

Full Steam Ahead

C-store retailers see foodservice, loyalty program efforts as drivers for 2017

The mantra of real estate has long been: Location, location, location. When it comes to 2017, the mantra of convenience store retailers appears to be: Increase, increase, increase.

The third-annual *Convenience Store News* Retailer Forecast Study finds that 88.6 percent of c-store retailers expect their average sales per store to increase in 2017 vs. 2016. Only 11.4 percent believe sales will stay the same. And in the good news column, no respondents anticipate a decrease. In last year's study, 82.1 percent of retailers expected their sales to rise.

Several factors, however, will have to come into

play in order to turn this rosy forecast into reality. C-store retailers (63.6 percent of them) point to motor fuel prices as having the biggest impact on sales and profitability in the coming months — not surprising since the industry sells about 80 percent of all the gasoline purchased in the United States.

“Fuel always has the biggest impact,” one retailer noted.

Added another, “Fuel prices drive the number of customers.”

A majority of the c-store retailers surveyed also cited labor costs as having the next biggest impact on their expected bottom line in 2017 (at 57.6 percent). With the new federal overtime rule winding its way through the courts, and the Affordable Care Act under the microscope, only time will tell what the exact impact of these costs will be.

Rounding out the top three factors that c-store retailers say will most impact their sales and profitability in the year ahead is competition (cited by about one in four respondents). Interestingly, in last year's study, competition ranked fifth on the list of factors.

“I think with the ever-evolving trends in the c-store business, such as the Amazon revolution of brick-and-mortar stores, companies need to consistently stay ahead of competition,” one retailer remarked. “I believe this will either make a company grow or make them disappear.”

Competition, though, doesn't only mean cross-channel. Some c-store retailers are wary of increased local and state legislation and the effect this will have on border stores. For example, one retailer anticipates his beer sales will be affected once surrounding states implement new laws. Adult tobacco consumers heading out of state is likewise a concern as new excise-tax increases took hold in a handful of states Jan 1.

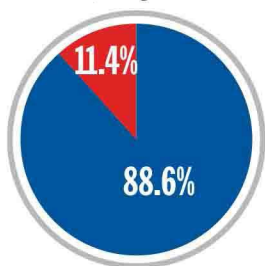
PLAN OF ATTACK

To offset these challenges and any others that may come their way, convenience store retailers have a host of new initiatives on tap, aimed at increasing sales and profitability.

At the top of their 2017 to-do lists are: expanded

Retailer forecast for 2017 total store sales

■ Increase ■ Decrease ■ Stay the same
Net change: 4.6%



Source: *Convenience Store News* Market Research, 2017

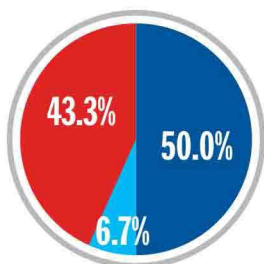
What will have the biggest impact on sales and profitability for your convenience store(s) in 2017?

Motor fuel prices	63.6%
Labor issues	57.6%
Competition	39.4%
Health care costs/regulations	36.4%
Healthy eating trends	33.3%
Tobacco and e-cigarette regulations	21.2%
Demographic changes	12.1%
Emerging technologies	12.1%
Mobile commerce/marketing	9.1%

Multiple responses accepted
Source: *Convenience Store News* Market Research, 2017

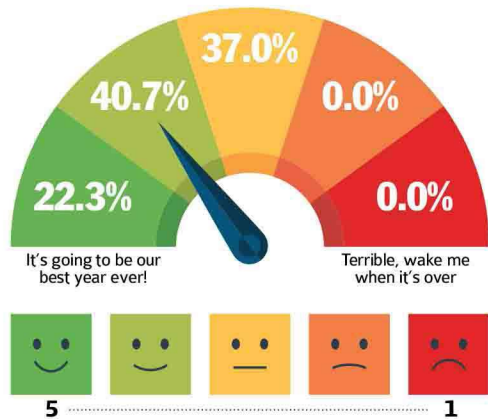
Retailer forecast for 2017 store count change

■ We plan to increase our total store count ■ We plan to decrease our total store count ■ Our store count will remain the same



Source: Convenience Store News Market Research, 2017

How optimistic do you feel about your business in 2017? (Rate on a scale of 1 to 5)



Source: Convenience Store News Market Research, 2017

How does your company view the overall conditions for the U.S. economy in 2017?



Source: Convenience Store News Market Research, 2017

foodservice offerings and capabilities; mobile app development; and loyalty program introductions.

It looks like the convenience channel landscape will also be growing in the coming months. Of those retailers surveyed, half indicated they will increase their total store count in 2017, while 43.3 percent expect their count to stay the same, and only 6.7 percent plan to downsize.

Discipline, strategic planning, the economy, growth in population, and growth in footprint are among the key reasons cited by retailers to explain their largely optimistic outlook. Another rationale: the effect President-elect Donald Trump will have on their business.

“New president says he is looking out for small-business owners — I hope,” one retailer said.

And another commented, “New president equals increase in jobs equals increase in country morale equals increase in spending. America is back.”

Interestingly, retailers pointed to a few of the same reasons — namely, the economy and the new president — as foremost concerns for business conditions in 2017. C-store operators also voiced concern about competition and channel blurring, regulations, higher minimum wages, and higher costs in general (labor, credit card, energy costs, etc.).

Among the biggest positive changes retailers think can come about under President Trump and the new Congress are better health care, regulatory relief, tax benefits, and less political gridlock.

One retailer expressed hope in “a ‘breath of fresh air’ in all of the promises made, and that [Trump] really will be able ‘to drain the swamp’ in Washington, D.C.”

Not everyone is as hopeful, though. “I really don’t know what positives will come out of his administration,” another respondent stated.

As for the biggest negative changes retailers think may come about under President Trump, they can be summed up in two words: uncertainty and division.

One retailer expressed concern that customers are scared and not spending money, while another noted people are divided between those who like Trump vs. those who don’t.

Still, overall, the convenience retailer community is feeling good heading into the next 12 months. On scale of one to five, with five being the most optimistic, nearly one-quarter checked off the No. 5 box, saying, “It’s going to be our best year ever.”

In addition, 40.7 percent checked the No. 4 box, and 37 percent checked the No. 3 box.

— Melissa Kress