Growing in a Challenging Environment

Improving economy, confident consumers, and still-low gas prices drive c-store traffic growth

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In 2016, the U.S. economy grew at the same slow and steady pace it has since the Great Recession, but consumers — who had been uncertain in prior years — began believing that "things" were getting better. Consumer confidence reached a nine-year high in December, and optimism was expected through early 2017. On top of this favorable news were still-favorable gas prices.

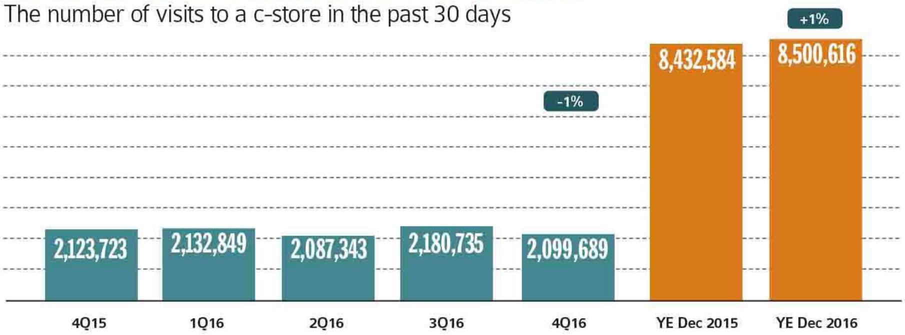
All of these factors, along with the consumer's unending quest for convenience, contributed to 1-percent growth in conventional convenience store visits last year. Although the gain is modest, it is still growth in a challenging retail environment.

By conventional c-store type, flat growth at traditional chains and major oil c-stores was offset by 2-percent traffic growth at small chain/independent c-stores.

The average number of visits to a c-store within a 30-day period remained flat at 5.6 in 2016 compared to a year ago, according to NPD's Convenience Store Monitor, which captures consumer feedback pertaining to their c-store purchasing behavior.

Convenience Store Channel Traffic

The number of visits to a c-store in the past 30 days



Source: NPD's Convenience Store Monitor — Past 30 Day Database

Convenience Store Product Average Check

The average dollars spent per buyer per visit on products at their last visit

Source: NPD's Convenience Store Monitor — Last Visit Database

C-STORE BUYER BEHAVIOR

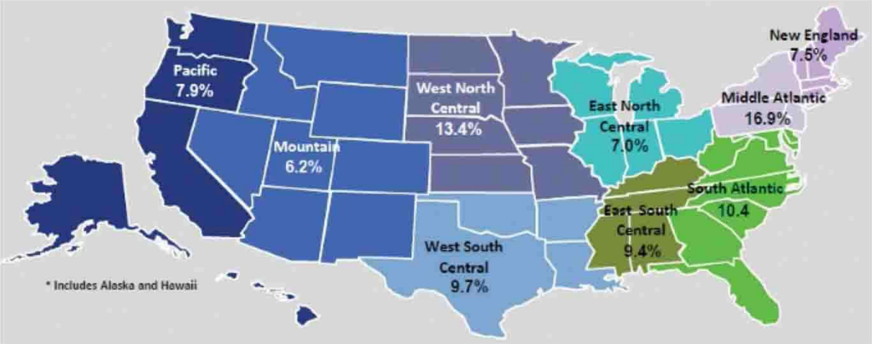
The average number of units purchased per c-store buyer held steady at 2.7, but the average check increased by 5 percent to $10.12. Purchase incidence of cigarettes/tobacco products and lottery tickets increased, while nonalcoholic beverages declined compared to the prior year. Sweet snack and alcoholic beverage purchases were flat.

In 2016, super heavy c-store buyers — those who made eight to 13-plus visits in a 30-day period — gained share. Meanwhile, visits by light buyers — those who made one to three visits in a 30-day period — declined. Keeping an eye on this shift will be important because light buyers still make up the majority of c-store shoppers.

Light buyers increased their average check size by 7 percent to $9.87 vs. a year ago, while super

Fresh Food Prepared Onsite Purchase Incidence by Census Region

Percent of buyers who purchased a product at their last visit



Source: NPD's Convenience Store Monitor — Last Visit Database

heavy buyers are spending 5 percent less with their average check decreasing to $9.57.

C-STORE FOODSERVICE

Last year, 10 percent of c-store visitors reported purchasing fresh food prepared onsite at their last c-store visit, which was a 0.5 share-point increase over the year-ago period.

The foods that increased their percent of buyers purchasing included subway sandwiches/hoagies, hot dogs or sausages, breakfast sandwiches, pizza, chicken and burgers. The breakfast foods and chicken (wings, fried chicken and chicken nuggets) categories also grew buyers.

The percent of buyers who purchased fresh food prepared onsite at a c-store at their last visit grew the most in the Middle Atlantic region, followed by West North Central, South Atlantic, and West South Central, in rank order. The least growth in percent of buyers purchasing fresh food occurred in the East North Central and Mountain regions.

WHAT'S IN STORE FOR 2017

The convenience channel realized growth in 2016, yet the same cannot be said of other retail channels. C-store operators who held on to their base did so because they offered their customers the right product mix, selection and quality.

As long as the needs of customers remain in focus, the future will be bright for c-stores. CSN