An Elf/Spar forecourt convenience store in South London.

CONVENIENCE STORES
A ROAD TO PROFIT

Convenience stores, in the UK for 11 years now, have taken off in the past two years. Convenience retailing, increasingly on forecourt sites, has changed the face of the local neighbourhood store. Andrew Don tells the story so far and makes some predictions

Convenience trading is arguably one of the most exciting developments in UK retailing since the advent of the enclosed shopping centre.

The US is more accustomed than we are to this type of trading. Circle K, the world's second largest C-store group opened its first store in El Paso, Texas in May 1951. Today, there are about 3,500 Circle Ks in the US alone, 200 in Japan, nearly 200 in the UK and there are plans to open in three European countries during 1988.

It is only exceeded by Southland, the 7-Eleven owner which has almost four times as many stores world wide although Circle K promises to take the lead by 1997.

In the US, C-stores account for 10 percent of the grocery market. Here, it is just 2.2 percent, according to Circle K estimates, but increasing fast.

There are several thousand food outlets which can be properly classified as convenience in a market worth at least £1,500 million.

The prime qualification for the convenience tag is to open all hours selling a limited depth of range across a vast number of product areas. A typical store will sell newspapers, food, videos, emergency items and take-away snacks as a bare minimum.

The average total spent per customer ranges from £1.50 to £3 but viability depends on high margins, volume traffic and long, convenient trading hours — convenient to the customer, not the retailer.

The UK has a mixed market. There is the US involvement — Circle K and 7-Eleven. Circle K is the most acquisitive, swallowing up companies, vacuum-like. In the last year alone it has bought 44 Eversheds, 16 Corners, 82 Sperrings, eight Zipin, 10 John Quality and five Dales.

News Corporation bought a 50 percent stake at the end of last year increasing Circle K's spending power independent of its US parent.

7-Eleven, which previously operated under licence to Guinness, now operates under Matheson, a subsidiary of the Hong Kong giant Jardine Matheson, which also has a majority stake in Lancaster, the prestige car dealer group.

The UK 7-Eleven chain has just completed a refurbishment programme of 30 stores and 15 new sites are planned for this year bringing the total to 63 — a somewhat slower development than Circle K.

Then there are the co-operative chains — Late Shops or All Hours — Eight till Eight and the voluntary chains such as Spar's 8 till Late and VG's Late Stop.

But convenience retailing's short history in the UK has been fraught. Cullen's expects more than £5 million losses when its end of year figures come out in June. New chains are waiting to make their mark. Prime Euro Foods has opened Max Easy Hours in the Kenton Road, Middlesex. If the pilot is successful, a chain is envisaged. Chicago-based Convenient Food Mart breaks into the UK this summer with plans for 100 stores operating on low margins.

The first generation of C-stores in this country were very much experimental and even the big boys have changed design and format more than once to get it right.

But optimism is more abundant than hard statistics. As Axe stores managing director Ken Dorward told the leading grocery trade newspaper, *Super Marketing*, last June: 'No one has really proved convenience retailing yet'.

This rings especially true in the garage forecourt arena, a concept which is commonplace in the US. Southland made its mark there when it bought a stake in an oil company Citgo. It now has 4,000 sites there.

Circle K does not own an oil company, nor does it intend to but it now has 12 forecourt shops in the UK and plans to have more than 20 percent of its stores on forecourts by 1992. It plans about 700 C-stores in total in the UK by this date.

7-Eleven has just one UK forecourt site at East Molesey, Surrey. Managing director Michael Radmore continues to express interest in forecourts but at the date of writing no deals have been struck.

One industry expert told *Super Marketing* at the end of last year that oil companies were using forecourt convenience stores as loss leaders.

Despite this, many operators are moving on to forecourts because it is increasingly difficult to find outside sites and site costs are going through the roof. One oil company spokesman said the operators would eventually get it right, but there might be a few dead bodies on the way.

Petrol sales in many garages go through the same till as the C-store purchases and often C-store retailers — even when they are independent operators — get a basic cut of petrol sales which helps boost their turnover.

Oil companies and retailers are loathe to talk about their C-stores' profitability as separate entities.

Where a garage C-store serves a neighbourhood and is the only such store in the district you have to be

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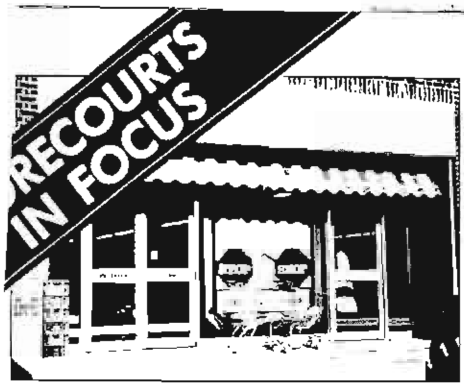

A Co-op Stop Shop in Hungerford, Berkshire.

inept not to profit, but trading can be difficult in areas that are served by a number of such stores.

It is not unknown for there to be three C-stores within a quarter mile of each other.

Lack of parking facilities can be a problem on forecourts with people leaving their cars at the pump and causing an obstruction. But oil companies and C-store operators clearly have faith in the concept, with more stores opening each month. Esso, Mobil, BP, Conoco, Gulf Oil, Total, Texaco, Amoco, Petrofina, Elf Oil and Ultramar Golden Eagle — since taken over by Q8 — are all active in this field.

Only this year, USM-listed DC Cook announced its intention to link with Spar. DC Cook has about 100 forecourts available through its property arm Action 200.

Every square inch of a garage site has to earn its keep. Forecourt shops aid total site profitability in an age when Britain's 20,000 forecourts are closing at the rate of up to 1,000 each year. Last year, 444 closed.

The forecourt shop aspires to replace the corner shop and village store which are disappearing fast under threat from town-centre supermarkets.

Esso took 500 of its retailers to a conference in Florida last year. They saw how forecourt stores operated in Orlando and now Esso wants to introduce this style in the UK. Shell has undertaken detailed research into how to improve forecourts. It seeks to have a standardised store so the motorist knows what to expect throughout the country.

BP has Food Plus and it stresses the importance of opening sites where the village store has closed. BP has about 800 shops.

Wholesaler Booker Retail Services first anticipated the boom in garage forecourt retailing three years ago when it formed a national accounts division to deal specifically with petrol station stores. Booker now offers retailers a total personalised package which sets the operation up from grass roots level.

Mace has its Mace Line Convenience Express Package and Moffat unveiled a tailor-made package last year.

The frenetic activity indicates that oil companies, together with the food and allied industries are determined to make forecourt retailing in the UK as successful as in the US.

But this is not the US, and companies that are inflexible in their approach and insist format-is-format-is-format are in for a shock.

It is anyone's guess what the future has in store but here are a few educated predictions.

☐ Availability of microwaveable take-away snacks will extend to cooked food counters and in-store sit-down food concessions.

☐ Convenient Food Mart will come in on low margins and put pressure on others to drop their prices. This will either kill off CFM or some of the more vulnerable stores.

☐ As sites become difficult to find, an increasing number of stores will set up on forecourts. Through size limitations, the C-store will decrease in size. This will require heavy and efficient product rationalisation. The Mini K store of the future is not far off.

☐ Convenience trading hours will become 24 hours.

☐ A compromise on the Sunday trading laws will be reached before the next general election.

☐ Circle K will achieve world domination by 1997.

☐ A variation of the C-store theme will appear on motorway service stations and trunk route locations.

☐ An increasing number of C-stores will use geodemographics — sell what the local community demands rather than have a standard format. They will learn by their mistakes here or perish.