



*Retail Thought Leadership*

# U.S. CONVENIENCE STORE LANDSCAPE Q3 2022

*October 2022*



**IRi**

Growth delivered.

# Executive Summary

In this report, we follow up on trends identified in previous convenience channel analysis to examine how inflation continues to impact the convenience store channel and how this compares to the broader multi-outlet landscape.

In Q3 2022, U.S. inflationary factors persisted and price-per-unit increases continued in the convenience channel. While consumer sentiment hit a new low in June, sentiment has ticked up in Q3.

## Key Trends

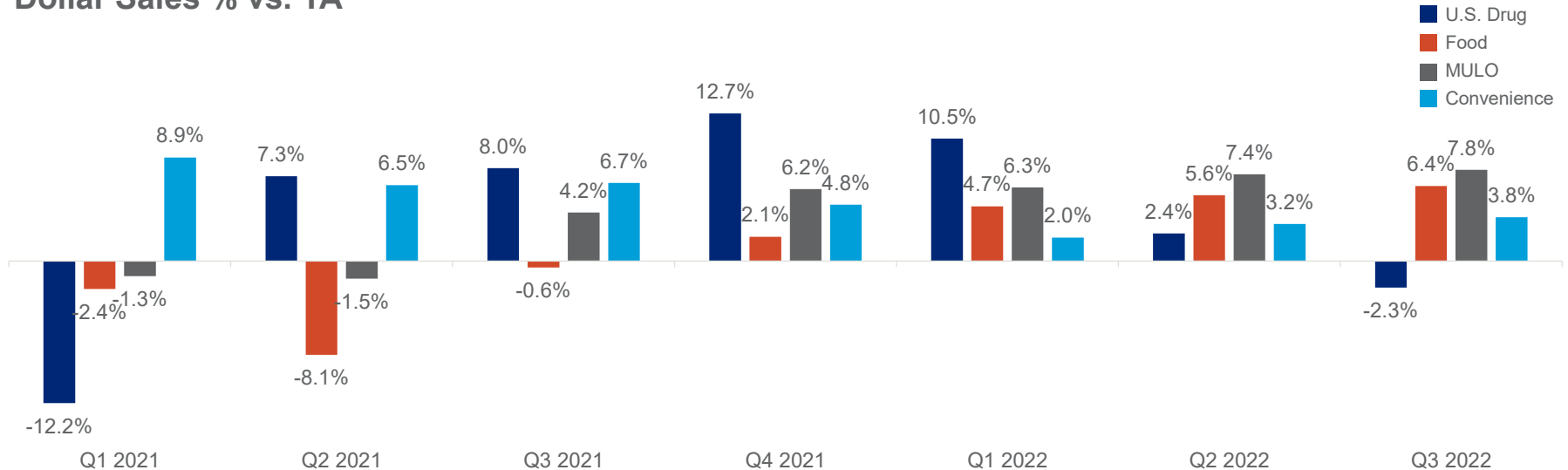
- The convenience channel saw accelerated YOY dollar sales growth in Q3 (3.8%) compared to Q2 (3.2%), but it continues to lag behind MULO (7.8% YOY growth in Q3). Similar to Q2, cigarettes (-3.4% vs. -6.3%) and beer (3.0% vs. 0.7%) categories in convenience have outperformed MULO in % \$ sales vs. 2021 for Q3.
- Customers continue to average more trips than YA, but dollars and units per trip have seen YOY decreases in most recent months.
- The Consumer Price Index increased 8.2% for the 12 months ending September, while the food CPI increased 11.2% for the same period. Gas prices showed month over month decreases in July, August and September, helping to boost consumer sentiment, even as concerns about inflation continue.
- Convenience channel price per unit growth accelerated for the fifth straight quarter with a 6.3% YOY increase in Q3 after a 4.9% increase in Q2. Promotion depth in the convenience channel continues to show an increase vs. YA, while frequency of promotions remains flat compared to 2021.
- Convenience channel private label growth slowed but continued to outpace growth of national brands.

## Implications

- Concerns with inflation continue, and shoppers are shifting product selection to lower-priced options, including private label. **Increase private label assortment** and leverage private label pricing to offer low opening price points within key categories. Appeal to all consumers with **unique private label options**.
- Lower-income households in particular are indicating that they are dining out less often, looking for more promos and cutting back on nonessentials due to inflation concerns. Inflationary pressures are expected to stay high for the foreseeable future, and many shoppers will switch to value channels, like mass and dollar, as a cost-savings measure. **Manage price/mix to keep shoppers** in your store.
- Adjust assortment to **build value offerings** and react quickly to competitive pricing. **Manage price gaps** to value channels on key items. This may be an opportunity for the convenience channel as consumers trade down to individual/single portions.
- Continue to **invest in e-commerce innovation** to meet shoppers where they are with what they want.

# Convenience Channel Dollar Sales Growth Lags MULO

## Dollar Sales % vs. YA

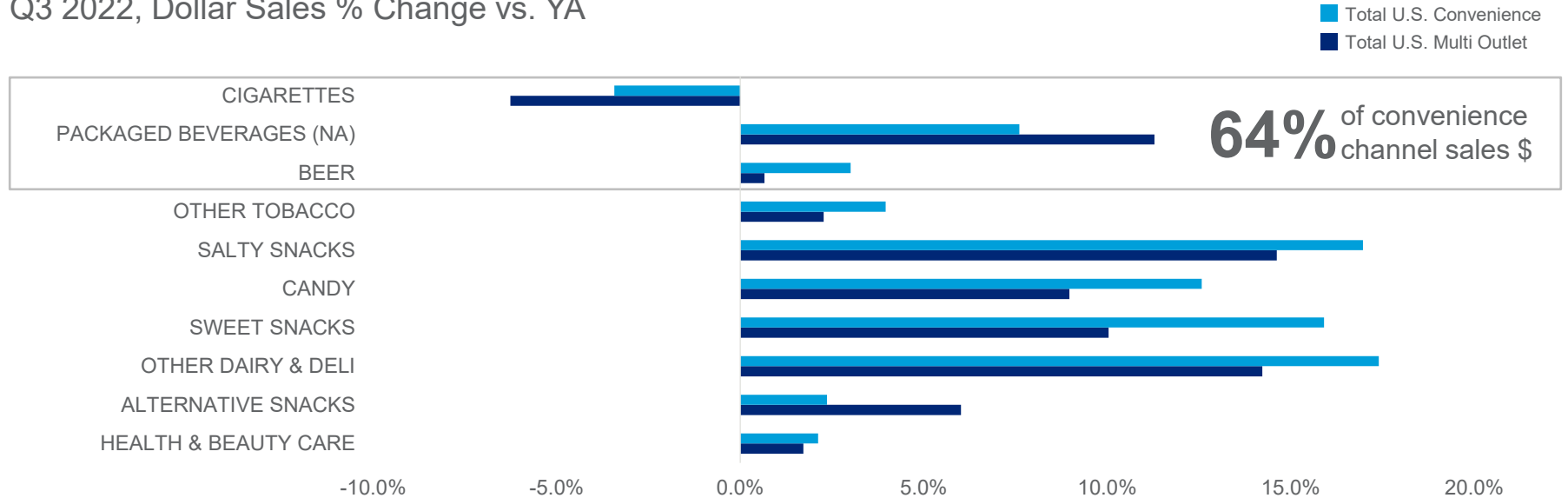


- The convenience channel saw accelerated YOY dollar sales growth in Q3 compared to Q2 but continued to lag behind MULO.
- YOY growth has declined in recent quarters for the U.S. drug channel as dollar sales decreased 2.3% in Q3 vs. 2021.

# Convenience Channel Outperformed MULO in Cigarette and Beer Categories, but Growth Did Not Keep Pace in Non-Alcohol Packaged Beverages

## Category Performance

Q3 2022, Dollar Sales % Change vs. YA

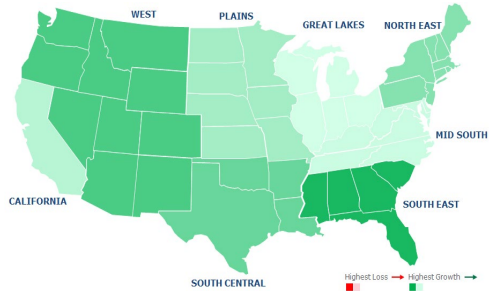


29% of MULO YOY growth came from edible and nonedible grocery categories, which make up 1% of U.S. convenience channel total sales.

# Regionally, the Convenience Channel Lagged MULO in Most Regions, but Outperformed in Washington State

## Total Convenience IRI Standard Eight Regions

Dollar Sales % Chg. vs. YA Q3 2022



Regions (Conv.)	\$ Sales (Billion)	% Chg. vs. YA	% Dollar Any Merch	% \$ Any Merch Pt. Chg.	\$ Growth index vs. MULO
Southeast	\$8.2	+5.7%	16.4	0.0	61
Great Lakes	\$7.3	+1.6%	16.0	+0.6	20
Northeast	\$7.3	+4.5%	13.4	-1.4	60
Mid-South	\$7.1	+1.8%	16.1	+0.2	22
South Central	\$7.0	+5.0%	16.4	-0.3	64
West	\$5.4	+5.6%	16.6	+0.6	71
Plains	\$4.0	+4.4%	15.2	-0.6	52
California	\$3.7	+4.0%	16.9	+0.1	56

■ > 120 ■ 80 – 120 ■ < 80

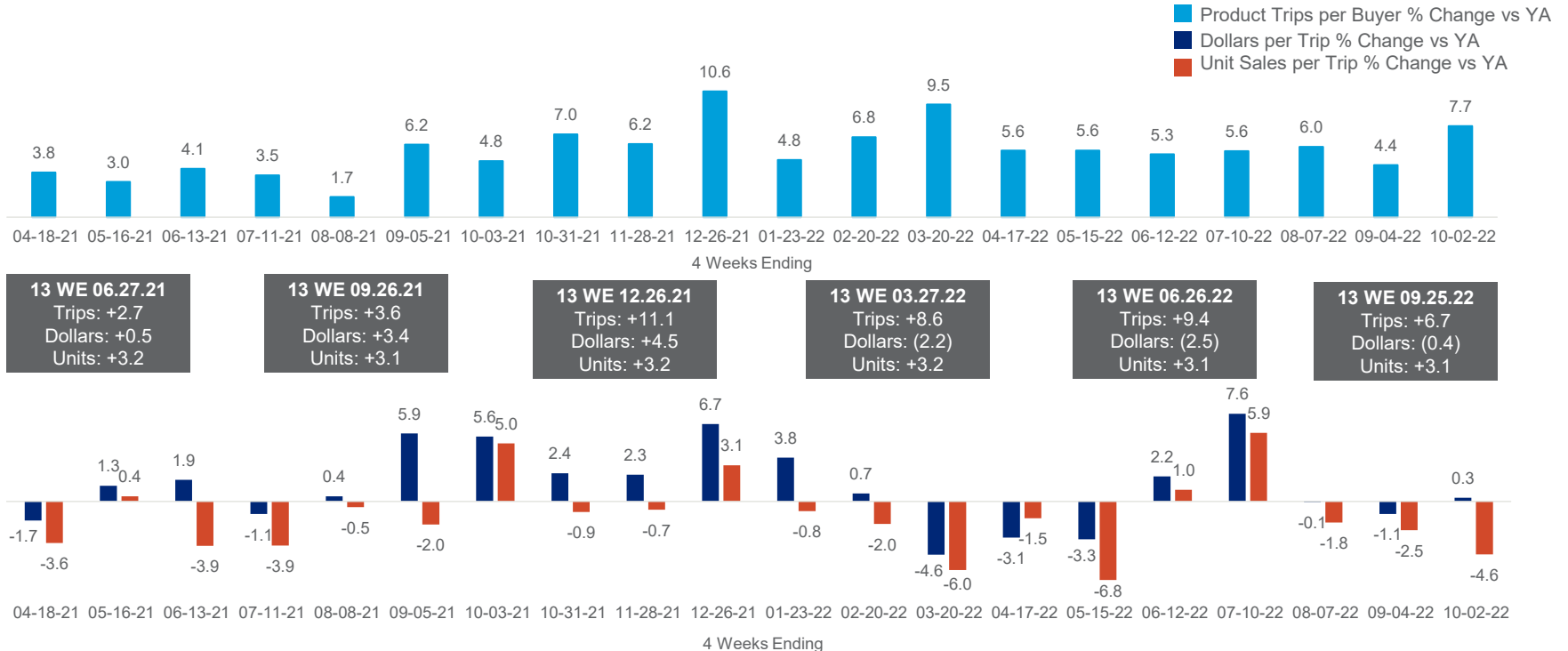
## Top and Bottom

Dollar Growth States, Q3 2022

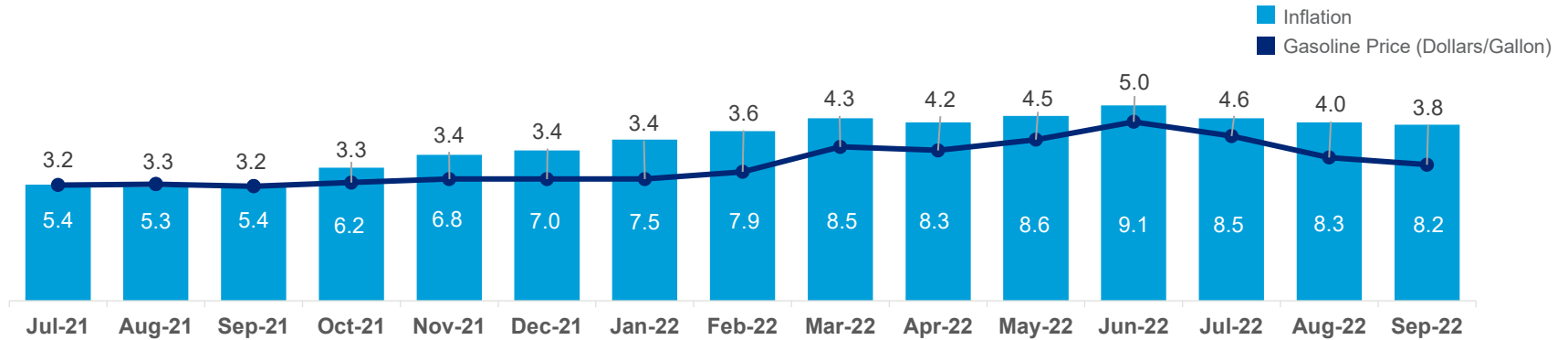
	State	\$ % Chg. vs. YA in C-Store	\$ % Chg. vs. YA in MULO
Top 5	Washington	+10.4%	+6.9%
	South Carolina	+8.6%	+10.6%
	Utah	+7.4%	+7.5%
	Massachusetts	+6.7%	+9.0%
	Georgia	+6.6%	+8.4%
Bottom 5	Rhode Island	-3.8%	+8.0%
	Michigan	-1.4%	+7.9%
	Kentucky	-1.0%	+6.9%
	North Carolina	-0.8%	+9.3%
	Wyoming	+0.1%	+10.6%

# Trips to Convenience Stores Are Up in 2022 Compared to 2021

## Dollars and Units per Trip Show YOY Decreases in Latest Periods



# Consumers Continue to Feel Slightly Better about the Economy During Q3 as Gas Prices Retreat From Their Early Summer Highs, Though Food Inflation Remains Stubbornly High



Cost of food in the United States increased by 11.2% over a year ago in September 2022, down slightly from an 11.4% surge in the previous month, which was the steepest since May 1979.

**11.2%**  
September Food  
Consumer Price Index

The U.S. Index of Consumer Sentiment is 58.6, up from 58.2 in Aug. and down from 72.8 a year ago. Consumer sentiment in September notched up to its highest level since April '22.

**58.6**  
September Consumer  
Sentiment Index

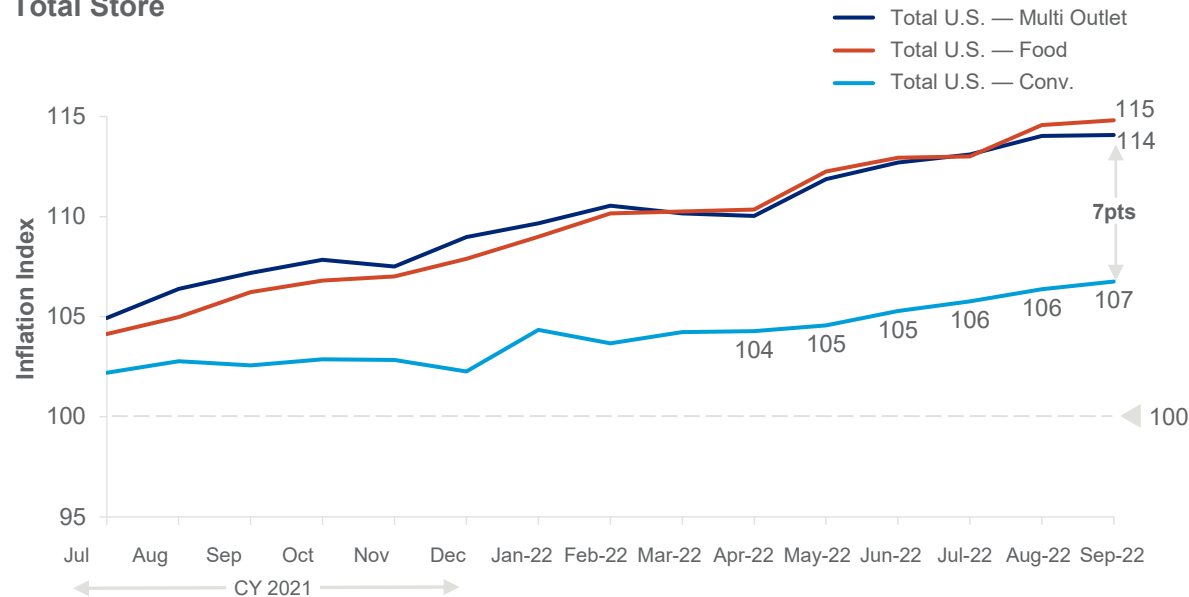
# Inflation in the U.S. has Dropped Back Since Hitting 9.1% in June, Helped by a Fall in Fuel Prices at the Pump, Yet Inflation Remains the Highest in 40 Years

## IRI's Inflation Tracker™ Shows the Convenience Channel Trending Up but Still Below the Broader MULO Market.

### Inflation Index CPG Retail Channels

- **The National Retail Federation President and CEO Matthew Shay** stated that “September retail sales confirm that even with rising interest rates, persistent inflation, political uncertainty and volatile global markets, consumers are spending for household priorities.”
- **Convenience store chain Couche-Tard Inc. Chief Financial Officer Claude Tessier** said, “While fuel prices have started to come down and staffing shortages are improving, inflation was still an issue.” He also mentioned that “It’s difficult to call that inflation’s going to ease in the future quarters. I think we can expect that the next quarter is going to be still a heavy quarter in terms of expense.”

### Total Store





# Shoppers Continue to Be Concerned About Inflation and Are Making Changes to Shopping Behaviors to Combat Financial Pressures

94%

Are **concerned** about food cost **inflation**

89%

Are **concerned** about **higher gas prices**, down 6 pts from June

78%

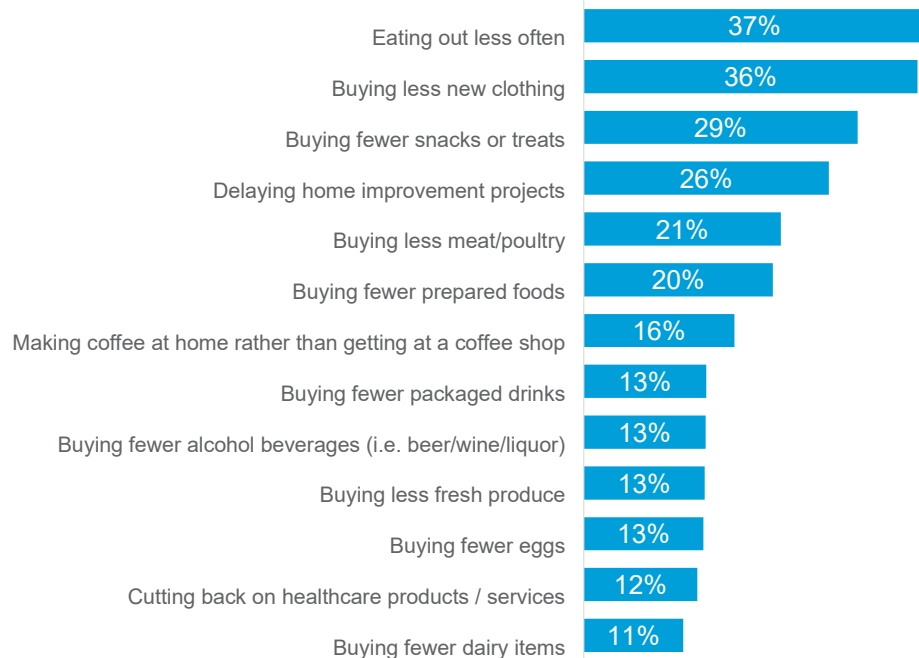
Are making **one or more changes** to their grocery shopping behavior

49%

Of those making a change are **looking for sales**, followed by 43% **cutting back on nonessentials**

53%

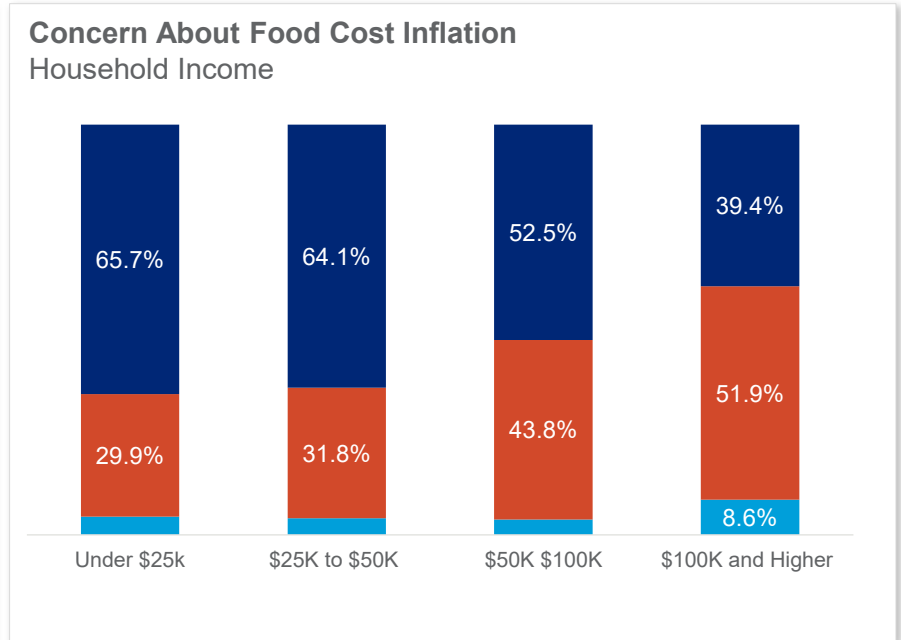
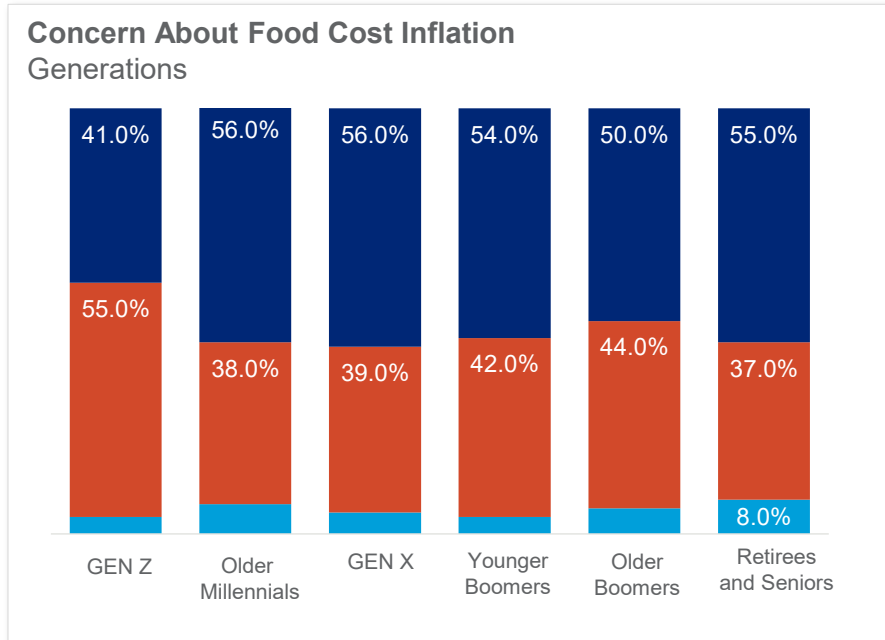
Of those noticing higher prices believe that **fewer items are being promoted**



# Inflation Concerns Exist Across All Generations and Income Levels

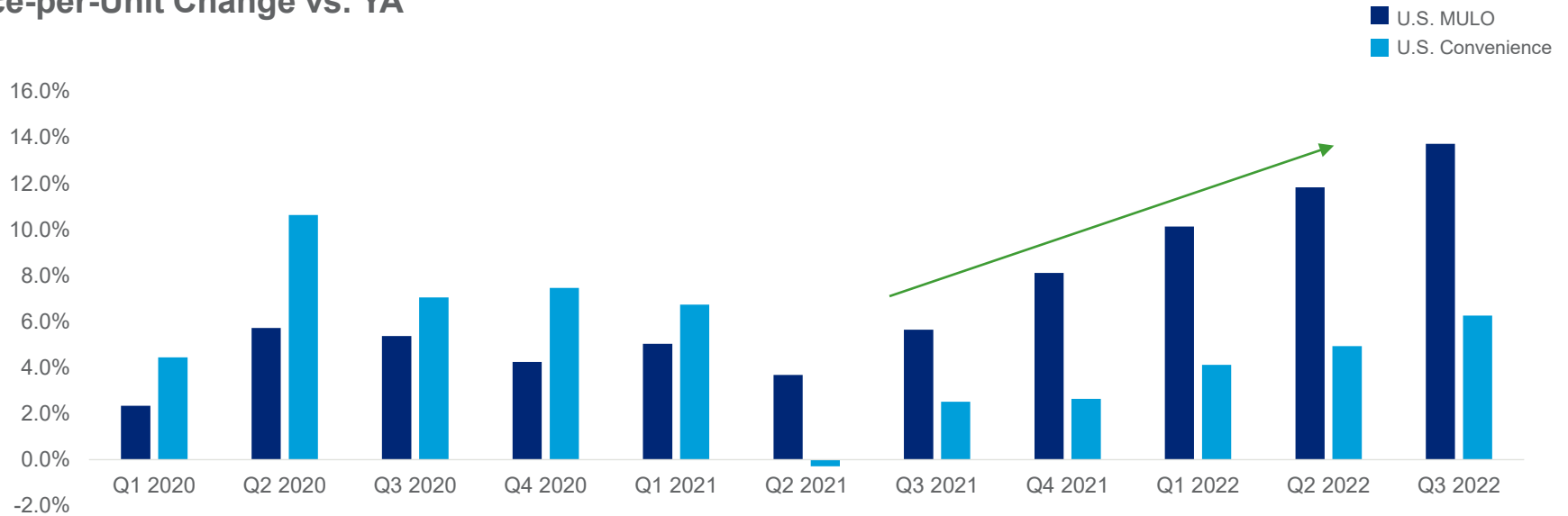
With Low-Income Households the Most Likely to Be Extremely Concerned

- Extremely concerned
- Somewhat concerned
- Not at all concerned



# Convenience Channel Price-per-Unit Growth Accelerated for the Fifth Straight Quarter With a 6.3% YOY Increase in Q3, Following a 4.9% Increase in Q2

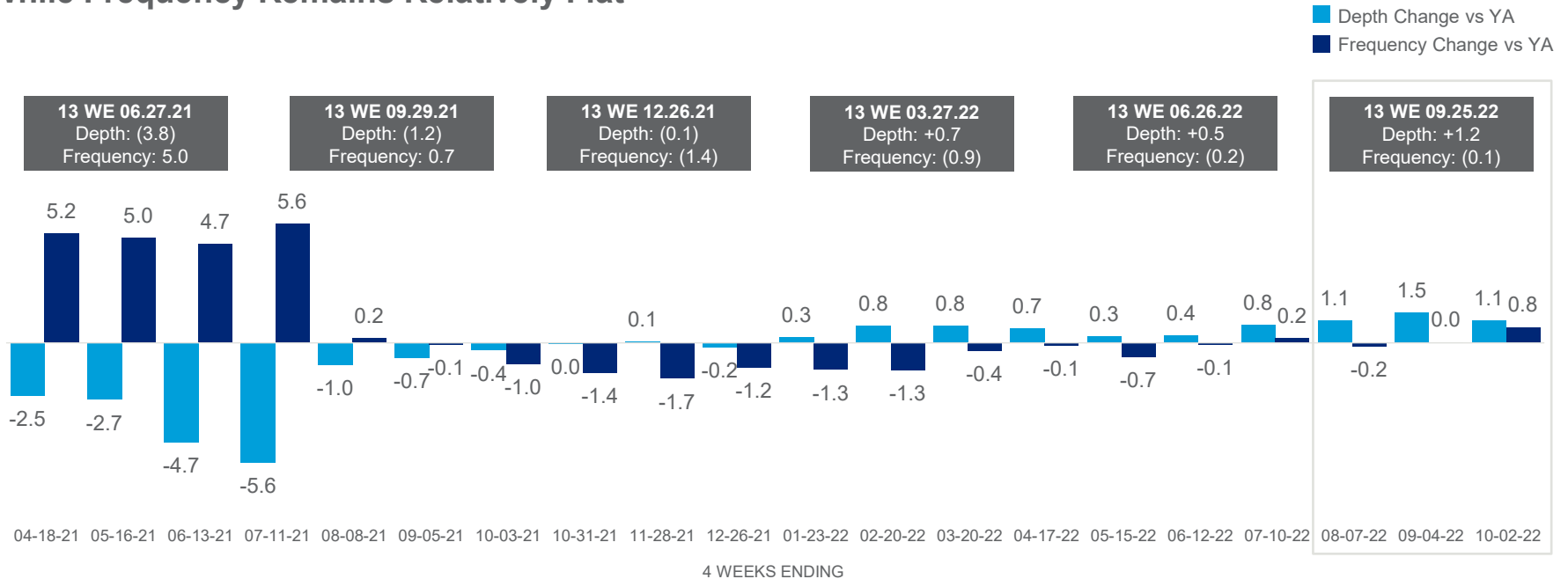
## Price-per-Unit Change vs. YA



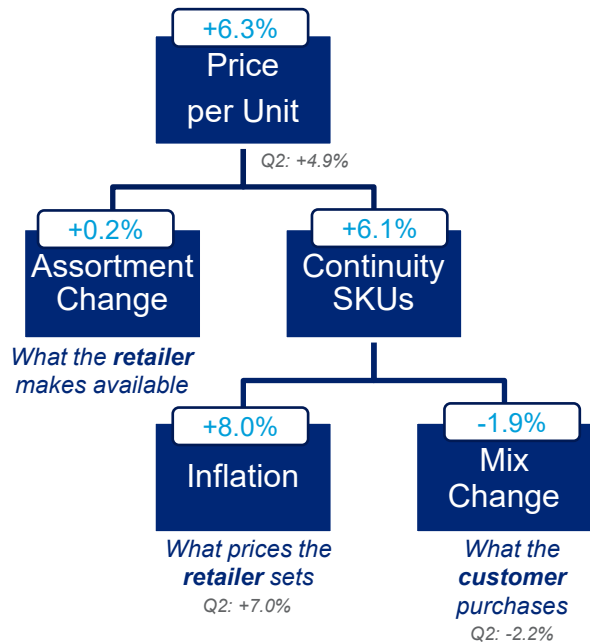
MULO continues to see much higher YOY price increases than the convenience channel and posted a 13.7% YOY increase for Q3.

# Promotion Depth Across the Convenience Channel Shows Increases in Q3 vs. YA

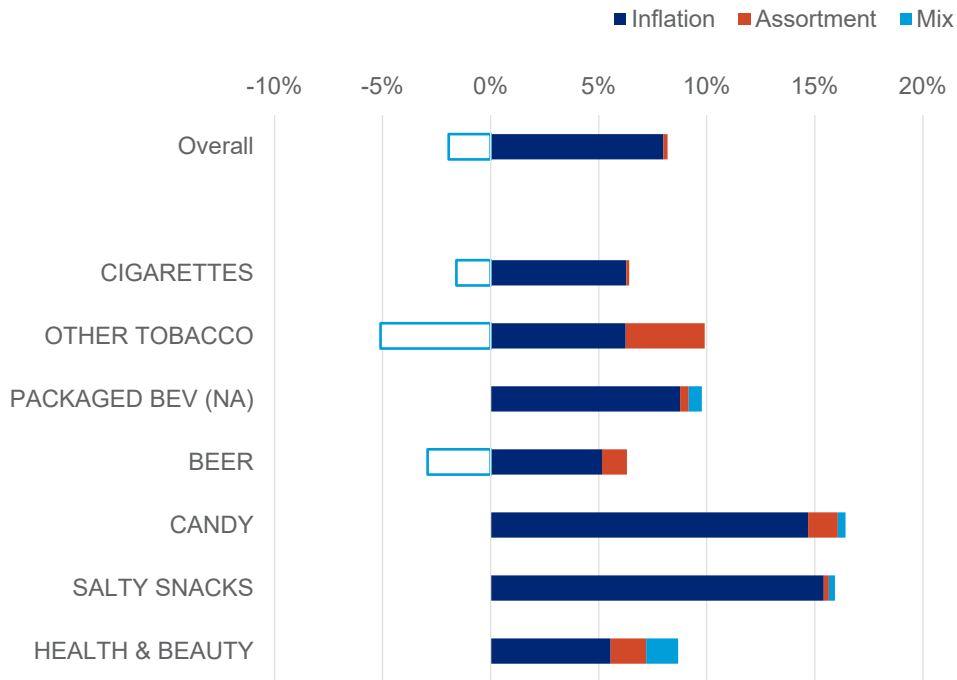
## While Frequency Remains Relatively Flat



**Price-per-unit Growth Accelerated**  
in C-stores for Q3 and continues to be partially offset by customers purchasing less-expensive items

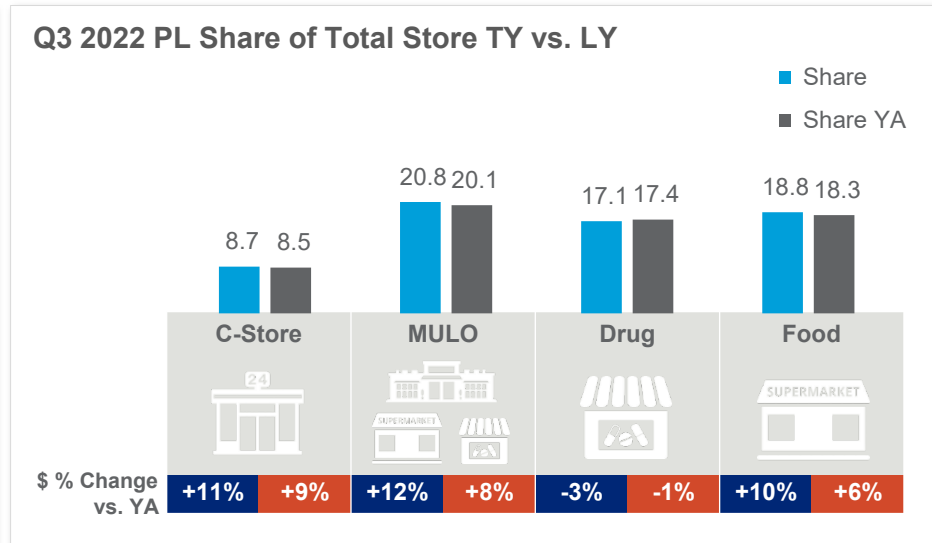
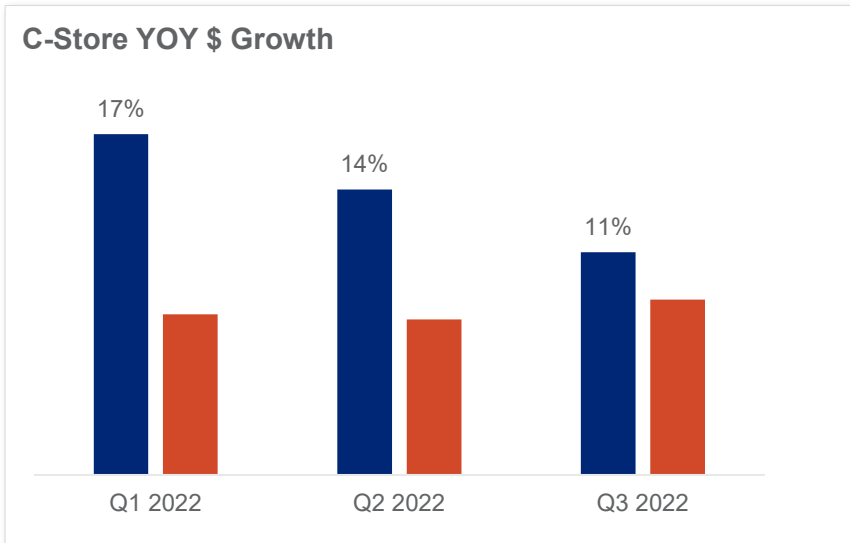


**Cigarettes, Other Tobacco and Beer Categories,**  
which make up more than half of total C-store dollar sales, continue to show customers opting for lower-priced products



# Private Label Sales Dollar Growth YOY at C-Stores Has Outpaced National Brand Growth

## But Share of Total Sales Remains Much Lower Than MULO





Convenience channel private label YOY sales \$ % remains higher than national brand.

Private label share of total sales remains low at c-stores compared to other channels.

# The Other Dairy & Deli Category Contributed More Than Half of Private Label YOY Dollar Sales Growth for the Convenience Channel in Q3

## Q3 2022 — Convenience Channel

	PL Sales \$ (MM)	PL \$ Share of Total	PL \$ Share vs. YA	Private Label \$ Sales % vs. YA	% Contribution of \$ Sales vs. YA
Other Dairy & Deli	\$674	65.0	 2.5	20%	58%
Packaged Beverages (NA)	\$341	3.1	(0.0)	7%	12%
Commissary & Other Packaged Products	\$287	62.4	 1.7	-2%	-2%
Sweet Snacks	\$140	12.9	(0.1)	15%	9%
Salty Snacks	\$71	3.1	0.1	19%	6%

## Potato Chips and Water

Are Among Subcategories With Strong Private Label Growth at C-stores



Snack Cakes and Pastries  
**+27%**



Potato Chips  
**+26%**



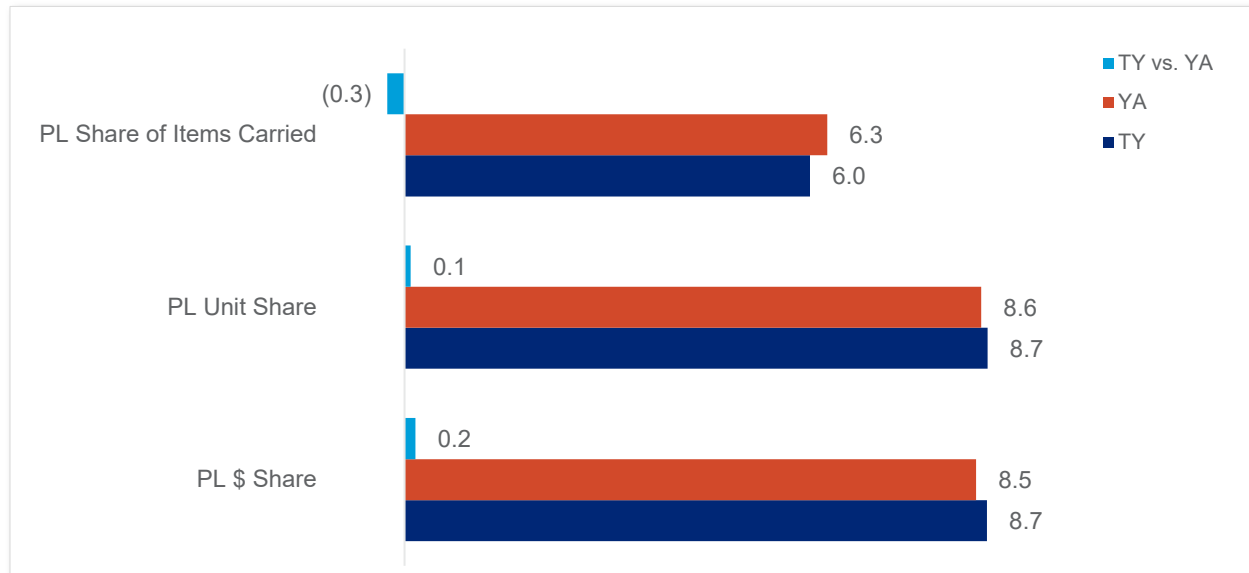
Water  
**+17%**



Paper/Plastic Products  
**+45%**

# Private Label Unit and Dollar Share of Total C-Store Sales has Increased Despite a Decrease in Share of Total Items Carried

## Private Label Share of Total U.S. Convenience Q3 2022



Private label products make up 6% of average weekly items carried at c-store retailers but contribute **8.7% of total units sold.**

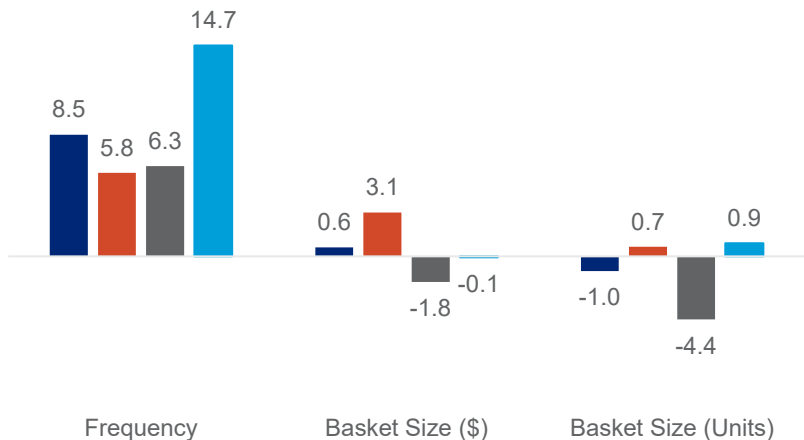


# Private Label Continues to Grow Across All Income Levels

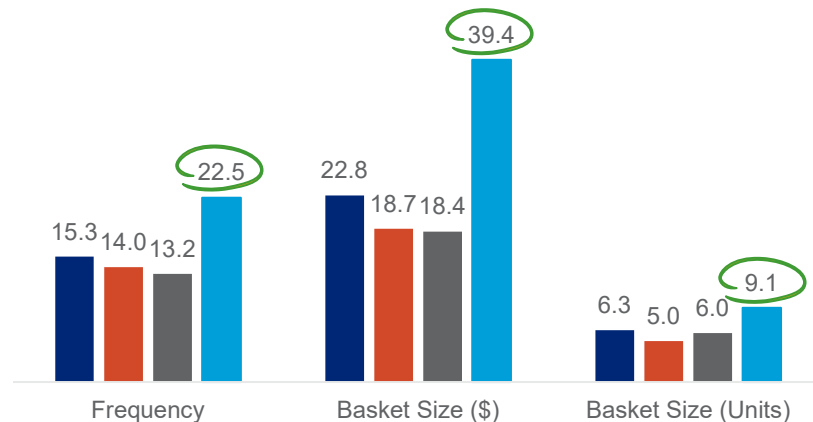
## Upper-Income Households Drive the Most Dollars and Units per Trip, as Well as Product Trips vs. YA

- Average HHL
- Lower Income
- Middle Income
- Upper Income

**Total Store – Convenience**  
% Chg. vs YA



**Private Label – Convenience**  
% Chg. vs YA



Product trips continue to grow across all income levels, with middle-income HHs showing declines in dollars and units vs. YA.

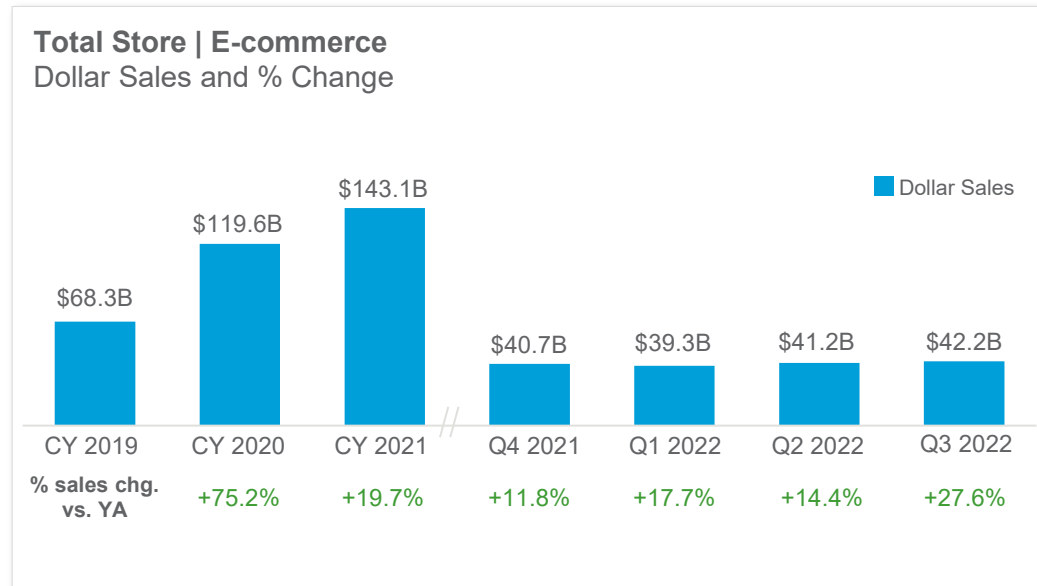
Upper-income HHs represent 25% of private label sales, a 140 index vs. their total store contributions.



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: IRI Consumer Panel data 13 wks Ending 10.02.22, Total store excluding fresh.  
© 2022 Information Resources Inc. (IRI). Confidential and Proprietary.

# E-Commerce Growth Continues to Be Strong Across CPG Retail

## The Convenience Channel Is Also Investing to Grow E-commerce Sales



### E-commerce Sales Skyrocketed Amidst the Pandemic



As per Q1 FY 2023, Casey's mobile app represents 65% of all digital revenue, which is primarily driven by whole pies. The chain has added more grocery and general merchandise items to the app as well. Digital sales jumped 14%.



7-Eleven has acquired Skipcart, a startup that has developed a major network of drivers for the last-mile delivery of restaurant food, grocery, convenience-store and other goods in the United States.



EG America is partnering with on-demand delivery service platform Doordash to bring fast at-home delivery of convenience staples to consumers across the country.

The pandemic accelerated growth of e-commerce, which hit \$42.2 billion in Q3 2022. Dramatic investments by leading retailers will further expand e-commerce in the coming years. Many convenience stores have also invested in online ordering and delivery services to keep pace with the market.

# The U.S. Supply Chain Index in July

## Was Back Above Neutral for the First Time in Nearly Three Years on the Back of the Continuing Strong Rebounds in Inventories and Capacity Utilization

With demand cooling off and supply still growing, companies are looking to discount. The median inventory-to-sales ratio is the highest since 1990.

According to NRF's latest Global Port Tracker report, imports at the nation's major container ports are expected to fall to their lowest level in nearly two years by the end of 2022, even as retail sales continue to grow.

Transition from a shortage to a surplus for retailers came quickly. Retailers including Kohl's Corp. and Target Corp. said that they will stow unsold merchandise with the intent of selling it next year.

C-store chain Kwik Trip is partnering with Relex Solutions for supply chain optimization and planograms.

Amazon acquired warehouse tech firm Cloostermans to support warehousing and order packing.



08/19/2022

Target cut its inventory levels by 20% in June and July in a conscious effort to streamline its business and set the company up for improved long-term growth. In June 2022, the retailer reported that its distribution center network peaked at 90% capacity and the company had reduced inventory levels to 80% as of August 2022.



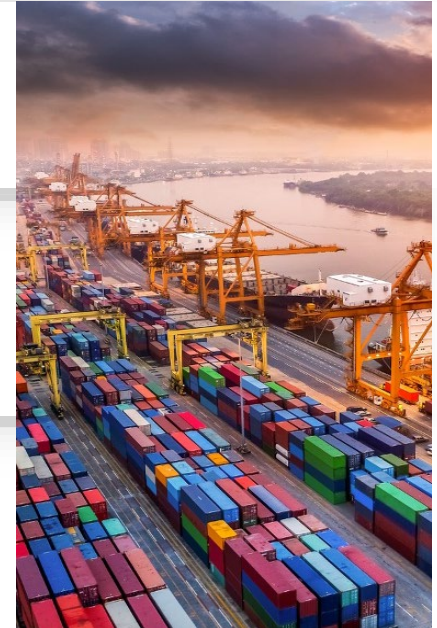
08/18/2022

To combat narrowing margins for its flagship pizzas and other prepared foods, Casey's procurement team improved product availability in stores vs. last year, maintaining optimal inventory levels and preventing shortages. The team also employed "strategic sourcing initiatives" to purchase goods at the best possible prices, keeping costs down on grocery products and general merchandise.



08/29/2022

In order to mitigate supply chain issues, Kroger has opened spoke delivery facilities in Nashville, Tennessee, and Maywood, Illinois, extending the reach of its automated online grocery delivery network to two additional metropolitan areas. The Tennessee facility will serve as a cross-dock for orders prepared at Kroger's robotic CFC, in Forest Park, Georgia.



Source: Casey's Earnings Press Release; <https://realeconomy.rsmus.com/rsm-u-s-supply-chain-index-back-to-normal-for-first-time-since-pandemic-hit/>; <https://nrf.com/blog/despite-lower-volumes-supply-chain-challenges-persist>; <https://theticker.org/8323/business/oversupply-burdens-big-retailers-amid-supply-chain-issues/>; <https://www.cnbc.com/2022/09/11/where-walmart-amazon-target-are-spending-billions-in-slowing-economy.html>; <https://www.foodnavigator-usa.com/Article/2022/08/19/target-cuts-overloaded-inventory-levels-to-refocus-on-high-growth-categories>; <https://www.supplychaindive.com/news/kroger-opens-spoke-e-commerce-centers-in-illinois-and-tennessee/630691/>

# How IRI Can Help

## Identify and Maximize Opportunities by Reacting in Real Time to Key Trends in the Convenience Channel



### Private label dollar growth outpacing national brand

- Private label YOY \$ growth slowed in Q3 but continued to gain dollar share of total c-store despite a decrease in share of total items carried.
- Penetration increases will continue as customers trade down to offset rising prices.



### Customers are concerned about inflation and seeking lower prices and promotions

- Shoppers indicate that they are looking for more promos due to inflation concerns.
- Customers will continue to seek out deals and promotions if inflation and concerns remain.

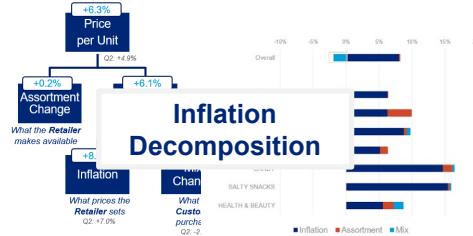


### C-store dollar growth has not kept pace with mass or club channels

- The convenience channel saw accelerated YOY sales \$ growth in Q3 but continues to lag behind MULO.
- Dollar share leakage from c-store is likely to continue as customers look to save money on overall grocery spend.

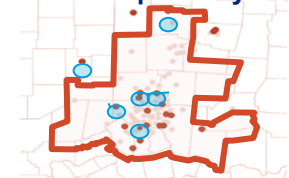


Screen ideas, product attributes, names, packaging and pricing to determine those with the highest probability of success.



Understand PPU change for your stores compared to the total market and how customers are changing their purchase behaviors.

### Competitive Landscape Analysis



Identify your key competitors and understand leakage trends across channels.

# Be the First to Know

[www.iriworldwide.com/en-US/Insights/Subscribe](http://www.iriworldwide.com/en-US/Insights/Subscribe)

**Registered Users Get New  
Thought Leadership From IRI's  
Research, Data & Analytics Experts**



# CONTACT US FOR MORE INFORMATION

## IRI Global Headquarters

203 N. LaSalle St., Suite 1500

Chicago, IL 60601

[IRI@IRIworldwide.com](mailto:IRI@IRIworldwide.com)

+1 312.726.1221

*Follow IRI on Twitter: [@IRIworldwide](https://twitter.com/IRIworldwide)*