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US INDUSTRY (NAICS) REPORT 44512

# Convenience Stores in the US

## Pit stop: While cigarette sales may fall, a greater focus on fresh food will likely boost industry revenue

Thomas Crompton | February 2021

# Contents

# About IBISWorld

IBISWorld specializes in industry research with coverage on thousands of global industries. Our comprehensive data and in-depth analysis help businesses of all types gain quick and actionable insights on industries around the world. Busy professionals can spend less time researching and preparing for meetings, and more time focused on making strategic business decisions that benefit you,your company and your clients. We offer research on industries in the US, Canada, Australia, New Zealand, Germany, the UK, Ireland, China and Mexico, as well as industries that are truly global in nature.

# Covid-19

## Coronavirus Impact Update

IBISWorld's analysts constantly monitor the industry impacts of current events in real-time – here is an update of how this industry is likely to be impacted as a result of the global COVID-19 pandemic:

• Revenue for the Convenience store industry has been adjusted to decline 5.3% in 2020 alone due to rapid declines in demand caused by the COVID-19 (coronavirus) pandemic. However, as several effective vaccines roll out across the United States, revenue is expected to grow 6.0% in 2021. For more detail, please see the Current Performance chapter.

• Overall foot traffic in cities has sharply declined as domestic travel has fallen due to the pandemic. In addition, many residents of major cities have left for more sparsely populated areas to avoid being further exposed. This downturn will likely lead to layoffs and declines in profit. However, in 2021, profit is expected to largely return to prepandemic levels. For more detail, please see the Current Performance and Cost Structure Benchmark chapters.

• Many consumers have been forced to postpone travel that was planned for 2020. Encouraged to stay at home and minimize outside contact, many consumers will likely rebook their vacations for later in 2021, boosting foot traffic in major cities, and thus, blostering industry revenue. For more detail, please see the Industry Outlook chapter.

Note: The content in this report is currently being updated to reflect the trends outlined above.

# About This Industry

## Industry Definition

Operators in the Convenience Stores industry primarily sell basic food, beverage and tobacco merchandise in convenient locations that are generally open during extended hours. This report excludes gas stations (IBISWorld report 44719), gas stations with convenience stores (44711), supermarkets and grocery stores (44511) and small kiosks.

## Major Players

7-Eleven Inc.

## Main Activities

**The primary activities of this industry:**

Retailing a limited line of goods with an emphasis on basic food, beverages and tobacco products

**The major products and services in this industry:**

Tobacco products

Food service

Packaged beverages

Candy and snacks

Beer

Other

## Supply Chain


### SIMILAR INDUSTRIES

Supermarkets & Grocery Stores in the US
Competitor

Fruit & Vegetable Markets in the US
Complementor

Specialty Food Stores in the US
Competitor

Gas Stations with Convenience Stores in the US
Competitor

### RELATED INTERNATIONAL INDUSTRIES

Convenience Stores in Australia

Convenience Stores in the UK

Convenience Stores in Canada

Supermarkets, Grocery Stores and Convenience Stores in New Zealand

# Industry at a Glance

## Key Statistics

**$33.2bn**
Revenue

| Annual Growth 2016-2021 | Annual Growth 2021-2026 | Annual Growth 2016-2026 |
|---|---|---|
| 2.3% | 2.0% |  |

**$597.5m**
Profit

| Annual Growth 2016-2021 | Annual Growth 2016-2026 |
|---|---|
| 0.2% |  |

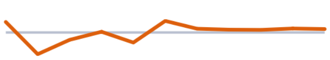
**1.8%**
Profit Margin

| Annual Growth 2016-2021 | Annual Growth 2016-2026 |
|---|---|
| -0.2% |  |

**38,862**
Businesses

| Annual Growth 2016-2021 | Annual Growth 2021-2026 | Annual Growth 2016-2026 |
|---|---|---|
| -0.5% | 0.9% |  |

**141k**
Employment

| Annual Growth 2016-2021 | Annual Growth 2021-2026 | Annual Growth 2016-2026 |
|---|---|---|
| -1.5% | 1.4% |  |

**$2.6bn**
Wages

| Annual Growth 2016-2021 | Annual Growth 2021-2026 | Annual Growth 2016-2026 |
|---|---|---|
| -0.8% | 1.5% |  |

## Key External Drivers

% = 2016-2021 Annual Growth

**2.2%**
Per capita disposable income

**0.9%**
Urban population

**0.0%**
Healthy eating index

**-2.0%**
Percentage of smokers

## Industry Structure

### POSITIVE IMPACT

Capital Intensity
Low

Concentration
Low

Globalization
Low

### MIXED IMPACT

Life Cycle
Mature

Revenue Volatility
Medium

Regulation
Medium

Technology Change
Medium

Barriers to Entry
Medium

### NEGATIVE IMPACT

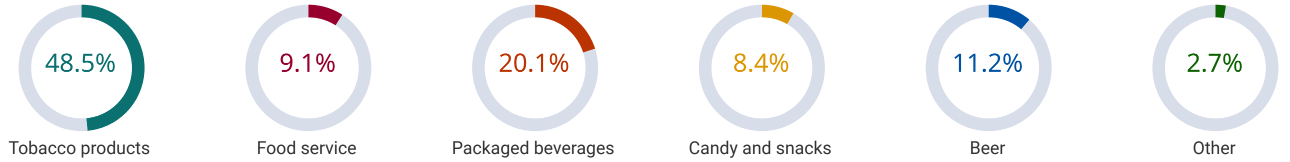
Industry Assistance
Low

Competition
High

## Key Trends

- Rising costs and mounting competition from other food retailers have limited food sale growth
- Extended operating hours have benefited convenience stores in recent years
- Convenience stores have bolstered profit by focusing on food service and beverage sales
- Emerging competition from online operators will likely restrain revenue growth
- The enforcement of tax payments and age laws will likely hurt online sales
- Industry employment is anticipated to grow in line with enterprise growth
- Industry operators have shifted product mixes to include food service products that are more profitable

## Products & Services Segmentation




Convenience Stores
Source: IBISWorld

## Major Players

% = share of industry revenue

20.3% 7-Eleven
79.7% Other

Convenience Stores
Source: IBISWorld

## SWOT

### S STRENGTHS

Low Imports
Low Customer Class Concentration
Low Capital Requirements

### W WEAKNESSES

Low & Steady Level of Assistance
High Competition
Low Profit vs. Sector Average
High Product/Service Concentration
Low Revenue per Employee

### O OPPORTUNITIES

High Revenue Growth (2016-2021)
High Revenue Growth (2021-2026)
High Performance Drivers
Urban population

### T THREATS

Low Revenue Growth (2005-2021)
Low Outlier Growth
Per capita disposable income

## Executive Summary

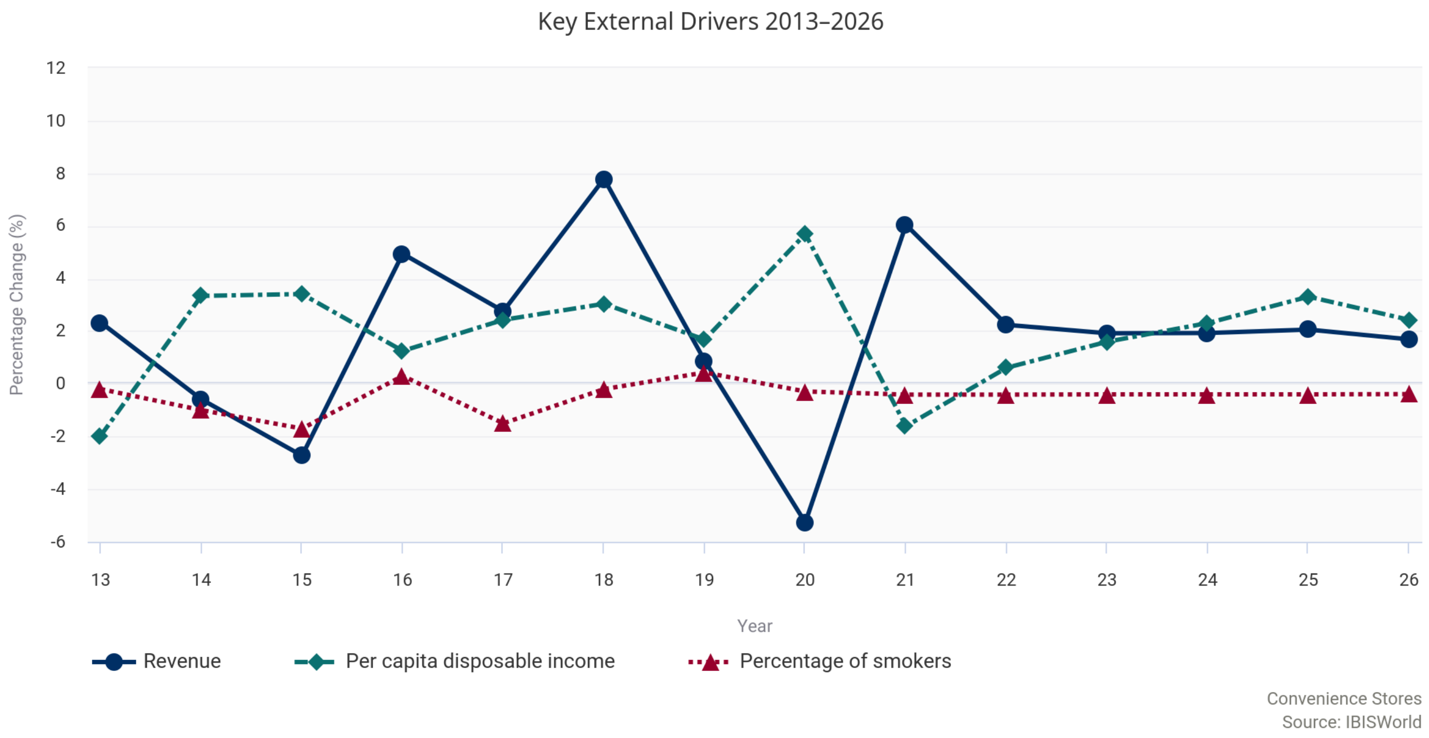
**Over the five years to 2021, the Convenience Stores industry has withstood fierce competition by offering convenience, value and a variety of fresh and healthy products.**

Industry operators have increasingly shifted product mixes to include food service products that are more profitable than items such as cigarettes, and have focused more on satisfying demand for quick and easy meal options. As a result, industry operators have benefited from consumers' need for time-efficient and healthy food service locations. However, due to the COVID-19 (coronavirus) pandemic and the subsequent economic lockdown, consumer spending collapsed as the unemployment rate soared, which has depressed demand for the industry. As effective vaccines roll-out in 2021, the industry is expected to recover. Overall, revenue has grown an annualized 2.3% to $33.2 billion over the five years to 2021, growing 6.0% in 2021 following the decline in 2020.

At the beginning of the period, the high levels of overall employment resulted in a growing number of individuals that sought industry enterprises due to the speed of transactions at convenience stores. However, the coronavirus pandemic has changed consumer preferences as millions have lost their jobs or have left large urban cities, where most industry operators reside. The effect of the pandemic on consumer preferences is likely to remain for the remainder of 2020 as social distancing policies continue until an effective vaccine is created. Therefore, the normally high traffic areas such as cities, which operators depend on to generate foot-traffic in stores, and thus, revenue, will likely remain less active, negatively affecting industry revenue performance.

As the economy recovers and disposable income levels rise following the pandemic-induced economic crisis, consumers are expected to turn to the convenience of industry establishments. Over the five years to 2026, IBISWorld anticipates cigarette unit sales to decline further, as health concerns and higher prices deter consumers from smoking. Despite declining cigarette sales, smokeless tobacco use has grown in recent years and is expected to aid revenue growth during the outlook period. Consequently, while sales of cigarette products are expected to decline, greater focus on convenience and fresh food will likely boost industry revenue and profit. Industry revenue is expected to grow an annualized 2.0% to $36.6 billion over the five years to 2026.

# Industry Performance




## Key External Drivers

### Per capita disposable income

Convenience stores typically charge higher prices for nonessential goods in return for accessibility. Increasing disposable income enables consumers to visit convenience stores regularly and spend more during each visit. Per capita disposable income is expected to decline in 2021, posing a potential threat to the industry.

### Percentage of smokers

Historically, cigarette sales have accounted for more than one-third of the industry's sales. Cigarette sales are directly related to the level of smoking in the United States, and therefore, an increase in smoking positively affects sales. Conversely, a decrease in the level smoking can negatively affect the industry. The percentage of smokers is expected to decline in 2021.

### Healthy eating index

As consumers become more health-conscious, measured by the healthy eating index, they tend to purchase a greater variety of all-natural and organic products. Consequently, as consumers demand a wider variety of premium products, such as organic produce, industry revenue increases. In 2021, the healthy eating index is expected to decline.

### Urban population

Consumers living in urban populations tend to purchase items more frequently from industry operators instead of wholesale clubs and supercenters. Consequently, as more consumers live in urban areas, foot traffic to supermarkets and grocery stores increases, lifting industry revenue. In 2021, the urban population is anticipated to increase, representing a potential opportunity for the industry.

Industry Performance 2013–2026


Convenience Stores
Source: IBISWorld

## Current Performance

**The Convenience Stores industry has grown in popularity over the five years to 2021 as more Americans have become employed and, in turn, have experienced declining leisure time.**

In response to growing demand for convenience, industry operators have opened additional stores, expanded into new markets and readily adapted to changing consumer tastes to increase sales. Among these changes is a significant increase in the amount of prepared and healthy food offerings made available to consumers. However, major declines in food prices coupled with shaky consumer confidence have resulted in revenue declines early during the period. However, industry revenue has grown an annualized 2.3% to $33.2 billion over the five years to 2021, including an increase of 6.0% in 2021 following the COVID-19 (coronavirus) pandemic.

While the industry has experienced steady revenue growth during the period, operators have encountered some hurdles as well. For example, rising costs and mounting competition from other food retailers, such as supermarkets and dollar stores, have limited food sale growth. Moreover, even as tobacco products comprise a sizable share of industry revenue, the product segment as a whole has decreased somewhat as a share of revenue due to higher prices, new taxes and regulations on cigarettes, which have curbed overall tobacco consumption. In response, industry operators have adjusted product mixes to include healthier food products and fast food options, which are more profitable than tobacco.

### Demand shifts

> **During the period, consumers have become more interested in healthy food, especially if it can be procured conveniently.**

Industry operators have responded to these trends by offering a greater variety of packaged food, fast food and snacks. For example, 7-Eleven Inc. (7-Eleven) has sold a wide range of hot foods since 2009, and has recently introduced a range of sandwiches, cold-pressed juices and wraps oriented toward more health-conscious consumers. These offerings have been codeveloped by 7-Eleven and Tony Horton, the founder of the P90X home workout program. Branded as Tony Horton Kitchen, this particular line of food is sold in a select number of stores in Los Angeles and is expected to appeal to on-the-go consumers who demand a range of fast, healthy and premade meal options. Consequently, the food service product segment is one of the fastest growing segments within this industry.

In addition, extended operating hours have benefited convenience stores in recent years, as consumers have increasingly sought snacks, beverages and tobacco at various times during the day. These trends have helped the industry remain competitive with other retail channels, sustaining revenue growth. Therefore, IBISWorld expects industry revenue to rise as demand and value-added product offerings continue to grow.

Industry operators have also benefited from rising disposable income levels and declining unemployment rate over the past five years. In particular, per capita disposable income has increased at an annualized rate of 2.2% over the five years to 2021, enabling consumers to purchase soda, snacks and other sundries at convenience stores, which are often more expensive than other retail venues, such as grocery stores and supermarkets. However, due to the coronavirus pandemic, these tailwinds have reversed as unemployment has soared to unprecedented levels and disposable income has declined. These headwinds will likely continue for the entirety of 2021 as most companies have implemented work-from-home policies.

### Changing competitive landscape

> **Operators have remained competitive, despite increased competition from other food retailers, by offering convenience through easily accessible locations and quick service.**

However, more consumers, particularly those who are time-poor, have shown a preference for low-cost, fast-casual concepts, in addition to partaking in the increasing prevalence of grocery store buffets. As a result, revenue faltered early during the period, particularly in 2015 when revenue declined 2.7%. To combat changing consumer preferences and increased competition from competitors in the

Supermarkets and Grocery Stores industry (IBISWorld report 44511) and Fast Food Restaurants industry (72221a), industry operators are expected to increase their food offerings and increase store operating hours and proximity to residential areas.

Aside from 7-Eleven, the industry is highly fragmented; however, the number of independent stores, which has historically grown as a share of the industry, has remained fairly steady over the past five years. Additionally, large chain operators have benefited from integrated oil companies, such as Royal Dutch Shell PLC and Exxon Mobil Corporation, selling off convenience stores as they gradually exit the retail business in favor of concentrating on oil exploration, production and refining segments. According to *Convenience Store News*, Alimentation Couche-Tard Inc., the second-largest industry operator, acquired an additional 62 convenience stores across nine states from Greatstone Equities Inc. in December 2015. These acquisitions have not only helped major operators reduce costs by obtaining smaller chains, but have also enabled these companies to enter new geographic regions with relative ease. As a result, the number of industry operators has decreased at an annualized rate of 0.4% to 41,683 companies over the five years to 2021.

### Growing profit

> **Over the five years to 2021, interchange fees, which are charges to convenience store owners when consumers use debit or credit cards for purchases, have continued to pressure industry profit.**

Industry wages have declined at an annualized rate of 0.8% to $2.6 billion over the five years to 2021, and employment has declined at an annualized rate of 1.5% to 140,531 people during the same period. Due to increased competition, profit has declined over the past five years despite recovering in 2021 after the pandemic. Profit, measured as earnings before interest and taxes, accounts for an estimated 1.8% of revenue in 2021, down from 2.0% in 2016.

Despite the implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which ensures fees charged for accepting debit cards are reasonable and proportional to cost, many operators contest that the rates set by the Federal Reserve are still too high. Portions of the Consumer Protection Act also enable merchants to offer discounts to customers who use less expensive forms of payment. To combat interchange fees, convenience stores have bolstered profit by focusing on food service and beverage sales, which yield higher profit than cigarettes and other general merchandise.

**Historical Performance Data**

| Year | Revenue ($m) | IVA ($m) | Estab. (Units) | Enterprises (Units) | Employment (Units) | Exports ($m) | Imports ($m) | Wages ($m) | Domestic Demand ($m) | Urban Population (Million) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2012 | 28,468 | 2,735 | 37,610 | 35,213 | 123,014 | N/A | N/A | 2,137 | N/A | 255 |
| 2013 | 29,131 | 3,096 | 39,465 | 36,719 | 135,827 | N/A | N/A | 2,368 | N/A | 257 |
| 2014 | 28,961 | 3,001 | 41,449 | 38,782 | 140,727 | N/A | N/A | 2,451 | N/A | 259 |
| 2015 | 28,173 | 3,083 | 42,295 | 39,652 | 146,313 | N/A | N/A | 2,604 | N/A | 262 |
| 2016 | 29,568 | 3,645 | 42,564 | 39,881 | 151,882 | N/A | N/A | 2,758 | N/A | 264 |

| Year | Revenue ($m) | IVA ($m) | Estab. (Units) | Enterprises (Units) | Employment (Units) | Exports ($m) | Imports ($m) | Wages ($m) | Domestic Demand ($m) | Urban Population (Million) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2017 | 30,384 | 3,192 | 39,944 | 37,342 | 141,398 | N/A | N/A | 2,554 | N/A | 267 |
| 2018 | 32,752 | 3,654 | 41,038 | 38,258 | 138,373 | N/A | N/A | 2,606 | N/A | 269 |
| 2019 | 33,044 | 3,944 | 41,124 | 38,322 | 139,146 | N/A | N/A | 2,622 | N/A | 272 |
| 2020 | 31,304 | 3,273 | 40,590 | 37,924 | 134,919 | N/A | N/A | 2,531 | N/A | 274 |
| 2021 | 33,196 | 3,585 | 41,683 | 38,862 | 140,531 | N/A | N/A | 2,646 | N/A | 276 |

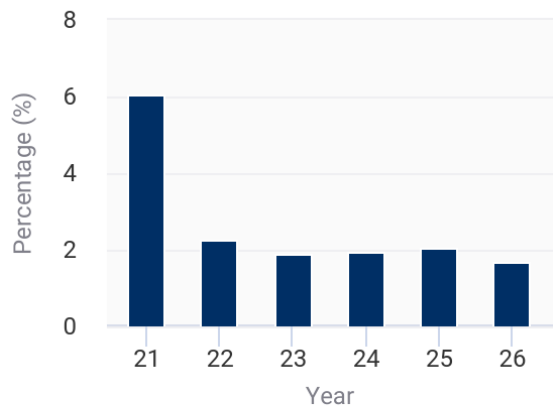
# Industry Outlook

## Outlook

**Revenue for the Convenience Stores industry is forecast to increase, rising at an annualized rate of 2.0% to $36.6 billion over the five years to 2026, as the industry recovers from the COVID-19 (coronavirus) pandemic and subsequent economic crisis.**

Consumers are expected to shop at convenience stores more frequently as more people become employed. Higher income levels will likely enable consumers to pay higher prices for convenience store accessibility. As people return to working in offices, they will also likely increase foot traffic in highly populated areas, further boosting industry demand. However, sustained pressure from mass merchandisers and emerging competition from online operators will likely restrain revenue growth over the next five years.

Industry Outlook 2021–2026




Convenience Stores
Source: IBISWorld

### Continuing competition

**Household incomes and the need for convenience are expected to increase as more people return to work and school.**

Over the five years to 2026, growth in the average consumer's leisure time is expected to increase marginally due to stabilizing unemployment levels. However, mounting competition from supermarkets and specialty stores is expected to constrain the boost in revenue from rising incomes. Changing consumer health trends will also likely challenge the industry further.

Competition between supermarkets and convenience stores is expected to be primarily price-based, with longer operating hours and the introduction of metro stores in urban areas also affecting demand for convenience stores. Metro stores are scaled-down versions of supermarkets that resemble convenience stores, but offer lower prices, just as larger food retailers charge lower prices due to the reduced per-unit costs achieved from economies of scale. However, the industry is expected to stay resilient over the outlook period. The number of operators is anticipated to grow at an annualized rate of 0.9% to 40,720 companies over the five years to 2026.

### Declining sales of tobacco

**Cigarettes have historically been the leading product sold at convenience stores, but increasing health consciousness and higher prices have resulted in lower sales in recent years.**

Thus, convenience stores have captured market share from competing online cigarette retailers since tax evasion and a lack of age enforcement have generated public awareness, working against online tobacco retailers. Consequently, the enforcement of tax payments and age laws will likely hurt online sales over the coming years. However, despite the expected decline in competition, the overall demographic shift away from smoking and higher costs related to cigarettes will likely hamper revenue growth generated by this product segment.

Due to growing public awareness of the health risks associated with smoking, IBISWorld anticipates that higher cigarette taxes, greater pressure on retailers to monitor sales, stricter regulations and stronger competition from tax-free competitors will likely hinder revenue for industry operators. However, the popularity of e-cigarettes has offered a bright spot for this segment in recent years. Nevertheless, increasing costs in the form of stricter regulations and compliance standards, such as higher wholesale costs, excise taxes and the eventual saturation point of this product segment, will likely further encourage the industry to change its product mix to emphasize food service items. Moving forward, while the profitability of tobacco products will likely diminish, operators are expected to increasingly use food service items to drive foot traffic. Ultimately, shifting to healthier product mixes is expected to benefit industry profit.

### Boosting profit

**Profit is forecast to remain stable due to legislation regarding interchange fees stemming from the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act.**

However, state and federal minimum wage rates are projected to remain a threat to operators' earnings. This growth in minimum wage rates is expected to greatly influence operators, as labor represents the second-largest cost for the industry. In response to rising wages, industry players will likely continue to consolidate over the next five years to achieve economies of scale and lower overall purchasing costs, which comprise the largest expense for operators. As a result of this dynamic and the recovery following the pandemic, employment is anticipated to grow in line with enterprise growth, growing at an annualized rate of 1.4% to 150,736 employees over the five years to 2026, as convenience stores remain open for longer periods of time to increase availability and compete with larger operators.

## Performance Outlook Data

| Year | Revenue ($m) | IVA ($m) | Estab. (Units) | Enterprises (Units) | Employment (Units) | Exports ($m) | Imports ($m) | Wages ($m) | Domestic Demand ($m) | Urban Population (Million) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2021 | 33,196 | 3,585 | 41,683 | 38,862 | 140,531 | N/A | N/A | 2,646 | N/A | 276 |
| 2022 | 33,941 | 3,663 | 42,088 | 39,205 | 142,714 | N/A | N/A | 2,690 | N/A | 279 |
| 2023 | 34,595 | 3,724 | 42,405 | 39,466 | 144,498 | N/A | N/A | 2,728 | N/A | 281 |
| 2024 | 35,264 | 3,786 | 42,729 | 39,734 | 146,207 | N/A | N/A | 2,764 | N/A | 283 |
| 2025 | 35,991 | 3,868 | 43,332 | 40,274 | 148,577 | N/A | N/A | 2,811 | N/A | 286 |
| 2026 | 36,600 | 3,944 | 43,830 | 40,720 | 150,736 | N/A | N/A | 2,853 | N/A | 288 |

## Industry Life Cycle

### The life cycle stage of this industry is ⊖ Mature

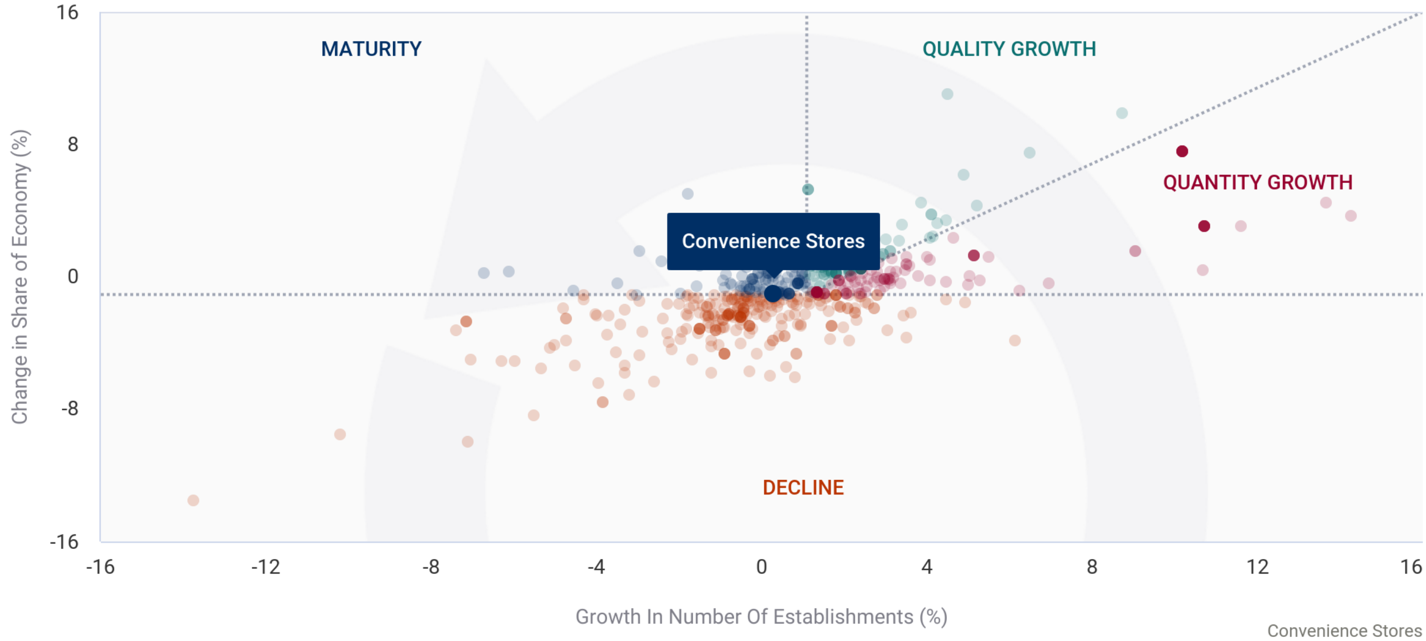
LIFE CYCLE REASONS

**IVA is growing at a faster rate than the overall economy**

**Convenience stores have changed their product mixes**

**There are few technological advances**

Indicative Industry Life Cycle




Convenience Stores
Source: IBISWorld

The Convenience Stores industry is in the mature stage of its life cycle. Industry value added (IVA), which measures an industry's contribution to the overall economy, is forecast to grow an annualized 0.8% over the 10 years to 2026. In comparison, US GDP is projected to increase at an annualized rate of 1.9% during the same period. Volatile input prices early over the five years to 2021 due to boosts in the agricultural price index, which caused industry operators to raise prices for food items, has bolstered revenue growth. Additionally, other factors point to the maturity of this industry. For instance, enterprise and establishment growth are relatively stable, suggesting limited growth opportunity for new enterprises. Furthermore, wages are rising in response to government mandates for higher minimum wage rates. Operators are expected to continue to scale and cut inefficiencies to maximize revenue and increase profit. In addition, longer operating hours will likely continue to drive wage costs up over the coming years.

In line with an industry that is approaching saturation, significant increases in industry market share are being driven by mergers and acquisitions. Larger chains have acquired smaller chains and independent stores, which has caused the number of enterprises to grow at a slower rate than establishments. The COVID-19 (coronavirus) pandemic will likely accelerate this trend as smaller operators are expected to be hit the hardest from the lockdowns and social distancing measures that have since been implemented. In addition, the pandemic will likely push many people out of major cities as they try to avoid higher density areas, which will likely diminish industry demand. Although enterprise growth has decelerated, sales at existing locations are increasing, as consumers become pinched for time and value convenience stores' accessibility.

Also characteristic of mature industries, some operators have offered new products in recent years. Although some larger companies, such as 7-Eleven Inc. and Alimentation Couche-Tard Inc., offer a greater variety of fresh food, most businesses offer interchangeable products. Due to intensifying competition, many operators have tried to differentiate themselves through branding and by expanding their product range to include prepaid phone cards and prepared food. This strategy has helped stimulate sales. Additionally, technological advances have focused on introducing computer-scanning cash registers and automated warehouse equipment. Major companies have all introduced such technology, but many smaller operators have lagged behind.

# Products and Markets

## Supply Chain

### KEY BUYING INDUSTRIES

**1st Tier**

Consumers in the US

**2nd Tier**

Consumers in the US

### KEY SELLING INDUSTRIES

**1st Tier**

Soft Drink, Baked Goods & Other Grocery Wholesaling in the US

Frozen Food Wholesaling in the US

Beer Wholesaling in the US

Cigarette & Tobacco Products Wholesaling in the US

Confectionery Wholesaling in the US

Transportation and Warehousing in the US

Grocery Wholesaling in the US

**2nd Tier**

Breweries in the US

Snack Food Production in the US

Agriculture, Forestry, Fishing and Hunting in the US

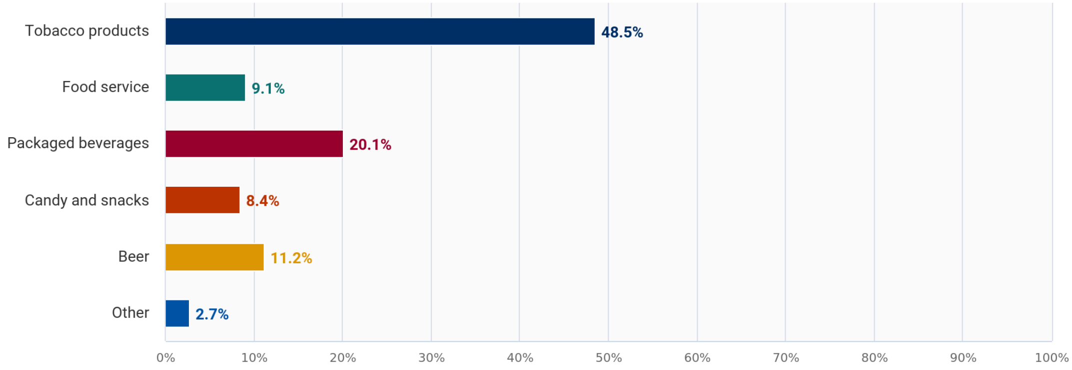
Candy Production in the US

Frozen Food Production in the US

Manufacturing in the US

## Products and Services

Products and Services Segmentation




2021 INDUSTRY REVENUE

**$33.2bn**

Convenience Stores
Source: IBISWorld

**Operators in the Convenience Stores industry primarily serve as a source for fill-in items to supplement total food store purchases.**

Therefore, stocking the right mix of a limited product selection is critical to the success of the Convenience Stores industry.

### Tobacco products

**Convenience store chains have tried to reduce their dependency on tobacco products due to increased government regulation and taxation and escalating consumer health concerns; however, the industry is still heavily reliant on tobacco sales.**

Tobacco consistently constitutes this industry's largest product category, and has grown as a share of revenue over the five years to 2021. Tobacco products are estimated to account for 48.5% of revenue in 2021. This segment's share of the industry has increased over the period as unit prices continue to rise as well as the introduction of smokeless tobacco products. In 2021, due to the COVID-19 (coronavirus) pandemic, its share is expected to rise even further as many consumers try to avoid unnecessary store visits. On the other hand, tobacco users are limited in their options to purchase tobacco, and thus will represent a higher share of consumers during the pandemic. Furthermore, while cigarettes are the leading category in terms of dollar sales, its profitability has steadily diminished.

Given the heightened awareness of the dangers of smoking and bans on smoking in restaurants and other public spaces, sales generated in this category are expected to decelerate over the coming years. Additionally, the industry competes with internet retailers, supermarkets, gas stations, kiosks and other retailers for cigarette sales. Increased competition from substitute retailers is also forecast to curb sales of cigarettes and tobacco products as a share of merchandise sales.

### Food service

**A considerable and growing amount of revenue is generated from food service sales, which includes food prepared on-site, packaged meals, hot and cold dispensed beverages and frozen dispensed beverages.**

In 2021, food service is expected to account for 9.1% of revenue. It share of revenue is expected to fall during the pandemic as consumers avoid non-essential store visits. Convenience is a driving factor behind the popularity of these items, as more consumers are pressed for time and benefit from quick and convenient service. As consumers' eating habits continue to trend toward more health-oriented products, industry operators have seized this opportunity by diversifying their product mix with various all-natural organic offerings and value-added products. Over the past five years, major players, such as 7-Eleven Inc. (7-Eleven), have successfully expanded their food offerings to appeal to health-conscious consumers, which has bolstered profit when other product segments, such as tobacco sales, have stagnated somewhat. This nascent product segment is expected to remain lucrative for industry operators over the five years to 2026.

Coffee sales are considered part of food service sales, with many convenience stores selling coffee. Of the consumers who purchase coffee, more than half purchase coffee from a convenience store, according to 2018 data from the Agricultural Marketing Resource Center (latest data available). However, mounting competition from quick-service restaurants, in addition to drug store chains, has hampered coffee sales.

### Packaged beverages

> **The packaged beverage product category constitutes bottled beverages, such as water, soft drinks, energy drinks and alternative beverages.**

This segment as a share of revenue has increased steadily during the period, accounting for 20.1% of industry revenue in 2021. Nonalcoholic beverage sales may rise over the next five years, as marketing for packaged drinks increases, and health consciousness and convenience encourage further sales growth. According to IRI's 2020 special report on Convenience Stores, energy drink sales have increased due to the increasing popularity of the product category and shifting lifestyle trends. As a result, continued innovation by beverage manufacturers is projected to instigate the growth of packaged beverage sales over the coming years.

### Candy and snacks

> **Prepackaged candy and snacks are estimated to account for 8.4% of industry revenue in 2021.**

Sales of products in this segment have decreased during the period amid rising health concerns, which has caused this segment to cede some of its share to the food service segment. According to 2020 data from 7-Eleven, this industry's largest operator, nearly one-third of convenience store visitors purchase food they intend to consume immediately (latest data available). Moreover, as more Americans have returned to work during most of the period, demand for quick, fulfilling snacks has grown. However, growing health concerns have dampened the sales volume of sugary snacks, such as chocolate bars and ice cream. Conversely, salty and spicy snacks, healthier alternatives and the introduction of private-label products are expected to keep this segment's share of revenue somewhat steady over the next five years.

### Beer

> **According to 2016 data from the Beer Institute, nearly one-third of all beer consumed in the United States is purchased at convenience stores.**

As a result, beer accounts for 11.2% of revenue in 2021, increasing as a share of revenue over the past five years. While sales of mainstream brands have declined, the growth of craft beers and microbrews are offsetting these declines.

While tobacco has undergone stricter political scrutiny regarding underage sales, alcohol sales have also experienced debate. Some politicians suggest that alcohol sales and promotions should be regulated in a manner similar to that of tobacco. Convenience stores have reacted by proactively monitoring sales to minors via the longstanding Retailers Against Minors Purchasing program to prevent illegal alcohol sales. Such programs act as a community-relations effort to address and curb alcohol abuse. Additionally, some states, such as Maryland, do not enable the sale of alcohol in convenience and grocery stores.

### Other items

**Other merchandise sold in convenience stores include a range of products, such as magazines, stationery, household cleaning products and fresh food.**

In response to growing consumer health concerns, operators have supplied more locally grown produce and fresh items, such as flowers, in recent years. While this is a growing trend, fresh produce only accounts for a small portion of industry revenue. Lottery tickets and over-the-counter medicine make up a substantial share of the remaining revenue. These items are anticipated to account for 2.7% of industry revenue in 2021, remaining a stable share of revenue during the period.

## Demand Determinants

### Convenience

**The need for convenience in the United States is the most significant demand determinant for the Convenience Stores industry.**

Operators aim to save consumers time by offering a limited variety of merchandise in a confined store space. Having an easily accessible location is also important; time-sensitive consumers shop at these stores for their convenient locations, extended hours of operation, one-stop shopping, grab-and-go food service and speedy transactions.

The main factor affecting the need for convenience is the desire to use time more efficiently as Americans become busier. Over most of the five years to 2021, Americans have worked more than ever before, with annual work hours having increased across all wage groups since the 1980s, according to 2019 data from the Bureau of Labor Statistics (latest data available). Furthermore, average hours spent eating and drinking in the United States has steadily declined in recent years. Longer work hours coupled with an increase in college enrollment have helped industry revenue to grow as consumers have less time to eat and drink. The COVID-19 (coronavirus) pandemic, however, has induced lockdowns and work-from-home policies that will likely affect longer term work trends as more companies opt for virtual meetings and potentially permanent work-from-home policies. Depending on the adoption of this trend, more people working from home would hurt industry demand as it relies on foot traffic near store establishments to generate revenue.

Another related trend is increased snacking. The Snack Food Production industry (IBISWorld Report 31191) has experienced increased revenue over the five years to 2021. Due to growing health concerns and increased awareness of nutrition, 48.0% of consumers now snack at least twice a day compared with 25.0% at the end of the five years to 2015, according to 2016 data from Mintel Group Ltd. (latest data available). Convenience stores have benefited from this trend as consumers turn to industry businesses to purchase chocolate, candy, a variety of salty and sweet snacks and prepared foods for snacking.

### Product mix

> **Very few customers identify convenience stores as their primary source for food, according to the Journal of Food Distribution Research.**

Convenience stores are considered a source for fill-in items that supplement primary shopping trips to grocery stores. Consequently, the right selection of products is essential to attract consumers to stores. Many Americans are lured by products, such as cigarettes, bottled beverages and food service items, that have historically driven convenience store foot traffic. However, changing consumer tastes and new food trends have caused Americans to demand a greater variety of snacks and beverages. In response to new food trends driven by millennials, convenience stores have begun offering fresh food and snacks, a greater variety of food prepared on-site and healthier packaged snacks.

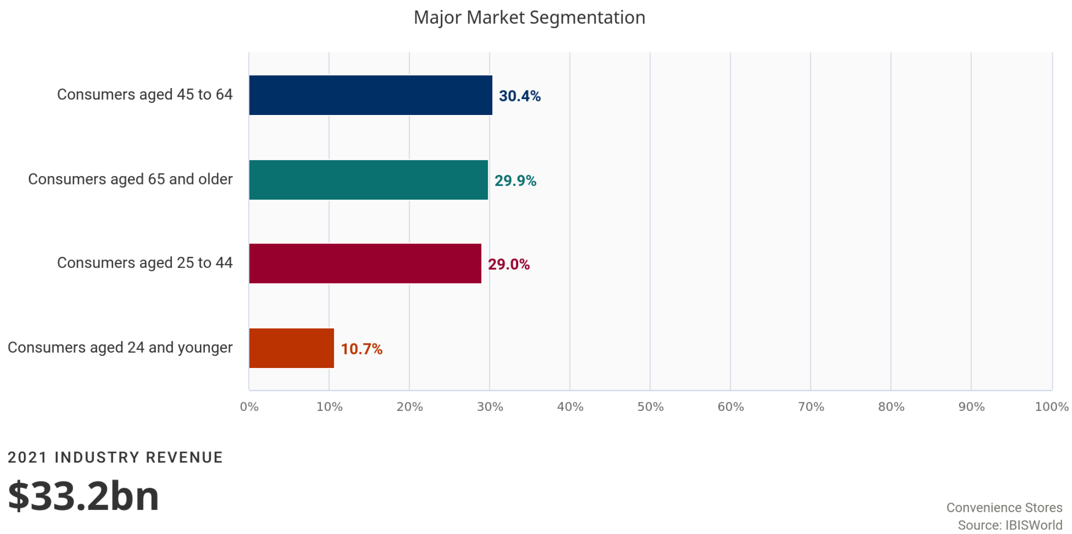
### Cigarette use

> **Sales of cigarettes and other tobacco products to adults are important to the economic viability of the industry.**

Despite the recent uptick in smoking, tobacco consumption has fallen over many years. Public education and health campaigns have increased awareness of the dangers of tobacco, and government taxes and duties have increased prices. Laws have been imposed to ban smoking in public areas, including restaurants and bars.

However, smoking remains popular with some groups, including younger individuals. Youth access to tobacco has been a contentious issue for the industry, and increased regulation and laws have caused many operators to invest significantly in training, signs and additional security. Also, sales of electronic cigarettes have increased rapidly over the past several years due to the notion that they might be healthier than regular cigarettes. Increased sales of electronic cigarettes have aided this product segment's growth.

## Major Markets




Generally, purchases of Convenience Stores industry goods are made for private, individual and household consumption. Most convenience store shoppers tend to be younger and less affluent. Therefore, millennials have driven revenue for convenience stores. Within this consumer group, males have traditionally purchased goods from convenience stores more often than their female counterparts. However, due to an increasingly on-the-go work environment and having to multitask between demand of work, hobbies and home, more women have found convenience stores' convenient food staple selections, in addition to their quick-service nature and improving ready-made food selections. This has been a major driver of demand over the five years to 2021.

### Consumers aged 24 and younger

Consumers aged 24 and younger comprise 10.7% of revenue in 2021, making it the smallest consumer segment for this industry. Children and teens generally do not have a disposable income, making it difficult for them to purchase products. Transportation can also limit access to stores for children and teens that cannot drive. However, younger consumers in major cities with advanced public transportation systems have greater access to convenience stores. Furthermore, college students and young professionals value several characteristics that this industry's operations provide, such as convenience, time-savings and extended hours of operation. Thus, this segment has decreased as a share of revenue over the past five years.

### Consumers aged 25 to 44

Consumers aged 25 to 44 make up the second-largest market segment, accounting for 29.0% of industry revenue in 2021. Consumers within this age bracket typically comprise young professionals with a wider range of discretionary spending, in addition to young, on-the-go families that benefit from convenient offerings. Several of the fastest growing product categories in this industry, which include energy drinks, sports drinks and smokeless tobacco are driven by young adults. Consequently, more prepared food items in convenience stores have also attracted millennials in recent years, increasing this segment's share of revenue during the period.

### Consumers aged 45 to 64

Consumers aged 45 to 64 are anticipated to account for 30.4% of industry revenue in 2021. Similar to millennials, older consumers in this age group have become busier in recent years and have benefited from purchasing food, cigarettes and other sundries from multiple retail channels. A 2018 study conducted by Social Science Research Solutions reveals that one-quarter of adults shop at convenience stores as frequently or more than at supermarkets and grocery stores (latest data available). Older adults with children particularly benefit from this retail channel, as it enables them to purchase staple food items, such as bread and milk, at any time of the day. This segment has remained a stable share of revenue over the past five years.

### Consumers aged 65 and older

Consumers aged 65 and older make up a smaller portion of this industry's market, accounting for 29.9% of revenue in 2021. Baby boomers shop more frequently at competitive retail channels and are extremely brand loyal, shopping at supermarkets and grocery stores because they provide a one-stop shop experience for groceries and household goods. In addition to supermarkets and grocery stores, spending at pharmacies and drug stores comprises a large share of spending among older consumers due to their need for prescription drugs and over-the-counter medication. Rite Aid Corporation, for example, introduced the wellness65+ program to appeal to elderly consumers through discounts and other value-added services. Nevertheless, convenience stores offer smokers in this age group a convenient location to purchase cigarettes and other tobacco products. Over the past five years, this segment has decreased its share of revenue due to the outbreak of COVID-19 (coronavirus) in 2020. The pandemic has an outsized impact on this population segment, which thus has resulted in less older consumers making unessential store visits.

## International Trade

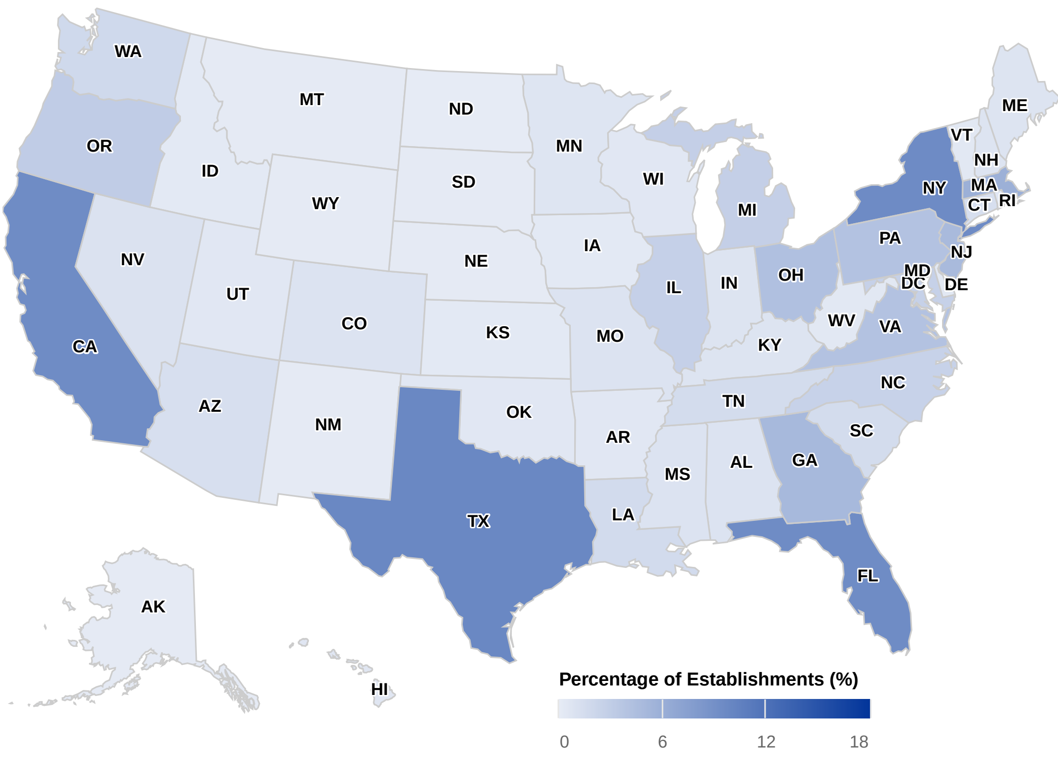
**Exports in this industry are Low and Steady**

**Imports in this industry are Low and Steady**

Although operators in the Convenience Stores industry do not participate in international trade, many retailers stock merchandise that is sourced from abroad. Imports of tobacco products, snack foods and chocolate have all increased over the five years to 2021, according to 2020 data from the US Department of Agriculture.

## Business Locations

Business Concentration in the United States




Convenience Stores in the US
Source: IBISWorld

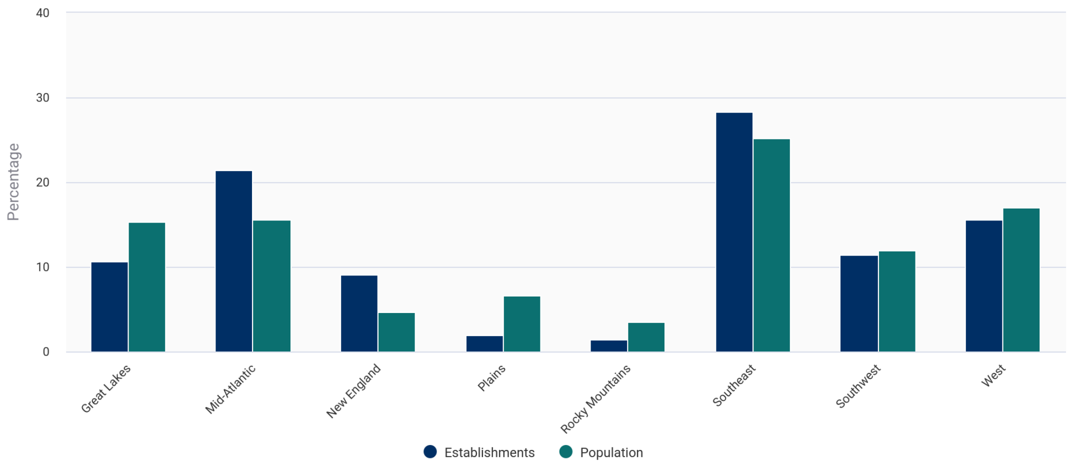
A prime location is essential to operators in the Convenience Stores industry because quick and easy access is essential to drive foot traffic. As with most retail industries, location typically relates to the region's population density. This, in turn, affects employment and wage costs of each region. Therefore, more residents generate stronger demand for convenience stores.

The Southeast and Mid-Atlantic regions are home to the most convenience store locations, comprising an estimated 28.3% and 21.5% of establishments, respectively, in 2021. Within these regions, Florida and California are expected to house the most locations, accounting for 9.3% and 9.3% of establishments, respectively, in 2021.

The West and Great Lakes regions are estimated to account for 15.6% and 10.6% of the industry's establishments, respectively, in 2021. These regions also account for a high share of the US population, with the West region accounting for 17.2% of the population and the Great Lakes region accounting for 14.4% of the population in 2021. However, the Rocky Mountains region accounts for a smaller share of business locations, accounting for 1.5% of establishments in 2021.

Texas accounts for 9.7% of industry establishments in 2021. The high degree of concentration in Texas is likely due to 7-Eleven Inc. opening its first convenience store in Dallas in 1927. Due to Texas' historical roots, the growing number of convenience stores in the state has benefited the West region. Other states with high shares of business locations include New York (9.4%) and Massachusetts (5.8%).

Distribution of Establishments vs Population

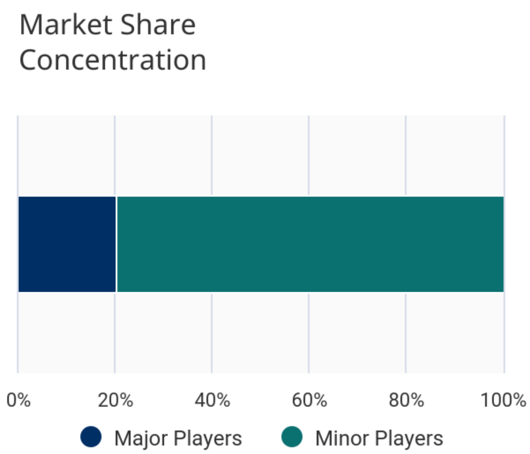



Convenience Stores
Source: IBISWorld

# Competitive Landscape

## Market Share Concentration

### Concentration in this industry is Low



Convenience Stores
Source: IBISWorld

Due to the dominance of single-store operators, the Convenience Stores industry experiences low market share concentration. In 2021, the two largest operators are expected to account for 23.6% of the market. Furthermore, the industry has many small players, with 68.1% of operators employing less than five people, according to the US Census. Smaller companies can quickly adapt to changes and can also compete effectively by acquiring superior locations or offering specialized merchandise and services. Consequently, the fragmented nature of this industry makes it difficult for any single operator to obtain significant market share. 7-Eleven Inc. is by far the largest industry player in 2021, comprising 20.3% of revenue. The next largest operator, Alimentation Couche-Tarde Inc., represents 3.3% of the market in 2021.

The industry has consolidated in recent years, with many large operators acquiring smaller players. Some smaller chains have also achieved organic growth by expanding into new markets. Larger companies' market share is expected to rise over the five years to 2026; however, as larger companies seek to acquire smaller chains to enter new regions and lower costs through economies of scale, competition is expected to increase. Despite this, the industry will likely maintain a low level of concentration.

## Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

**Proximity to key markets:** Convenience stores should be located near residential areas to provide ease of access. Locations should also be remote from other food stores, including supermarkets and quick-service restaurants.

**Ability to control stock on hand:** Operators must minimize unnecessary stock buildup, while ensuring that popular products are always available.

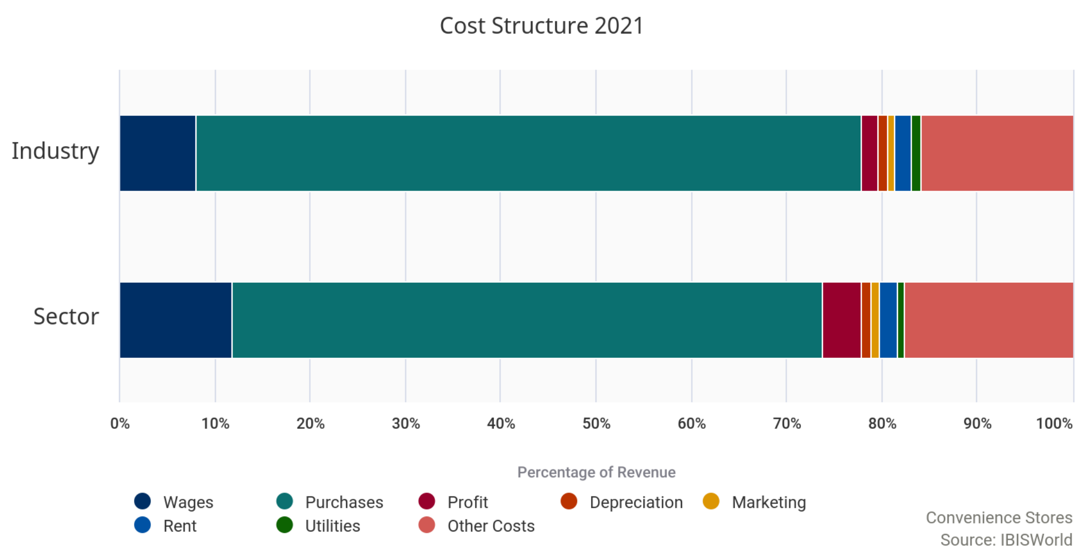
**Attractive product presentation:** The layout of a store must enable shoppers to easily navigate products. Additionally, the design and cleanliness of store space and product selection are key elements that attract shoppers into convenience stores.

**Maintenance of excellent customer relations:** Convenience store operators need to provide friendly and helpful service to ensure repeat purchases. In addition, establishing a reputation for quick service is essential.

**Having a loyal customer base:** Having a well-established presence and good relationship with local consumers is particularly important for single-store operators that experience growing competition from chain stores and different retain channels.

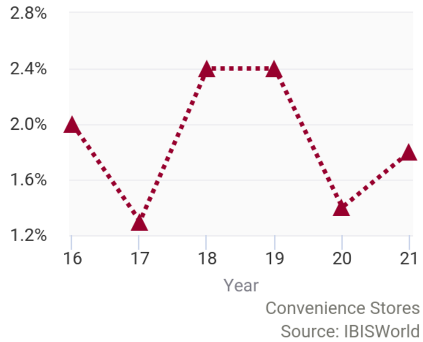
**Level of competition in the market:** Convenience stores compete with different retail channels, and therefore, proximity to different types of stores can hamper growth.

## Cost Structure Benchmarks



## Profit

Profit as a Share of Revenue 2016-2021

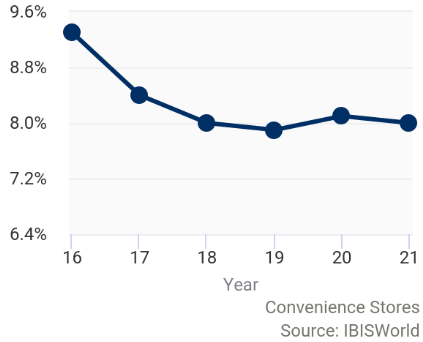



Credit card fees and declining tobacco sales have placed downward pressure on industry profit over the five years to 2021. However, cash purchases are increasing as consumers reduce the use of checks and credit cards. Interchange fees, or swipe fees, have been a major point of conflict for industry operators. Over the five years to 2021, credit card transaction fees have been higher than profit for industry operators. While operators have been able to pass a share of the fees onto consumers, many have had to absorb most of the cost due to increasing external competition from dollar stores and grocery stores.

To decrease debit card swipe fees, the Federal Reserve established new rules in 2010 that would reduce associated fees. However, this rule has only saved operators $500.0 million in debit card fees, which is only a fraction of the projected savings. Some of the industry's rising costs associated with wages and swipe fees are being offset by consolidation benefits, with some larger players reducing the cost of goods, advertising costs and minimizing duplicative costs. Meanwhile, food service, which includes dispensed beverages and food prepared on-site, continues to grow. The increase in high-margin food service sales has benefited the industry, as it experiences mounting purchase and interchange fees. Although profitability has improved over most of the five years to 2021, the COVID-19 (coronavirus) pandemic has caused profit to decline in 2020, but is expected to recover in 2021. As a result, profit, measured as earnings before interest and taxes, is expected to account for 1.8% of revenue in 2021.

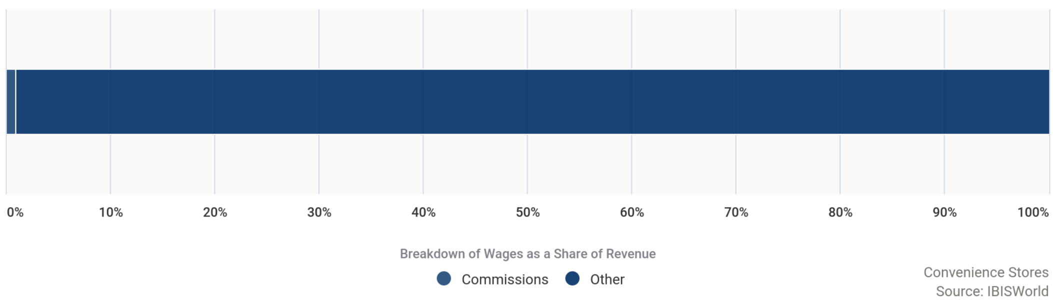
## Wages

Wages as a Share of Revenue 2016-2021



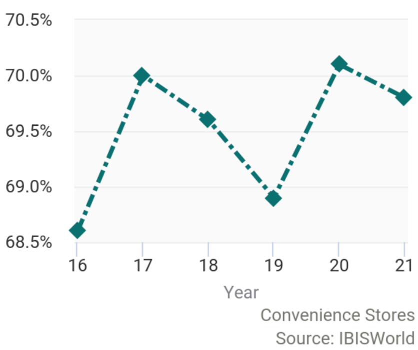

Wage costs are the second-largest expense for the industry, accounting for 8.0% of revenue in 2021. Wages as a share of sales are low compared with other retail industries, largely due to the limited number of employees needed to operate a store. In response to increases in minimum wages and increases in payroll taxes, employment has declined over the past five years. Nevertheless, industry operators typically pay more than the minimum wage, so increases to minimum wage rates have not drastically increased wage costs. Additionally, due to long operating hours, many convenience stores employ part-time staff that require lower wages than full-time employees.

Wages Breakdown (% of Total Wages in 2021)



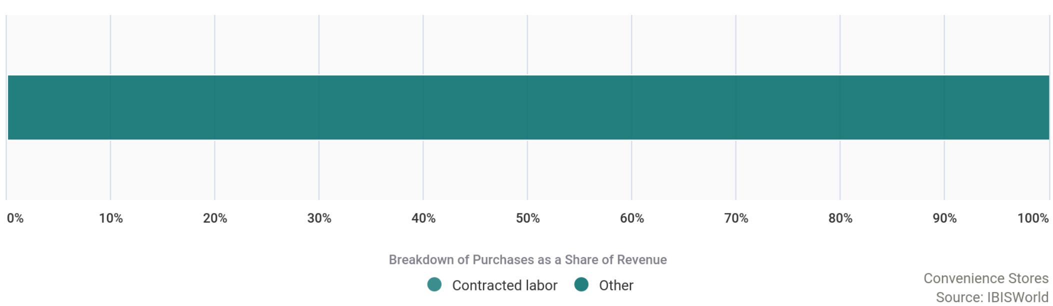

## Purchases

Purchases as a Share of Revenue 2016-2021



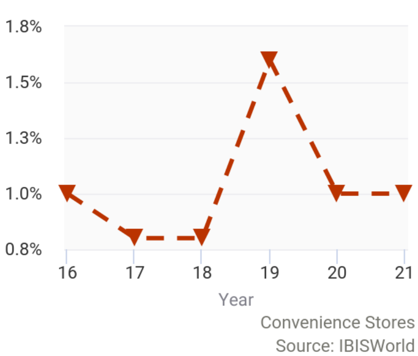

Typical of a retail industry, purchases account for the largest operating expense for the industry. Purchases consist of goods purchased from vendors for resale to consumers. Products include cigarettes, beer, packaged candy and fresh food. Purchase costs are estimated to account for 69.8% of industry revenue in 2021, which is consistent with that of warehouse clubs and superstores, supermarkets and gas stations that have convenience stores.

Purchases Breakdown (% of Total Purchases in 2021)




## Depreciation

Depreciation as a Share of Revenue 2016-2021

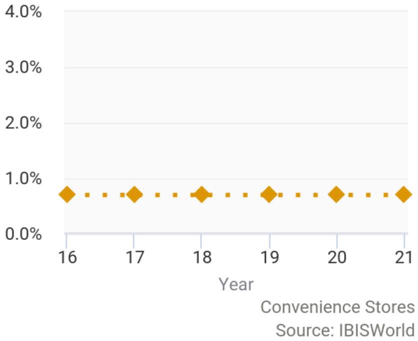



Depreciation costs have historically been low for the industry, accounting for 1.0% of industry revenue in 2021.

## Marketing

Marketing costs in the industry have remained steady over the past five years and are expected to account for 0.7% of industry revenue in 2020.

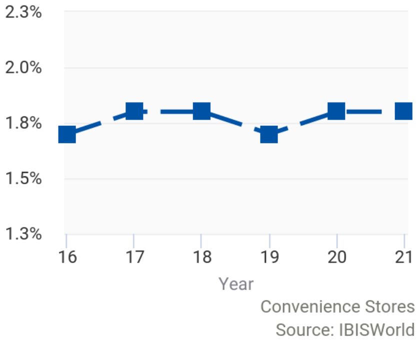
Marketing as a Share of Revenue 2016-2021



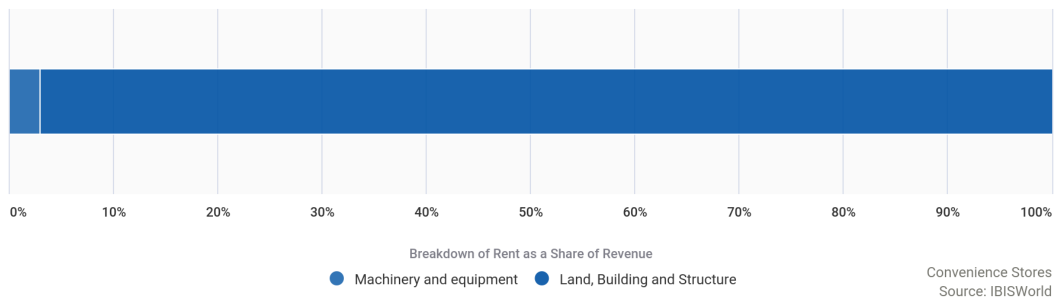

## Rent

Rental costs are expected to account for 1.8% of revenue in 2021 and have remained steady as a share of revenue over the past five years.

Rent as a Share of Revenue 2016-2021



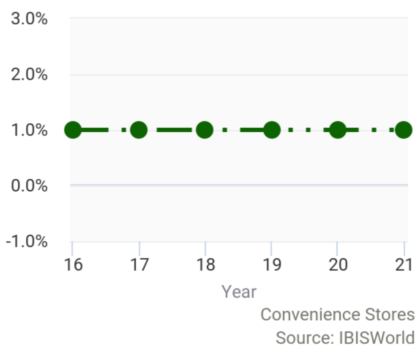

Rent Breakdown (% of Total Rent in 2021)




## Utilities

Utility costs are expected to account for 1.0% of revenue in 2021. As a result, many store owners have invested in new energy-efficient cooler doors, better facility insulation, heating and air-conditioning units, energy-efficient lighting fixtures and other similar advancements to mitigate severe fluctuations in utility costs.

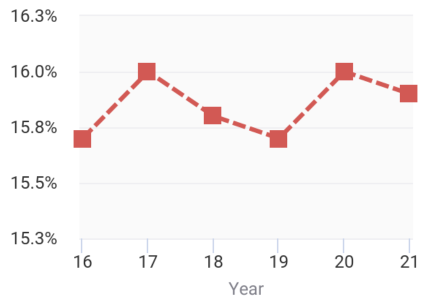
Utilities as a Share of Revenue 2016-2021



### Other Costs

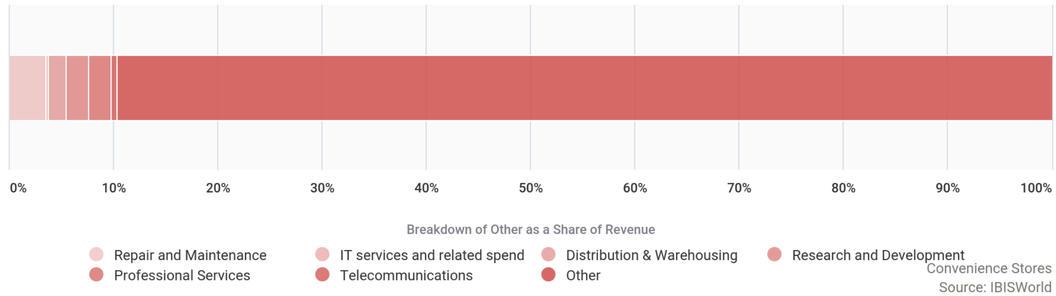
Other costs are expected to account for 15.9% of industry revenue in 2021. Since many stores are open 24 hours a day, industry establishments are notably susceptible to robberies and theft, including theft by employees. Organized theft rings target convenience stores for cigarettes, which have a high resale value. Lone attendants and late-night hours make convenience stores prime targets for robbery. Thus, operators have had difficulty finding qualified labor, and must often purchase surveillance and other crime-deterring technologies.

Other Costs as a Share of Revenue 2016-2021




Convenience Stores
Source: IBISWorld

Other Breakdown (% of Total Other in 2021)




Convenience Stores
Source: IBISWorld

## Basis of Competition

### Competition in this industry is High and Steady

**Competition in the Convenience Stores industry is intense due to low barriers to entry and a highly fragmented and saturated market.**

Convenience stores compete with retail stores that sell similar goods, including gas stations, grocery stores, dollar stores and warehouse clubs. Stores that sell prepared meals also compete with restaurants. Due to the highly fragmented nature of this industry, no single player can influence product offerings or price. Furthermore, each store's success depends on its accessibility, product mix and location.

### Internal competition

**Industry operators compete for optimal locations and also must stock the right product mix to attract more people into their stores.**

Smaller store sizes, limited product assortment and quick transactions make the shopping experience convenient for the consumer. Convenience stores only stock everyday consumables, so they are comparatively smaller in size than supermarkets and grocery stores and are often located alongside busy roads in densely populated neighborhoods. The location of a store is crucial for delivering convenience to consumers. Impulse purchases make up a large percentage of convenience store sales, so stores are located in areas with heavy traffic. Operators must also consider the distance between two neighboring stores and the size of an individual store.

The appropriate product mix depends on a convenience store's location and the surrounding target market's needs. For example, a convenience store in a resort area will likely stock a more complete line of goods. Additionally, an operator must be able to monitor inventory, react to taste and preference trends and estimate product demand. Innovation in an operator's product mix is also a key component of success. Convenience store retailers frequently refine their product offerings while remaining focused on the basics of convenience, cleanliness and inventory management. While product segments that have traditionally dominated sales still account for most revenue, popular categories include prepared food and fresh items, such as fruit and flowers. Additionally, 7-Eleven Inc., with the launch of its private-label branded assortment of products, has added a new dimension of competition within this industry.

### External competition

> **Convenience stores have always competed with supermarkets and grocery stores because these retail channels provide similar goods, but in a larger capacity.**

Larger retail channels benefit from being able to charge lower prices than stores within this industry. Nevertheless, industry revenue has grown over the five years to 2021, despite increasing competition from supermarkets, as consumers' need for convenience has escalated.

Convenience stores have also contended with growing competition from pharmacies and drug stores that have expanded their product offerings to drive traffic to their stores. Kiosks, which technically occupy less than 800.00 square feet, are also competitors, as they too sell tobacco, beverages, snacks and confectionery goods. However, store sales are estimated to account for 10.0% of total sales, making kiosks a very small competitor. Other external competitors include delis and fast food restaurants that sell coffee and small snacks.

## Barriers to Entry

### Barriers to entry in this industry are ⊖ Medium and Increasing

Barriers to entry in the Convenience Stores industry have traditionally been low, but are increasing as businesses consolidate and create larger players with vast resources. The low level of product differentiation and minimal customer loyalty are conducive to the entrance of new players. Moreover, start-up costs are not prohibitive for smaller players, and the industry is not highly labor-intensive. These factors

**Barriers to entry checklist**

| | | |
|---|---|---|
| Competition | High | ⚠ |
| Concentration | Low | ✓ |
| Life Cycle Stage | Mature | ⊖ |
| Technology Change | Medium | ⊖ |
| Regulation & Policy | Medium | ⊖ |
| Industry Assistance | Low | ⚠ |

indicate a strong likelihood for new companies to enter the market.

The two largest operators account for less than 30.0% of revenue in 2021, yet no single operator has control over pricing, advertising, distribution or customer loyalty. Market saturation has driven consolidation. The breadth of locations covered by current operators means that most markets already have numerous stores to choose from. Large industry players have developed strong relationships with wholesale distributors, ensuring that they receive the most competitive prices, which they can then pass on to customers, maintaining and expanding their market share. This ability makes entry into the industry more difficult.

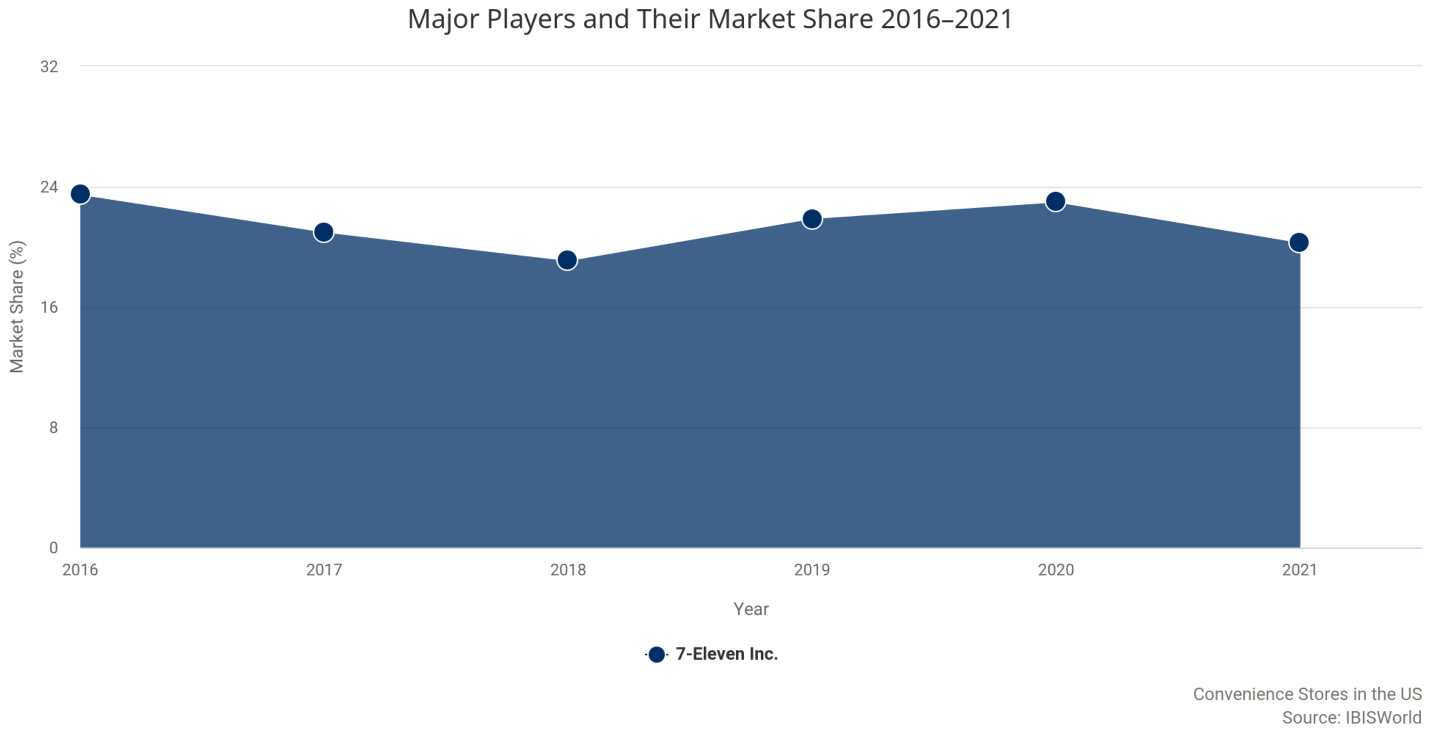
The level of product differentiation among operators in this industry is relatively low because most players tend to stock similar products and brands. In addition, most products sold by industry operators can also be purchased from other retailers, such as supermarkets, delis and even online merchandisers. While this industry does not require much machinery or technology, considerable levels of capital are required to establish a new store or purchase an existing location. There are high costs associated with establishing a new convenience store in a suitable location, including establishing and maintaining a sufficient inventory. Lastly, operators that are exposed to high levels of traffic can drive up rental costs and real estate values.

## Industry Globalization

### Globalization in this industry Low and Steady

Due to the local nature of the Convenience Stores industry, convenience stores do not engage in international trade. However, the two largest players in the industry, 7-Eleven Inc. (7-Eleven) and Alimentation Couche-Tard Inc. (Couche-Tard), are based abroad. 7-Eleven originated in Texas, but now operates under Japan-based Seven & I Holdings Co. Ltd. The company's multinational reach extends to 16 countries, with its largest markets in Japan, the United States, Canada and other East Asian countries. Couche-Tard is headquartered in Laval, a suburb of Montreal. It acquired the Circle K chain from ConocoPhillips in 2003 to rebrand its existing US locations, which were under the locally unfamiliar Mac's brand, to the better-known Circle K brand. Circle K's global presence extends to Mexico, China, Hong Kong, Macau, Vietnam, Indonesia and Guam.

# Major Companies




## Major Players

### 7-ELEVEN INC.


**Market Share: 20.3%**

7-Eleven Inc. (7-Eleven) is a subsidiary of Japan-based Seven & I Holdings Co. Ltd. (Seven & I), one of the largest convenience retail chains in the world and the pioneer of the convenience store business model. The Dallas-based company manages the franchises and licenses of more than 8,000 stores across the United States. Although the company has historically dominated the Convenience Stores industry, its share of the market has declined due to a maturing market and increased competition. Seven & I generated $64.0 billion in total sales from operations in fiscal 2020 (year-end February).

Currently, the company is moving toward a franchise-only operation in the United States. It also operates several additional store chains, some of which are in the process of being rebranded as 7-Eleven stores. These include Garb-Ko, White Hen Pantry, Handee Marts, Resort Retailers, Prima Marketing and Southwest Convenience Stores. The company segments its sales into two distinct operations, including merchandise, which is industry-relevant, and gasoline. Gasoline is offered at 4,385 stores in the United States and accounts for nearly half of overall sales for the company. The remaining half of overall sales is attributed to its merchandise segment, which includes the sale of tobacco items, hot and cold beverages, phone cards, fresh food and beer.

In a bid to differentiate itself from traditional convenience stores over the five years to 2021, 7-Eleven has introduced fresh produce and other organic items to its product mix. The company also launched its private-label brand, 7-Select, by introducing numerous products, ranging from wine and snacks to a variety of other food items that are delivered to its stores daily. Furthermore, the company has aggressively expanded its store network by opening new stores and acquiring storefronts from regional competitors, such as Tetco Inc. in Texas. As part of its expansion strategy, the company has begun to aggressively expand in urban areas, such as New York City, to capitalize on higher foot traffic and the propensity for on-the-go consumers to take advantage of the company's new product mix. In 2018, the company announced that it acquired 1,100 Sunoco LP stores for an estimated $3.3 billion. The company is expected to divest a few stores to meet antitrust requirements.

### Financial performance

7-Eleven's industry-relevant revenue has increased at an annualized rate of 1.1% to $6.7 billion over the five years to fiscal 2021. The company has performed well during this period by introducing a variety of new store items and expanding its private label offerings to appeal to low-income consumers. In 2020, the company's revenue is expected to stagnate amid the outbreak of COVID-19 (coronavirus), although revenue is expected to be buoyed by weakness in the US dollar. In 2021, as interest rates stabilize, revenue is expected to contract 4.7% due to continued damage to demand caused by the global economic crisis caused by the pandemic. Nonetheless, despite 7-Eleven's aggressive expansion strategy in urban areas, in addition to increased purchase costs, the company's industry-relevant operating income has performed well during the period. This steady increase in operating income can also be contributed to the company's decision to convert its acquired stores to franchised stores to maximize profit through decreased labor costs. However, in 2021, this dynamic is expected to reverse as operating income is expected to contract 15.6%.

**7-Eleven Inc. (US industry-specific segment) - financial performance***

| Year** | Revenue ($m) | Growth (% change) | Operating Income ($m) | Growth (% change) |
|---|---|---|---|---|
| 2016-17 | 6356.2 | N/C | 209.2 | N/C |
| 2017-18 | 5943.0 | -6.5 | 203.9 | -2.5 |
| 2018-19 | 5982.9 | 0.7 | 212.1 | 4.0 |
| 2019-20 | 7030.5 | 17.5 | 240.7 | 13.5 |
| 2020-21 | 7061.1 | 0.4 | 249.7 | 3.7 |
| 2021-22 | 6726.4 | -4.7 | 210.7 | -15.6 |

Source: Annual report and IBISWorld

Note: *Estimates; **Year-end February

## Other Players

There is a high degree of overlap between the Convenience Stores industry and the Gas Stations with Convenience Stores industry (IBISWorld report 44711). For example, 7-Eleven Inc. and Alimentation Couche-Tard Inc., which operates the Circle K brand of stores, operate stores in both industries. Aside from these industry leaders, most convenience stores are small, single-location operations. Other notable industry convenience store chains include regional players such as Corner Store Inc., operated by Valero Energy Corporation, Sunoco LP and Casey's General Stores Inc. These store chains are featured more prominently in the Gas Stations with Convenience Stores industry, as most of their locations include gas stations.

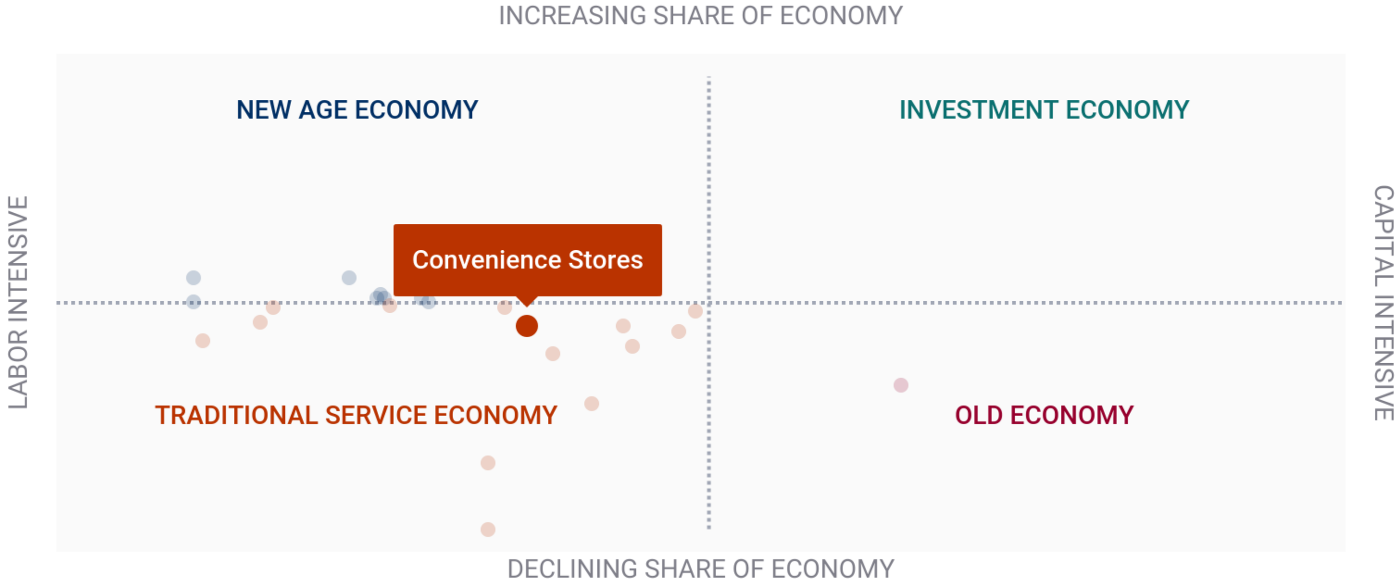
### ALIMENTATION COUCHE-TARD INC.

Canada-based Alimentation Couche-Tard Inc. (Couche-Tard) operates and owns convenience stores across North America and Europe under the Couche-Tard, Mac's and Circle K brands. Couche-Tard currently manages a network of 9,866 stores in North America, of which 87.5% operate with a gas station and are not considered industry-relevant. Additionally, most of its revenue is derived from US operations, and more than two-thirds of US revenue is generated from the sale of gasoline. The company has achieved growth both organically and by acquiring chains, such as the Pantry in 2015 and CST Brands Inc. in 2017.

The company's stores offer a variety of products and services, including petroleum; candy; fresh food products; phone cards; newspapers and magazines; tobacco products; national- and proprietary-branded fast food; frozen beverages; beer and wine; coffee; dairy items; ATMs; and lottery tickets. The company has wavered well over the five years to 2021 due to the outbreak of COVID-19 (coronavirus) in 2020. Prior to the pandemic, Couche-Tard's earnings improved as a result of higher sales, which reflects a favorable product mix and increased consumer spending. Despite aggressive acquisition activity, Couche-Tard was able to maintain profit because it did not favor store count growth to the detriment of profitability. The collapse in demand that resulted from the pandemic, however, caused revenue to fall sharply. In 2021, Couche-Tard is expected to generate $1.1 billion in industry-relevant revenue, falling sharply due to the continued COVID-19 (coronavirus) crisis.

# Operating Conditions

Costs of Growth: Targeting Capital vs. Labor




Convenience Stores in the US
Source: IBISWorld

## Capital Intensity

### The level of capital intensity is Low

The Convenience Stores industry exhibits a low-to-moderate level of capital intensity. Using wages as a proxy for labor and depreciation as a proxy for capital, IBISWorld estimates that for every dollar spent on labor in the industry, $0.13 will be spent on capital in 2021. Over the five years to 2021, the industry's level of capital expenditure has fluctuated due to slight fluctuations in wage costs. A decline in industry employment has resulted in wages as a share of revenue to continue its steady decline during the first half of the period. However, as many operators have extended operating hours to mollify increased competition, increase foot traffic and customer loyalty, wages as a share of revenue increased due to the uptick in labor. Another major cost for industry operators results from high employee turnover rates, which typically cause total wage costs to increase. A high turnover rate is costly for employers due to the time and resources lost in hiring and training new employees.


Depreciation has historically been low for the industry, with depreciation costs remaining steady during the period. Capital investments are low for convenience stores because they rely much more on labor than machinery and equipment to manage their operations. Despite a low level of capital investment, a critical component of this cost is point-of-sale (POS) systems. POS systems have become particularly important for chain convenience stores that rely on software to manage inventory, customer relations and financials across their operations. While one-store operators have been reluctant to adopt POS systems, larger operators and chains have implemented POS systems in recent years. Depreciation will likely increase slightly during periods of increased investment in operating efficiencies.

## Technology And Systems

### Potential Disruptive Innovation: Factors Driving Threat of Change

| Level | Factor | Disruption | Description |
|---|---|---|---|
| Moderate | Rate of Entry | Potential | Annualized growth in the number of enterprises in the industry, ranked against all other industries. A greater intensity of companies entering an industry increases the pool of potential disruptors. |
| Low | Ease of Entry | Unlikely | A qualitative measure of barriers to entry. Fewer barriers to entry increases the likelihood that new entrants can disrupt incumbents by putting new technologies to use. |

| Level | Factor | Disruption | Description |
|---|---|---|---|
| Very Low | Rate of Innovation | Very Unlikely | A ranked measure for the number of patents assigned to an industry. A faster rate of new patent additions to the industry increases the likelihood of a disruptive innovation occurring. |
| Very Low | Innovation Concentration | Very Unlikely | A measure for the mix of patent classes assigned to the industry. A greater concentration of patents in one area increases the likelihood of technological disruption of incumbent operators. |
| Very Low | Market Concentration | Very Unlikely | A ranked measure of the largest core market for the industry. Concentrated core markets present a low-end market or new market entry point for disruptive technologies to capture market share. |

The industry is experiencing a low level of both the rate of new patents and the concentration of patents in the industry. This creates an environment where the threat of new technologies driving disruption is low.

The industry structure is not accommodative to new entrants succeeding, which limits the incentive for new companies. This is accompanied by an average level of new entrant operators. The combination provides a limited threat from disruptors.

Major market segments for industry operators are relatively diversified. The spread of market segments suggests that there are limited entry points other than those already served my incumbent operators.

## The Convenience Stores industry is expected to incur low to moderate level of technology and systems disruption.

Several products that the industry sells are now being sold by online only grocery store owners. This trend is disrupting operators even in this industry. Therefore, over time, if consumers start spending more on online-only websites, brick-and-mortar convenience stores could endure negative revenue trends.

**The level of technology change is ⊖ Medium**

## The Convenience Stores industry has undergone considerable advances in technology in recent years.

According to 2019 data from the National Association of Convenience Stores, nearly 20.0% of capital expenditure is devoted to acquiring information technology (latest data available). This represents substantial progress in an industry that has historically been reluctant to change. Information systems have helped industry operators analyze and store data to identify the growth opportunities that exist and enhance the efficiencies of operations.

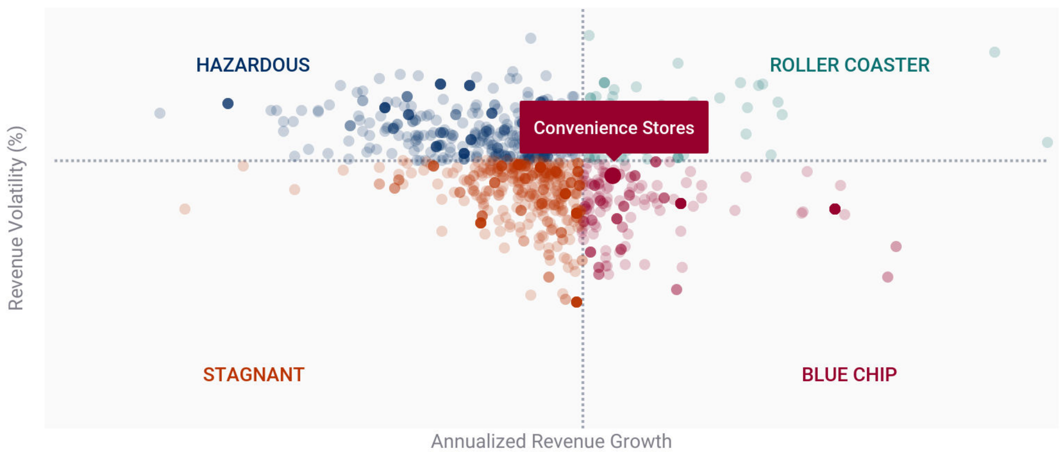
For instance, the Pantry, a convenience store chain in the Southeast United States, deployed a wide area network across its store base in recent years. The chain has also upgraded its point-of-sale (POS) system, which enables companies to manage financials and inventory, while keeping track of customers' preferences at a large scale.

While the number of stores with POS technology has risen over the five years to 2021, due to the dominance of single-location operators in this industry, POS system adoption is still very low. The adoption of POS technology has been slower among smaller operators due to the reluctance to change and the relatively high cost of purchasing and implementing a POS system. However, stores that use POS systems benefit from having an optimal product mix and lower inventory levels. The subsequent decline in inventory levels has helped successful chains reduce handling costs. In addition to POS systems, many chain stores use accounting and customer relationship management software to optimize customer service and customer retention rates.

## Revenue Volatility

### The level of volatility is ⊖ Medium

Volatility vs. Growth




Convenience Stores
Source: IBISWorld

Note: Revenue growth and decline reflective of 5-year annualized trend. Y-axis is in logarithmic scale. Y-axis crosses at long-run GDP. X-axis crosses at high volatility threshold.

> **The Convenience Stores industry exhibits a low to moderate level of volatility.**

Over the five years to 2021, revenue has increased as more consumers returned to work and disposable income levels rose. With busier schedules, more consumers have gravitated toward the convenience of industry locations, purchasing soda and snacks before and after commuting to work or school. Accelerated growth achieved early during the period can be attributed to higher mark ups for select food items, due to a spike in the agricultural price index, which caused food inputs to become more expensive. Since then, revenue has experienced only moderate growth, as food prices stabilized. Also, the declining number of smokers in the United States has placed downward pressure on demand for cigarettes and tobacco products, moderating the growth of industry revenue during the latter half of the period. The COVID-19 (coronavirus) pandemic has also dampened industry demand as domestic travel has collapsed and much of the urban population has left major cities in an effort to avoid infection.

## Regulation & Policy

**The level of regulation is ⊖ Medium and is Increasing**

**Regulation in the Convenience Stores industry is moderate and anticipated to increase over the coming years.**

Convenience stores are subject to federal and state government regulations that aim to maintain a competitive retail environment. These regulations include the Sherman Antitrust Act, Wilson Tariff Act, Clayton Antitrust Act and Robinson-Patman Act. In addition, in 2020, following the outbreak of COVID-19 (coronavirus), the industry benefitted from government policy aimed at supporting industries struggling due to the pandemic.

### Tobacco sales and advertising

**Convenience stores are subject to regulations related to labor, the sale of alcohol and tobacco, public accessibility, sanitation, food service and competition.**

For instance, government permits or licenses are required for the sale of alcoholic beverages, tobacco and lottery tickets. In June 2009, the Food and Drug Administration (FDA) was granted authority to regulate tobacco products through the passage of the Family Smoking Prevention and Tobacco Control Act. Under the legislation, the FDA is expected to restrict the sale and marketing of tobacco products, which causes the sale of cigarettes to be costlier and more difficult. Federal regulations, the diminishing social acceptance of smoking and the increasing awareness of adverse health effects of smoking have contributed to declining tobacco unit sales in the industry.

So-called tombstone advertising, which is essentially black text on a white background, was mandated to tobacco signage in 2009 when the Family Smoking Prevention and Tobacco Control Act was passed. It gave the FDA the authority to incorporate a set of rules it had originally issued in 1996, requiring manufacturers, distributors and retailers to advertise cigarettes and smokeless tobacco products using only the black-and-white tombstone format. No color advertising was permitted in any retail location. However, in January 2010, a federal trial judge in Kentucky ruled against the ban of color tobacco advertising, which came after several tobacco giants filed suit to block various provisions of the FDA law, claiming it violated their First Amendment rights. According to the National Association of Tobacco Outlets, the FDA drafted a guidance document that states the agency will not take action against any retailer, wholesaler or manufacturer regarding color tobacco advertisements while it appeals the Kentucky court decision.

The industry has devoted significant resources to maintaining compliance with all aspects of the law. Attention in the industry is now on three parts of the ruling, which went into effect on June 22, 2010. New warning label rules require convenience stores to display the adverse effect of smoking on their point-of-sale hardware. Additionally, cigarettes and smokeless products must be sold through self-service displays.

### Financial regulation

**Operators are also subject to price regulation, laws that limit the hours of operation and legislation on wage rates, working conditions and citizenship requirements.**

At the federal level, there are proposals under consideration to increase minimum wage rates and introduce a system of mandated health insurance.

### Debit card interchange fee regulation

**The 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act mandated the Federal Reserve to develop laws regarding debit card interchange fees and routing, which was finalized in October 2011.**

The final rule establishes standards for assessing whether debit card interchange fees received by debit card issuers are reasonable and proportional to the costs incurred by issuers for electronic debit transactions. This law is a significant boost for convenience stores that often paid more in fees to issuers than they earned off transactions and were penalized by large issuers for using alternative routing networks.

The Federal Reserve Board set the maximum permissible interchange fee that an issuer may receive for an electronic debit transaction at $0.21 per transaction and five basis points multiplied by the transaction's value. It also approved an interim final rule that enables for an upward adjustment of no more than $0.01 to an issuer's debit card interchange fee if the issuer develops and implements policies and procedures reasonably designed to achieve the fraud-prevention standards set out in the interim final rule.

## Industry Assistance

**The level of industry assistance is ⚠ Low and is Steady**

**The Convenience Stores industry does not receive direct assistance from the government in the form.**

That being said, in response to the COVID-19 (coronavirus) pandemic in 2020, the industry received government funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The stimulus provided companies affected by the widespread economic lockdowns, which pressured many operators struggling due to the collapse in demand for industry services. In addition, operators receive some assistance from trade associations. Most items that may be subject to tariff duties are only provided at expanded convenience stores and not at traditional stores, which stock only basic food and nonfood items. However, the tariff rate for tobacco ranges from $0.97 per kilogram to $1.21 per kilogram. Most food sold at convenience stores is imported free of tariff duty, yet several exceptions exist, such as a 3.0% duty tariff on soy sauce and an 11.6% duty tariff on tomato sauce. While tariffs are applicable to some goods supplied by this industry, they have a minimal effect at the retail level.

# Key Statistics

## Industry Data

| Year | Revenue ($m) | IVA ($m) | Estab. (Units) | Enterprises (Units) | Employment (Units) | Exports ($m) | Imports ($m) | Wages ($m) | Domestic Demand ($m) | Urban Population (Million) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2012 | 28,468 | 2,735 | 37,610 | 35,213 | 123,014 | N/A | N/A | 2,137 | N/A | 255 |
| 2013 | 29,131 | 3,096 | 39,465 | 36,719 | 135,827 | N/A | N/A | 2,368 | N/A | 257 |
| 2014 | 28,961 | 3,001 | 41,449 | 38,782 | 140,727 | N/A | N/A | 2,451 | N/A | 259 |
| 2015 | 28,173 | 3,083 | 42,295 | 39,652 | 146,313 | N/A | N/A | 2,604 | N/A | 262 |
| 2016 | 29,568 | 3,645 | 42,564 | 39,881 | 151,882 | N/A | N/A | 2,758 | N/A | 264 |
| 2017 | 30,384 | 3,192 | 39,944 | 37,342 | 141,398 | N/A | N/A | 2,554 | N/A | 267 |
| 2018 | 32,752 | 3,654 | 41,038 | 38,258 | 138,373 | N/A | N/A | 2,606 | N/A | 269 |
| 2019 | 33,044 | 3,944 | 41,124 | 38,322 | 139,146 | N/A | N/A | 2,622 | N/A | 272 |
| 2020 | 31,304 | 3,273 | 40,590 | 37,924 | 134,919 | N/A | N/A | 2,531 | N/A | 274 |
| 2021 | 33,196 | 3,585 | 41,683 | 38,862 | 140,531 | N/A | N/A | 2,646 | N/A | 276 |
| 2022 | 33,941 | 3,663 | 42,088 | 39,205 | 142,714 | N/A | N/A | 2,690 | N/A | 279 |
| 2023 | 34,595 | 3,724 | 42,405 | 39,466 | 144,498 | N/A | N/A | 2,728 | N/A | 281 |
| 2024 | 35,264 | 3,786 | 42,729 | 39,734 | 146,207 | N/A | N/A | 2,764 | N/A | 283 |
| 2025 | 35,991 | 3,868 | 43,332 | 40,274 | 148,577 | N/A | N/A | 2,811 | N/A | 286 |
| 2026 | 36,600 | 3,944 | 43,830 | 40,720 | 150,736 | N/A | N/A | 2,853 | N/A | 288 |

## Annual Change

| Year | Revenue (%) | IVA (%) | Estab. (%) | Enterprises (%) | Employment (%) | Exports (%) | Imports (%) | Wages (%) | Domestic Demand (%) | Urban Population (%) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2012 | -0.45 | -11.7 | -11 | -10 | -13 | N/A | N/A | -16.3 | N/A | 0.95 |
| 2013 | 2.33 | 13.2 | 5 | 4 | 10 | N/A | N/A | 10.8 | N/A | 0.90 |
| 2014 | -0.59 | -3.07 | 5 | 6 | 4 | N/A | N/A | 3.50 | N/A | 0.97 |
| 2015 | -2.73 | 2.71 | 2 | 2 | 4 | N/A | N/A | 6.23 | N/A | 0.96 |
| 2016 | 4.94 | 18.3 | 1 | 1 | 4 | N/A | N/A | 5.93 | N/A | 0.95 |
| 2017 | 2.76 | -12.4 | -6 | -6 | -7 | N/A | N/A | -7.40 | N/A | 0.86 |
| 2018 | 7.79 | 14.5 | 3 | 2 | -2 | N/A | N/A | 2.02 | N/A | 0.74 |
| 2019 | 0.88 | 7.93 | 0 | 0 | 1 | N/A | N/A | 0.62 | N/A | 1.11 |
| 2020 | -5.27 | -17.0 | -1 | -1 | -3 | N/A | N/A | -3.49 | N/A | 0.84 |
| 2021 | 6.04 | 9.51 | 3 | 2 | 4 | N/A | N/A | 4.53 | N/A | 0.87 |
| 2022 | 2.24 | 2.20 | 1 | 1 | 2 | N/A | N/A | 1.69 | N/A | 0.83 |
| 2023 | 1.92 | 1.66 | 1 | 1 | 1 | N/A | N/A | 1.38 | N/A | 0.86 |
| 2024 | 1.93 | 1.64 | 1 | 1 | 1 | N/A | N/A | 1.33 | N/A | 0.81 |
| 2025 | 2.06 | 2.18 | 1 | 1 | 2 | N/A | N/A | 1.71 | N/A | 0.81 |
| 2026 | 1.69 | 1.95 | 1 | 1 | 1 | N/A | N/A | 1.50 | N/A | 0.80 |

## Key Ratios

| Year | IVA/Revenue (%) | Imports/Demand (%) | Exports/Revenue (%) | Revenue per Employee ($'000) | Wages/Revenue (%) | Employees per estab. | Average Wage |
|---|---|---|---|---|---|---|---|
| 2012 | 9.61 | N/A | N/A | 231 | 7.51 | 3.27 | 17,370 |
| 2013 | 10.6 | N/A | N/A | 214 | 8.13 | 3.44 | 17,432 |
| 2014 | 10.4 | N/A | N/A | 206 | 8.46 | 3.40 | 17,415 |
| 2015 | 10.9 | N/A | N/A | 193 | 9.24 | 3.46 | 17,795 |
| 2016 | 12.3 | N/A | N/A | 195 | 9.33 | 3.57 | 18,159 |
| 2017 | 10.5 | N/A | N/A | 215 | 8.41 | 3.54 | 18,062 |
| 2018 | 11.2 | N/A | N/A | 237 | 7.96 | 3.37 | 18,832 |
| 2019 | 11.9 | N/A | N/A | 237 | 7.93 | 3.38 | 18,844 |
| 2020 | 10.5 | N/A | N/A | 232 | 8.08 | 3.32 | 18,757 |
| 2021 | 10.8 | N/A | N/A | 236 | 7.97 | 3.37 | 18,825 |
| 2022 | 10.8 | N/A | N/A | 238 | 7.93 | 3.39 | 18,851 |
| 2023 | 10.8 | N/A | N/A | 239 | 7.88 | 3.41 | 18,876 |
| 2024 | 10.7 | N/A | N/A | 241 | 7.84 | 3.42 | 18,904 |
| 2025 | 10.7 | N/A | N/A | 242 | 7.81 | 3.43 | 18,921 |
| 2026 | 10.8 | N/A | N/A | 243 | 7.80 | 3.44 | 18,930 |

## Industry Financial Ratios

| | | | | | April 2019 - March 2020 by company revenue | | |
|---|---|---|---|---|---|---|---|
| **Liquidity Ratios** | **April 2016 - March 2017** | **April 2017 - March 2018** | **April 2018 - March 2019** | **April 2019 - March 2020** | **Small (< $10m)** | **Medium ($10m-50m)** | **Large (> $50m)** |
| Current Ratio | 2.0 | 1.8 | 2.2 | 1.9 | 2.5 | 1.7 | 1.3 |
| Quick Ratio | 0.5 | 0.6 | 0.7 | 0.6 | 0.7 | 0.4 | 0.5 |
| Sales / Receivables (Trade Receivables Turnover) | 999.9 | 999.9 | 999.9 | 999.9 | 999.9 | 245.8 | 112.7 |
| Days' Receivables | 0.4 | 0.4 | 0.4 | | | 1.5 | 3.2 |
| Cost of Sales / Inventory (Inventory Turnover) | 24.6 | 21.0 | 23.5 | 22.8 | 20.1 | 23.0 | 30.2 |
| Days' Inventory | 14.8 | 17.4 | 15.5 | 16.0 | 18.2 | 15.9 | 12.1 |
| Cost of Sales / Payables (Payables Turnover) | 87.3 | 108.1 | 97.8 | 87.1 | 999.9 | 29.0 | 41.0 |
| Days' Payables | 4.2 | 3.4 | 3.7 | 4.2 | | 12.6 | 8.9 |
| Sales / Working Capital | 39.9 | 40.6 | 38.1 | 39.3 | 30.7 | 60.0 | 67.7 |
| **Coverage Ratios** | | | | | | | |
| Earnings Before Interest & Taxes (EBIT) / Interest | 3.5 | 4.0 | 5.3 | 6.0 | 6.0 | 2.4 | 8.0 |
| Net Profit + Dep., Depletion, Amort. / Current Maturities LT Debt | 2.0 | | | | | | |
| **Leverage Ratios** | | | | | | | |
| Fixed Assets / Net Worth | 1.2 | 0.8 | 0.9 | 0.9 | 0.7 | 2.1 | 1.4 |
| Debt / Net Worth | 1.8 | 1.9 | 1.7 | 1.7 | 1.7 | 1.7 | 1.9 |
| Tangible Net Worth | 26.8 | 25.2 | 29.8 | 23.5 | 22.1 | 23.2 | 29.3 |
| **Operating Ratios** | | | | | | | |
| Profit before Taxes / Net Worth, % | 30.7 | 28.0 | 35.9 | 31.0 | 55.8 | 17.8 | 25.0 |
| Profit before Taxes / Total Assets, % | 9.2 | 9.2 | 10.8 | 10.2 | 14.0 | 4.6 | 7.6 |
| Sales / Net Fixed Assets | 30.9 | 37.4 | 24.4 | 21.1 | 32.8 | 14.6 | 13.9 |
| Sales / Total Assets (Asset Turnover) | 6.0 | 6.3 | 5.7 | 6.0 | 6.0 | 6.2 | 6.0 |
| **Cash Flow & Debt Service Ratios (% of sales)** | | | | | | | |
| Cash from Trading | 17.6 | 17.8 | 18.8 | 20.4 | 22.4 | 34.3 | 13.7 |
| Cash after Operations | 2.1 | 1.9 | 1.8 | 1.8 | 2.2 | 1.3 | 1.3 |
| Net Cash after Operations | 3.1 | 3.0 | 3.1 | 3.5 | 4.7 | 2.0 | 1.8 |
| Cash after Debt Amortization | 0.7 | 0.3 | 1.4 | 1.2 | 1.6 | 0.8 | 0.9 |
| Debt Service P&I Coverage | 2.3 | 2.2 | 3.4 | 4.2 | 3.4 | 4.4 | 4.7 |
| Interest Coverage (Operating Cash) | 5.2 | 3.8 | 5.3 | 5.3 | 5.0 | 4.5 | 12.0 |
| **Assets, %** | | | | | | | |
| Cash & Equivalents | 15.0 | 15.5 | 18.0 | 14.0 | 15.0 | 14.2 | 10.0 |
| Trade Receivables (net) | 3.3 | 2.1 | 2.3 | 3.8 | 2.7 | 3.9 | 7.9 |
| Inventory | 31.0 | 34.6 | 29.5 | 28.3 | 30.3 | 24.3 | 23.8 |
| All Other Current Assets | 2.1 | 1.4 | 2.0 | 1.6 | 0.6 | 2.5 | 4.7 |
| Total Current Assets | 51.3 | 53.6 | 51.8 | 47.7 | 48.6 | 44.8 | 46.5 |
| Fixed Assets (net) | 33.8 | 30.0 | 32.4 | 37.3 | 34.0 | 43.6 | 44.9 |
| Intangibles (net) | 8.1 | 8.6 | 9.9 | 9.6 | 10.6 | 10.2 | 5.3 |
| All Other Non-Current Assets | 6.7 | 7.8 | 5.9 | 5.4 | 6.8 | 1.4 | 3.2 |
| Total Assets | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Total Assets ($m) | 1,425.7 | 1,205.9 | 1,703.8 | 1,618.0 | 65.1 | 126.6 | 1,426.3 |
| **Liabilities, %** | | | | | | | |
| Notes Payable-Short Term | 7.0 | 10.1 | 6.5 | 3.0 | 2.5 | 1.9 | 5.8 |
| Current Maturities L/T/D | 2.7 | 1.6 | 1.2 | 1.5 | 1.1 | 1.6 | 3.0 |
| Trade Payables | 11.3 | 10.0 | 10.1 | 9.8 | 6.9 | 18.2 | 14.0 |
| Income Taxes Payable | 0.1 | 0.3 | 0.4 | 0.1 | 0.1 | 0.1 | 0.1 |
| All Other Current Liabilities | 8.6 | 13.4 | 14.1 | 13.0 | 14.4 | 10.3 | 9.7 |
| Total Current Liabilities | 29.7 | 35.3 | 32.3 | 27.4 | 25.1 | 32.1 | 32.6 |
| Long Term Debt | 26.9 | 20.8 | 18.6 | 26.7 | 27.7 | 26.8 | 22.8 |
| Deferred Taxes | 0.2 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.6 |
| All Other Non-Current Liabilities | 8.3 | 10.0 | 9.3 | 12.6 | 14.5 | 7.8 | 9.4 |
| Net Worth | 34.9 | 33.8 | 39.7 | 33.1 | 32.7 | 33.4 | 34.6 |
| Total Liabilities & Net Worth ($m) | 1,425.7 | 1,205.9 | 1,703.8 | 1,618.0 | 65.1 | 126.6 | 1,426.3 |
| Maximum No. of Statements Used | 186.0 | 183.0 | 166.0 | 123.0 | 84.0 | 18.0 | 21.0 |

Source: RMA Annual Statement Studies, rmahq.org. RMA data for all industries is derived directly from more than 260,000 statements of member financial institution's borrowers and prospects.

# Additional Resources

## Additional Resources

**Food Marketing Institute**

http://www.fmi.org

**National Association for Convenience and Fuel Retailing**

http://www.convenience.org

**Progressive Grocer**

http://www.progressivegrocer.com

**Convenience Store News**

http://www.csnews.com

**The Food Institute**

http://www.foodinstitute.com

**US Census Bureau**

http://www.census.gov

## Industry Jargon

**INTERCHANGE FEE**

A fee that banks and credit card companies charge convenience store owners when consumers use credit and debit cards for purchases.

**METRO STORE**

A smaller sized version of a supermarket that often has the qualities of a convenience store with lower prices.

**POINT-OF-SALE (POS)**

A system of computers and cash registers used at checkout in retail stores to capture transaction data at the time and place of sale.

## Glossary Terms

**BARRIERS TO ENTRY**

High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

## CAPITAL INTENSITY

Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labor. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than $0.333 of capital to $1 of labor; medium is $0.125 to $0.333 of capital to $1 of labor; low is less than $0.125 of capital for every $1 of labor.

## CONSTANT PRICES

The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the "real" growth or decline in industry metrics. The inflation adjustments in IBISWorld's reports are made using the US Bureau of Economic Analysis' implicit GDP price deflator.

## DOMESTIC DEMAND

Spending on industry goods and services within the United States, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

## EMPLOYMENT

The number of permanent, part-time, temporary and seasonal employees, working proprietors, partners, managers and executives within the industry.

## ENTERPRISE

A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

## ESTABLISHMENT

The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

## EXPORTS

Total value of industry goods and services sold by US companies to customers abroad.

## IMPORTS

Total value of industry goods and services brought in from foreign countries to be sold in the United States.

## INDUSTRY CONCENTRATION

An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

### INDUSTRY REVENUE

The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

### INDUSTRY VALUE ADDED (IVA)

The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

### INTERNATIONAL TRADE

The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%, medium is 5% to 20%, and high is more than 20%. Imports/domestic demand: low is less than 5%, medium is 5% to 35%, and high is more than 35%.

### LIFE CYCLE

All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

### NONEMPLOYING ESTABLISHMENT

Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

### PROFIT

IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

## REGIONS

West | CA, NV, OR, WA, HI, AK

Great Lakes | OH, IN, IL, WI, MI

Mid-Atlantic | NY, NJ, PA, DE, MD

New England | ME, NH, VT, MA, CT, RI

Plains | MN, IA, MO, KS, NE, SD, ND

Rocky Mountains | CO, UT, WY, ID, MT

Southeast | VA, WV, KY, TN, AR, LA, MS, AL, GA, FL, SC, NC

Southwest | OK, TX, NM, AZ

## VOLATILITY

The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than ±20%; high volatility is ±10% to ±20%; moderate volatility is ±3% to ±10%; and low volatility is less than ±3%.

## WAGES

The gross total wages and salaries of all employees in the industry.