Punch Up Your C-store Game

There are more small-format stores than ever, meaning more competition

By Sue Nicholls, Category Management Knowledge Group

Recently, Walmart announced they are opening yet another version of a convenience store — you've got to expect that one of these times, they are going to get it right! More and more grocery retailers have also started selling gas over the past 10 years, resulting in the introduction of some new types of convenience store formats. Dollar stores keep adding categories, and drugstores have improved their convenience offer. What's the net result? More competition for convenience stores, and more small-format stores than ever.

So how do you — as a single-store owner or a small operator — survive in this competitive environment? There's an opportunity for you to increase strategic focus in your business, build analytic and fact-based decision making, and ultimately find new ways to drive sales and profit. In net, you need to focus on the key shoppers who come into your store, and learn how to address their needs better than your competition does.

I'm going to cover some ways for you to do this by:

1. Considering different perspectives;
2. Better understanding the convenience channel (format, store types, consumer profiles); and
3. Starting to use data to make more fact-based decisions.

Let's go through each one in more detail.

CONSIDER DIFFERENT PERSPECTIVES

To become more strategic in your approach, the first thing you need to do is change your perspective and think bigger picture. You should take advantage of the category knowledge, data and resources that your suppliers and distributors can (or should!) offer. Your suppliers should understand your category and update you on trends in the category (using data), and let you know how the category is growing, how convenience is performing within that growth, and ways for you to improve your category business.

Both you and your suppliers need to talk about the shopper, whose perspective is commonly forgotten. Different shoppers are going to come to your store dependent on what type of convenience store you run (a neighborhood store, commuter store or highway store). How do the ideas that your suppliers bring in match with the most important shopper in your store?

The opportunity: NACS, the Association for Convenience & Fuel Retailing, has reported that operators with one to 10 locations have inside sales of $3,500 per day and generate a pretax income of $150,000. Increasing your gross margin by 2 percent would increase pretax income by almost $13,000 per year. Coupled with a 2-percent increase in sales per day, it would result in a $20,000 increase in your pretax profit.

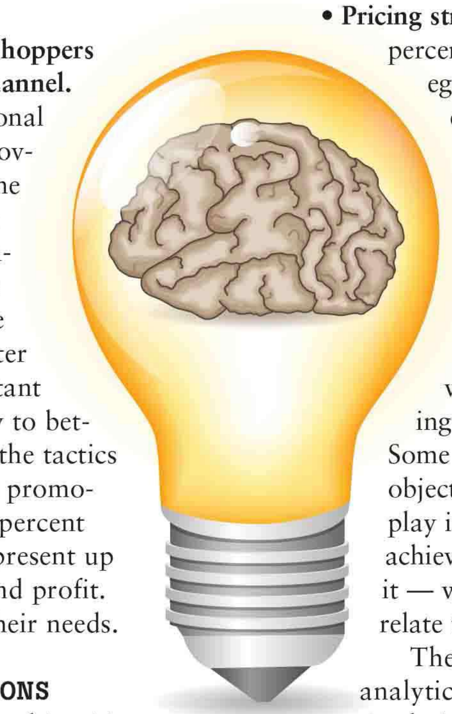
BETTER UNDERSTAND THE CONVENIENCE CHANNEL

Convenience stores have evolved over the past 10 years, and there are some important things to note about this rather complex retail channel:

- **Store size plays a huge role in the merchandise that is carried and the services offered at the outlet.** C-stores range in size from 800 square feet to upwards of 5,000 square feet. More than 80 percent of convenience stores sell fuel, which is a destination category for these stores. The small stores primarily sell fuel and, as the square footage of the store increases, there's a larger emphasis on in-store sales, as well as foodservice.
- **There are different types of stores in convenience.** NACS has identified three store types: Neighborhood Stores (frequented by soccer moms and locals in the neighborhood), Metro Stores (located on busy streets, primarily frequented

by commuters on their way to and from work), and Highway Stores (found on highway exits, frequented by travelers and professional drivers). Distinguishing your store type helps you to begin to define your service opportunities. Shoppers approach different types of stores with different shopping priorities and occasions in mind. What type of store is yours?

- **There are different types of shoppers who shop the convenience channel.** Blue-collar workers, professional drivers, smokers, junk food lovers, and soccer moms, to name a few. Each of these different types of shoppers are on completely different trip missions and have different needs. The opportunity for you is to better understand your most important shoppers, and determine how to better meet their needs through the tactics (space, assortment, price and promotion). For many retailers, 20 percent of their most loyal buyers represent up to 80 percent of their sales and profit. Learn how to better satisfy their needs.



MAKE MORE FACT-BASED DECISIONS

You shouldn't rely on gut feeling and intuition to run your business. While it has tremendous value, what's more important is to back it with data. You may be surprised that some of your "hunches" are not validated by the data you can access.

You should start to ask for fact-based insights from your suppliers and distributors to help you make these decisions, and you should start using some of your own internal data to make better and more profitable decisions for your stores.

Two specific ways for you to make more fact-based decisions for your stores are:

- **Space and inventory turns:** Turns is the number of times your store's inventory cycles, or turns over, per year. Another way to think about it is that it's the number of times a retailer sells their average investment in inventory each year. Increasing turnover is beneficial for you because it means less money tied up in inventory, better cash flow, and higher profitability (and who doesn't want that). Some ways to increase turns in your store are to: carry the right product assortment with the fastest-selling SKUs; reduce days of supply with less facings on the shelf (particularly on slower-moving products); incorporate space to sales; avoid single facings; reduce inventory days on hand; minimize back-room inventory (and breakage, damages and loss); and don't bring in things to sell in your store that are never going to sell.
- **Pricing strategy:** Do you have a gross margin percentage (GM%) objective in each category that you apply to every item when establishing retail prices? If so, you may want to consider adopting a more strategic approach to determining the right retail prices for your store(s). By assigning strategies to key items in the category (e.g., turf protecting, transaction builder, etc.), you can then establish thresholds (e.g., within what percent of your competitor's pricing do you need to be at) for each strategy. Some items will have much lower GM% objectives than others, based on the role they play in the category. But ultimately, you will achieve your overall GM% — or even exceed it — while meeting consumers' needs as they relate to pricing.

These are just a few examples of some analytics that can help you make more strategic choices in your business, which will ultimately drive sales and profit for retail headquarters and retail stores in the convenience channel.

The next time you make decisions on any of the tactics (shelf, assortment, price, promotion), try to incorporate some data into your decision-making process (or ask your supplier for more information or data to help you).

The examples above are only a few of the ways that you can become more strategic in your business, with the ultimate goal being to increase sales and profit. You need to make strategic, fact-based, tactical decisions that consider and address the needs of your key shoppers better than your competition. You will be pleased with the results, which will help you grow sales and profit in a continuously competitive environment. CSN

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Editor's note: The opinions expressed in this column are the author's and do not necessarily reflect the views of *Convenience Store News.*