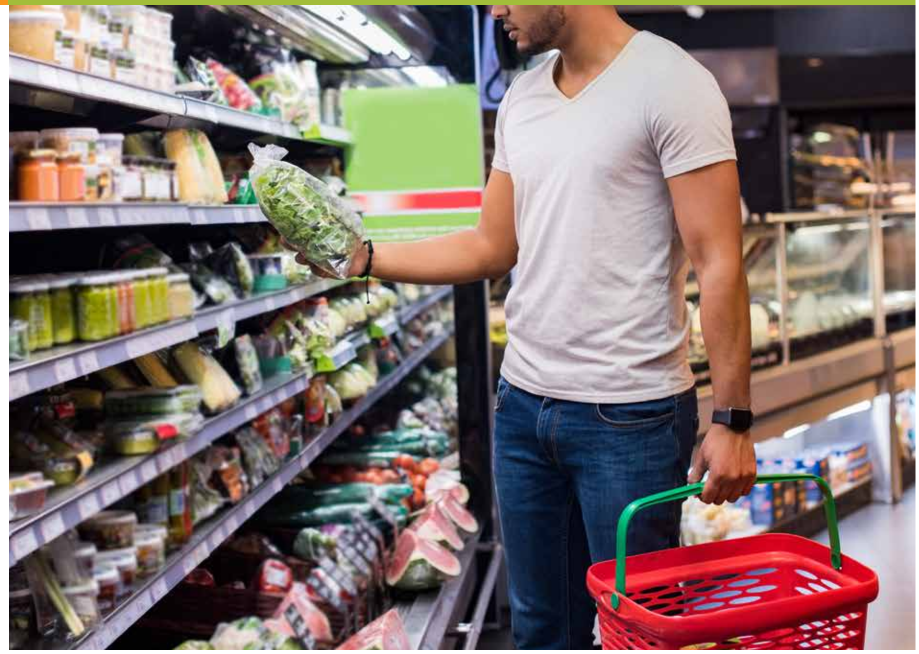
2018 CONVENIENCE STORE REPORT



ABOUT THIS STUDY:

The space convenience stores occupy in our minds is not proportionate to their utter ubiquity. Convenience stores are everywhere (literally everywhere—that's what makes them so convenient). Yet, in business and popular news, they do not occupy the same mindshare as bigger box retail and grocery locations. For all the talk of Amazon's Whole Food's acquisition, we have yet to encounter similar news in the c-store world, and in a far more fragmented landscape of independent and codependent banners amidst national brands, it is not as facile to discuss either.

So we set out to better understand the national c-store market, but not from a brand perspective. We are not here to make claims about whether customers prefer 7-11 to Store-24—there are very few national convenience store chains, and regional peculiarities such as they are prohibit any truly in-depth study of brand level competition within this space.

Instead, **we are offering an earnest assessment of customers', and different clusters of like-minded customers', values, concerns, and paths to purchase**. Segmenting for gender, generation, community (rural, urban, suburban), and frequency of visits, we are uncovering what certain customers already love about c-stores, what they would like to see improved, and what the next generation of convenience stores should look like. These insights should alert operators of opportunities for additional product offerings to increase market and basket share, ideal messaging to reach certain groups, and ways to incorporate technology to keep pace with the changes befalling retail writ large.

Between January 17 and February 8, we surveyed 2,173 respondents about their preferences, priorities, and pain points when it comes to convenience store shopping. Meet us at register two for the results!

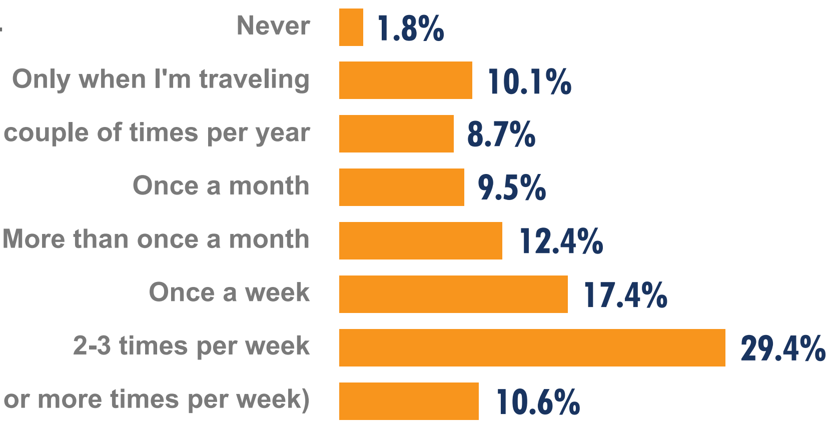
ABOUT TRENDSOURCE

TrendSource is a full-service market research and strategic consulting firm based in San Diego, California. We work with some of the top brands in the world to help grow their business, offer support for entering new markets, integrate new marketing materials, work to improve customer service standards, and validate promotions and previous work. Contact us about developing a custom plan for your convenience store or grocery.

CONVENIENT SHOPPING

HOW OFTEN DO YOU MAKE PURCHASES AT A CONVENIENCE STORE?

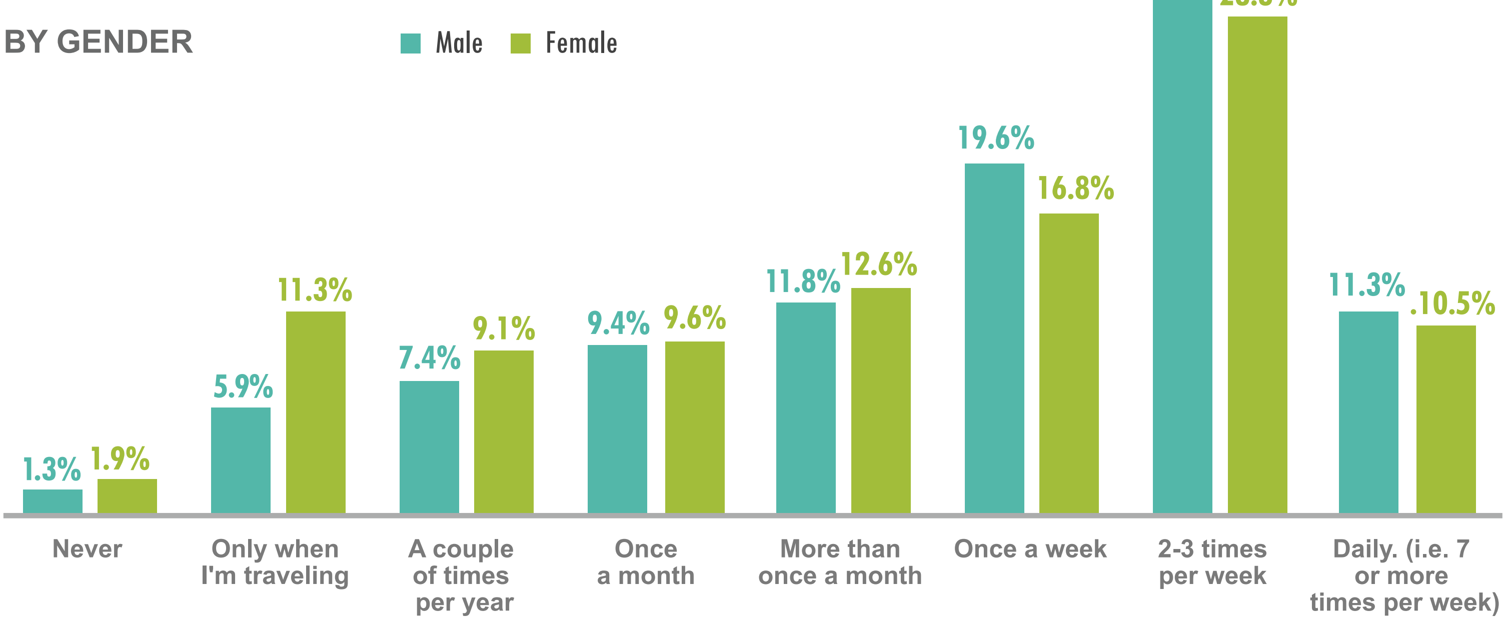
OVERALL



The clear majority (29.4%) of respondents make purchases at convenience stores roughly 2-3 times per week, with large swaths of respondents also indicating they make purchases once a week (17.4%) and daily (10.6%). Regardless of whether they live in rural or urban areas (self-reported) and regardless of their income levels, we found that people generally fit into this frequency pattern. Yet interesting things happen when we consider purchase frequency by gender and generational segmentations.

HOW OFTEN DO YOU MAKE PURCHASES AT A CONVENIENCE STORE?

BY GENDER



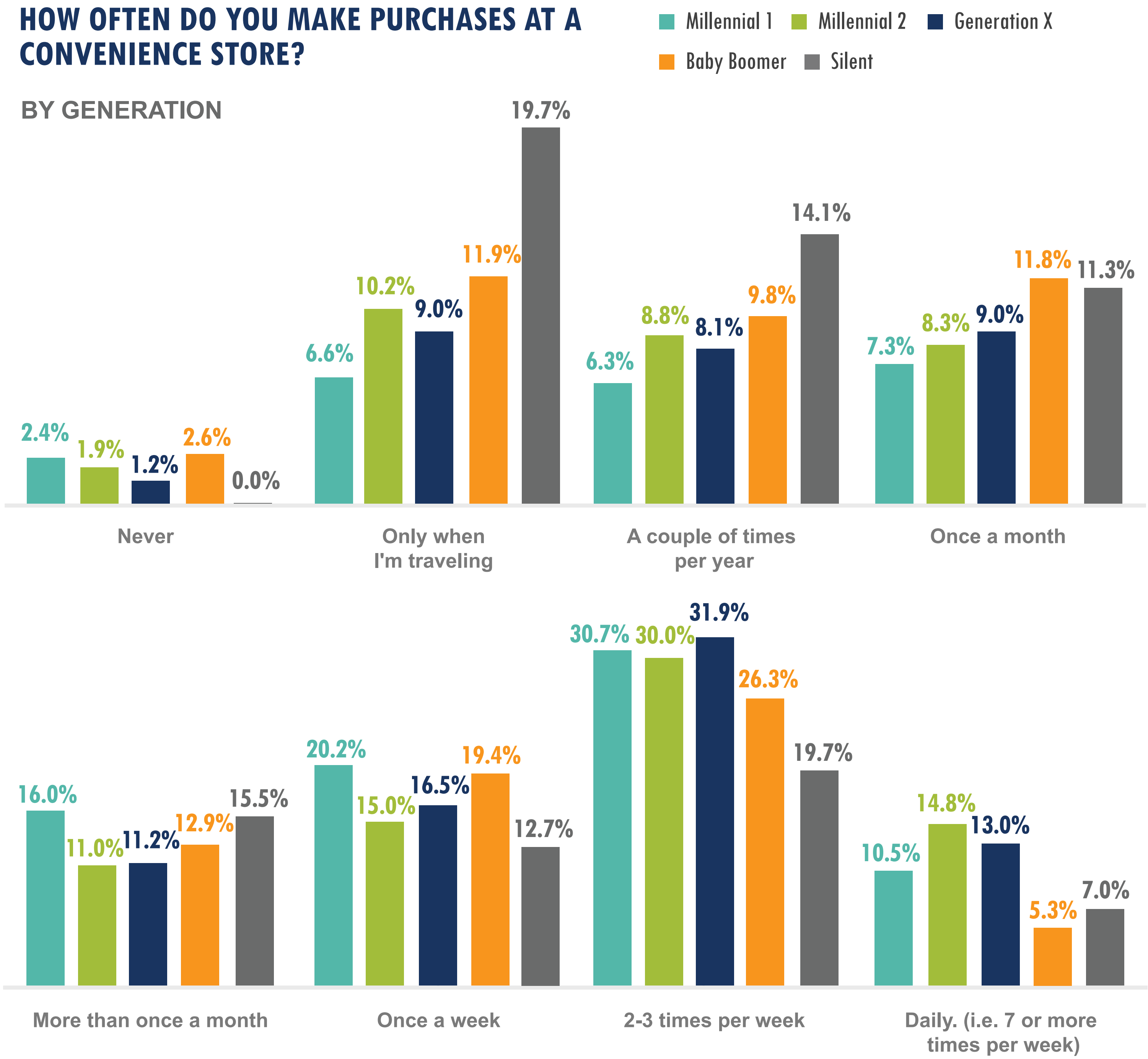
Men are notably likelier to make frequent convenience store purchases than women. Some of this has to do with traditional gender roles ascribing domestic and public responsibilities differently—despite all the social changes around us, men (probably both married and single) are likelier to gas the car up and grab the kids a quick snack than women are.

But there is something bigger going on here, something that should be comparatively easy for convenience stores to address, and that is the question of safety. We already know that men move more freely thorough the world with less concern for their physical safety. Thus, women, in both rural and urban areas, are perhaps (appropriately) more cautious about venturing. This is backed up by a later question we asked in which we found that **women were significantly more likely than men to select a location based on its safety (4.21 vs. 3.47)**. We will emphasize this in our key findings as well, but these numbers should prove both fascinating and instructive to convenience store operators who clearly should prioritize emphasizing their location's relative safety.

GENERATIONS OF CONVENIENT SHOPPERS

Also, when we break this down by generation, a couple of things stand out. First, and no big surprise here, the **silent generation's most common relationship to convenience stores is that they only visit them when traveling** (19.7%). We all can picture Mee-Maw and Pee-Paw piling into the Winnebago for a retiree adventure, where they will no doubt hit up convenience stores from sea to shining sea. But we also can think about their overall reduced mobility, both in terms of physical activity and driving privileges, and understand how this answer makes sense. On a fixed income, often having surrendered their driver's license and some autonomy, the Silents are not in a position to roll through the 7-11 every day to get some coffee and scratchers.

HOW OFTEN DO YOU MAKE PURCHASES AT A CONVENIENCE STORE?



The most frequent convenience store customers also should not surprise us: **Millennial 2s and Generation Xers are the likeliest to visit convenience stores more than once per week**. The vanguard of the hipster gentrification brigade, these individuals have likely relocated to urban areas where convenience stores are especially convenient—often just a block's walk away. Add in the fact that they are likely hitting the peak of their disposable income and it is rather easy to understand how these generations can make on-demand purchases in the most convenient way possible.

The primary concern for convenience store patrons is, unsurprisingly, the convenience of location.

LOCATION, LOCATION, LOCATION

IMPORTANT FACTORS IN CHOOSING A CONVENIENCE STORE

OVERALL AVERAGE SCORE	Location	Safety	Gas Prices	Hours	Product Prices	Restrooms	Product Offerings	Brand
	4.07	4.05	3.99	3.64	3.57	3.33	3.27	2.73

1 = not at all important 2 = slightly important 3 = moderately important 4 = very important 5 = extremely important

For the aggregate respondent, there are three top priorities when choosing a convenience store, and then a whole bunch of secondary, and even tertiary, concerns. **The primary concern for convenience store patrons is, unsurprisingly, the convenience of location: proximity is everything.** Like the old real estate adage regarding a property's three most important features (location, location, location), our average respondent rated location as the most important determining factor for a convenience store purchase.

Closely behind location, and closely related to it, consumers prioritize safety. This makes sense and requires little explanation. It is true for rural and urban consumers alike, and holds true across generation and income: **people don't want to shop where they don't feel safe**. As previously discussed, this is a more important consideration for women than it is for men.

Following location and safety, the top priority for consumers is gas prices, and this requires a bit of thought and explanation. Once consumers have established the proximity and safety of a convenience store, their next concern is its gas prices. Consider the expense fuel represents to the average American consumer, and also how frequently its price fluctuates from day-to-day and location-to-location. It is the most variably priced necessity in the typical convenience store consumer's daily life. So a good deal on gas can overcome a lot—no, people won't drive entirely out of their way to save a few cents on fuel, and they likely won't go somewhere they don't feel safe. Assuming they appear equally safe, **consumers are going to choose the one with the lowest gas prices**. The price of Doritos do not generally vary by location and are only a fraction of a consumer's monthly budget. The same is not true for gasoline.

TIMING IS EVERYTHING

IMPORTANT FACTORS IN CHOOSING A CONVENIENCE STORE

FREQUENCY OF PURCHASE

1 = not at all important 2 = slightly important 3 = moderately important 4 = very important 5 = extremely important

	Overall average score	Only when I'm traveling	A couple of times per year	Once a month	More than once a month	Once a week	2-3 times per week	Daily. (i.e. 7 or more times per week)
Location	4.07	4.06	4.07	4.13	4.14	4.07	4.05	3.96
Safety	4.05	4.29	4.12	4.14	4.10	3.97	3.99	3.93
Gas Prices	3.99	4.09	3.84	4.01	4.26	4.00	3.90	3.88
Hours	3.64	3.51	3.45	3.49	3.58	3.62	3.75	3.89
Product Prices	3.57	3.19	3.18	3.45	3.61	3.57	3.75	3.87
Restrooms	3.33	4.06	3.19	3.42	3.37	3.21	3.18	3.24
Product Offerings	3.27	2.94	2.95	3.03	3.28	3.29	3.42	3.57
Brand	2.73	2.52	2.56	2.75	2.64	2.75	2.84	2.82

A couple unique attributes emerge when we consider these deciding factors by the consumers' frequency of convenience store purchases: how do consumers' priorities change when they visit convenience stores daily or multiple times per week vs. infrequently and only during travel?

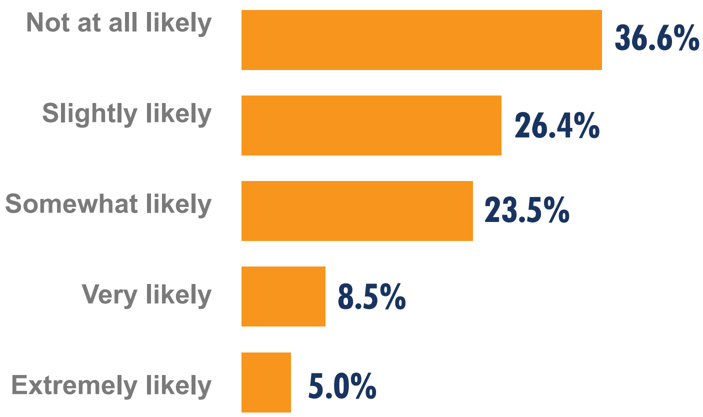
Shoppers who only visit convenience stores during travel disproportionately prioritize the two things you would expect them to: gas prices and restrooms. On long road trips, convenience stores are one-stop shops that, in addition to being freeway proximate, must have food, restrooms, and gas. That travelers would require this makes sense, and alerts proprietors to the distinct priorities they must respect depending on their location and the amount of travelers they receive relative to regulars.

On the flip side of the coin, regulars don't care nearly as much about restrooms—they likely live a few blocks away and can use their own—and while they still prioritize gas prices, the frequency of their visits means that every trip is not about gassing up (unless you count eating C-Store prepared foods as "gassing up"). Instead, **regulars disproportionately prioritize hours and product prices**, two factors that can go a long way in distinguishing multiple similar stores from one another. Who is open, and who has the best deal on kombucha and Olde English 40s?

DELIVERY SERVICE

LIKELIHOOD OF USING C-STORE DELIVERY

OVERALL



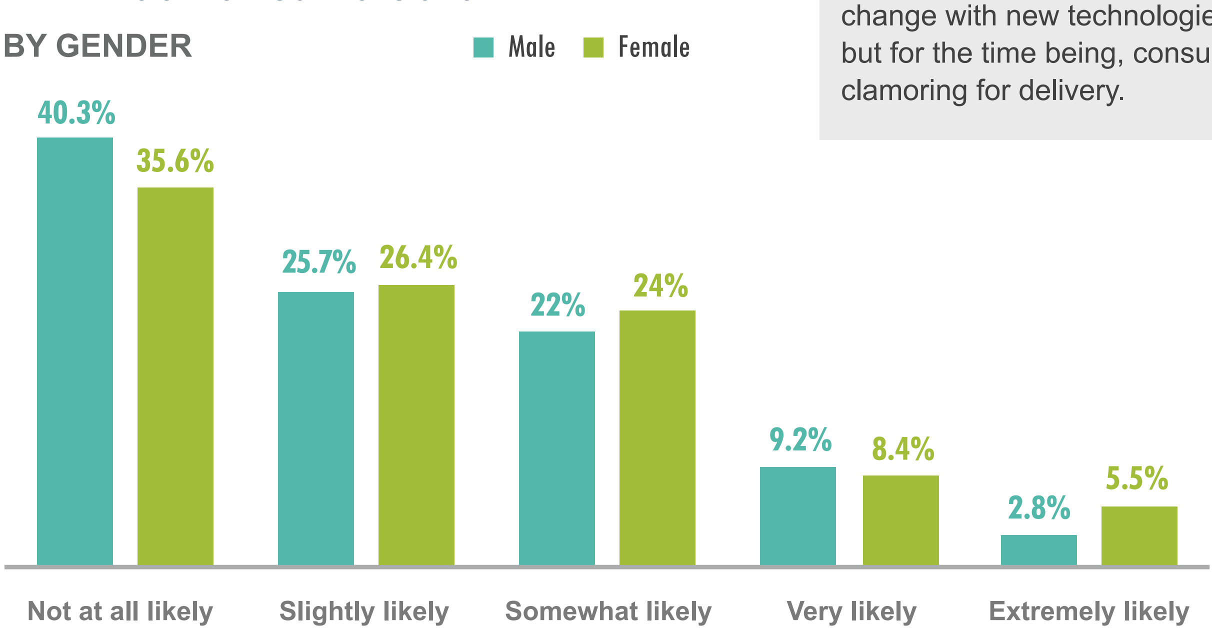
E-commerce in general and specifically delivery are quite figuratively the hottest topics in retail, but it would appear that the consumer appetite for convenience store delivery options is not yet that great.

Overall, people are not that into the prospect of convenience store delivery. Over one-third of respondents (36.6%) were entirely uninterested in the idea, and over one-quarter (26.4%) only slightly so. Only 13.5% of respondents were very or extremely likely to use this service if offered.

Of course, people underestimate the likelihood of using a service they have yet to experience—how many of us thought we'd be shelling out $100 a year for something called Amazon Prime? Expectations and priorities change with new technologies and products, but for the time being, consumers are not clamoring for delivery.

LIKELIHOOD OF USING C-STORE DELIVERY

BY GENDER

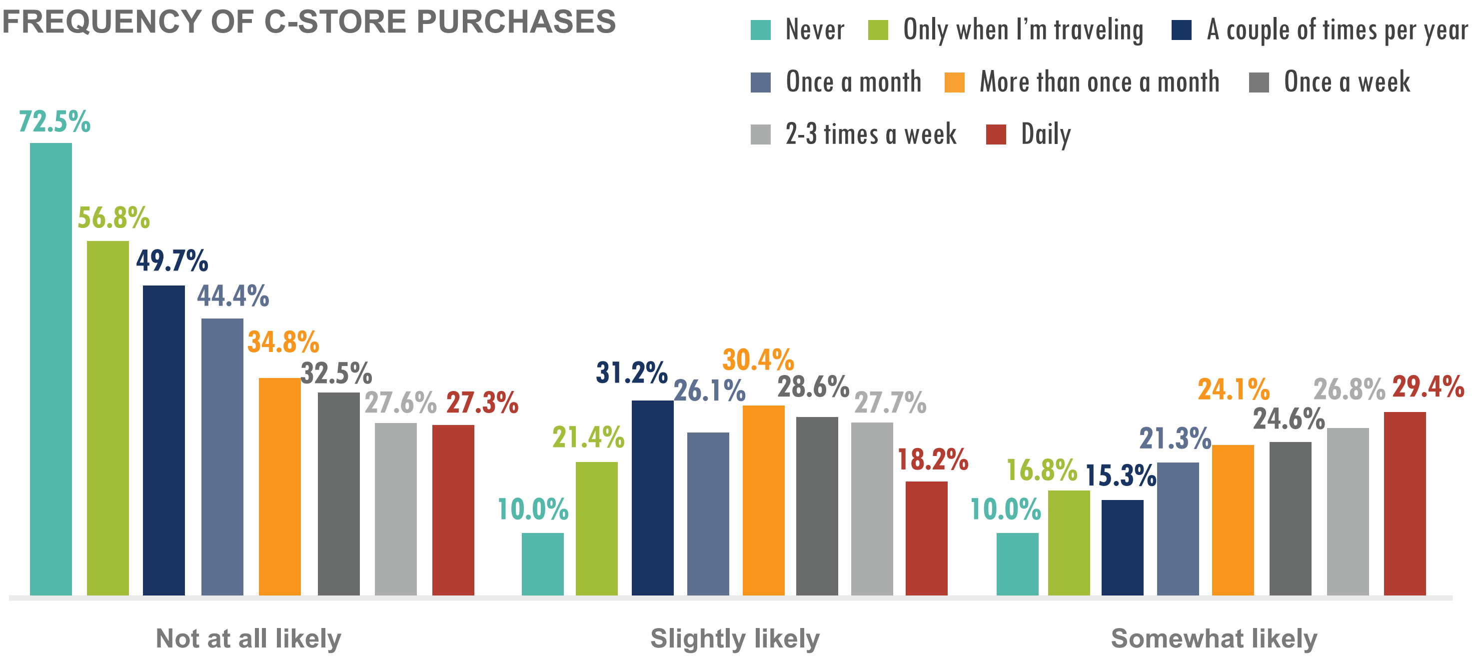


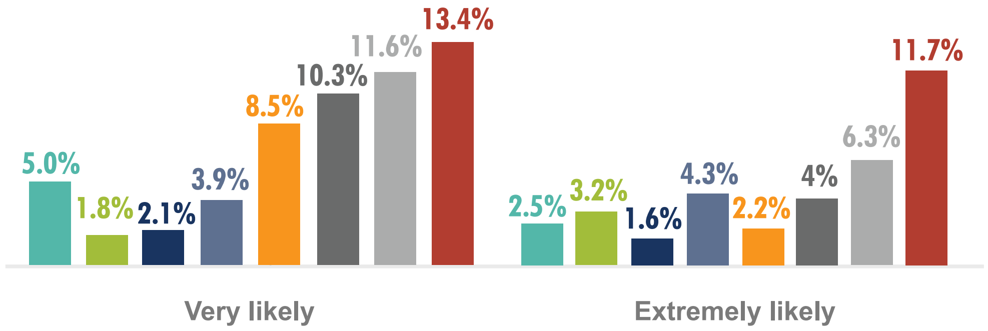
Note that when we segment by gender, we find that **women are notably likelier than man to use a convenience store delivery service**. Recall that women were less likely to be frequent physical visitors to c-stores than their male counterparts, and this somewhat peculiar trend begins to make sense. Women would rather not venture out to the store, preferring instead that the convenience be brought to them. While it might be tempting to simply label them as lazy, we know this isn't the case. This likely has everything to do with safety as women to avoid the risk of public movement, again alerting c-store operators to prioritize communicating their location's security (and alerting our society to treat women better).

IN-STORE VS DELIVERIES

This one might just go without saying, but we thought it was worth pointing out nonetheless: **the more frequently one makes convenience store purchases, the more receptive they are to the idea of convenience store deliveries.** Thus, 25.1% of daily convenience store patrons are very or extremely likely to use convenience store delivery services, compared to just 5% of consumers who only make purchases while traveling. If you operate a convenience store in a rest stop in the middle of nowhere, don't start building out a delivery operation. But if you find yourself in a crowded urban area where you know many of your patrons by their first names (NORM!), maybe it's time to start thinking about going digital.

LIKELIHOOD OF USING C-STORE DELIVERY



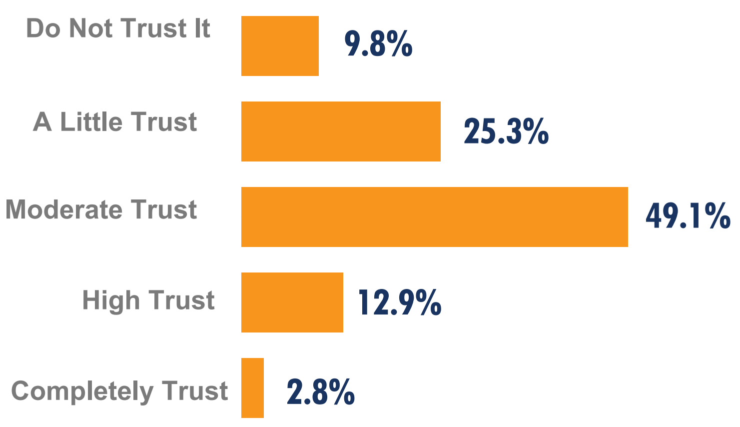


If you operate a convenience store in a rest stop in the middle of nowhere, don't start building out a delivery operation.

C-STORE PREPARED FOOD

TO WHAT EXTENT DO YOU TO TRUST IN THE SAFETY/QUALITY OF C-STORE PREPARED FOOD?

OVERALL



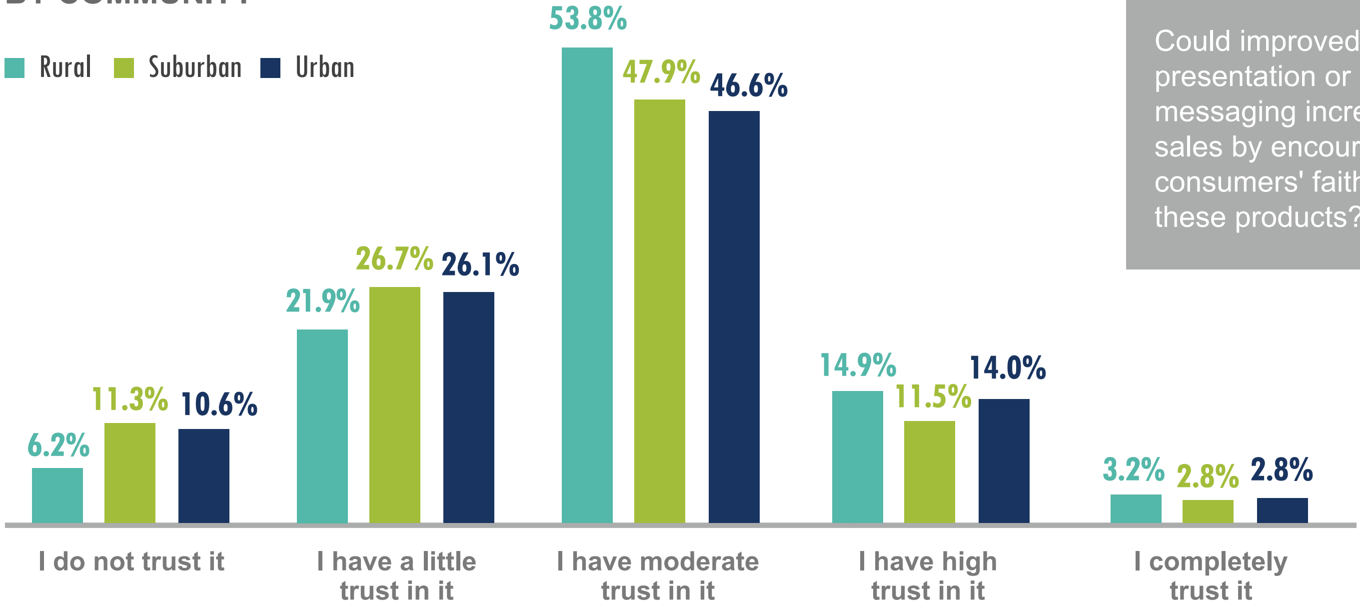
Convenience stores often include a hot prepared food case replete with nachos, hot dogs, various chicken products, and sundry other conveniently hot options. We wanted to know to what degree consumers trusted the safety and quality of these options—no, nobody thinks they are getting Zagat rated meals from the 7-11 hot case, but could improved presentation or messaging increase sales by encouraging consumers' faith in these products?

It turns out that nearly half (49.1%) of respondents have "moderate" trust in the food, a middle-of-the-road answer for middle-of-the-road food. Only 2.8% of respondents completely trust its quality, while 9.8% entirely distrust it. Over one-quarter of respondents had "little" trust in it, and 12.9% a high amount. So what's the sum total? It would seem there is some room for improvement among our aggregate respondents who may roll the dice on some heat lamp chicken strips in a pinch, but don't feel great about doing so.

> Could improved presentation or messaging increase sales by encouraging consumers' faith in these products?

TO WHAT EXTENT DO YOU TRUST IN THE SAFETY/QUALITY OF C-STORE PREPARED FOOD?

BY COMMUNITY

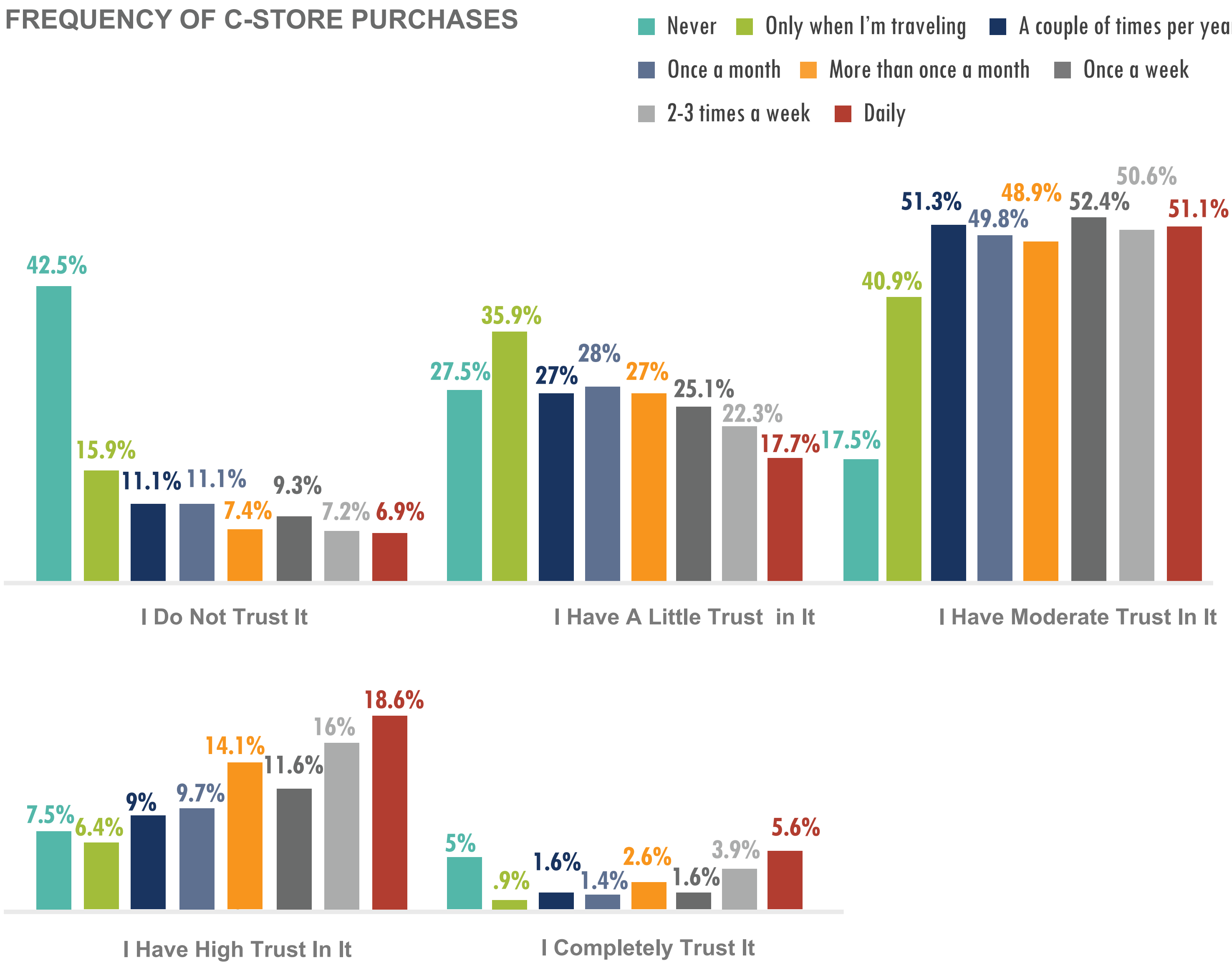


It is also worth noting that **rural consumers seem to have greater trust in these products than their urban and suburban counterparts**. Perhaps it owes to the relative paucity of other options within a stone's throw, or perhaps to different regional standards, but regardless it seems that the hot box is hotter in rural communities.

MORE IS BETTER

The more frequently a consumer makes purchases at convenience stores, the likelier they are to trust its safety and quality. They are, in a sense, drinking the convenience store Kool-Aid by eating the convenience store food.

TO WHAT EXTENT DO YOU TRUST IN SAFETY/QUALITY OF C-STORE PREPARED FOOD?



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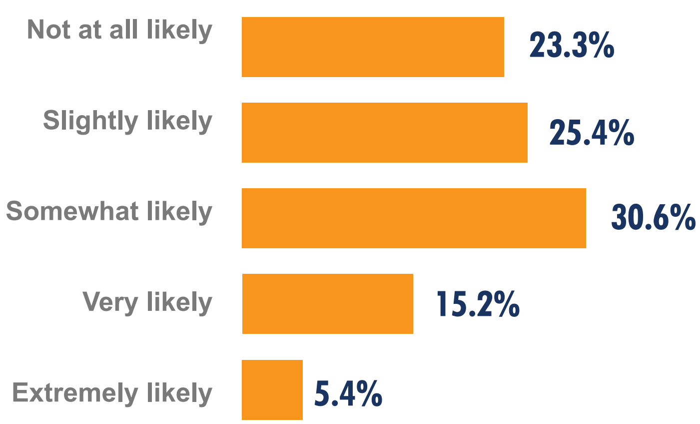
THE FOOD GAME

LIKELIHOOD OF PURCHASING "ELEVATED FARE" AT C-STORE

OVERALL

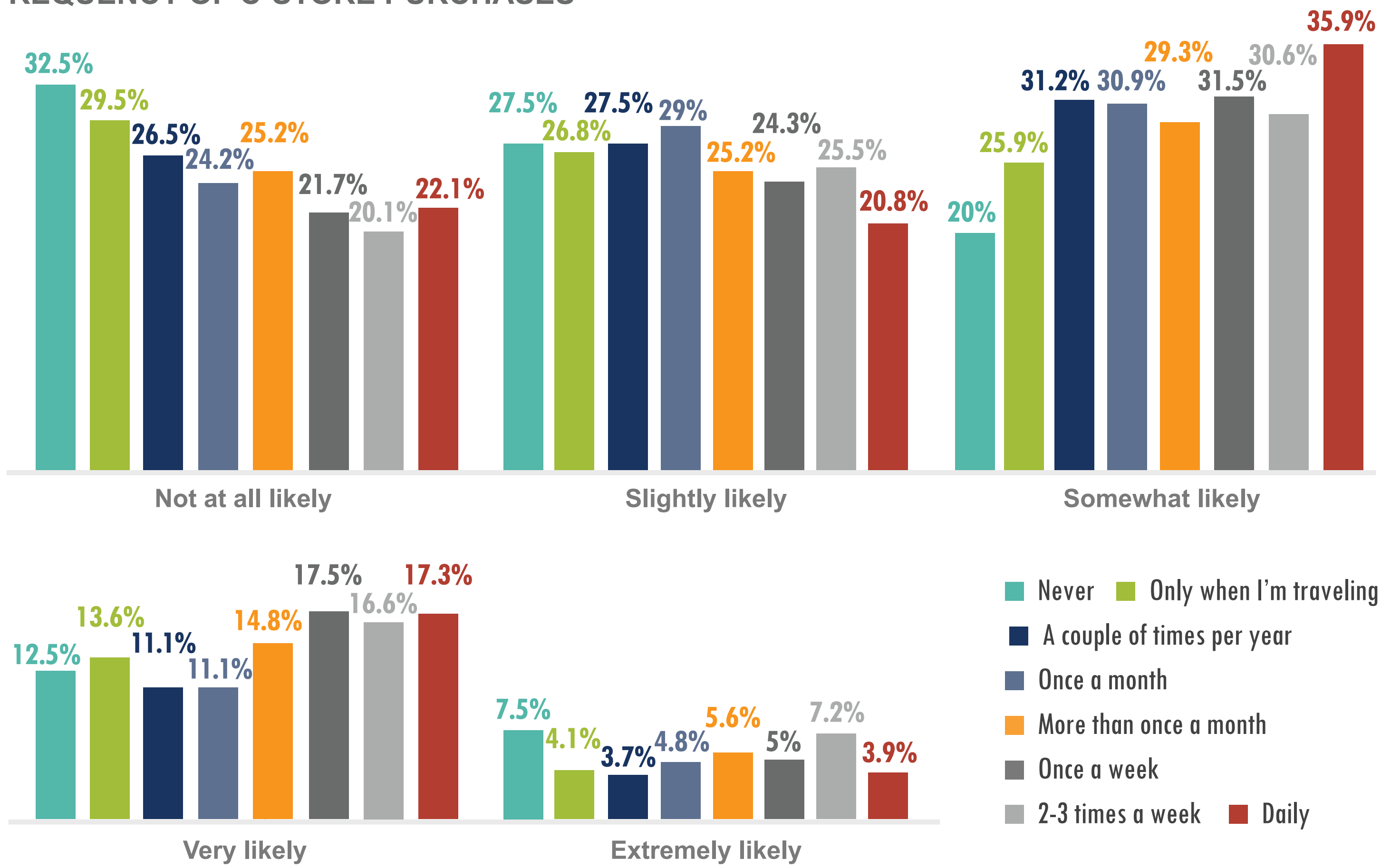


So, if consumers are not entirely embracing the safety and quality of convenience stores' hot food options, perhaps an elevated food game would increase foot traffic and satisfaction? We asked if respondents were likely to purchase "elevated" (read: "better") fare, and respondents were not as enthusiastic as you may expect. **Nearly one-quarter (23.3%) were not at all interested in such elevated fare, and 25.4% were only slightly interested.** Only 20.6% were very or extremely likely to purchase such food.

It would seem that the majority of consumers don't want to get their good food from convenience stores. Perhaps it's like when Americans traveling in Europe realize they can get a beer with their Big Mac, but something just feels out of place and wrong: a Big Mac is Coca-Cola territory. It could be that food's mere presence in a convenience store casts doubt upon its provenance; can c-store hot boxes taint even the most organic and fresh chicken wing by association alone? For a majority of consumers, it seems so.

LIKELIHOOD OF PURCHASING "ELEVATED FARE" AT C-STORE

FREQUENCY OF C-STORE PURCHASES



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LIKELIHOOD OF PURCHASING "ELEVATED FARE" AT C-STORE

FREQUENCY OF C-STORE PURCHASES

The most infrequent customers are far less likely to purchase such fare than the most frequent. Stores that cater to a more urban (hipster) crowd should consider incrementally rolling out such concepts at a measured pace so as to avoid alienating their existing base. All of this should be implemented while simultaneously running a robust market research analysis, of course.

CONVENIENCE STORE CLUSTERS

Using cluster analysis (k-means), we broke our respondents into four groups based on their priorities and values when shopping convenience stores and assigned them personas to flesh out their peculiarities. Within these personas, disparate respondents are likely to share responses despite geographic and demographic distinctions. These clusters share a rough average age, between 43 and 47 years old, and are relatively evenly split across income, gender, and generation—these are not segments based on demographics but rather clusters of like-minded, though disparate, individuals.

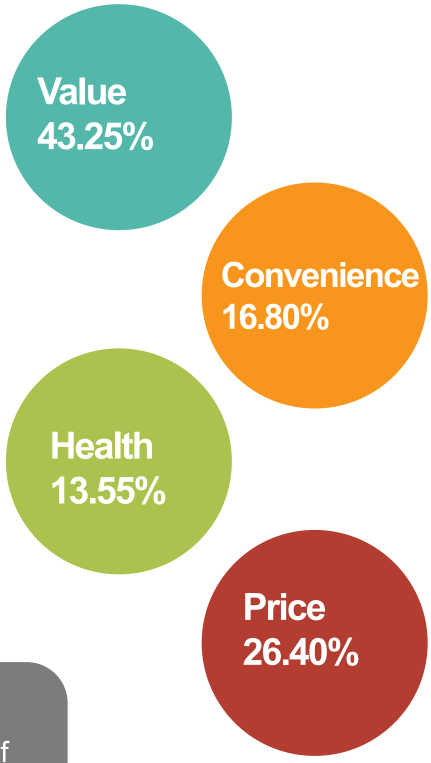
THE FOUR CONVENIENCE STORE CONSUMER CLUSTERS ARE:

Value: Prioritize the bargain over all else. Responds favorably to discount messaging, particularly with higher value items.

Convenience: In addition to location, location, location, these consumers want ease, effortlessness, and efficiency.

Price: Value price over all else, would rather get the cheapest item than spend a few cents more and get the best bargain.

Health: Our Don Quixote segment, looking for healthy eating and drinking options in a generally salty and preservative-laden environment.



Of course, there are some things every single cluster, and most respondents can agree upon. For example, the majority of each of the four groups visit convenience stores with the similar frequency, 2-3 times per week. But when it comes to current priorities and future interests, these clusters take on a life of their own.

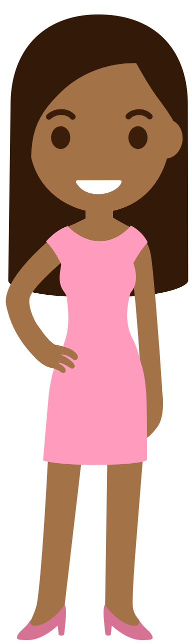
THE VALUE CLUSTER

Value

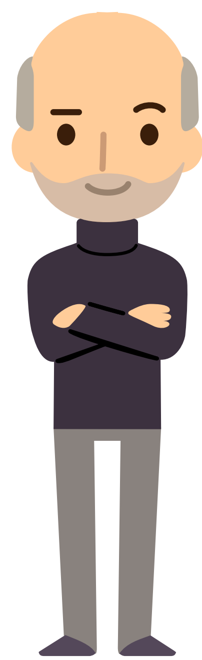
Prioritize the bargain over all else. Responds favorably to discount messaging, particularly with higher value items.

Believe the store's safety is the most important factor in choosing a convenience store

Unlikely to use convenience store delivery services



Unlikely to purchase elevated fare options at convenience stores



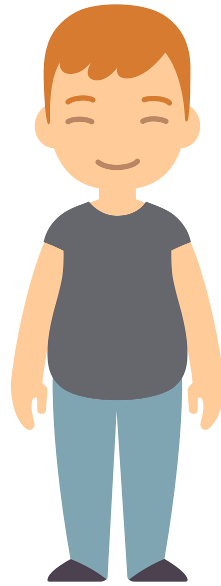
Least likely to purchase craft beer

TRENDSOURCE TRUSTED INSIGHT

THE CONVENIENCE CLUSTER

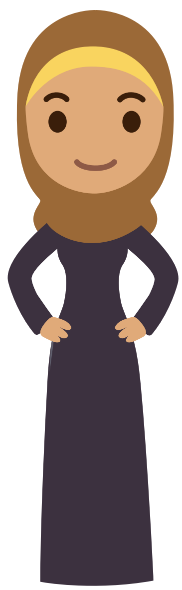
Convenience

In addition to location, location, location, these consumers want ease, effortlessness, and efficiency.

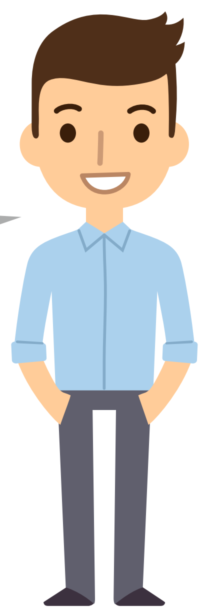


Believe the store's location is the most important factor in choosing a convenience store

Likeliest to use convenience store delivery



Have the most trust in the safety/quality of convenience store prepared food



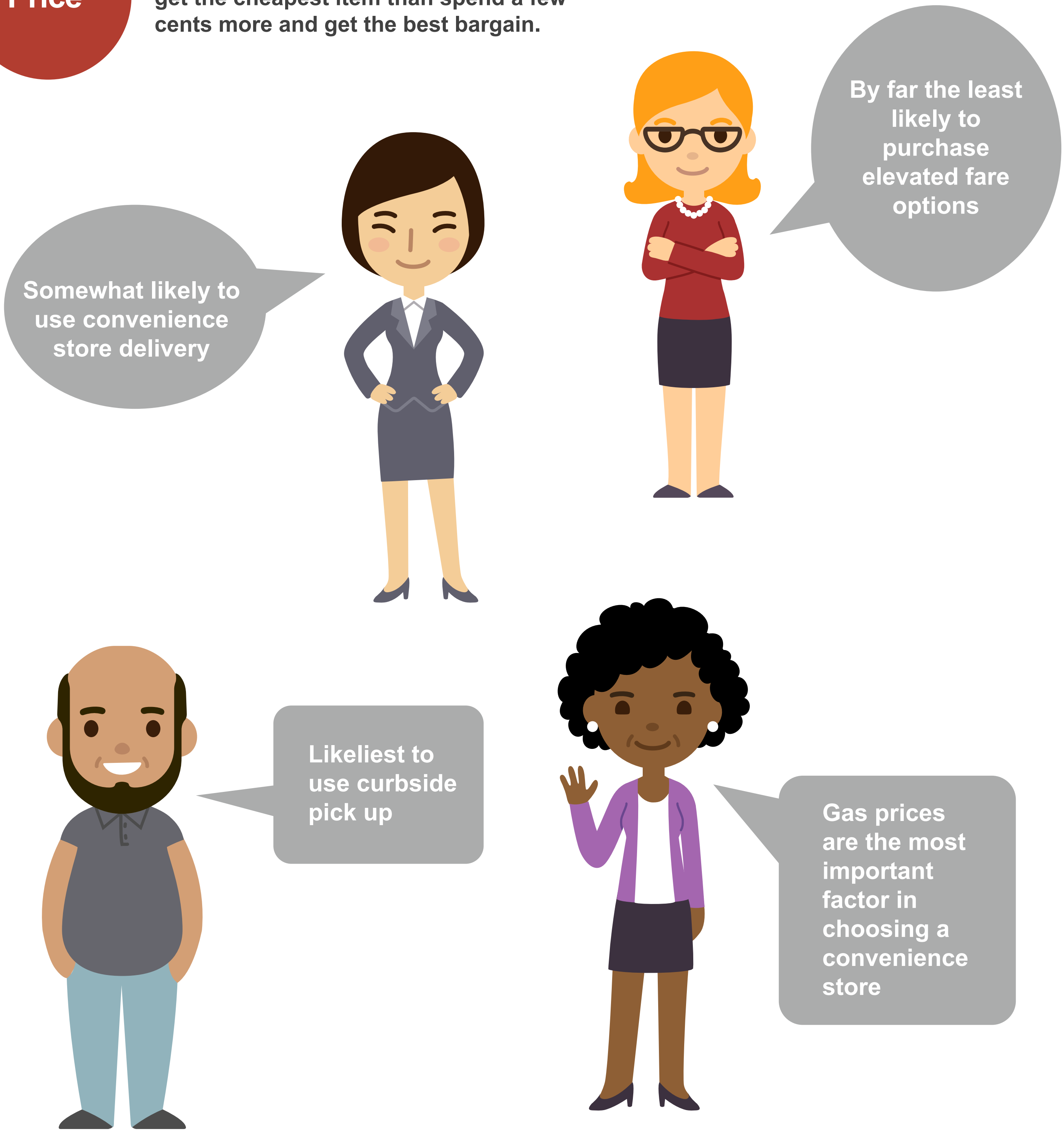
Relatively likely to purchase elevated fare options.

Likeliest to purchase craft beer

THE PRICE CLUSTER

Price

Value price over all else, would rather get the cheapest item than spend a few cents more and get the best bargain.



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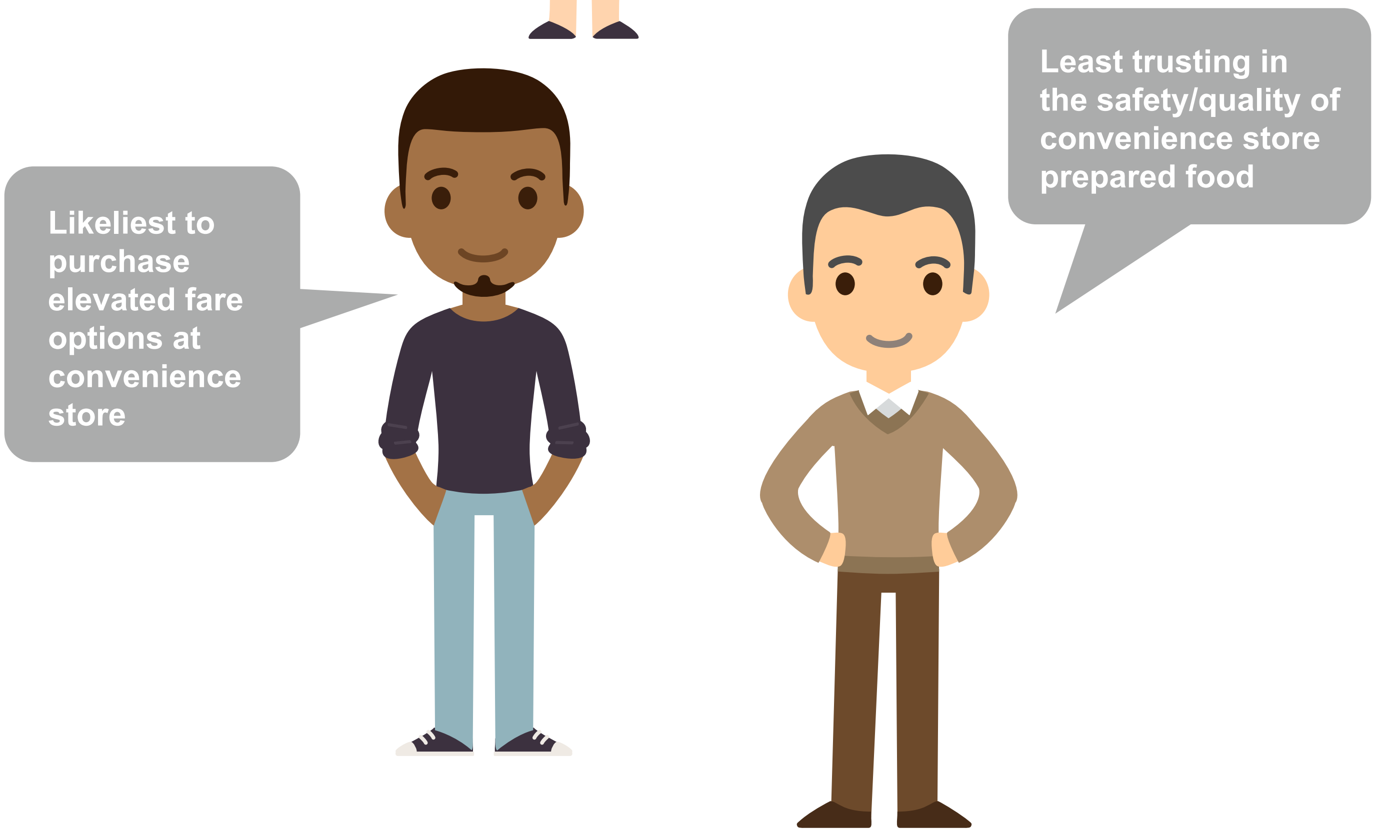
THE HEALTH CLUSTER

Health

Our Don Quixote segment, looking for healthy eating and drinking options in a generally salty and preservative-laden environment.



TRENDSOURCE
TRUSTED INSIGHT

RECOMMENDATIONS

Keeping in mind that convenience stores are shaped by regional and demographic distinctions, there are several recommendations we feel comfortable offering regardless of local context:

Prioritize safety and implement messaging to emphasize this priority. Simply said, people don't want to shop where they don't feel safe. Women's responses to questions regarding frequency, delivery, and safety all emphasize there is more work to be done here. Indeed, 80% of females rated safety "very important" or "extremely important" vs. 53% of males, and similarly 50.2% of females rated safety "extremely important" vs. 21.9% of males. Utilize surveillance and security technology (lights and cameras minimize the action!), but also look to integrate into the community in which you operate, to become a safe and familiar space for its members.

Reconsider the paradigm when presenting “freshly prepared” foods. Customers are wise to these products' actual “freshness” so **efforts to retool the hot box would likely be met with open arms**.

For stores that cater to Millennial 2 and Generation X demographics, it might be time to class up a bit. **Roll out finer fare slowly in conjunction with market research endeavors.**

For the purposes of this study, generations were broken down as follows:

Millennial 1: 18-27 years old

Millennial 2: 28-36 years old

Generation X: 37-52 years old

Baby Boomer: 53-71 years old

Silent:72+ years old

Monitor competitors in the grocery delivery segment as they might ultimately erode your market share. Customers are not receptive to convenience store deliveries, but soon may find themselves ordering items they traditionally purchased from convenience stores as part of their regular grocery delivery.

Do not invest in delivery or curbside pickup operations if it does not make sense for your location. A rest stop convenience store should not spend a single dime on delivery, for instance.

And finally, though it should go without saying, know your consumers. The biggest lesson to come out of all of this study is that so much of this market is location specific. So know your people and know what they want. Sure, some of this means talk to people in line and throughout the day, but it also means putting in the market research on a local and regional scale. Because understanding your consumers ultimately means **understanding how to increase purchase frequency and size.** And that, for convenience store operators, would be very convenient.

THANKS FOR READING THE 2018 CONVENIENCE STORE REPORT!

For more consumer insights, visit our Consumer Study Page at
http://trustedinsight.trendsource.com/consumerinsightstudy

HOW CAN WE HELP YOUR BUSINESS?

CONTACT US TO SCHEDULE A FREE CONSULTATION.

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