their convenient locations. Among millennial shoppers, 24% have stepped up convenience channel shopping frequency.

Even after channel selection is made, gas prices are influencing purchase behavior. Analysis of IRI AllScan data from 2010-2012 underscores the powerful impact that gas prices have on in-store convenience channel purchases. During this time period, when gas prices rose, in-store dollar sales growth was 3.4%. In contrast, during gas price declines, in-store dollar sales grew at 6.2%.

Weekly Total U.S. Average Regular Fuel Price per Gallon



Source: U.S. Energy Information Administration

Gas prices have moderated during the past year, but they remain volatile and nearly 9% higher versus early 2011.

[1]IRI MarketPulse Survey, Q1 2013; [2] SIC

Category & Department Growth Trends: Cigarettes

Cigarette sales generated more than $52 billion in sales within the convenience store channel in calendar year 2012.[1] In fact, cigarettes are, by far, the largest category within the channel.

Cigarettes are also a key driver of trip missions. In 2012, approximately 150 c-store trips per day were driven by cigarette purchases.

While this is a huge number and though cigarette dollar sales have climbed during the past several years, volume sales are down sharply.

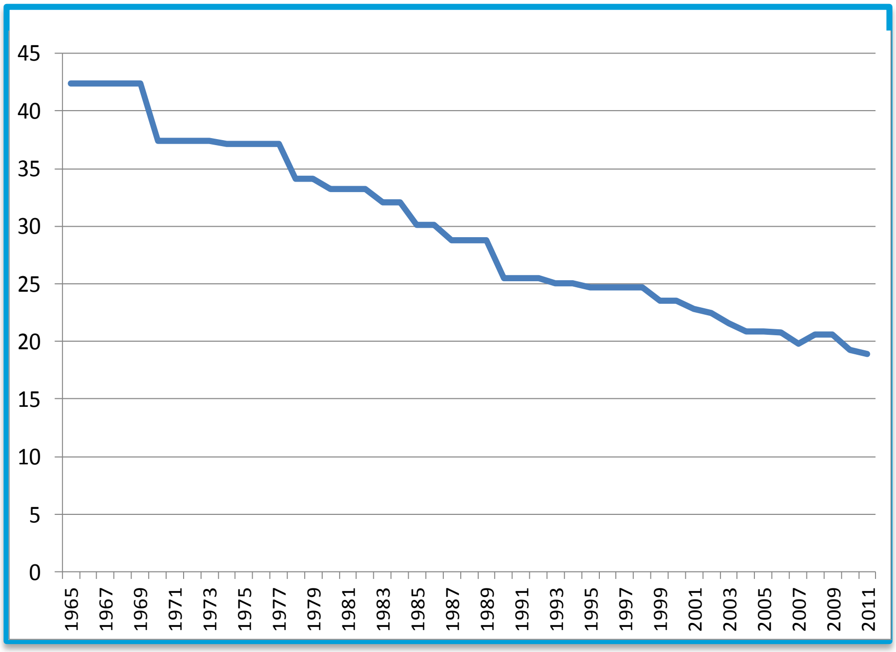
Unquestionably, the most significant factor facing the cigarette category is the fact that the smoking rate has declined 50% since 1965.[2] This decline is the culmination of several factors, including increasing taxes, health concerns and the innovation of new smoking alternatives.

One of these alternatives is smokeless tobacco, which has experienced strong growth across CPG channels in recent years. In 2012, for instance, smokeless tobacco unit sales climbed 2.7% across IRI's multi-outlet plus convenience geography.

Convenience store marketers are expanding distribution of products in this area, supporting higher-than-average industry growth of 3.2% during the same time frame. Detailed later in this report, smokeless tobacco is one of the fastest-growing convenience store categories in the 2008-2012 timeframe.

Another smoking alternative that has strong momentum is electronic cigarettes, which will be explored in more detail later in this report.

% of Adults Who Smoke Cigarettes 1965-2011



Source: CDC National Health Interview Survey

The U.S. smoking rate has declined 50% since 1965.

[1] IRI AllScan; [2] Centers for Disease Control, Health Interview Survey

Category & Department Growth Trends: Foodservice

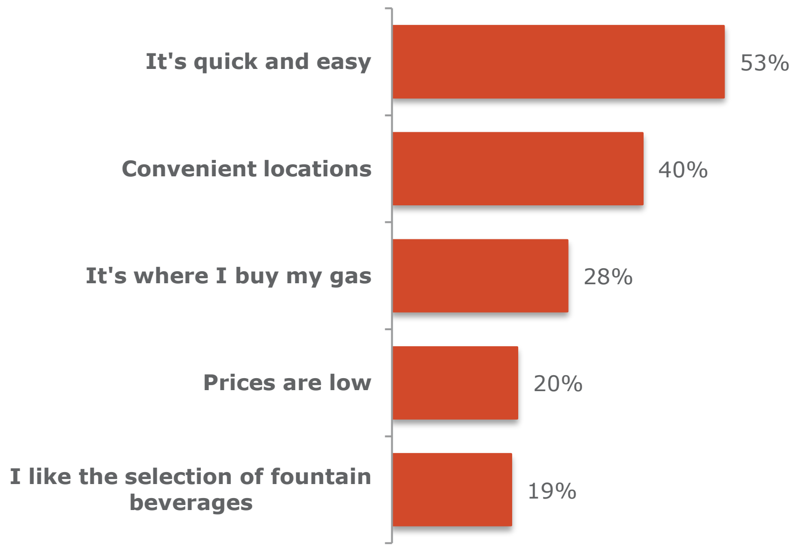
In 2012, Mintel estimated the U.S. convenience store foodservice market to be worth about $25.5 billion, with a forecast for 28% growth by 2017. And, in a Mintel survey representative of the U.S. population, 70% of respondents indicated that they buy prepared food at convenience stores.

Convenience is by far the most prevalent driver of convenience store foodservice purchases. Illustrated in several recent IRI thought leadership pieces, including *New Product Pacesetters* and *State of the Snack Industry*, the blurring of eating occasions has become a catalyzing trend for the consumer packaged goods industry.

Consumers are looking for ways to fuel up without slowing down. Convenience store foodservice, particularly at outlets that allow consumers to fuel their vehicle and their body in a single, brief stop, very much meets consumer needs in this area. In fact, 28% of consumers purchase convenience foodservice because it's available where they buy their gas.

Not surprisingly, beverage selection is another key driver of foodservice purchase behavior. The convenience channel, after all, is a major immediate-consumption channel and five of the 10 top-selling convenience store categories are beverage categories.

Reasons for Convenience Store Foodservice Purchase



What are the reasons you purchase prepared and made-to-order food/drink options from convenience stores?

Source: Mintel

Ease and accessibility of c-store foodservice is appealing to consumers, but quality and selection remains a significant opportunity for enhancement of foodservice programs.

Category & Department Growth Trends: Top 10 Category Growth

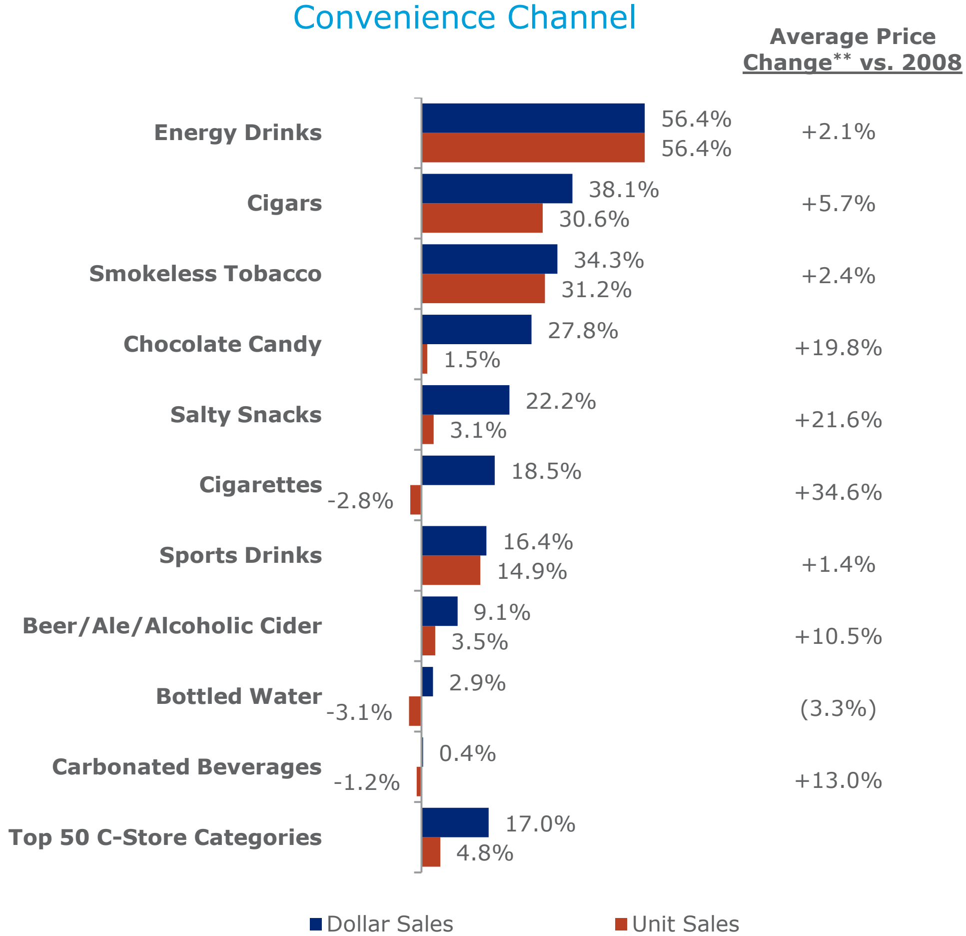
Performance across the 10 largest convenience store categories was a mixed bag in 2012, with four of these categories outperforming industry average unit sales growth rates. The strongest performers were cigars, smokeless tobacco and beverage categories.

By far, the strongest growth came from energy drinks, which enjoyed double-digit growth in both unit and dollar sales in 2012. The category is clearly benefitting from lifestyle trends and associated high levels of popularity.

During the past year or so, this category is also benefitting from high levels of innovation. In fact, Rockstar Recovery, one of last year's IRI New Product Pacesetter products, amassed more than $60 million in its first year, and helped to boost overall category performance.

In addition to this sizable new product, energy drink marketers have been steadily bringing to market new pack sizes, many of which are larger packages, which tout a lower price per ounce. This is helping to drive appeal among consumers looking to lower their CPG expenditures.

Top 10 Categories* Dollar & Unit Sales % Change 2012 vs. 2008 Convenience Channel



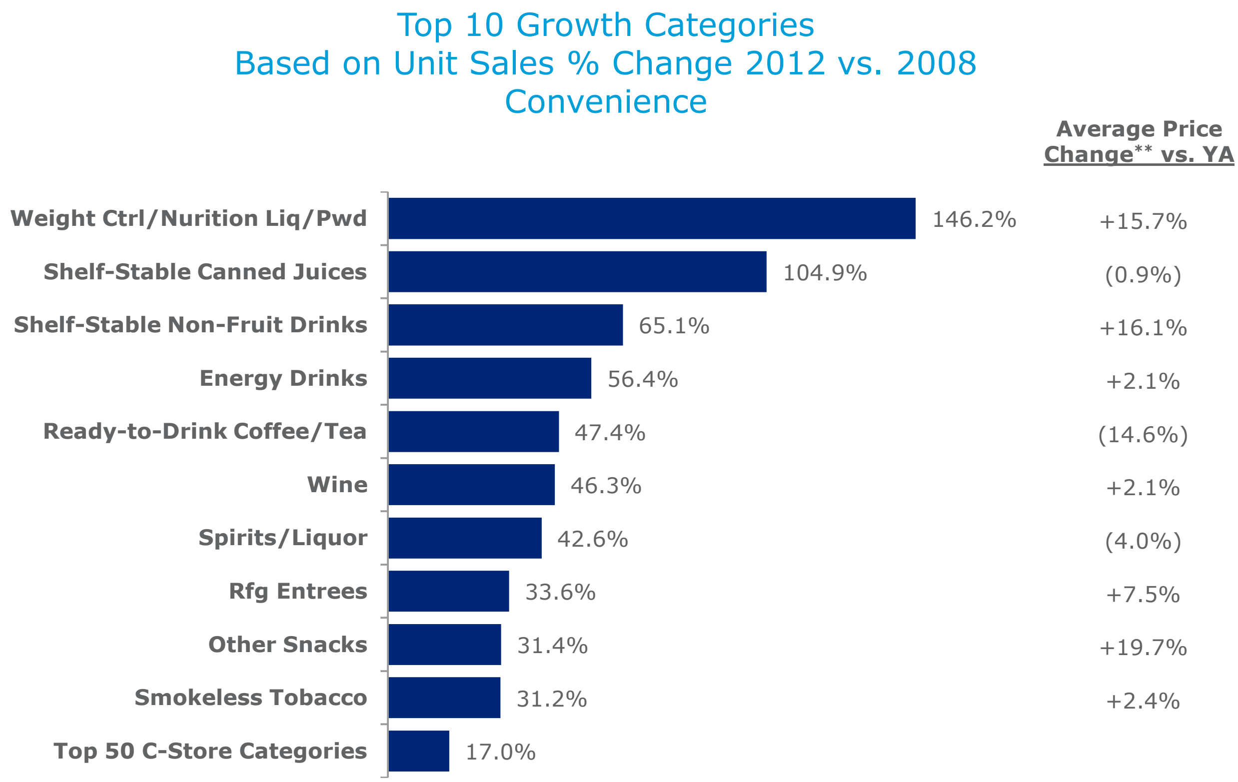
*Based on convenience channel dollar sales. **Average price change based on price per volume analysis.

Source: IRI AllScan™; 52 weeks ending 12/30/2012 and same period prior year

In 2012, only four of the ten largest convenience store categories grew at a stronger pace versus industry average—all were beverage or tobacco categories.

The sharpest decline among the top 10 convenience store categories was evidenced in the bottled water category. This is a category that has struggled during the past several years in the face of consumer efforts to rein in spending. From 2008-2012, bottled water unit sales slipped 3.1% despite beefed-up promotional efforts and associated price deflation.

Category & Department Growth Trends: High-Growth Categories



*Among the top 50 categories based on convenience channel dollar sales. **Average price change based on price per volume analysis.

Source: IRI AllScan™; 52 weeks ending 12/30/2012 and same period prior year

A variety of beverage categories have experienced exceptional growth in the convenience channel during the past several years.

The convenience channel's focus on quick and easy, often immediate consumption and indulgent products is clearly illustrated by the channel's 10 top-selling CPG categories, many of which are beverages. A huge driver of increased momentum is increased product availability.

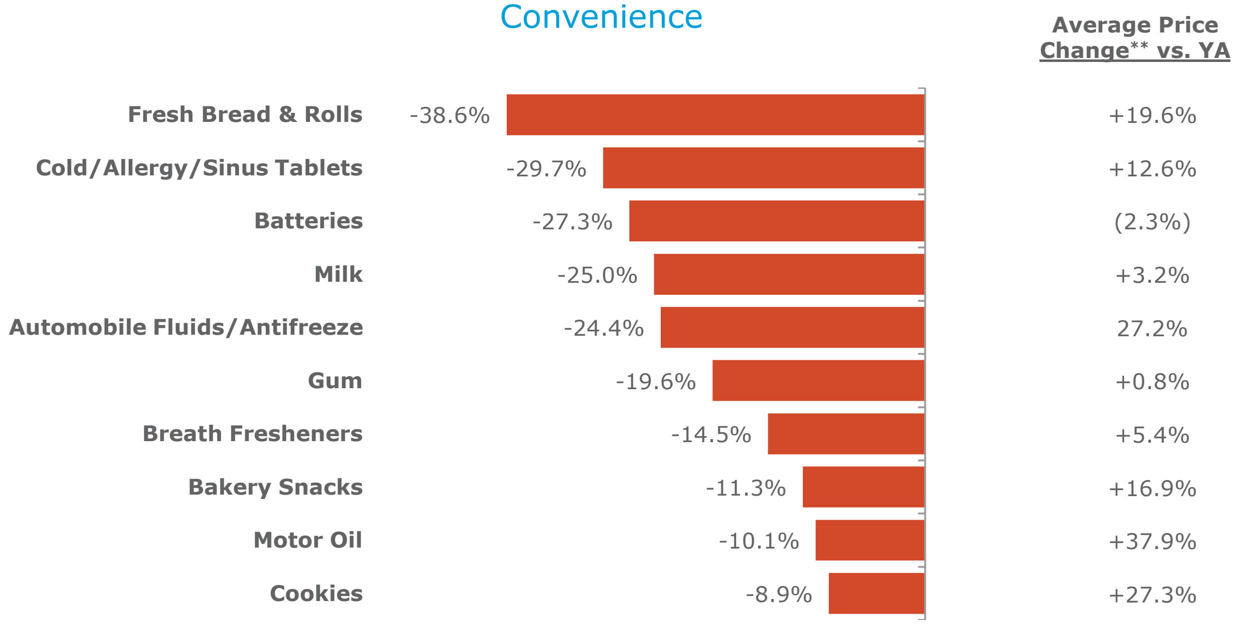
For example, weight control/nutrition liquids/powders is a category that has experienced excellent growth across the CPG industry in recent years. In 2012, for instance, weight control/nutrition liquids/powders saw unit sales increase 13% across IRI's multi-outlet plus convenience geography, fueled by high levels of innovation and consumers' quests for quick and easy satiation and nutrition.

The convenience store channel is capitalizing on opportunities in this area by broadening the availability of these products in their stores. Total points of distribution of this category within the convenience channel has increased nearly 78% since 2008.

Not displayed on this list due to launch date, but very much one of the fastest-growing categories within the convenience store arena is the electronic cigarettes category, which will be explored in detail later in this report.

Category & Department Growth Trends: Sharp-Decline Categories

Categories with Largest Decline
Based on Unit Sales % Change 2012 vs. 2008
Convenience



*Among the top 50 categories based on convenience channel dollar sales. **Average price change based on price per volume analysis.

Source: IRI AllScan™; 52 weeks ending 12/30/2012 and same period prior year

A number of sizable convenience channel categories have seen sharp declines in unit sales during the past several years.

Unit sales declined in 22% of the top 50 convenience store categories in the 2008-2012 time period. This includes three of the channel's top-selling products (based on dollar sales): cigarettes, carbonated beverages and bottled water. Nearly all of the sliding categories experienced average price per volume increases during the same time period.

Illustrated in the chart at the top of this page are the categories that experienced the sharpest decline in unit sales between 2008 and 2012.

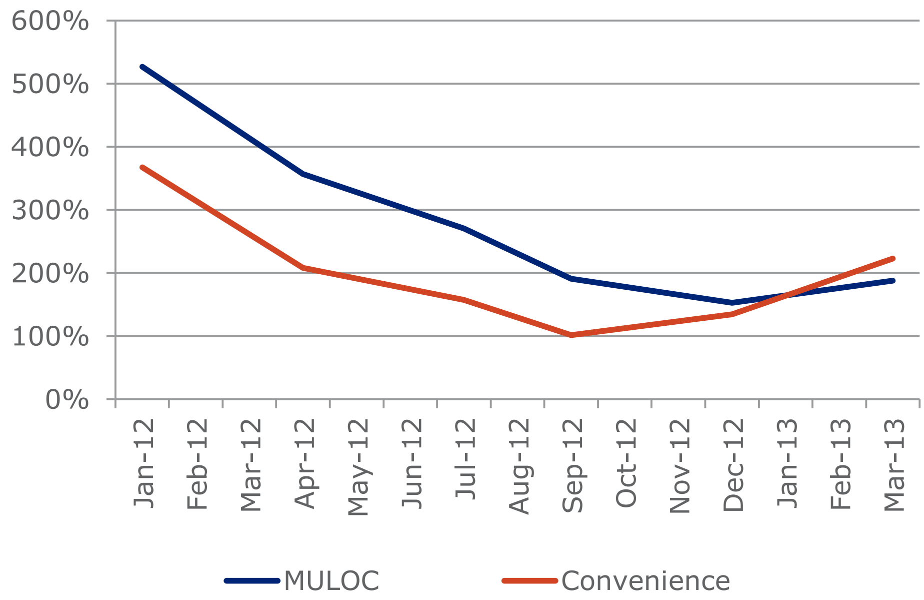
The largest of these categories is the milk category, with a unit sales decline of 25% in the 2008-2012 time period.

Within the channel, milk sales are being negatively impacted by several forces, but price/value is a huge factor. Mentioned earlier in this report, convenience stores are facing serious pressure from other channels, particularly drug and dollar, which are perceived as offering better value. Drug and dollar are winning milk trips and overall share as a result, particularly on take-home sizes (gallon and half gallon).

Another major factor is space allotment. Non-alcoholic beverages have been getting the squeeze as convenience stores spread their alcohol wings, and today, many convenience stores are limiting their fat assortment to two levels, such as whole and 1%, where this is not happening in other channels.

Growth Opportunities: Electronic Cigarettes

Electronic Cigarettes: Category Unit Sales Growth
% Change versus Year Ago
MULOC & Convenience Channel



Source: IRI AllScan™; 52 weeks ending 12/30/2012 and same period prior year

While convenience store growth of electronic cigarettes lagged industry average throughout 2012, channel growth has accelerated in early 2013.

Since bursting onto the scene in early 2009, electronic cigarettes have enjoyed explosive growth. In 2012, the convenience channel accounted for two-thirds of the category's multi-outlet plus convenience geography sales.

Despite this majority share of sales, convenience channel growth of electronic cigarettes lagged industry average by a fairly sizable margin throughout 2012.

In the last quarter of 2012, convenience channel sales of electronic sales ticked upward, while industry average sales continued to slow. Though industry sales turned upward at the end of the year, convenience channel sales accelerated more sharply and, by the end of the first quarter of 2013, convenience channel electronic cigarette growth rate was outpacing industry average.

Throughout the period studied, calendar year 2009 through March 2013, promotional support and distribution trends looked very similar in convenience store versus industry average level trends.

Price per unit trends in the category show the convenience channel deflating slightly more quickly versus the industry average.

It is a trend that must be monitored closely. The continuation of this favorable pricing-related trend is key to retailers that seek to ride the wave of growth in this up-and-coming category.

Growth Opportunities: Health & Wellness

Illustrated in IRI's *2013 State of the Snack Industry* report, there is a significant need for food and beverage marketers to cater to consumers' efforts to strike a balance between wellness and indulgence in their daily lives. Today, two-thirds of consumers indicate that they are trying to eat healthier, while 55% of consumers state that, when they snack, they select options that taste good with little or no consideration of nutritional profile.

Convenience stores do a noteworthy job in delivering indulgence—strong-selling categories within the channel include salty snacks, cookies and bakery snacks, for example.

But, even in these traditionally indulgent categories, healthier options are not only available but also being well received, as demonstrated by the fact that Fiber One Brownies, Nabisco Newtons Fruit Thins, and Tostitos Scoops Multi-Grain tortilla chips all achieved IRI New Product Pacesetter status in their first year during 2012.

Illustrated in the chart at the bottom of this page, in a category-by-category analysis of the nutritional profile of convenience store assortment, convenience stores lag industry average when it comes to health and wellness.

Health and wellness is clearly one of the more powerful trends transcending the CPG industry today. But, winning in health and wellness is not as simple as sprinkling a few "high buzz" product attributes into product assortments and store shelves.

Rather, as illustrated in IRI Consulting's recent *What's in Store for Health & Wellness?*

Category by category, convenience options are, on average, less healthy than average.

Nutritional Profile: Weighted Average Content Per Serving
Multi-Outlet versus Convenience Channel

	Salty Snacks		**Cookies**		**Bakery Snacks**	
	MULO	Convenience	MULO	Convenience	MULO	Convenience
Calories	144	150	145	183	236	345
Cholesterol	0.4	1.3	2.2	3.3	12.0	25.2
Saturated Fat	1.4	1.6	2.4	2.9	4.4	6.4
Sodium	196	241	106	136	163	281
Sugar	1.0	1.1	10.9	14.0	22.4	31.0
Total Fat	7.6	8.5	6.2	8.1	10.1	15.2
Trans Fat	0.0	0.0	0.1	0.3	0.1	0.1

Source: IRI Market Advantage

Growth Opportunities: Health & Wellness

report, marketers that want to excel in this area must cultivate an overarching promise of health and wellness for their consumers.

Doing so requires detailed attention across a number of different areas.

At the center of the most effective health and wellness programs, of course, is the consumer. Not all consumers approach health and wellness from the same angle. Indeed, not all consumers focus on health and wellness with the same fervor. Convenience store marketers must align their health and wellness programs with the perspectives and goals of their core shopper base.

To maximize impact, it is also essential that programs must be communicated in a way that keeps core shoppers in the cross hairs in a clear and concise manner, leveraging language and media that are most impactful with the target audience.

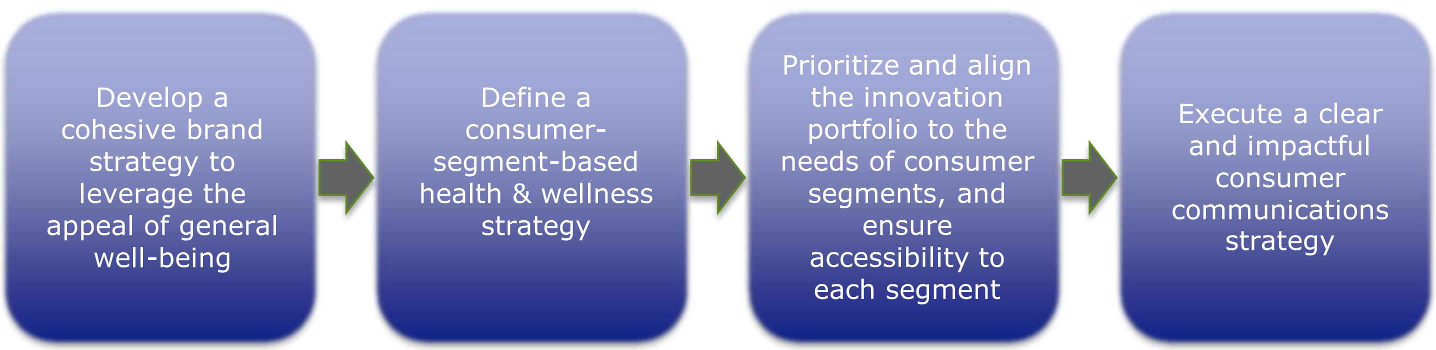
For instance, Internet usership is consistent across salty, chocolate, gum and yogurt consumers, but across ice cream consumers, Internet usership is lower. And, viewership of outdoor advertising is consistent across salty snacks, chocolate and ice cream consumers, but yogurt and gum consumers observe outdoor advertising more frequently.[1]

Price is also critical. Of the top-20, claims-focused health and wellness products, 11 are premium priced compared to other products in their categories.[2] But, at the same time, the price/value equation must remain balanced. Today, 22% of consumers are having difficulty affording their groceries. Among millennials, a key convenience store segment, this figure is even higher, at 38%. It is not surprising that shoppers are making channel, retail banner and product selections with a keen eye toward the value equation.

And, finally, to build a successful health and wellness program, momentum is critical. Attributes wane, and claims lose impact. But, illustrated in IRI's *2012 New Product Pacesetters* report, innovation drives growth. This is very much true with respect to health and wellness programs. To stay relevant, the program must grow and change.

To capitalize on opportunities in health and wellness, convenience store marketers must develop consumer-centric, 360-degree health and wellness programs.

Seize Health & Wellness Opportunity



Source: IRI Consulting, *What's In Store for Health & Wellness?* April 2013

[1]IRI ShopperSights; 2 IRI Consulting, *What's In Store for Health & Wellness?* April 2013

Growth Opportunities: Foodservice

Mentioned earlier in this report, many consumers are already buyers of convenience channel foodservice offerings. But, given the strong growth that foodservice is expected to enjoy during the next few years, there is certainly opportunity for convenience channel marketers to ensure that they are part of the momentum.

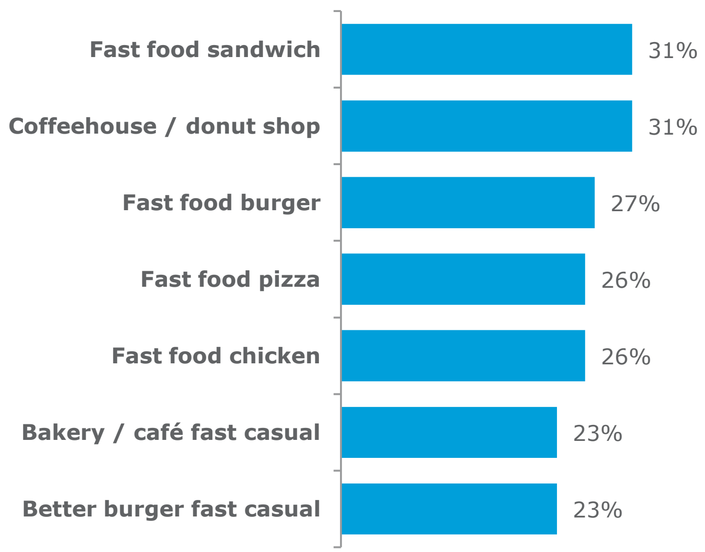
To capture a place at the table, quality is an absolute must. Mintel's recent *Convenience Store Foodservice* report reveals that nearly four-in-10 consumers indicate that they would like to see better quality offerings. This may include customizable and freshly made options, or selections provided by local and/or well-known restaurants.

In fact, 31% of consumers would like to see more fast food sandwich restaurant concepts offered within convenience store outlets. The same number would welcome broader prevalence of coffeehouse/donut shop options. Burgers, pizza and chicken fast-food concepts are also looked at favorably.

Convenience store operators also have an opportunity to capitalize on trends around health and wellness as a means of growing their foodservice offerings.

Several sizable convenience store banners, including 7-Eleven, Tedeschi and Wawa are already doing so with varied strategies. 7-Eleven, for instance, seeks to move fresh foods from 10% to 20% of sales by 2015, and is introducing more fresh food options in its stores. Tedeschi recently hired a director of fresh foods and is building out fresh food options with more gluten free, organics and whole grains, among other attributes. And, Wawa is helping consumers understand what they are ordering with an online "Meal Builder" that will calculate the nutritional profile for all of their foodservice items and options.

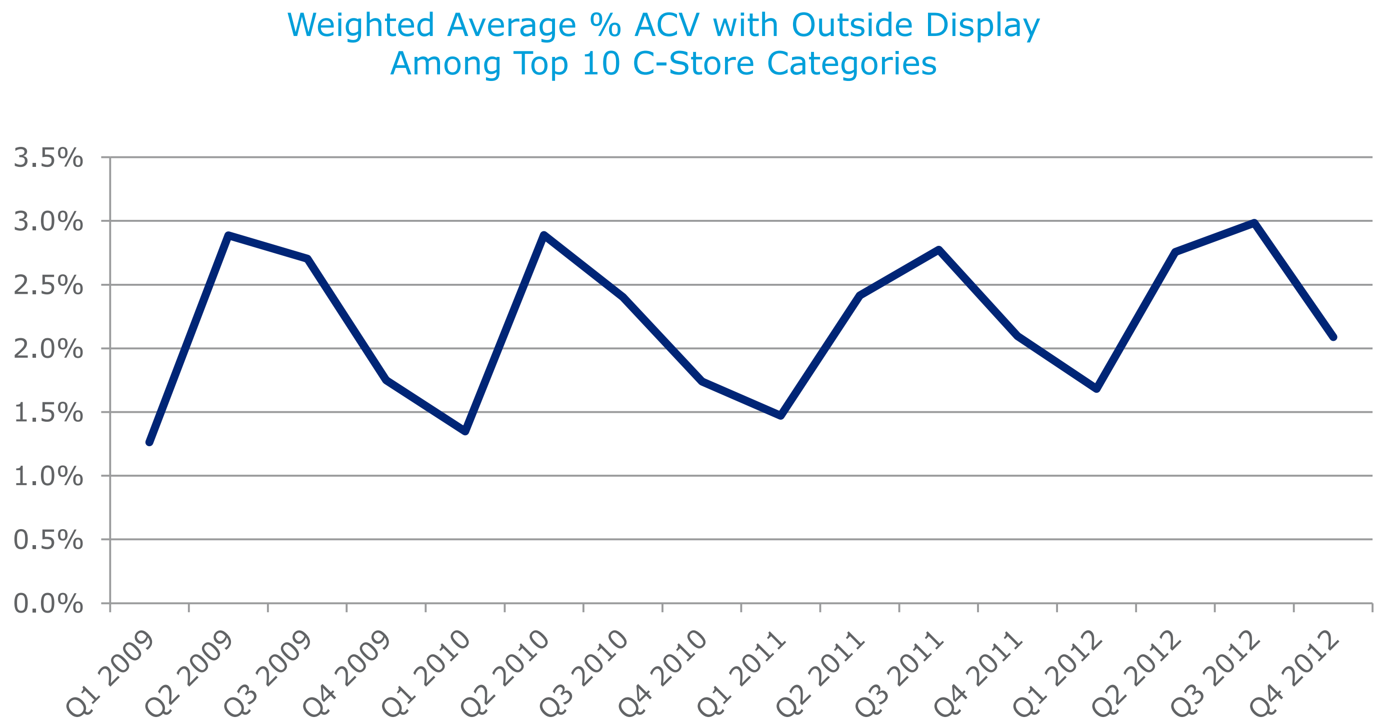
Desired Restaurant Brand Concepts



What types of restaurant brand concept would you like to see available at convenience stores?

Source: Mintel

Growth Opportunities: Outdoor Advertising



Source: IRI AllScan™

Outdoor advertising is more prevalent in warmer months; even at the peak, outdoor advertising represents less than 5% of convenience store ACV.

According to the National Association of Convenience Stores, 95% of gas-selling convenience stores offer pay-at-the pump services. While this is fantastic from a convenience standpoint, it means that using gasoline offerings to drive in-store sales is a bit trickier.

Outdoor advertising is key to luring shoppers into the store. In fact, analysis of outside advertising of key convenience channel categories, including carbonated beverages and bottled water, reveals that product growth rate is twice as high when outdoor causal advertising is used compared to when it absent.

Yet, outdoor advertising is very under leveraged. Use of the tactic ebbs and flows with the weather, peaking during the warmer months. Even during those peak months, however, outdoor advertising represents less than 5% of convenience store all commodity value (ACV).

The goals…

- Something to see while fueling!
- Focus on value!
- Tell them why to come into the store!

The tactics…

- Push outside displays
- Advertise on pump toppers
- Use outside banners

Give consumers a reason to come inside!

Recommendations & Conclusions

Keep the core.

- Invest to develop value offerings across key categories, particularly in markets where tax increases threaten to impact tobacco users' wallets
- Utilize outdoor advertising as in-store visit hook; emphasize value, particularly during periods of high/rising gas prices
- Compete with selection and unique offerings (e.g. "beer cave") as other channels enter traditional convenience core categories

Appeal to more.

- Develop a comprehensive health and wellness strategy targeted to the needs and wants of core shoppers
- Identify CPG synergies (e.g. packaged beverage with combo) as enhanced convenience foodservice offerings are made available
- Identify opportunities to develop new offerings that solve key needs and wants (e.g. RTD protein drinks) of high-potential consumer segments

Resources

FOR MORE INFORMATION

Please contact Susan Viamari at **Susan.Viamari@IRIworldwide.com** with questions or comments about this report.

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