



# U.S. C-STORE LANDSCAPE Q1 2023

Retail Thought Leadership

May 2023



# Executive Summary

In this report, we follow up on trends identified in previous convenience channel analyses in 2022 and examine how these trends compare to the broader multi-outlet landscape.

In Q1 2023, U.S. inflation slowed, as did price-per-unit increases within convenience and multi-outlet channels while consumers indicated continued financial anxiety, but optimism for the future.



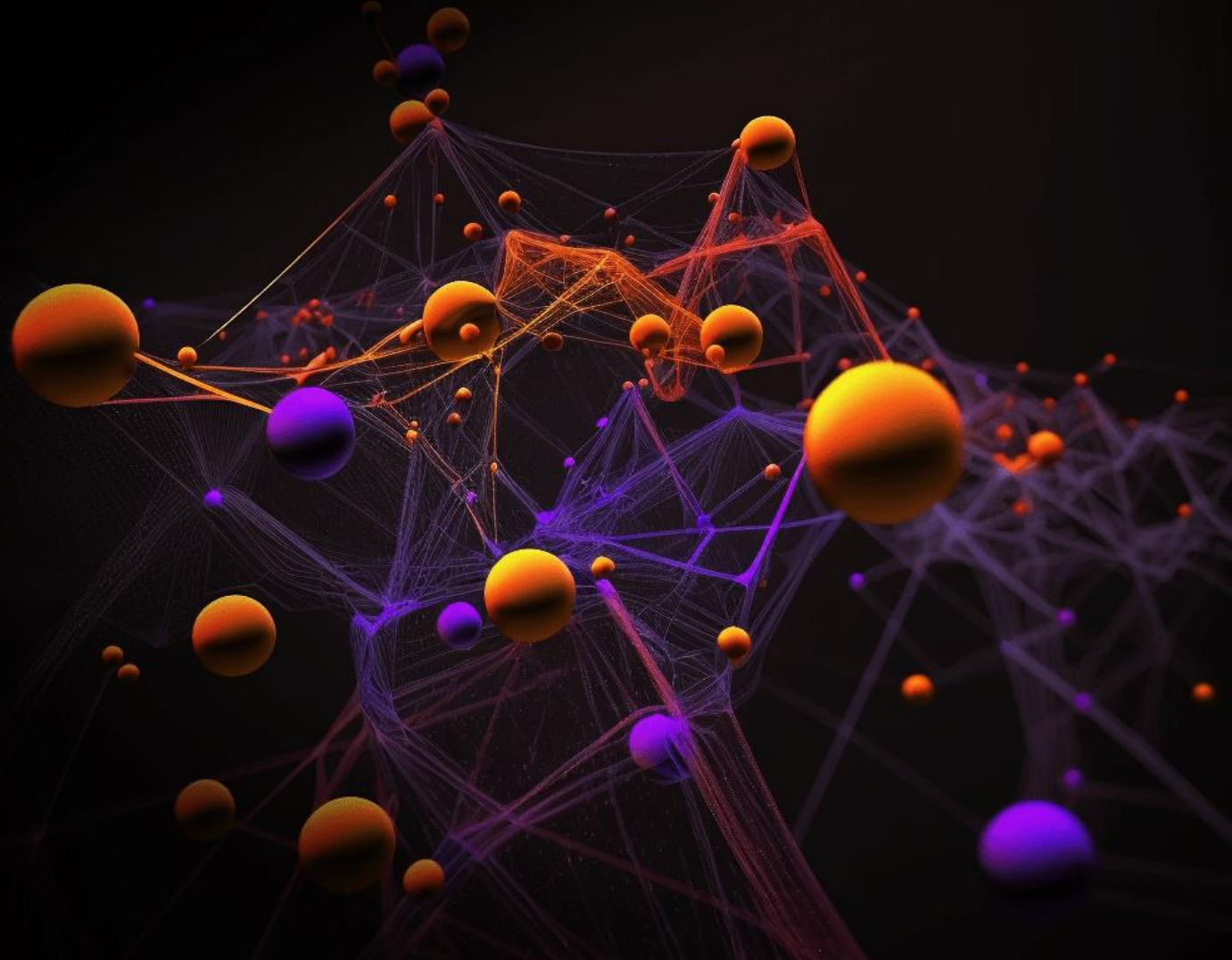
## Key Trends

- Convenience channel YOY dollar sales growth accelerated in Q1 2023 (+4.7% vs. +3.4% in Q4 2022) while MULO continued to outpace all other channels, but decelerated compared to the previous quarter (+7.5% vs. +9.8% in Q4 2022).
- Convenience dollar share of MULO+C was 16.8% in Q1 2023, which was down from 17.1% in Q1 2022, but up from 16.2% in Q4 2022.
- Continuing the 2022 trend, the convenience channel outperformed MULO in cigarette (-3.2% YOY for convenience channel vs. -6.0% for MULO) and beer (5.3% vs. -0.2%) in Q1 2023
- Shopper count (+4.3%) and trip count (+7.4%) in the convenience channel have continued to show YOY growth
- The upper income tier of consumers saw the greatest YOY growth in trips for Q1 2023 (+12%), and all household income tiers increased vs. YA.
- The consumer outlook on the economy showed slight improvement in March (62.0 Consumer Sentiment Index vs. 59.4. YA) as inflation shows signs of cooling (5.0% CPI in March vs. 6.0 CPI in February).
- For the first time since Q2 2021, YOY price-per-unit growth decelerated for both convenience (+5.9% in Q1 2023 vs. +7.3% in Q4 2022) and MULO (+12.3% vs. +14.0%).
- Convenience channel YOY private label sales dollar growth (+7%) did not keep pace with national brand (+11%) within private label eligible categories in Q1 2023, but nearly 80% of consumers plan to purchase more value brands in the next six months.
- In recent months, the convenience channel has seen YOY decline in foodservice traffic while QSR has increased trips YOY.

## Opportunities

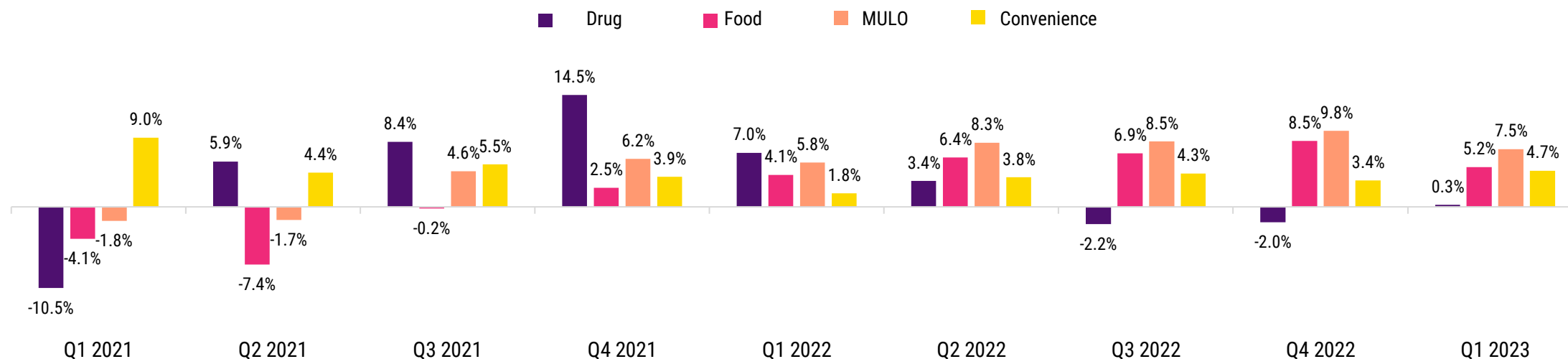
- Offer private label items to align assortment with consumer plans of purchasing more value items in the next six months.
- Monitor trending items and leakage within foodservice categories to capture share from competitors at QSRs and within the convenience channel.
- Manage price and promotions to keep shoppers in your store and limit leakage to mass and other competitive channels.

# Sales Performance and Traffic Trends



# Convenience channel YOY dollar sales growth accelerated in Q1 but MULO growth continued to outpace all other channels

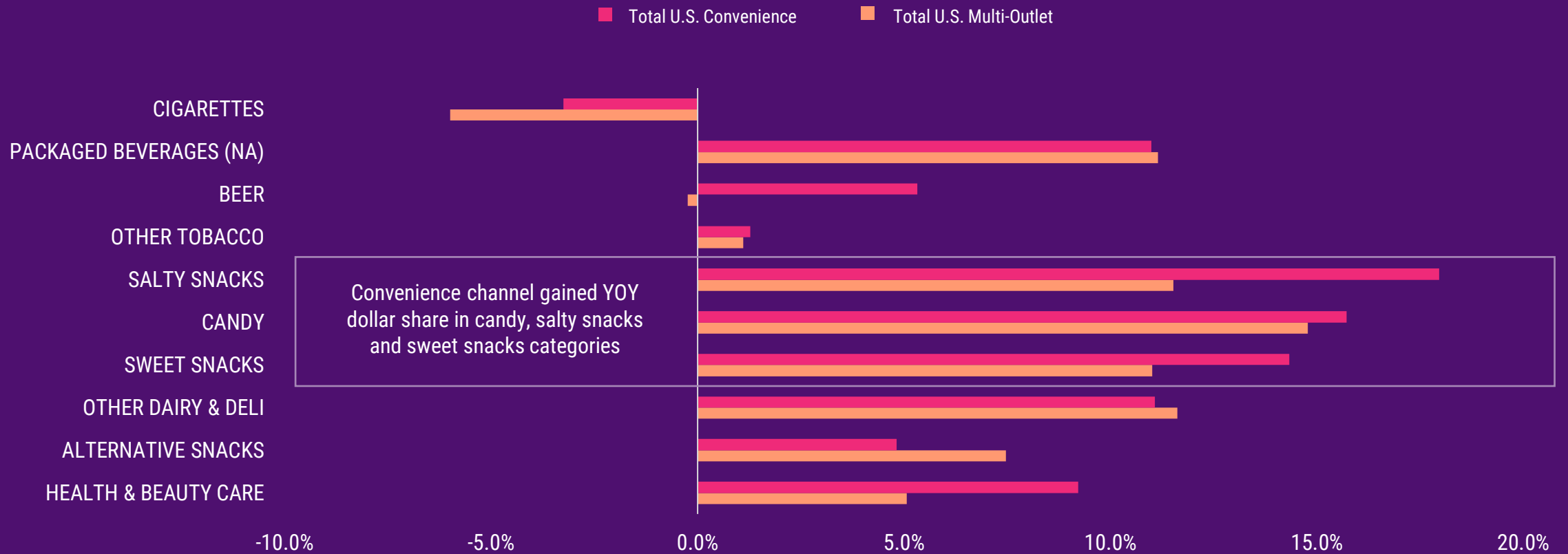
Dollar Sales % vs. YA



- Multi-outlet (MULO) saw its first quarter of decelerated YOY dollar growth since Q1 2022 (+7.5% YOY in Q1 2023 vs. +9.8% YOY in Q4 2022).
- Convenience dollar share of MULO+C was 16.8% in Q1 2023, which was down from 17.1% in Q1 2022, but up from 16.2% in Q4 2022.

# Continuing the 2022 trend, the convenience channel outperformed MULO in cigarette and beer categories in Q1 2023

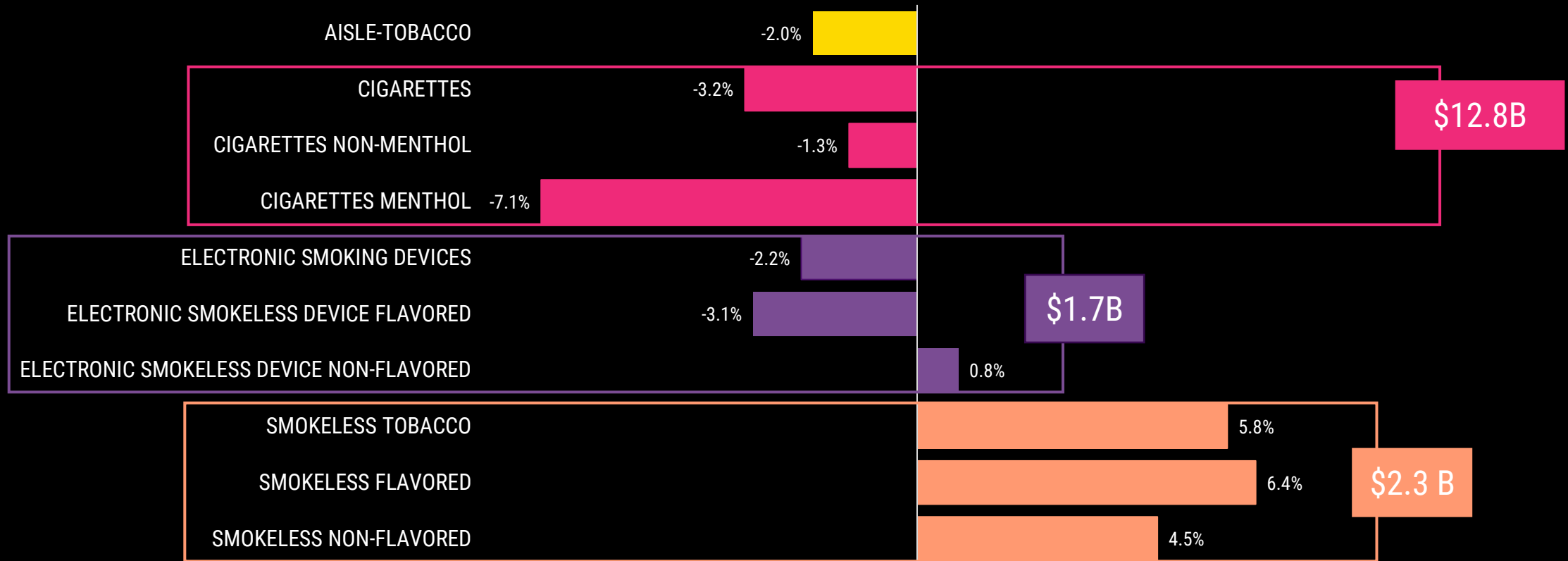
## Category Performance Q1 2023, Dollar Sales % Change vs. YA



\*Top categories based on US Convenience Sales \$ in Q1 2023  
Source: Circana POS 13 wks. Ending 4/2/23

# Tobacco sales grossed over \$17 billion in Q1, with flavored and non-flavored smokeless tobacco growing +6.4% and 4.5%, respectively

## Total U.S. Conv | Dollar Sales % Change vs. YA



In Q1 2023, MULO's dollar growth is faster than conv. across all regions; California region has the lowest sales at \$3.1 billion and experienced a decline of 2.3% vs. YA

### Total Convenience Circana Standard Eight Regions Dollar Sales % Chg. vs. YA Q1 2023



Regions (Conv.)	\$ Sales (Billion)	% Chg. vs. YA	% Dollar Any Merch	% \$ Any Merch Pt. Chg.	\$ Growth index vs. MULO
South Central	\$6.2	+7.2%	17.1	+1.5	92%
Southeast	\$7.9	+6.7%	17.3	+1.2	81%
Plains	\$3.5	+5.4%	16.0	+1.2	68%
West	\$4.8	+5.3%	16.3	+0.8	75%
Northeast	\$6.2	+4.6%	13.2	+0.3	59%
Great Lakes	\$6.4	+4.1%	17.5	+2.1	60%
Mid-South	\$6.3	+3.5%	16.8	+1.6	45%
California	\$3.1	-2.3%	17.1	+2.1	-39%

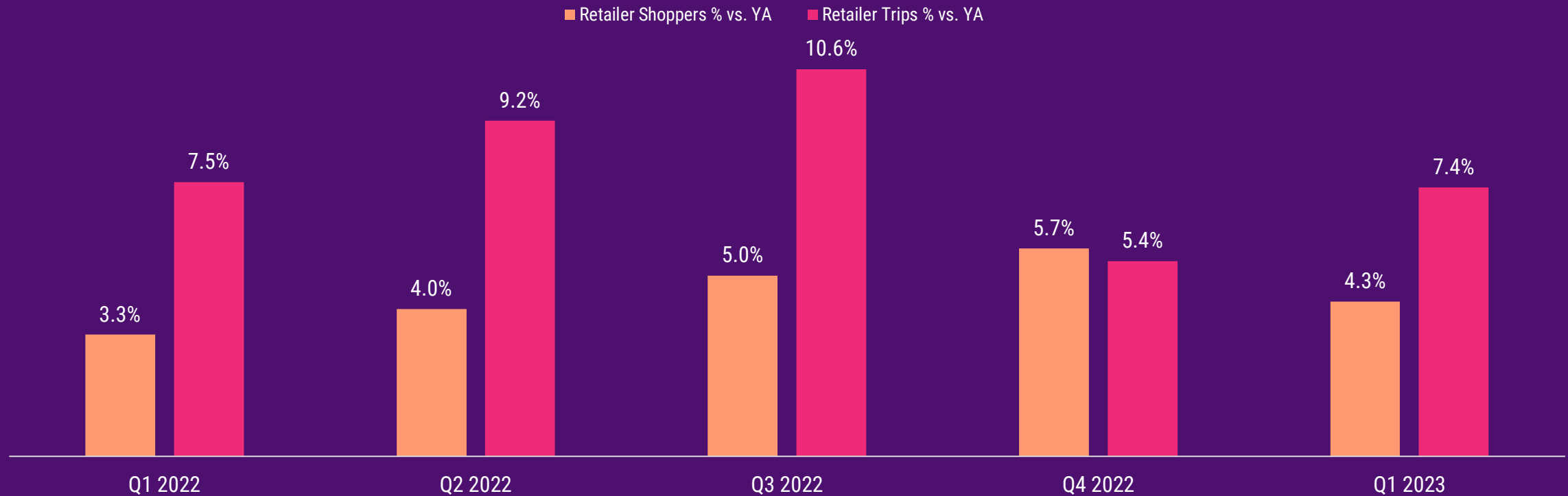
### Top and Bottom Dollar Growth States, Q1 2023

	State	\$ % Chg. vs. YA in C-Store	\$ % Chg. vs YA in MULO
Top 5	West Virginia	+12.4%	+7.8%
	Washington	+10.6%	+6.4%
	South Carolina	+9.8%	+9.6%
	Arkansas	+9.8%	+8.3%
	Florida	+7.7%	+9.0%
Bottom 5	California	-2.3%	+5.9%
	New Hampshire	-1.3%	+9.5%
	Michigan	+1.2%	+7.0%
	Arizona	+1.4%	+7.1%
	Kentucky	+1.6%	+7.5%

Note: \$ Growth index vs. MULO = ( $\$ \% \text{ Chg. Conv.} / \$ \% \text{ Chg. MULO}$ )\*100, N/A signifies the negative value  
Source: Circana Retail Advantage 13 wks Ending 4/2/23



# Convenience channel shopper count and trips continue to show YOY growth, which has helped to drive YOY sales dollar growth

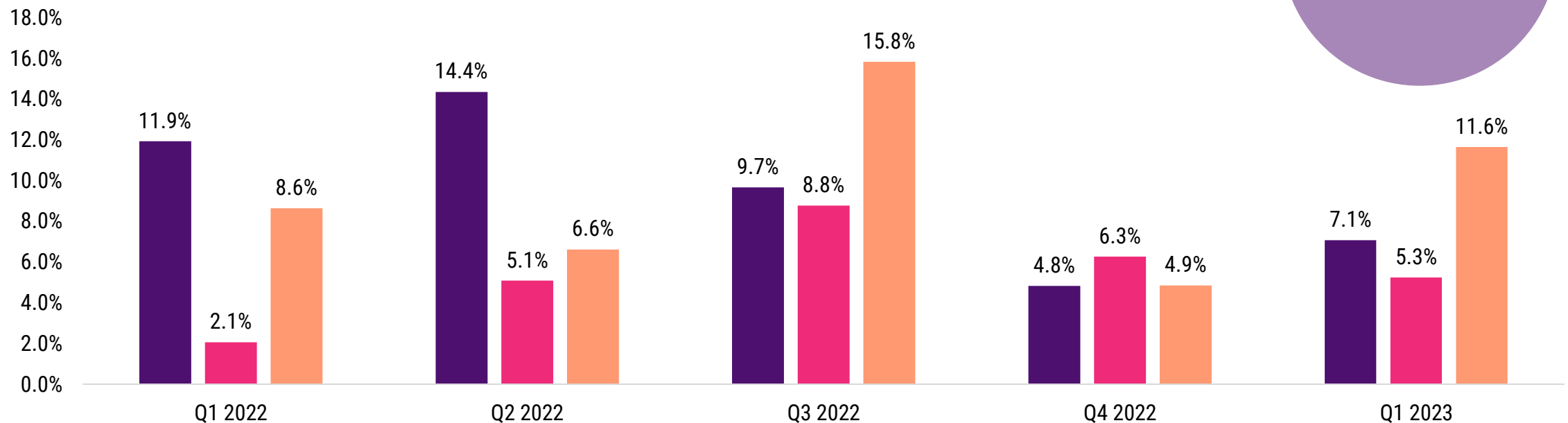




# The upper income tier of consumers saw the greatest YOY growth in trips for Q1 2023

## Convenience Channel Trips % vs. YA

■ Lower Income ■ Middle Income ■ Upper Income



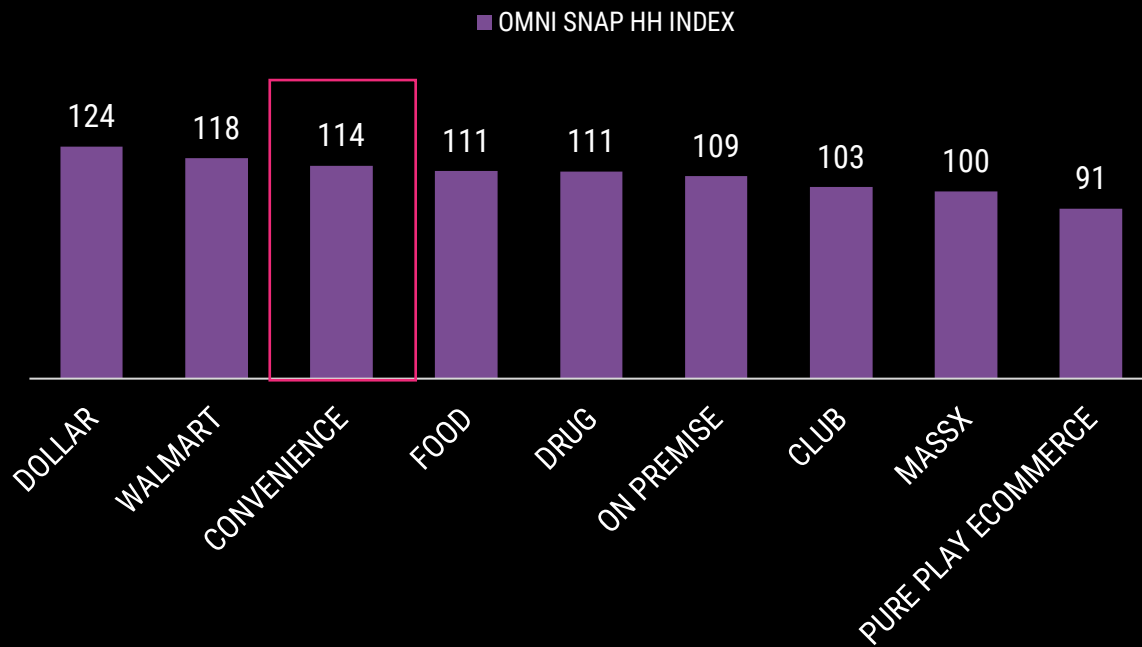
All income levels continue to show YOY increases in convenience store trips.

Note: Lower Income defined as <\$30k 1P + \$5k per add'l Person, Middle Income defined as \$30-70k 1P + \$5k per add'l Person and Upper Income defined as >=\$70k 1P + \$30k all others.  
Source: Circana Consumer Panel data. YTD Ending 3/26/23, Total store excluding fresh.



# SNAP customers index higher in trips for the convenience channel

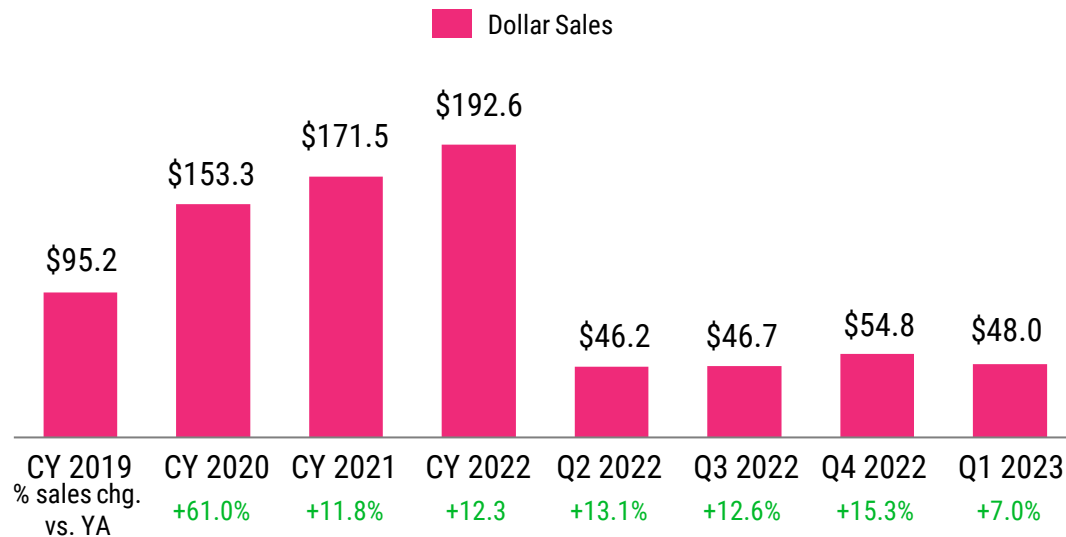
## Edible Categories – Retailer Trips Per Shopper



# The upward trend of strong growth in e-commerce across CPG retail continues and is expected to remain positive in the following quarters

The convenience channel is also investing to grow e-commerce sales.

## Total Store | E-commerce Dollar Sales and % Change



## E-commerce Sales Skyrocketed Amidst the Pandemic



As per Q3 FY 2023, digital revenue is growing rapidly, up 12% versus the prior year and 25% on a two-year stacked basis. Continued growth on the mobile side as mobile app orders now represent 69% of all digital orders.



7-Eleven has partnered with Serve Robotics to experiment with self-driving robots for delivering its signature food items and snacks, which include Slurpees and Big Bite Hot Dogs.



Walmart has launched a new e-commerce platform named Walmart Business, which is targeted toward small and medium-sized businesses. The website offers a carefully curated selection of more than 100,000 items and is designed to simplify business-related purchases.

The pandemic accelerated growth of e-commerce, which hit \$48 billion in Q1 2023. To stay ahead in the ever-evolving retail landscape, many convenience stores are investing in online ordering and delivery services. Meanwhile, significant investments from major retailers are predicted to drive the growth of e-commerce in the near future

# U.S. Macroeconomics and Inflation



# Beyond inflation fixes: companies investing in future-proofing the supply chain are more likely to recover faster

As we move further into 2023, it appears that the primary concern for retailers will be value-creating investment as well as cost control.



04/04/2023

Walmart is re-engineering its supply chain by leveraging a smarter and interconnected omnichannel network, enabled by advanced software, data, and automation, to cater to customer needs more efficiently. The company is looking to achieve around 65% store automation and 55% fulfillment center automation by the end of fiscal year 2026, which could potentially reduce unit costs by up to 20%.



03/21/2023

Kroger is collaborating with Gatik, an autonomous middle-mile logistics company, to enhance its supply chain's efficiency by deploying self-driving trucks in its Dallas distribution network. The partnership aims to future-proof the supply chain, with the autonomous trucks making repeated delivery runs several times a day, seven days a week. The operation is scheduled to commence in Q2.



02/22/2023

In a bid to enhance its next-day delivery capabilities and mitigate supply chain issues, Target has announced an investment of \$100 million, which will involve building more than six new sorting centers. Target aims to expand its sortation network from nine to more than 15 facilities by the end of 2026. The company expects to double the volume of its package deliveries from sortation centers in 2023, with a target of roughly 50 million packages.



According to **WarehouseQuote**, national storage pricing was up 1.4% month-over-month in February 2023 and 10.6% year-over-year, leading retailers to invest in better supply chain management.

According to a **CNBC survey**, only about one-third of supply chain managers think warehouse inventories will return to normal before 2024. Bloated warehouse inventories are expensive pressures eating away at the bottom lines of many companies.

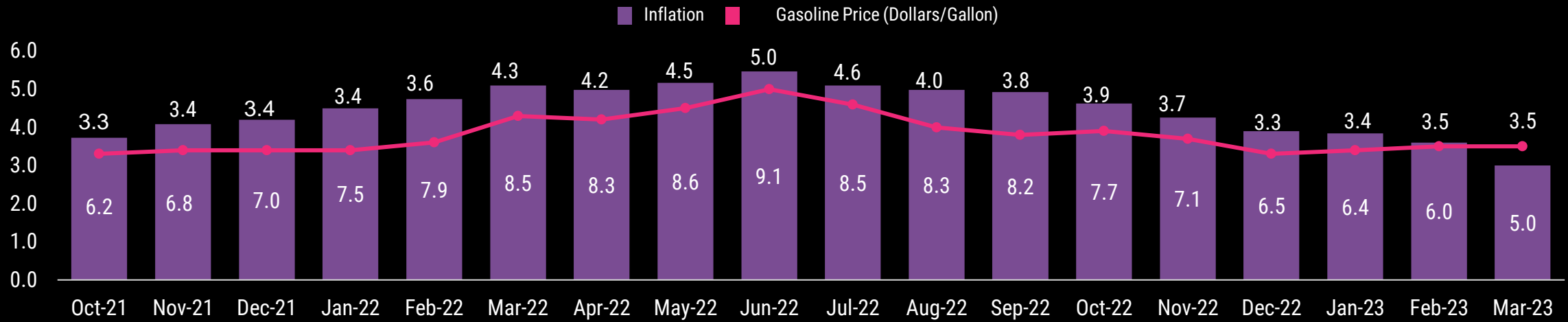
**Deloitte's "2023 Consumer Products Industry Outlook"** reveals that more than **90%** of CPG companies are **investing in supply chain improvement and operational excellence**. To ensure cost control, supply chain stability, and product differentiation during uncertain times, CPG companies are also exploring vertical integration.



Sources: <https://www.retaildive.com/news/target-100m-next-day-delivery-sortation-centers-fulfillment/643288/>; <https://www.petrolplaza.com/news/32342>; <https://www.producebluebook.com/2023/04/05/walmart-reveals-automation-growth-plans/>

# Despite food inflation of 8.5% vs. YA, consumers' outlooks on the economy showed slight improvement

Consumer spending is expected to stall, but not collapse. Tighter credit market conditions are eroding affordability and will take a toll on employment.



Food was 8.5% more expensive in March than a year ago. For the first time since the start of record-high inflation two years ago, the increase in food prices showed signs of easing.

**8.5%**  
March 2023  
Food Consumer Price Index

The U.S. Index of Consumer Sentiment is 62.0, up from 59.4 YA in March. Despite year-on-year gain, sentiment among consumers remains very subdued as turmoil in the banking sector had limited impact on consumer sentiment.

**62.0**  
March Consumer Sentiment Index

Sources: U.S. Index of Consumer Sentiment, University of Michigan's Consumer Sentiment Survey; CPI U.S. BLS; U.S. All Grades All Formulations Retail Gasoline Price; U.S. EIA

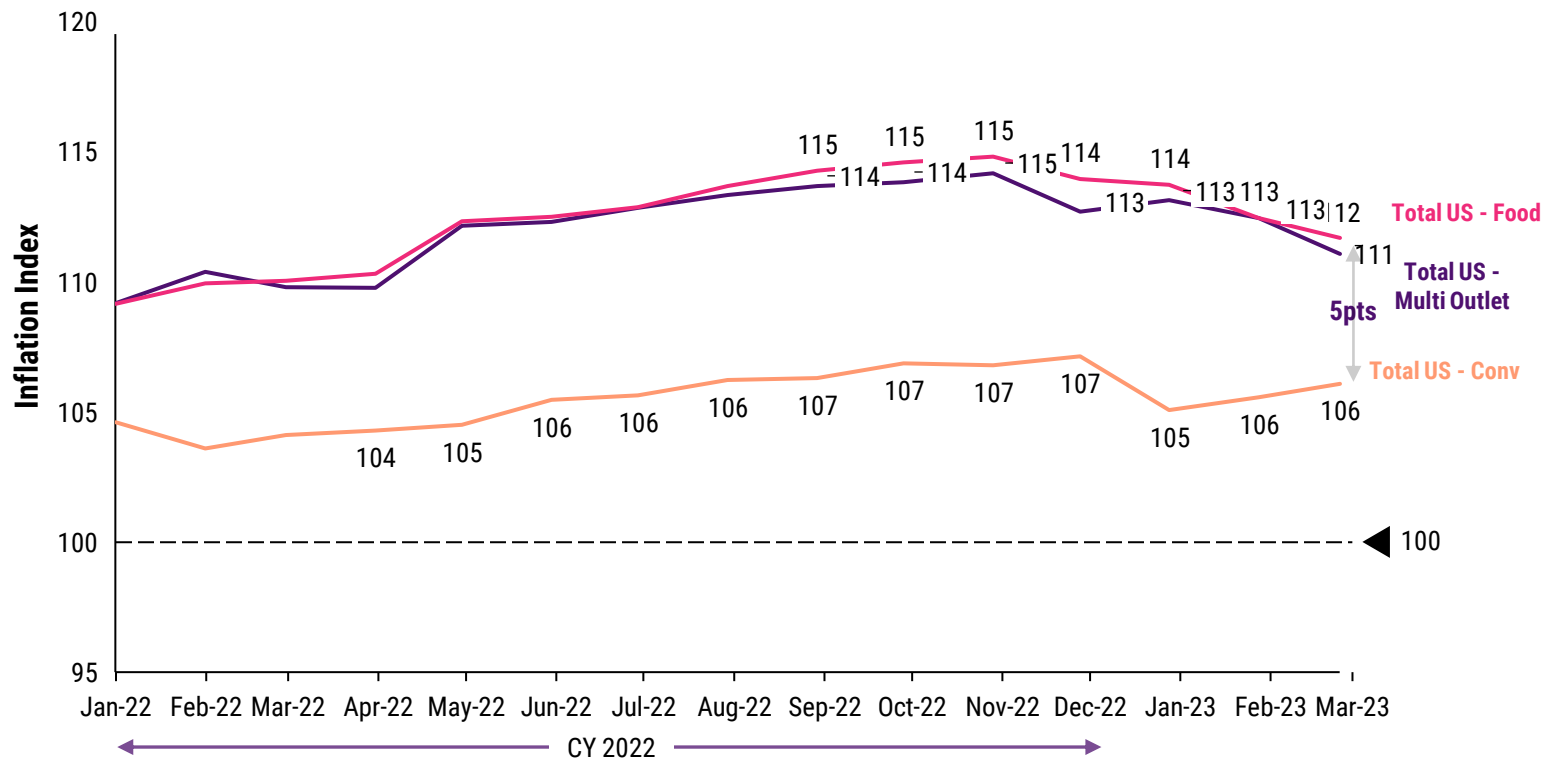
# U.S. inflation falls to lowest level since May 2021

Circana's Inflation Tracker™ shows the convenience channel trending up but, still below the broader MULO market.

## Inflation Index

- National Retail Federation president and CEO Matthew Shay, stated "Retail sales moderated in March after posting strong gains in the first two months of the year."
- NRF expects softening of U.S. retail sales in 2023 as job growth is expected to slow and unemployment should exceed 4% next year due to the weakening economy and restrictive credit conditions.
- NRF Chief Economist Jack Kleinhenz stated inflation will average between 3% and 5% during 2023. With pandemic lockdowns long gone and consumers comfortable venturing outside the home again, inflation will be higher for services ranging from restaurant meals to airline travel than for retail merchandise.

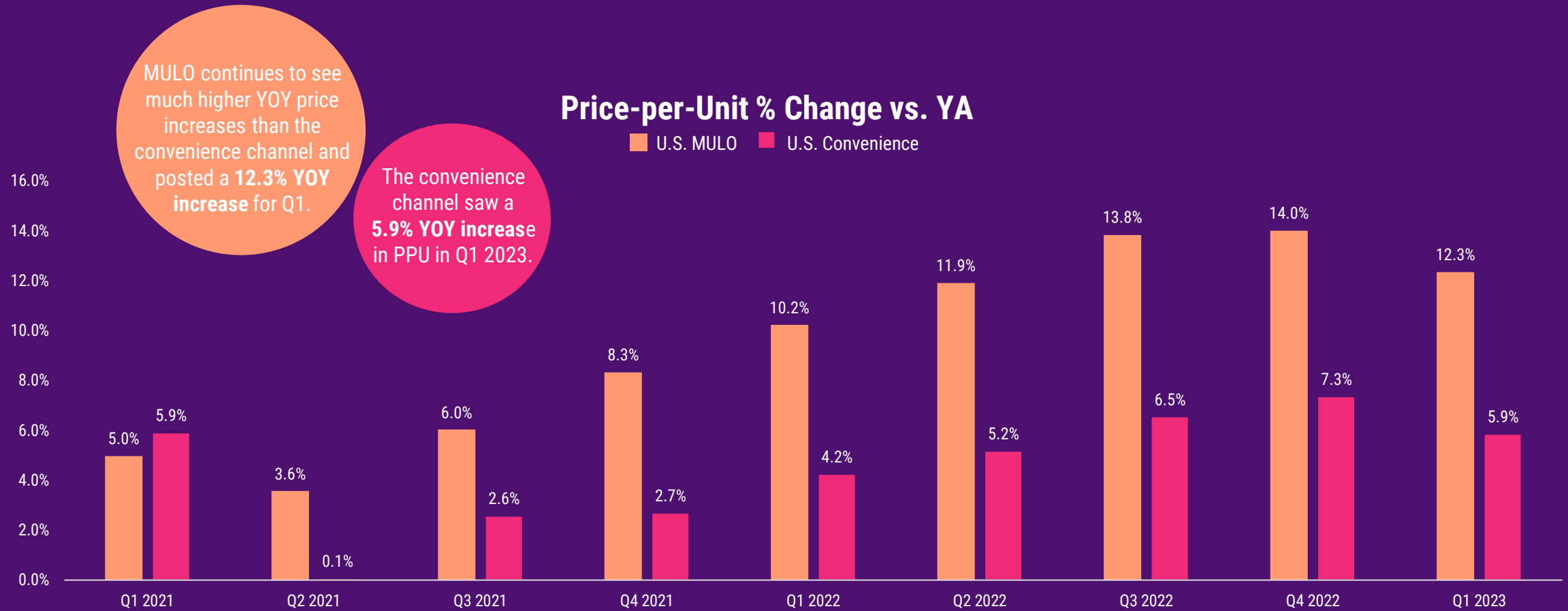
### Total Store



Sources: Circana Retail Advantage; <https://nrf.com/media-center/press-releases/nrf-says-retail-sales-moderated-march-still-sees-positive-growth-2023>; [nrf.com/media-center/press-releases/nrf-economist-says-full-effect-federal-reserves-monetary-tightening-has](https://nrf.com/media-center/press-releases/nrf-economist-says-full-effect-federal-reserves-monetary-tightening-has)



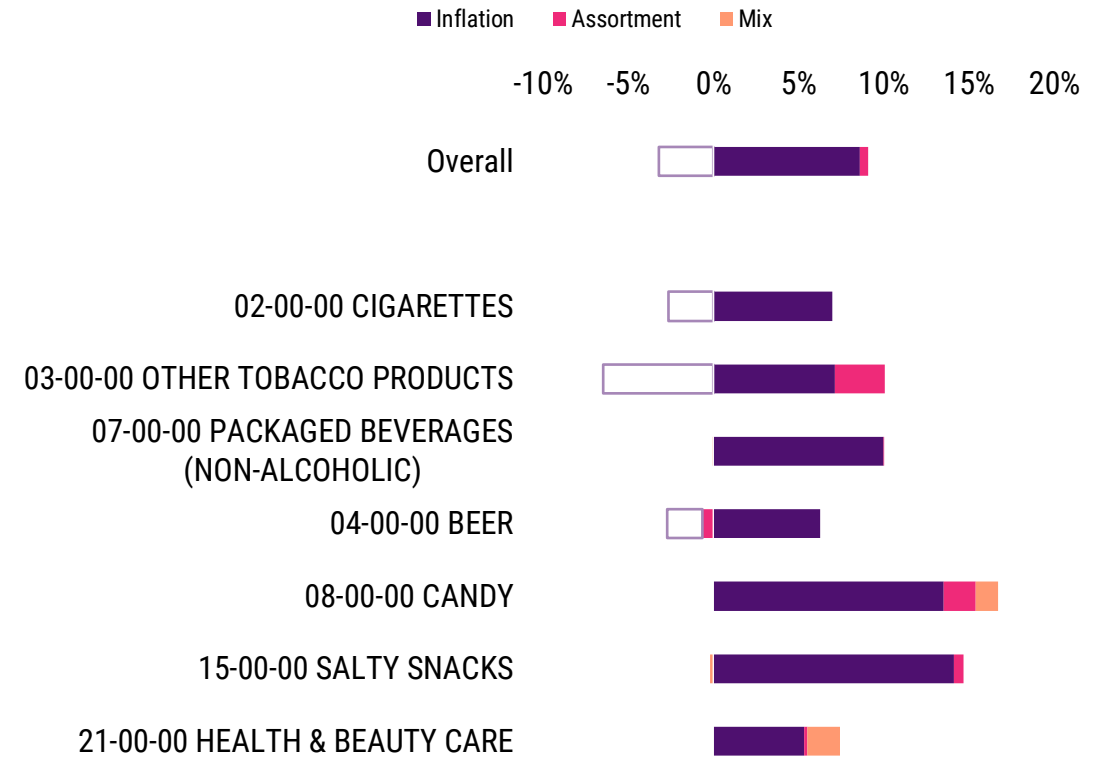
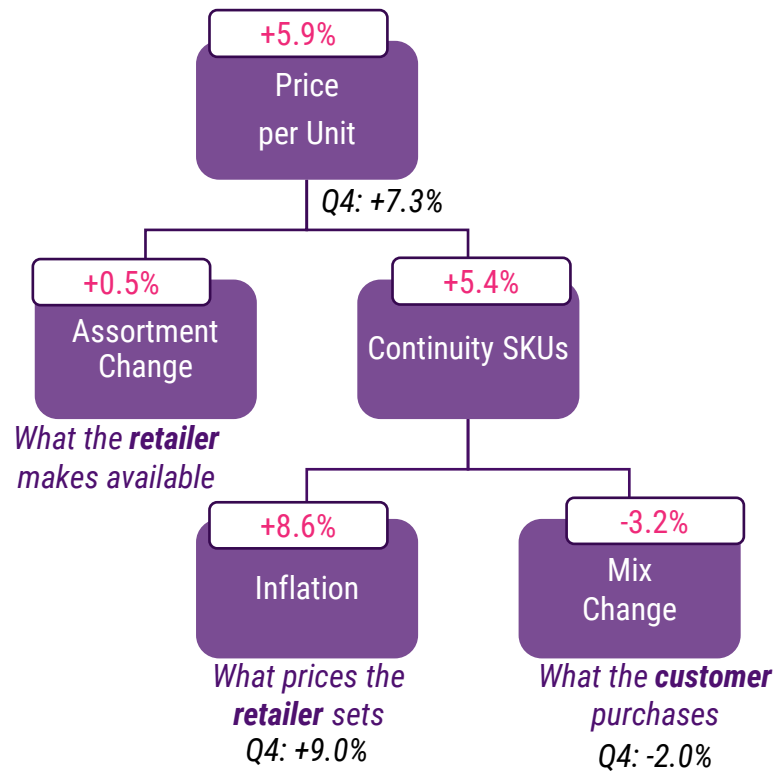
# Convenience and MULO channels saw YOY price-per-unit growth decelerate for the first time since Q2 2021





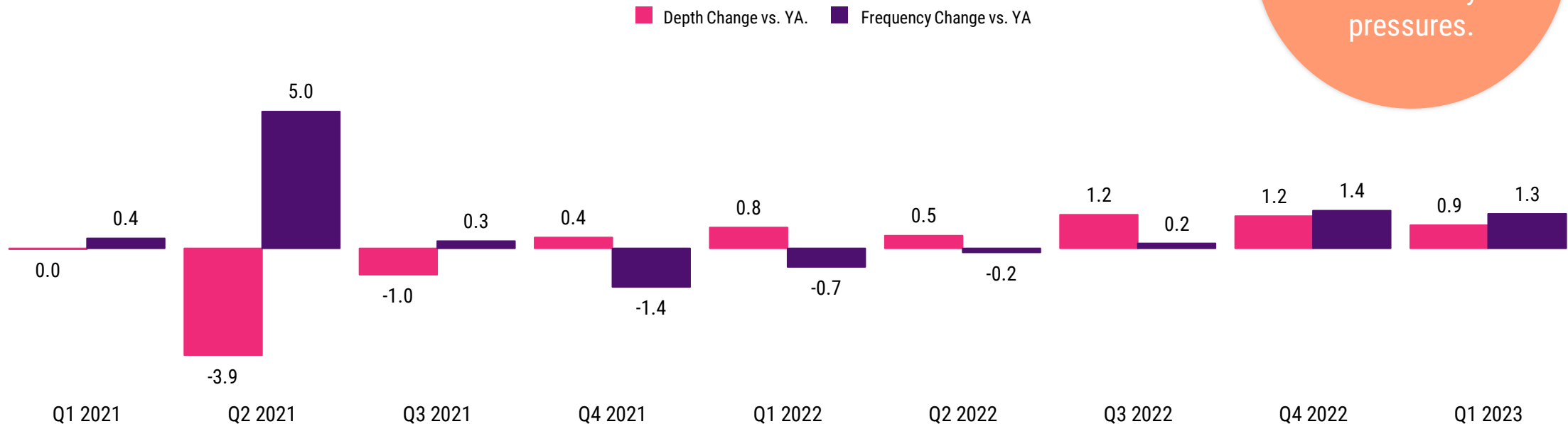
Price-per-Unit Growth Decelerated in c-stores for Q1, driven by less significant price inflation and an increase in customers trading down to lower-priced products.

Cigarettes, Other Tobacco and Beer Categories, which make up more than half of total c-store dollar sales, continue to show customers are opting for lower-priced products.



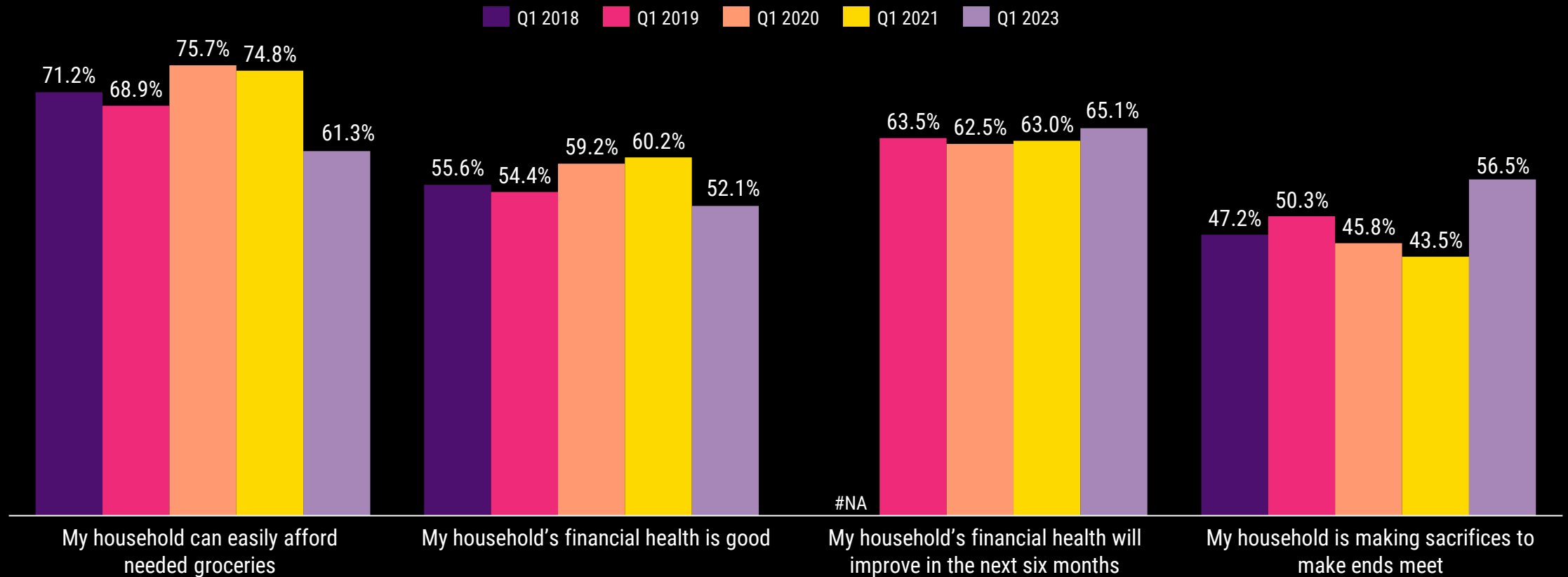
# Increases in promotional frequency and depth were reported in Q1 vs. YA

Convenience promotions help consumers with inflationary pressures.



FREQUENCY: Promotions (as measured by % base sales on Merch) indexed to same period prior year; DEPTH: Weighted average % price reduction on Merch is indexed to same period prior year. Source: Circana POS data through 04/02/23

# Americans' financial outlooks show current anxiety mixed with optimism for the future

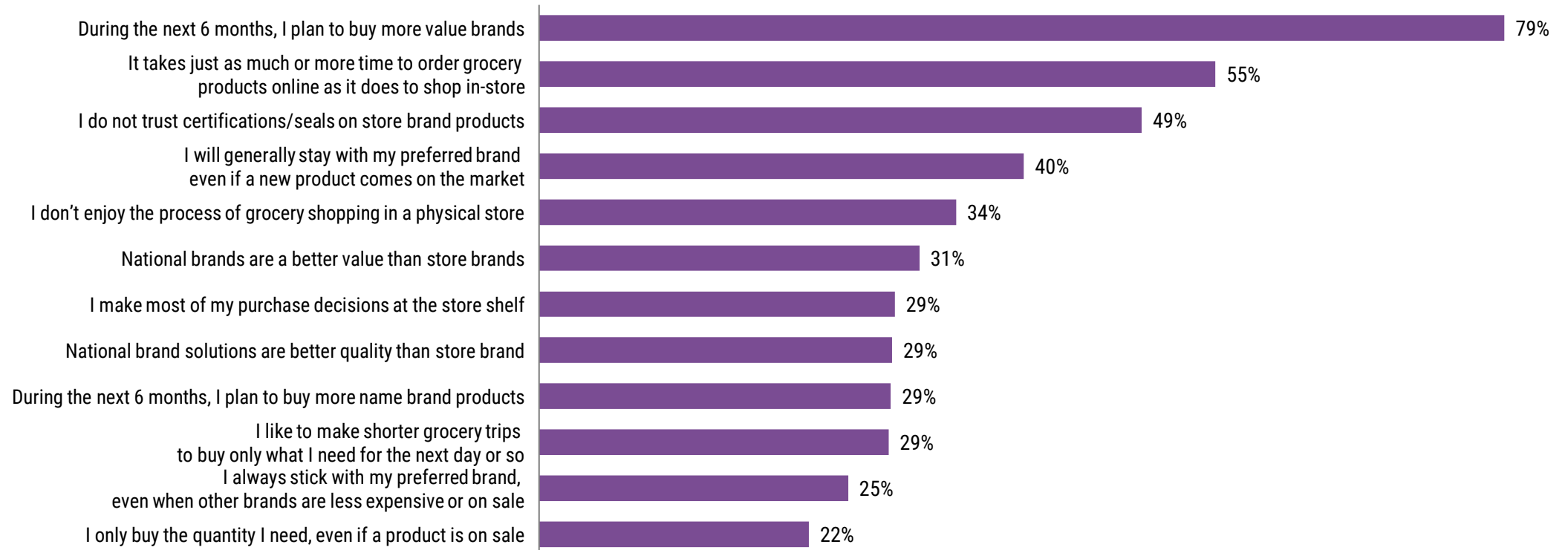


Private Label



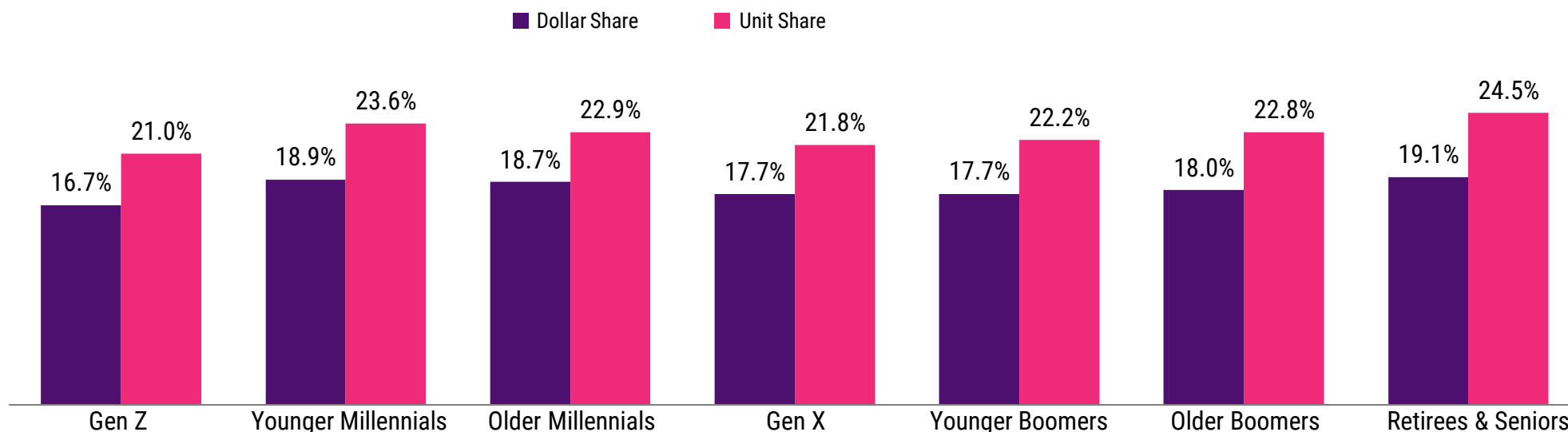
# Most consumers plan to purchase more value brands in the next six months; just 29% view name brands as a better value than private label

Q: We would like to learn a few things about how you make brand selection decisions.



# Over the past year, private label dollar share has grown across all generations

## Private Label – Dollar and Unit Shares by Generation



### Share Pt. Chg. vs. YA

Dollar Share	0.7	0.8	0.9	0.7	0.8	0.9	1.0
Unit Share	0.3	0.2	0.8	0.7	0.8	0.9	0.9



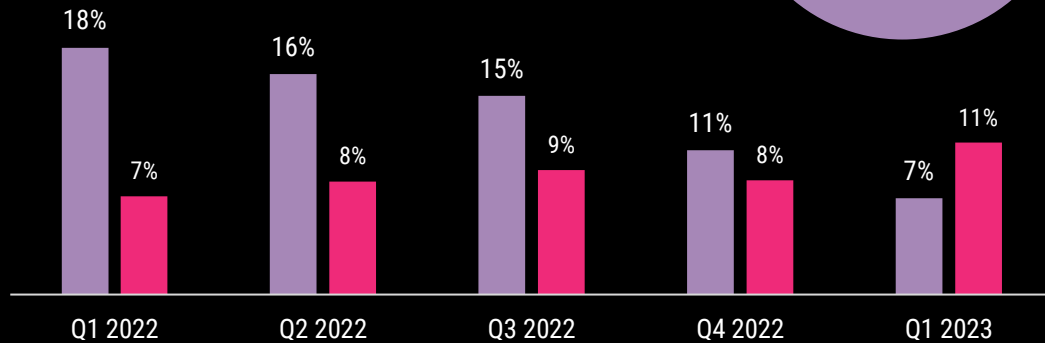
Source: Circana OmniConsumer™ Scan Panel, All Outlets, 52 weeks ending Jan 29, 2023, vs. YA, NBD aligned

# Convenience channel private label sales dollars and units did not keep pace with national brand in Q1 2023

## C-Store YOY Dollar Growth

■ Private Label ■ National Brand

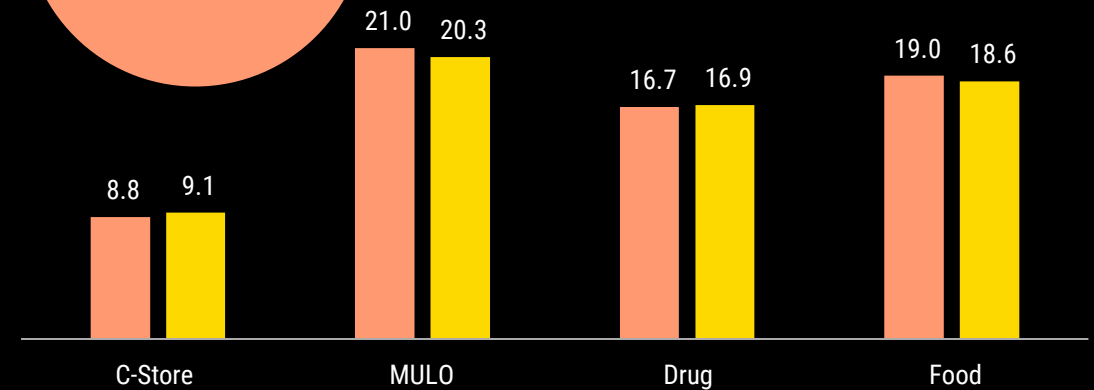
Convenience channel private label YOY dollar sales growth continued to slow in Q1 2023 compared to Q4 2022.



## Q1 2023 Private Label Dollar Share Total Store TY vs. LY

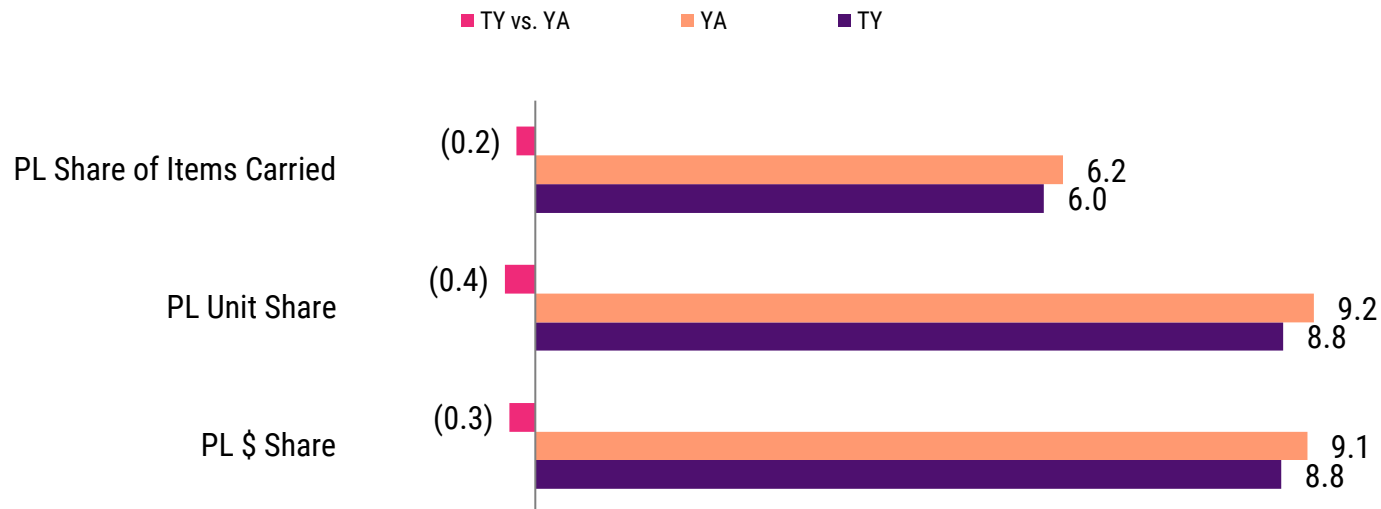
■ Share ■ Share YA

PL share of total store unit sales for the convenience channel also decreased YOY in Q1 2023 from 9.2% to 8.8%.



# Private label share of units, dollars, and items carried all decreased YOY in Q1 2023 for the convenience channel

**Private Label Share  
of Total U.S. Convenience Q1 2023**



Private label products made up 6% of average weekly items carried at c-store retailers, but contributed **9% of total units sold in Q1 2023.**

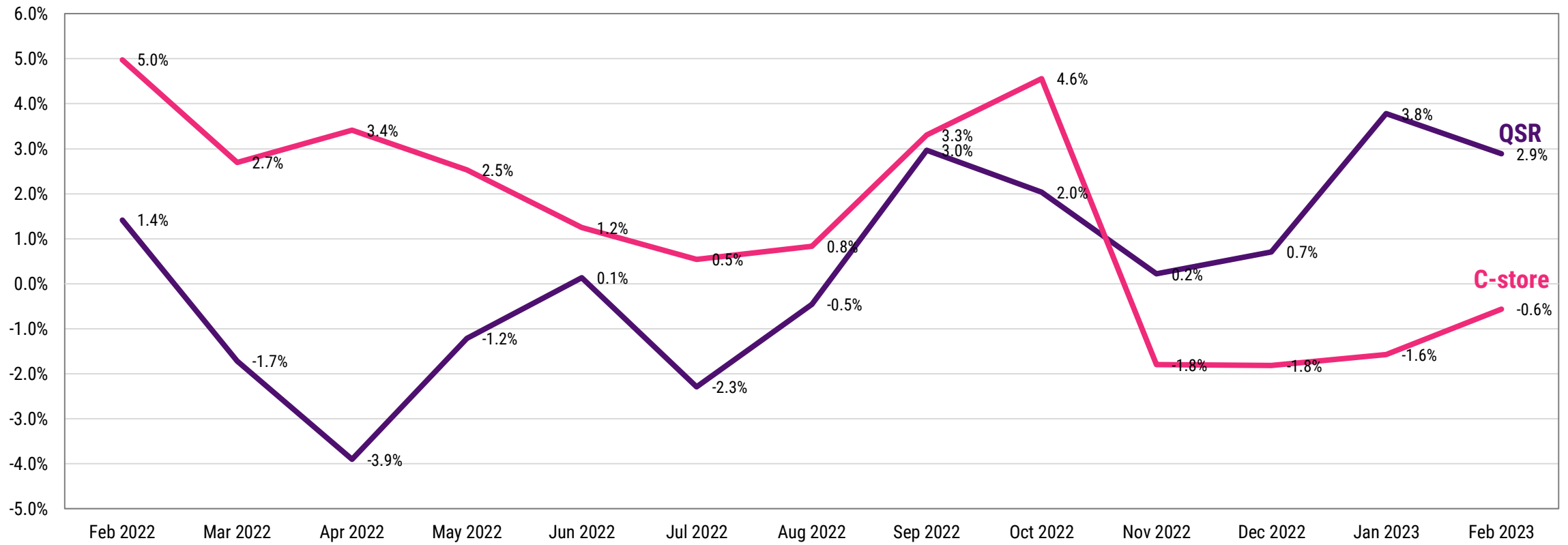


# Foodservice



# C-store has outperformed traditional QSR until recently

QSR promotions may influence this trend.



Source: Circana/CREST®

# Top food categories at QSR dinner vs. C-store

Top 7 Convenience Categories were Beverages

## Top QSR Dinner Categories

- French Fries
- Pizza
- Burgers
- Mexican ↑
- Chicken Nuggets ↑
- Breaded Chicken Sandwich

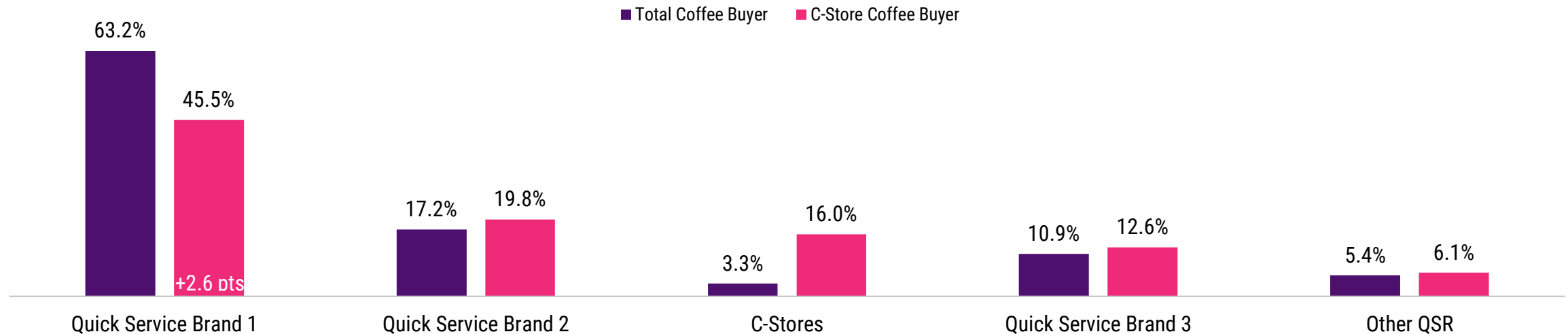
## Top C-store Dinner Categories

- Pizza ↑
- Salty Snacks
- Burgers
- French Fries
- Hot Dog ↑
- Cold Cut Combo ↑

# 82% of C-store coffee buyers also purchased coffee at a QSR in the past year

C-store coffee buyers give most of their foodservice coffee dollars to the two leading QSR coffee brands and they are shifting more of their spend to the top-ranked QSR brand vs. last year.

## Share of Foodservice Coffee Wallet (% of Coffee Dollars)



# Outlook and Actions



# Customer trend outlook and actions for C-store retailers



## Trend

C-store **coffee buyers** are leaking to QSR competitors with 82% of c-store coffee buyers also purchasing coffee at a QSR in the past year.

**SNAP customers** are a key segment of shoppers in the convenience channel and index higher in trips compared to total households.

Within the convenience channel, **private label** products made up 6% of average weekly items carried, but contributed 9% of total units sold in Q1 2023.



## Outlook

Opportunity will exist to capture more trips from buyers.

With a possible recession looming, more households may qualify for SNAP.

Private label penetration could increase as many customers indicate they plan to purchase more value brands.



## Actions

- Monitor shopper trends and leakage
- Manage price gaps to value channels on key items
- Understand SNAP customer preferences and behaviors
- Identify key competitors
- Increase assortment of value items
- Leverage private label to offer low opening price points within key categories



## How Circana Can Help

Identify your key competitors and understand leakage trends across channels by using CREST data.

Leverage Circana's Receipt Panel to analyze SNAP shopping across the competitive landscape.

Utilize Circana's Concept Testing to screen product attributes, names, packaging and pricing to successfully launch new private label items.