

Insights and Data to Help Manage Today's Changing Consumer Environment

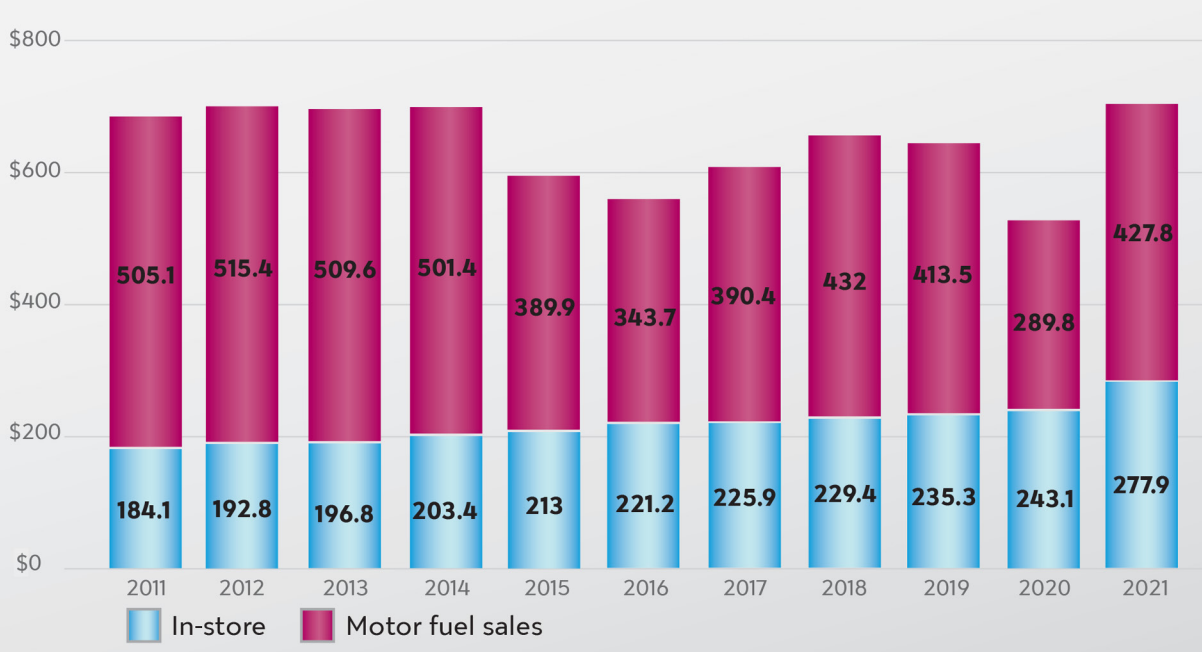
Yesterday the country celebrated Memorial Day and with it the unofficial start of summer. The kickoff of vacation season is the perfect time to look at how our convenience store partners fared in 2021. This issue of Data in Motion summarizes some revenue and cost changes between last year and 2020 and takes a quick look at some seasonal strategies as c-stores strive to maximize summer opportunities.

2021 State of Convenience Highlights¹

While NACS hasn't yet released their official 2021 State of the Industry, early reporting shows that the U.S. convenience industry was very resilient last year. Customers continued to rely on their local convenience stores to fulfill their shopping needs, pushing total in-store sales to a record \$277.9 billion. The average basket size increased 6.3% in 2021 to \$7.59, a growth of 22.4% over the past two years.

Factoring in fuel sales of \$427.8 billion, total convenience store sales reached \$705.7 billion in 2021. These increases came despite a 1.5% decline in the number of convenience stores, which totaled 148,026 stores at the start of 2022, down from 152,720 starting in 2021.

U.S. Convenience Store Sales from 2011 - 2021
(in billion U.S. dollars)



The growth of inside sales was driven mainly by foodservice which grew to an all-time high in 2021. That reflects an astronomical year-over-year increase of 24%. Foodservice now accounts for 35.5% of all in-store gross profits.

However, not all the news was cheery: U.S. convenience stores faced substantial labor headwinds in 2021. Average wages increased 10.5% for full-time and 12.3% for part-time employees (\$13.14 per hour and \$12.45 per hour, respectively). Turnover also increased, up an eye-popping 150% in 2021, the highest in a decade. Wages and benefits were the largest contributor to direct-store operating expenses which were up 14.3% in 2021. And card fees continue to be a significant problem for the channel, up 25.6% or \$13.5 billion last year.

Summer Travel Predictions

It appears that pent up demand for travel is bumping up against inflation and gas prices, currently hovering at an all-time high. Close to 70% of Americans surveyed said they are changing their summer travel plans due to inflation³. Higher gas prices haven't stopped people from traveling altogether but it is changing the way they travel. People report that they plan on making fewer trips, driving to destinations closer to home, and spending less on recreation and dining.

Seasonal C-store Fun

Convenience store transactions traditionally increase to their highest levels of the year those 13 weeks between Memorial Day and Labor Day. In addition to road trips, summer is a time when consumers celebrate graduations, Memorial Day, Independence Day, impromptu get-togethers, and hanging out with family and friends at backyard barbecues.

In order to capitalize on the higher foot-traffic, c-stores are ramping up on cool products and summer-centric promotions that deliver fun and excitement. This month, to highlight new products and help create industry buzz, NACS launched their Cool New Products Discovery Center themed 'Let's Celebrate.' It features seasonally themed products such as limited-time berry flavored drinks, shandy craft beers, and pineapple wine coolers, new peach lemonades, and even flip-flops and fanny packs (yes, they are back in fashion).

Casey's, an Iowa-based c-store chain with locations in 16 states, has gained a lot of attention this year with its second annual 'Summer of Freedom Sweepstakes' promotion. Casey's Rewards members can play Scratch, Match, and Win (sound familiar?) via their Rewards Program app or online for a chance to win free instant prizes like pizza, snacks, drinks, and bonus points. And throughout the summer, qualifying purchases will enter customers into monthly prize drawings to win one of four summer camping and ATV adventures, or free fuel for the summer.

Another example of the efforts that brands make to raise awareness this time of year is evident in a recent online article sponsored by Unilever, maker of several ice cream brands. It references how changes in behaviors led to soaring ice cream sales in 2020 and 2021. The article, which encourages c-stores to increase inventory over the summer months, also brags that "The total category brought in \$26,033 sales per store," and "accounted for an average of \$11,967 gross profit dollars in 2021⁴."

Now, compare those numbers to lottery products which brought in average sales of approximately \$423,529 per store, or 16 times the amount as ice cream, and was responsible for \$24,146 in gross profit dollars.

Final Thoughts

With brands and retailers both making huge pushes every summer to increase visibility and appeal, there's no reason why lottery products, with their entertainment value and chance to win cash, shouldn't be promoted right along with ice cream and fanny packs. So if you aren't already, consider offering an annual summer promotion that gives both retailers and consumers something to look forward to every year.



Sources:
 1. Cspdailynews.com. Convenience-Store Sales, Performance Reach Pre-Pandemic Levels, April 2022
 2. Statista Research Department. United States: sales of the convenience store industry, January 2022
 3. Wall Street Journal. Americans Planning Summer Travel Face a New Hurdle: High Inflation, May 2022
 4. NACS Magazine. Prepare Now for Ice Cream Season, April 2022