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Convenience Stores: Past and Present

Contributed by REUBEN GUBERMAN

The author surveys the convenience store scene, discusses their origins and early growth, and defines the nature of the operations of these latter-day marvels of food merchandising, and makes some observations as to their probable future development patterns.

The truth is, in the beginning they just sort of happened. Before WW2, a few ice companies and dairy stores started carrying a very limited line of grocery items. As demand grew, items were added . . . but it was still a sort of ad-lib growth. Around that time, self-service, conceived as an economy measure, became a necessity due to labor shortages brought on by WW2 . . . further, supermarket operators discovered that their customers liked it. To be brief, supermarkets got bigger and bigger, the American family became more and more motorized . . . and the neighborhood mom and pop store was on the way out. They lacked parking, variety, merchandising ability. However, as supermarkets became more popular, checkout lines got longer, and the short list shopper was getting fed up. It's still going on and supermarket overflow is an excellent source of Convenience Store business! This was in the fifties, and the Convenience Store had begun to exist largely in the southern tier of states.

Convenience Store operators moved into the vacuum, replacing the dying mom and pop stores . . . but with essential differences. They made no effort to be complete grocery stores . . . they carried the fastest moving lines. Parking was always available for eight to ten cars. They offered longer shopping hours, and chilled beverages. Despite the fact that the housewife . . . no, that's a misstatement . . . the House-husband is a better one since some 60% of Convenience Store traffic is male . . . well, despite the fact that they paid a little more for the merchandise they bought, the new bantam stores were enthusiastically accepted. By 1959, there were 2,500 stores doing about \$375 million. About this time, they were recognized as a factor in the food distribution complex by national trade publications, but with considerable reservations. The small stores were an interesting phenomenon, but many were dubious about their chances to grow and prosper. Convenience Store operators, however, weren't

scared off by the pessimists, and by 1960 they formed the National Association of Convenience Stores. By 1964, there were 5,000 stores with sales of over a billion dollars, and in 1965 CONVENIENCE STORE JOURNAL was started giving the industry its own publication. By 1966, there were 8,500 stores, 1967, 12,500. It's important to note the relationship between the decrease in small grocery stores generally and the growth of the Convenience Stores. In 1962, there were 248,500 small grocery stores, and about 4,100 Convenience Stores. In 1967, there were 183,000 small grocery stores . . . a drop of over 60,000 . . . and 12,600 Convenience Stores, an *increase* of 8,500!

Convenience Stores generally carry a *variety* of items that compares favorably with the supermarket! That is, you can get just about anything you need BUT you don't have a wide choice of brands and sizes . . . in groceries, health and beauty aids, etc.

Here, I've been rambling on about what a Convenience Store is without offering a plain definition. We consider a Convenience Store to be any small, modern market using up-to-date merchandising methods, operating a minimum of 16 hours per day, open at least six days, more often seven. We do not count stores exceeding 6,000 feet . . . very, very few approach that figure. Although, quite frankly, the definition of a Convenience Store lies in its method of operating rather than simply its size. We're going to see, I believe, an interesting phenomenon. There is a tendency toward the miniature supermarket. Look at Convenience Food Marts, for example, where inventory is much larger than the average Convenience Store. With the advent of in-store fast food, it is likely that some Convenience Stores will be bigger than what they generally are now. As a matter of fact, that food retailing revolution we hear so much about will certainly include many more Convenience Stores . . . more and more sophisticated in nature, but retaining the personal contact element. Super-

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markets will move toward a severe case of gigantism, and eventually will be warehouses delivering merchandise upon the order of a computer tied in to every personal telephone . . . or so we hear. Be sure that the Convenience Store can only profit from any of these developments. There will always be people who don't want to buck the machine or the huge lines to get a few items . . . and quite possibly as shopping gets more and more automated we'll see even LARGER shopping lists in the Convenience Store!

The average size is 2,120 feet, with the favorite size right around 2,400, usually about 2,000 feet selling space. Average sale per customer is about \$1.50, average number of transactions per week is about 2,400. Total volume now . . . and we're in the middle of calculating the results of our latest survey . . . appears to be about \$3.23 billion annually.

The regional pattern of Convenience Store distribution seems to be changing somewhat. Where there was for a long time a heavy concentration in the southern tier of states, growth is taking place very rapidly in the North Central area. Until the Convenience Store was pretty well proven as a functioning retail unit, there was hesitancy to get involved in the higher land and building prices prevailing outside of the south, and there was some doubt about whether a Convenience Store would do business in the colder climates. This had a lot to do with the old open-front nature of the stores, and for quite a while there was a feeling among operators that the open front was essential to doing business . . . that it was sort of a trade mark of the Convenience Store. Well, that's no longer the case, and so we see a growth of stores in the north.

Youngsters make up an important part of a Convenience Store's volume. The old candy shop or candy store has been replaced by the friendly corner 7-eleven, or L'il General or WaWa Food Market.

We went into the field and talked to the people who shop in Convenience Stores. We were able to verify, by observation, information we had obtained from an in-depth study done in the Jacksonville area. Younger people shop in Convenience Stores . . . those over 50 do so rarely. Seventy-nine percent of Convenience Store customers travel under a mile to get to the store. The balance would largely be made up of those who are on their way from work or to picnics who have traveled further. Men make up from 51-60% of Convenience Store shoppers.

When mom sends junior out to get a bottle of milk, it has to be to a place within walking distance. The Convenience Store. Obviously, the percentage of children shopping these stores is far greater than in supermarkets, and probably any other type of store.

There will be several reasons why a housewife will shop a Convenience Store. For one, it's a second or third shopping trip for the week and she doesn't want to wait at the checkout lines for the fill-in items she needs.

For another, she's in a hurry . . . on the way from picking up the kids . . . or to pick up the kids, or the laundry, and remembers a couple of items as she drives.

The Jacksonville survey indicated that 61% of shoppers make between \$75.00 and \$200.00 per week . . . these figures would be revised upward in any similar northern survey, of course. The busiest time of the day for these stores is 4 P.M.-8 P.M., with 8 P.M. closing following closely.

How do Convenience Stores buy merchandise?

Well, there are some 2,500 firms operating the existing 17,000 stores. The larger chains maintain supervisory and buying headquarters on a regional basis, some of which operate autonomously. In all cases, these headquarters

have a voice in the selection of items for their own areas. Purchasing is never done at store level, except in individual stores, of course, and to an extent in franchised stores. However, the recommendations of supervisors are sought and considered in selecting merchandise for specific trading areas. Some chains allow store managers to report special requests for specific merchandise and will go along with a local demand that seems heavy enough. Some of the larger chains are now on computers . . . as a matter of fact, many of the smaller ones are too! It is, however, usually the larger chains that turn to "automated merchandising", letting the computer tell them what to display, when and where. There is no doubt that this information will be valuable, but I maintain that especially in the Convenience Store, where regional and neighborhood differences play such important roles, the job of the in-store merchandiser will never be replaced by the big adding machines.

Most chains do have a prototype store, sometimes a different one for different areas in which they operate. But they aren't rigidly committed to any one set of plans. In using existing buildings, some prefabs, etc., they have to adjust to what they get. This would be one darn good reason to have some sort of store-door contact with the various operations.

The heavy trend toward franchising will result obviously in a proliferation of independently operated stores. They follow headquarters patterns in buying largely, but more and more control their own merchandise mix. The obvious activities of the FTC in this area . . . and I have no intention of getting into the virtue or lack of virtue of that organization . . . will force a greater independence in buying into the Convenience Store field.

When the store manager orders from his wholesale grocer as is done with candy, the tendency is simply to order that which will fill up the empty spaces . . . what was always there. "We've always done it that way" . . . that's the death cry of many a business. Let's face it, the Convenience Store manager isn't usually a brilliant merchandiser. He's a working guy, hopefully honest and reasonably alert and intelligent. But he's got a heck of a lot of just plain work to do, and it's very doubtful that he's going to get very creative in displays or merchandising. OK OK . . . I know there are exceptions, but when a chain finds one of those he usually ends up as a supervisor and sometimes a victim of the Peter Principle! And the Supervisors help in the merchandising of each store, of course, but there are a lot of stores, and details can slip by. The point is, I feel they need and will be glad to get merchandising help. Witness the success of rack jobbers with Non-Foods! There's more frequency of service, there's a closer relationship between the store operator and distributor and it works to the advantage of both. This is not to say, before I get clobbered, that there aren't grocery wholesalers who maintain the same kind of relationship. The help I speak of can take several forms. For one thing, there's the good old missionary. Yes, I know that there are chains that won't allow detail work to be done in their stores. For them, better packaging and merchandising ideas offered through the various headquarters makes sense. And there is nothing to stop their detail men from simply visiting stores to observe displays and patterns of merchandising so that they can make recommendations to headquarters.

I have given you a brief description of the development of the convenience store. There will be 25,000 Convenience Stores in 1975, indicating that they will be an important part of the total food marketing industry in the future.