



Segmentation of Independent C-stores

Part 5

Independent C-store Segmentation

BACKGROUND

- ❖ The c-store industry continues to be dominated by independent operators, accounting for nearly two-thirds of all stores.
- ❖ Independent (1-4 stores) operators differ dramatically in size, store characteristics, product mix, source of supply, volume and the customers they serve.
- ❖ Gaining a better understanding of this independent-retailer universe, by both retail operators and manufacturers, will facilitate category and item management and the offering of the optimal assortment of products to satisfy shoppers' needs.
- ❖ To that end, in collaboration with key manufacturers, MSA took on the challenge of developing a broad-based segmentation of the independent c-store universe.
- ❖ This effort, undertaken in 2012, was a first-of-its-kind cross-category segmentation of the 70,000+ stores that comprise the independent c-store universe among participating manufacturer data sources.
 - Universe was segmented into groups based on key performance characteristics across multiple categories.

Independent C-store Segmentation

CATEGORIES STUDIED

- ❖ The **categories in the study** include warehouse-delivered products for:
 - Cereal
 - Cigarettes
 - Confections
 - Health & Beauty
 - Home & Auto
 - Nutritional Snacks
 - Other Tobacco Products
 - Salty Snacks
 - Sweet Snacks
 - RTD Tea
 - Water

- ❖ For the purpose of this study, the category and item measurements are related solely to the data provided by the participating manufacturers

Independent C-store Segmentation

MANUFACTURER STUDY PARTICIPANTS



Independent C-store Segmentation

SEGMENTATION SUMMARY

Characteristic	“Traditional” Loyalists	Small Town Mom n’ Pop	Urban Hispanic	Smaller Metro Cigarettes	Variety	Smaller Southern	High Volume Southern	Full Service Eastern
Geography Concentration	National	National	Pacific & Middle Atlantic (PA/NY/NJ)	National	New England, Mid Atlantic, and Southeast	South Atlantic and South East/Central	Southeast /Central	New England, Rust Belt & Appalachia
County Concentration	Suburban & Rural	Rural	Urban	Urban & Suburban	All	All	Suburban & Rural	Suburban
Store Size	●	●	●	●	●	●	●	●
Category* Breadth	●	●	●	●	●	●	●	●
Item* Count	●	●	●	●	●	●	●	●
“Core” Items*	●	●	●	●	●	●	●	●
Volume Performance	●	●	●	●	●	●	●	●



Higher Than Average**



Average**



Lower Than Average**

*Categories and items of manufacturers participating in this study

**Averages indicate performance for a segment on a row characteristic relative to all other independent c-stores in this study

Independent C-store Segmentation

SEGMENTATION STORE GROUPS

The analysis revealed eight distinct groups of independent c-store segments. Most of these segments are nationally-represented, with several regional groups identified. The segments are:

1. **“Traditional” Loyalists**: National segment of “traditional” high-volume, full-service c-stores
2. **Small Town Mom & Pop**: National cluster of low-volume, small-town “mom & pop” type stores
3. **Urban Hispanic**: Urban Hispanic segment on both coasts
4. **Smaller Metro Cigarettes**: Smaller metro cigarette stores
5. **Variety**: Smaller variety-type stores found heavily in the northeast
6. **Smaller Southern**: Smaller stores with a focus on snuff/chew and confections in the south
7. **High Volume Southern**: Extremely high-volume, suburban stores in the southeast
8. **Full Service Eastern**: Large, high-volume, full-service stores in the northeast & Rust Belt

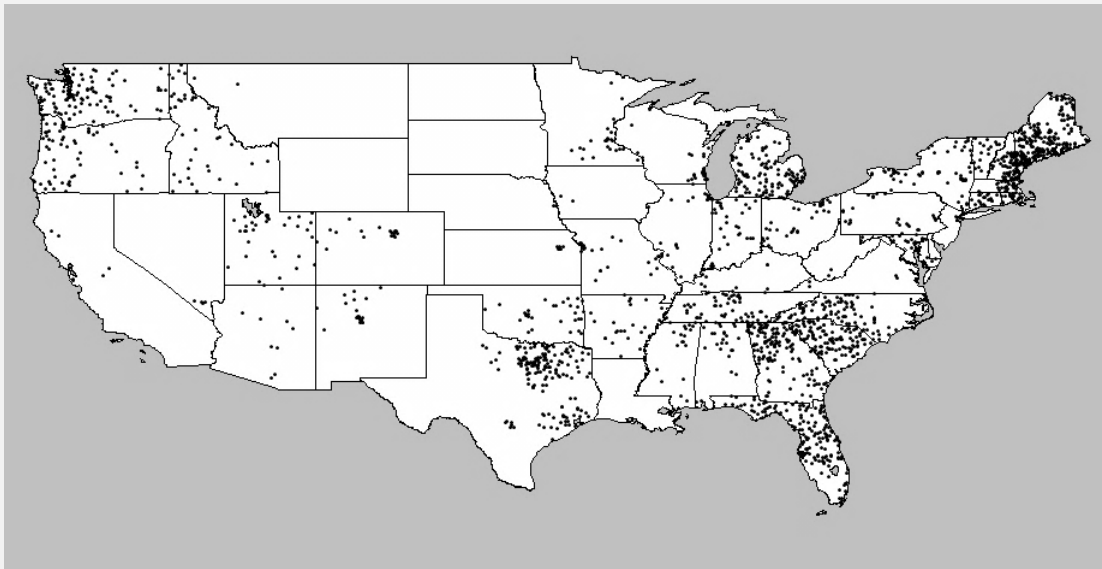
Read more to learn about the characteristics of the 7th and 8th clusters.

Independent C-store Segmentation

1. "TRADITIONAL" LOYALISTS

Segment Characteristics:

- Mid-sized, high volume and large variety stores located in more suburban and rural areas
- No dominant geographic region
- Generally found in less competitive areas (fewer C-stores within the zip code)
- Extremely high index (higher than average) to stock core* items
- Higher than average growth in non-tobacco categories
- High turnover on inventory
- Extremely high index on carrying shippers/promotions



Total volume: High
Category count: High
Item assortment: High

Index high on all categories*, except cigarettes

Retailer Implications:
Stock a large SKU assortment across varied categories, including new products

Place shippers and promotions in high traffic locations to drive sales

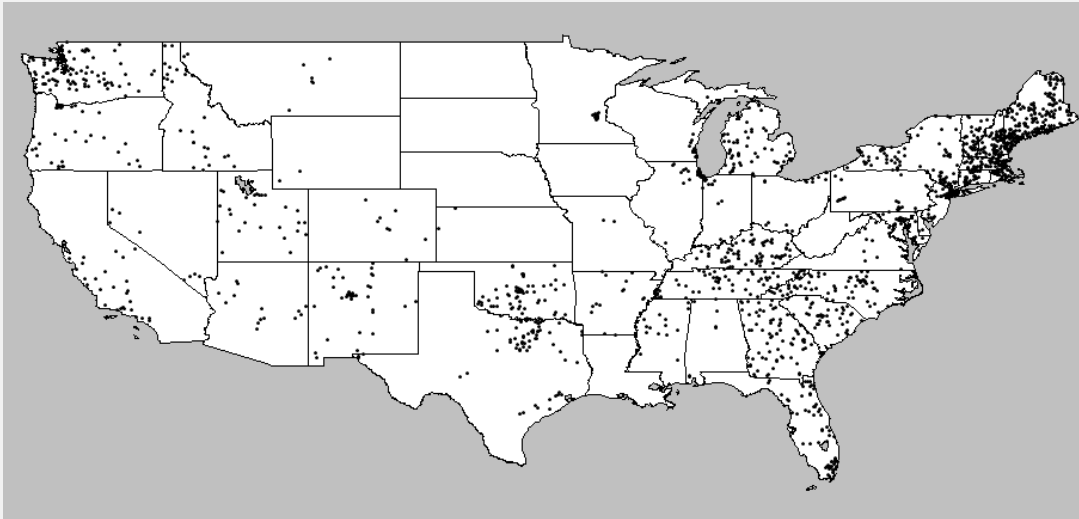
*Defined as the categories and items of manufacturers participating in this study (refer to page 3)

Independent C-store Segmentation

2. SMALL TOWN MOM N' POP STORES

Segment Characteristics:

- Stores with relatively lower volume and less variety; higher than average volume growth
- Found across the entire US and all county types, with high representation in rural areas
- Low index on assortment, category* variety and stocking core* items
- Low cigarette volume; Price conscious shoppers
 - Highest discount cigarette index
- Salty snacks only category with strong development



Total volume: Low
Category count: Medium
Item assortment: Low

Retailer Implications:
Keep sufficient inventory of best sellers, especially of Salty snacks, to maintain loyal customers

Stock cigarette brands that will meet the needs of price conscious buyers

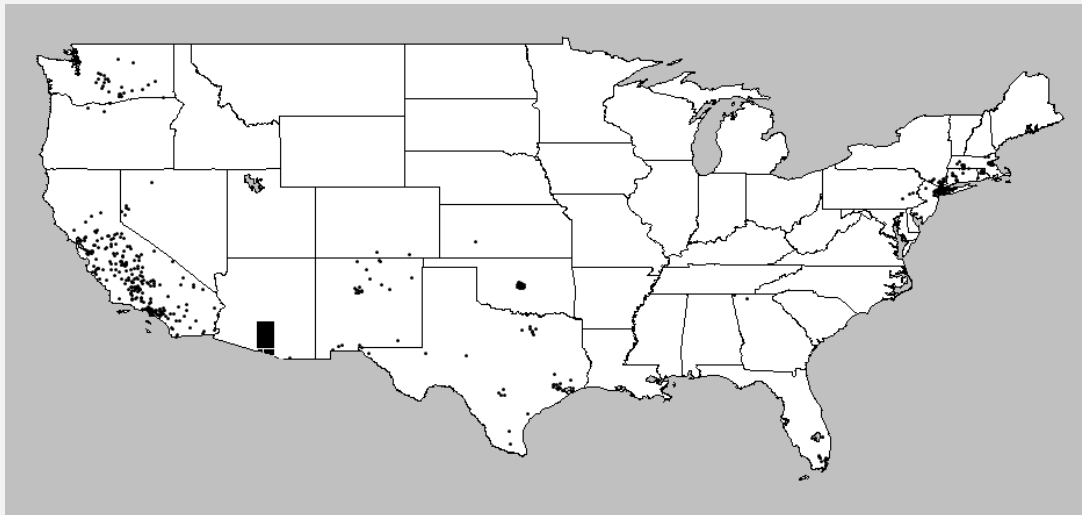
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Independent C-store Segmentation

3. URBAN HISPANIC STORES

Segment Characteristics:

- Average store size and average variety, with low number of core* items
- Located in heavily Hispanic urban areas, including the Pacific & NYC areas
- Relatively younger demographic of shoppers
- Operate in highly competitive areas
- Generally average indices on categories* offered
 - Health and beauty, salty snacks and cigarettes are highly developed categories
 - Higher than average growth in non-tobacco categories



Total volume: Medium
Category count: Medium
Item assortment: Medium

Retailer Implications:
Offer mix of products that appeal to Hispanic and younger shoppers

Stock a selection of Health and Beauty, Salty Snacks and Cigarettes

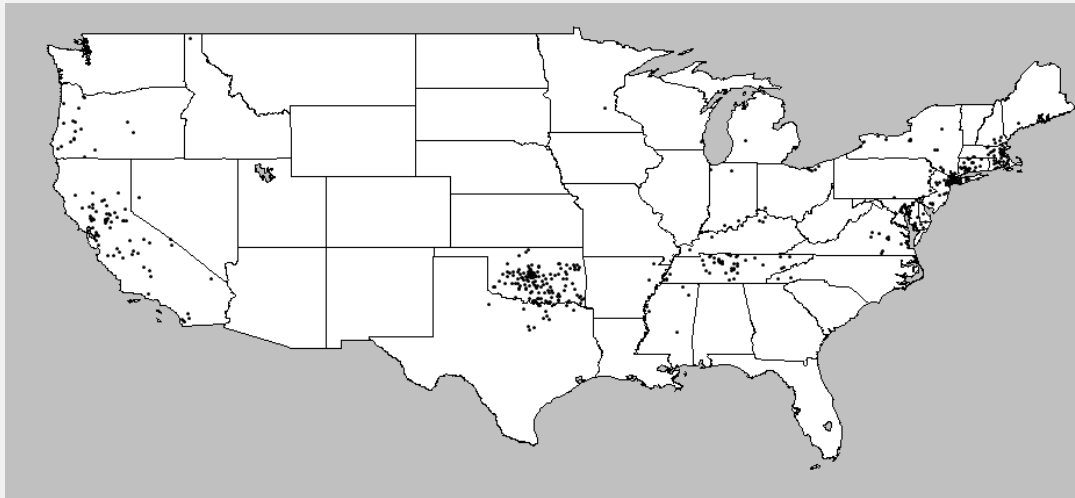
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Independent C-store Segmentation

4. SMALLER METRO CIGARETTE STORES

Segment Characteristics:

- Low total volume for segment, but best performing segment in terms of volume growth
- Smaller-sized urban & suburban stores spread throughout the country
- Less likely to sell gas
- Limited categories* and core item* counts
 - Primarily tobacco and confections
 - Vast majority of known store volume from tobacco
 - High development on premium cigarettes



Total volume: Low
Category count: Low
Item assortment: Medium

Retailer Implications:
Higher index stores for selling tobacco, especially premium cigarettes, so ensure top sellers are always in stock

Stock an assortment of best selling confections

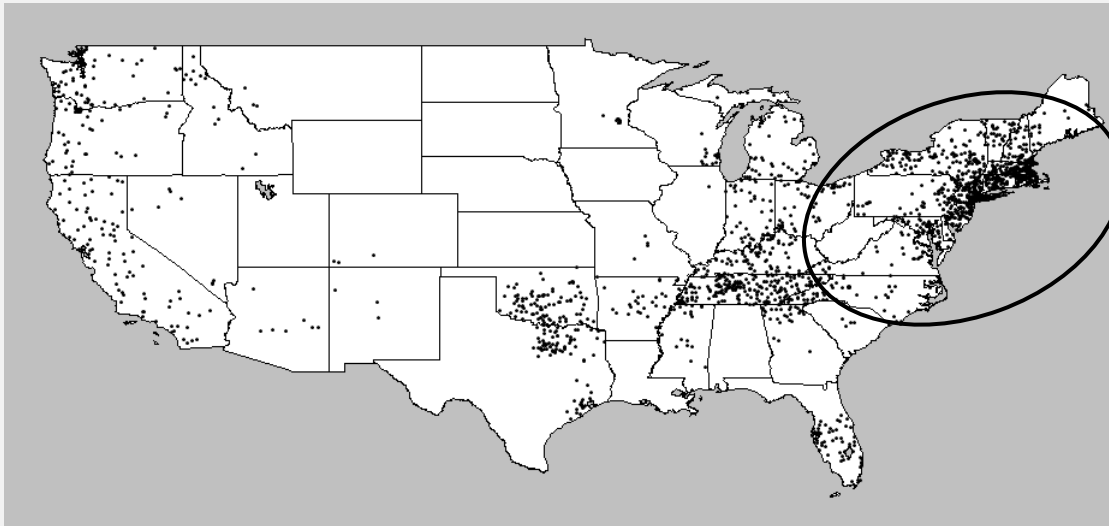
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Independent C-store Segmentation

5. VARIETY STORES

Segment Characteristics:

- Full service, medium-sized stores, in all county types, with roughly two-thirds located in New England, Mid Atlantic, and Southeast areas
- Higher concentrations of Caucasian in these zip codes
- Segment with highest number of stores, but declining store volume
- Broad assortment mix, but with lower turns per category
 - High volume on cigarettes but lower on other tobacco product (OTP) categories
 - Overall high indices on all other categories



Total volume: Medium
Category count: High
Item assortment: High

Retailer Implications:
Carry a broad assortment mix, with adequate stocking on higher turning categories

Stock top selling cigarette products, with relatively less focus on OTP categories

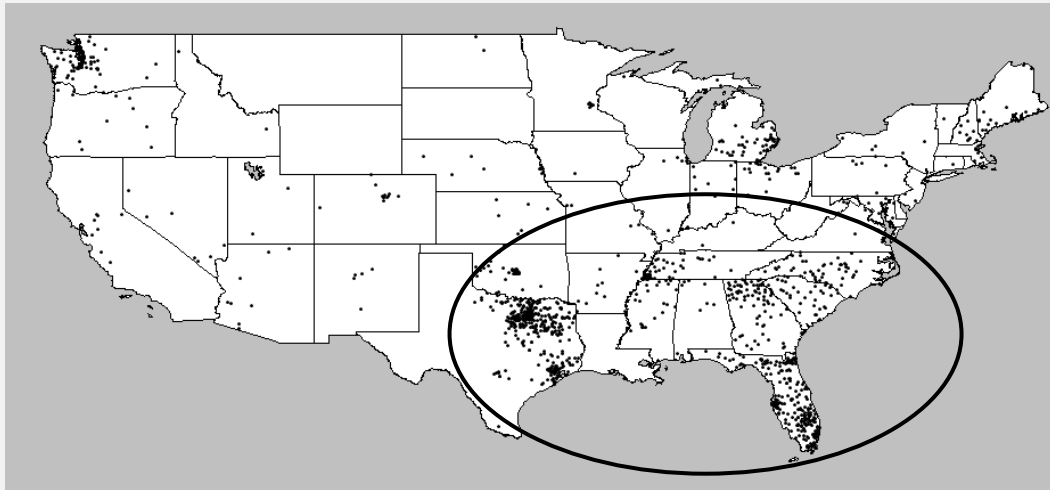
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Independent C-store Segmentation

6. SMALLER SOUTHERN STORES

Segment Characteristics:

- Mid-sized, mid-volume stores, found in all county types, with three-quarters located in the South Atlantic and South East/Central
- Stores in areas with higher African-American population
- One of the smaller volume segments; relatively worst performing segment vs. year-ago
- Limited category* variety and assortment, with confections & OTP driving volume
 - High index on take-home items (larger-sized, lower-cost pack types and HBA)
 - Very low development on household items



Total volume: Medium
Category count: Low
Item assortment: Low

Retailer Implications:
Stock top selling OTP
(smokeless & cigars) and
confections

Carry assortment of take-
home items (larger pack types
and health and beauty aids)

Carry products that meet
needs of African-American
demographic

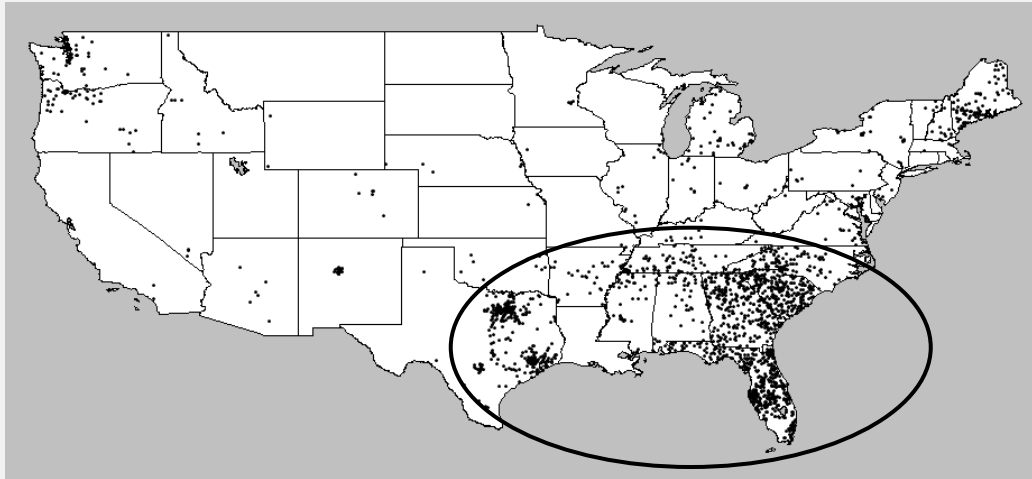
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Independent C-store Segmentation

7. HIGH VOLUME SOUTHERN STORES

Segment Characteristics:

- Larger-sized stores, located in suburban & rural areas, mainly in Southeast US
- Stores in areas with higher African-American population
- Extremely high volume stores; the largest total store volume of all segments
- Broad category selection, with average SKU selection
 - High index on OTP: snuff & chew and cigars
 - High menthol share of cigarettes
 - Relatively larger volume losses in tobacco category
 - Better than average performance in non-tobacco categories



Total volume: High
Category count: Medium
Item assortment: Medium

Retailer Implications:
Stock broad assortment of categories*

Carry top selling SKUs, particularly in OTP (snuff, chew and cigars), as well as menthol cigarettes

Carry products that meet needs of African-American demographic

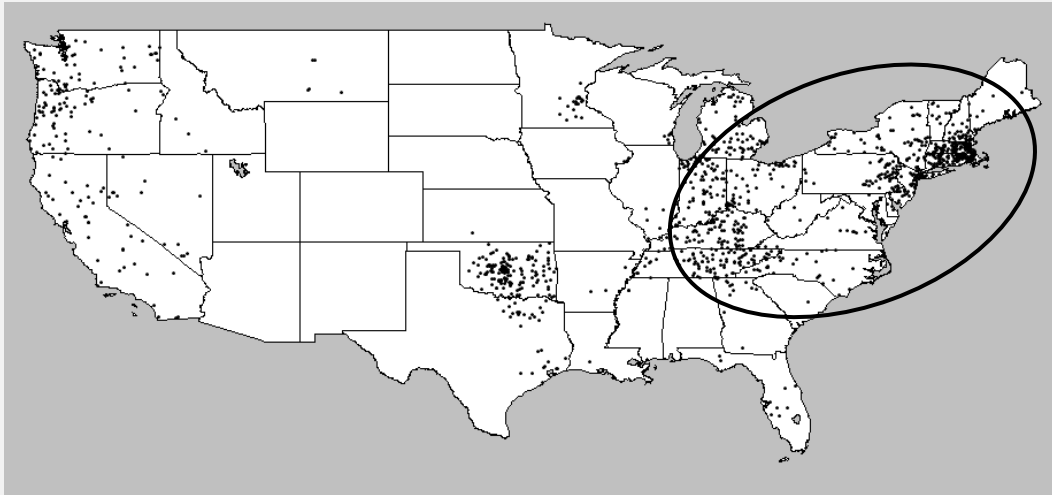
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Independent C-store Segmentation

8. FULL SERVICE EASTERN STORES

Segment Characteristics:

- “Chain-like”, large suburban stores with high representation across the eastern US (New England, Rust Belt & Appalachia)
- Stores tend to be located in less populated and less competitive areas
- Stores in areas with higher Caucasian population
- Very high volume stores
- Large SKU variety across broad assortment of categories
 - Ranks high on stocking core items across manufacturers
 - High Cigarettes / Low OTP development
- Stores receptive to new item introductions; high volume on promotions/shippers



Total volume: High
Category count: High
Item assortment: High

Retailer Implications:
Stock large SKU variety
across broad assortment of
categories*

Carry sufficient inventory of
top selling cigarette items

Place shippers and
promotions in high traffic
locations to drive sales

Independent C-store Segmentation

SUMMARY OF RETAILER IMPLICATIONS

1. "TRADITIONAL" LOYALISTS

Retailer Implications:
Stock a large SKU assortment across varied categories, including new products

Place shippers and promotions in high traffic locations to drive sales

2. SMALL TOWN MOM N' POP

Retailer Implications:
Keep sufficient inventory of best sellers, especially of Salty snacks, to maintain loyal customers

Stock cigarette brands that will meet the needs of price conscious buyers

3. URBAN HISPANIC

Retailer Implications:
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4. SMALLER METRO CIGARETTES

Retailer Implications:
Higher index stores for selling tobacco, especially premium cigarettes, so ensure top sellers are always in stock

Stock an assortment of best selling confections

5. VARIETY

Retailer Implications:
Carry a broad assortment mix, with adequate stocking on higher turning categories

Stock top selling cigarette products, with relatively less focus on OTP categories

6. SMALLER SOUTHERN

Retailer Implications:
Stock top selling OTP and confections

Carry assortment of take-home items (larger pack types and HBA)

Offer products that meet needs of African-American demographic

7. HIGH VOLUME SOUTHERN

Retailer Implications:
Stock broad assortment of categories

Stock top selling SKUs, particularly OTP and menthol cigarettes

Carry products that meet needs of African-American demographic

8. FULL SERVICE EASTERN

Retailer Implications:
Stock large SKU variety across broad assortment of categories *

Carry sufficient inventory of top selling cigarette items

Place shippers / promotions in high traffic locations to drive sales

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