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# CONVENIENCE STORE'S PLACE IN SERVING THE CONSUMER'S NEEDS TODAY AND IN 1985

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The author stresses the need for convenience stores to become more sophisticated to capitalize on great potential that exists. Growth potential for new products and services do exist.

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## The Past and Present

From our start in the mid to late 1950's to the current time, this industry has grown to over 30,000 stores doing an annual volume of nearly 7 billion dollars. The convenience food store industry was developed out of the needs of the consumer and it will continue to grow through these needs. The question is, today and tomorrow, "What is the future of convenience store retailing?"--Well, 1985 is a long time away and this is a rapidly changing industry believe me; we must be cognizant daily of the changes in our competitors, our customers and our suppliers. Our industry is much more susceptible to changes than the supermarket industry. I guess you could compare that to a speed boat and the Queen Elizabeth both trying to make a turn on the Hudson River.

I would love to be able to stand here today and tell you what these changes are going to be. If I could do that I'd probably be too busy selling my information to be here with you today.

However, the current and projected trends as I see them are as follows:

These must first be broken down into trends or projections--and then the reasons why--trends like accident never just happen, they are caused.

We have come to a pause in a long period of expansion--a period that has seen our industry mushroom, like I said, from only a few hundred stores in the mid 50's to over 30,000 stores today--a period that has seen the entire retail industry, as well as the food industry, grow at an unbelievable pace, and, as we all know, that growth or expansion period has slowed considerably and I believe that we are looking at an oncoming period of history in which people's attitudes, ways of life, and consumer's needs may shift, they may change as much or more drastically than in any earlier period in our history.

But, through the coming changes, one fact will remain constant; that is, the American consumer's demand for convenience.

I believe our industry will adapt to these changes through the following:

I think the convenience food store will--if it hasn't already--become the General store of the 80's. One of the areas that definitely will increase in volume and merchandising importance in our stores is the fast food items.

Projections for 1980 show that 2 out of every 4 meals will be eaten away from home and by 1985 that figure is projected to be 2 out of every 3 meals will be eaten out.

As I previously indicated, we already have over 30,000 potential Quick Stop-Fast Food locations throughout the U.S.A. and industry leaders are projecting that figure to be over 45,000 by 1980.

Some progressive thinking convenience store operators who have developed fast food programs and installed snack centers and commissaries are already experiencing 10-12% of their total volume in fast food--pizzas, hot and cold sandwiches, popcorn, fried chicken, soup and entree items.

Labor in fast food industry is approximately 40% of the products retail, and this is an expense which can be considerably reduced in the "C" store due to the existing convenience store labor.

Higher cost for labor, material, land and equipment, along with additional zoning and ecology problems will force the fast food chains to larger, higher volume locations much the same as it has the supermarkets. Thus reducing their numbers of units, per dollar, of available sales potential.

We can produce a frozen or refrigerated fast food product that can be shipped, stored and heated in our stores with a very minimum of labor and energy cost by using microwave ovens. These ovens are becoming more and more in use today and more and more companies such as Campbell/Swanson, Pillsbury, etc. are developing main course entree items that can be portion-packaged at our commissaries and shipped frozen to our stores

for fast, convenient, on the spot preparation. Much of the preparation and service of the actual product will be done by the customer.

The future American family will have fewer children and these smaller families will live in small homes--more likely the majority will be apartment dwellers and condominiums. There will also be more working wives and more working family members. Consequently, the potential for us to sell Mr. and Mrs. Consumer a cup of coffee and hot roll or donut for breakfast will be greater because we open at 6 or 7 a.m. The same is true of a cold or hot sandwich and beverage or one of many entrees at lunch or at any other snack time.

Value exists to the consumer when he or she can actually see what they are getting for their money. We can accomplish this with a good line of quality controlled, mass produced, fast food items without any additional overhead or fixed cost--except for a limited amount of equipment.

I don't mean to indicate that these products are all here with us today, because they are not. Many are still in the test stages but they will be with us in the near future and I feel that this industry will adapt a good number of its stores to handle fast food products during the next few years.

I also believe that you will see many convenience store operators devote more of their space to fresh deli items, lunch meat, cheeses, etc., which blend in very nicely with the fast food operations and produce a very good gross margin.

In the next few years you will also see a great many convenience stores stock and promote a line of fresh frozen meats.

The convenience store industry will also continue its expansion into self-service gasoline operations. This also is a very similar type of comparison to the fast food chains. We have the locations, we have the visibility, the traffic, the existing employees. All we need is a couple of gasoline tanks, pumps, self-service consoles and a canopy over the island. These are inexpensive in relation to the building and equipment cost of a major oil company locations and we are already in business.

Projections are for 50% of this nation's gasoline to be pumped through self-service locations by 1980. This projection seems realistic when you consider all the problems in the oil industry; one being the high cost of labor. You all know the projections for that item--2½ to 3 times regular pay for overtime--\$3.00 minimum wage, which is in Congressional Committee right now.

Higher gasoline prices and lower volume for major oil companies will force them to abandon, or to convert a great many existing city and neighborhood service stations and to concentrate their efforts into high volume, interstate, complete car service centers. This will do two things for our industry--the reduction or closing of smaller low volume service stations will add additional volume to our self-service stations and it will also open a great number of potential food store locations for convenience store operators.

The auto industry's regression back to the smaller simpler car that Mr. Consumer can tune-up and repair will also bring about a new market for the convenience store. We have a 60-65%

male customer count, men buy most car care items such as oil, oil filters, spark plugs, tune-up kits and the like.

I also foresee a continued expansion into nonfood--hardware, health and beauty aids, film development, shoe repair and dry cleaning. There is a high percentage of convenience food stores in which additional consumer services and pick-up stations can be developed. I feel we will see some people experimenting with laundry and dry cleaning pick up, also shoe repair and film development, which a good many chains already offer. I believe you will see these, plus many other services offered in the convenience store of the future.

As I stated previously, I foresee the convenience store of the future being the General Store of the early 1900's. A store where you could buy your daily grocery needs, gas your car, get a bologna sandwich, a coke and a pound of nails. I believe this is what we are going to revert back to except in a modern way.

Nearly every other retailing industry is in the process of enlarging its size. The department stores are closing their small stores, the supers are closing more and more smaller units. Fazio's in California recently opened a new super store with 72,000 square feet with 80% of this space devoted entirely to food.

The drug chains aren't drug stores as you and I knew them as kids. They have become large mini-department stores, selling everything from lawn furniture and fertilizers to prescriptions. Likewise, it is difficult, if not impossible, today to find a hardware store. Instead, for a paint brush or pound of nails you have to visit a

do-it-yourself store of 15 to 30,000 square feet that stocks thousands and thousands of items. They're great for your remodeling needs but certainly aren't convenient to run down to and pick up a roll of electric tape or a light bulb.

These trends, along with others, like the old 5 and 10¢ store, that has now become the giant discounter, have left the American consumer few places she can go and receive the personalized service which we as neighborhood convenience centers are capable of giving her.

I am sure many of you are saying to yourself, that if the convenience stores add the services and items that I have mentioned we also will have to increase the size of our stores. Well, I don't believe this is necessarily so. I do, however, foresee a reduction in the number of items within a product category which we now handle. I think you will see a marked reduction in the variety of dry groceries and frozen food items, even the variety of beer and soft drink packages will be reduced to the fastest selling packages of the top brands, only. This will come about because of equipment and utility costs.

This is a trend that is already under close study by a good number of convenience store chains. I feel the rising cost of doing business, which we will experience, will force us to eliminate the slow selling items and the low gross items. Also, Mrs. Consumer's increased awareness of competitive pricing will also force us to be more competitive on our main item categories, which ultimately will force us to increase our high gross product mix.

Although I am predicting a bright future for the convenience store industry in the next 10 years, I'm certainly

not implying that we are going to escape the basic problems that are facing the food industry today.

We, like all food operators, are going to have to do something to increase employee motivation and training. This industry as a whole has yet to develop an image that will attract and hold good, capable, promotable people. If we are going to develop and execute the programs I've outlined and open the additional new stores that are projected, we must develop the personnel to manage them.

If we are planning to open 10,000 new "C" stores by 1980, which our industry projects, we must have 2,000 new supervisors and top level management people and, believe me, you don't find 2,000 top grade executives lying around at the unemployment bureau.

We must develop and institute some cost saving procedures in our construction and equipment areas.

Possibly smaller more compact stores with less glass to reduce air conditioning, or heat reclamation equipment--fewer varieties of refrigerated products will lower our needs for expensive equipment that has high operating costs.

There is a good possibility that some of the medium sized, 100 or 200 store chains, as well as the major chains will start to remodel and upgrade stores that have been opened for 10-15 years, in lieu of building and developing new ones at the same pace we have been experiencing, I'm certain the R.O.I. will be considerably better.

In summary, I feel the future is strong for the industry. The growth potential is certainly still here, the potential for new and untried products

and services is here, and we, as a growth oriented industry, are going to have to become more sophisticated like our supermarket big brothers to capitalize on the potential of the 1980's.

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