

## Gas Stations: What I'm Seeing – July 2015



In last month's issue, fuel pricing strategies and resulting gross profit were discussed with the balanced approach being most profitable. Utilizing the same data set and operator's fuel strategy from last month, the following averages are calculated:

Gas Station C-Store (Averages)						
Operator Fuel Strategy	% of Stations	Store Size SF	Annual Store Sales PSF	Monthly Store Sales x	Profit Margin	= Monthly Gross Profit
Low Volume / High Margin	22%	3,122	\$407	\$105,812	24%	\$25,698
<b>Balanced Volume / Margin</b>	<b>62%</b>	<b>3,307</b>	<b>\$400</b>	<b>\$110,154</b>	<b>27%</b>	<b>\$29,203</b>
High Volume / Low Margin	17%	2,847	\$406	\$96,384	28%	\$27,459

Source: ACG Database - 65+ records

As with the conclusions of last month's analysis, the "balanced" approach is indicating higher profitability (and is by far the most popular). The balanced operators typically cater to a more diverse customer base with a wide array of store conveniences that generate customer loyalty and higher sales. This leads to a follow up question: "What drives store sales?" Looking at the data above, the store size appears to be a factor. What about geographic location, local demographics, traffic counts, branding, product mix, deli or other characteristics?

A July 2015 NACS (National Association for Convenience & Fuel Retailing) blog post sheds some light on these questions. The article indicates that a 110-store franchisee owner of 7-Eleven branded gas stations in Oklahoma unveiled plans for new format c-stores that are larger in size with a kitchen and expanded foodservice, more coffee selections and patio seating. According to the president of the holding company "We don't have anything made-to order yet, but that's the direction the market is going."

Circle K and Wal Mart are also testing large format concept stores with expanded food service offerings, while Maverik has entered the eastern Washington/Oregon regions with large format "Adventure" stores that feature deli service, private label food and healthy choice options. Closer to home, new construction of gas stations along the I-5 corridor in Oregon are reflecting these same trends. Today's modern gas station c-store is getting larger and competing with local fast food, restaurants and in some rural areas, local grocery stores.

Stay tuned as we continue to dig deeper into the data searching for answers.

**Please call anytime if I can be of assistance in Oregon or Washington:**



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\*Store Gross Profit Margin is calculated as (Annual Sales - Cost of Goods Sold) / Annual Sales