

# Tomorrow's Convenience Model

By Kevin Coupe

Elevated competition — from hypermarkets and other sources — does not stop convenience store operators from gaining customers, market share, and revenue. Far from it...as illustrated by these four retailers with different stories and different approaches to competition that have taken them into new and sometimes unusual venues.

## No pain, no gain.

For gasoline retailers and convenience store operators in the United States, that statement may not be as much an aphorism as a rationalization. After all, what retailer actually wants a hypermarket to come to town, open gasoline stations, and undercut traditional petroleum retailers on price?

For some retailers, however, that's exactly how they look at it.

"Absolutely," says Patrick Lewis, CEO of Oasis Stop 'n Go Convenience Stores in Twin Falls, Idaho, who says that new and aggressive competition forced the company to realize that "we're not in the gasoline business. We're in the convenience business, and we have to find new ways to make money."

Randy Godsell, general manager of the Mallard Oil Company in Morehead City, North Carolina, sees the challenge in starker terms: "It is critical for us to be at the front side of the five-year curve, not the back side."

As of April this year, some 1,900 hypermarkets — for purposes of this discussion, defined as any mass retailer that sells gasoline — peddled petroleum in the United States. While this number is dwarfed by the 97,000-plus convenience stores that sell motor fuels, these hypermarkets generally drive prices down in order to generate customer traffic and attract shoppers into stores. They don't play by the same rules that convenience retailers traditionally have adhered to. For them, the end game is characterized by more shoppers and less competition, the short-term economics of gasoline sales be damned.

And it will get worse. The number of hypermarkets that will sell fuel is expected to triple to 6,700 sites by 2005.

Which means the pain has just begun.

It does not, however, mean that the ability to gain customers, to gain market share, and to gain revenue has ceased. Far from it.

NACS Magazine decided to look at four retailers in four parts of the country — Idaho, Virginia, North Carolina, and

