Segmentation of Independent C-stores

Part 3

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.

o 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:

- o Cereal
- o Cigarettes
- o Confections
- o Health & Beauty
- o Home & Auto
- o Nutritional Snacks
- o Other Tobacco Products
- o Salty Snacks
- o Sweet Snacks
- o RTD Tea
- o 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

Tobacco Manufacturer

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 3rd and 4th 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
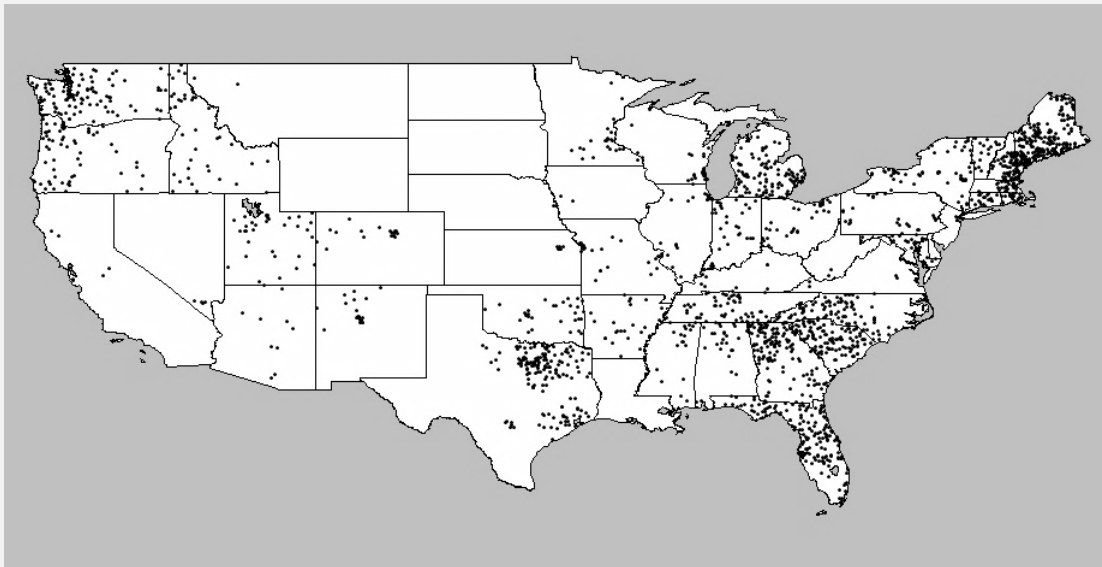
Total volume: High
Category count: High
Item assortment: High

Index high on all categories*, except cigarettes

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

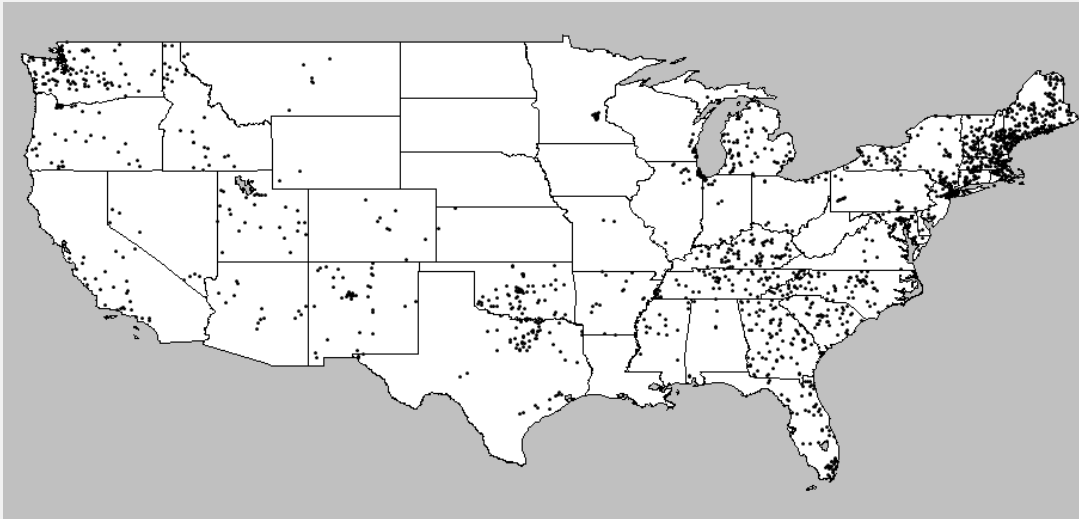**Place shippers and promotions in high traffic locations to drive sales**

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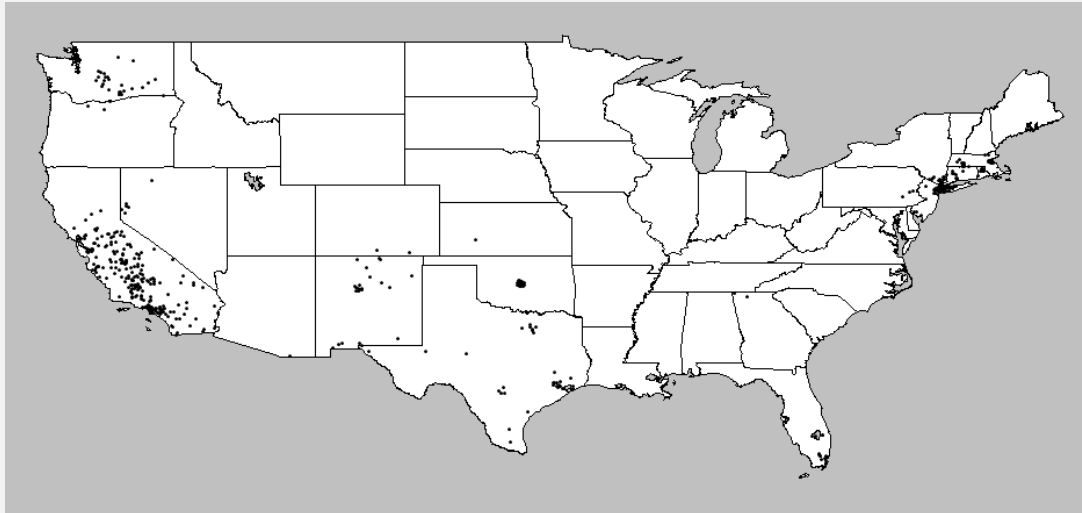
*Defined as the categories and items of manufacturers participating in this study (refer to page 3)

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
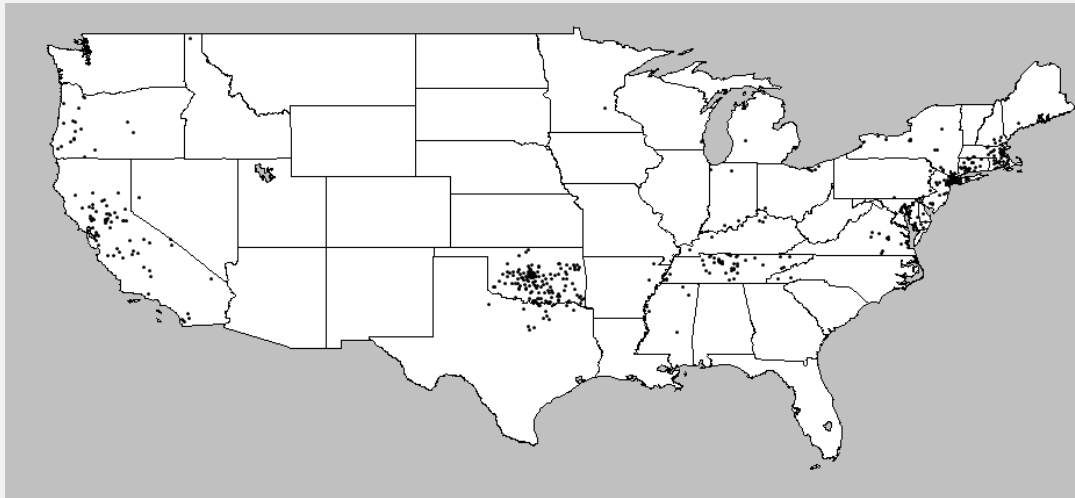
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Independent C-store Segmentation

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

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

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

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

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:

Coming soon

6. SMALLER SOUTHERN

Retailer Implications:

Coming soon

7. HIGH VOLUME SOUTHERN

Retailer Implications:

Coming soon

8. FULL SERVICE EASTERN

Retailer Implications:

Coming soon

*Defined as the categories and items of manufacturers participating in this study