SKUPOS

COVID-19's Impact on the Convenience Retail Market

2020 Q1-Q2 Store Level Trends

The Convenience Retail Bounce Back

2020 has been filled with uncertainty — and as the United States continues to fight COVID-19, Skupos is continuing to monitor overall trends within the convenience store industry.

Based on market analysis from 2019, convenience store revenue was projected to grow by 5.4% this year.[1] And although we are facing a once-in-a-lifetime global pandemic that has impacted all sectors of the economy, the convenience retail industry as a whole has shown resilience, experience growth in key areas despite facing challenges in others. We can also look to the last recession as proof of c-stores ability to thrive in difficult economic times. In 2009, despite the overall retail industry experiencing negative growth, convenience retail in-store sales grew 4.9%.[2]

So keeping that in mind, let's take a look at several key revenue areas from Q1 and Q2 of this year, including in-store, fuel, and beer. While we saw changes starting in March, we've also seen evidence of why c-stores have often been touted as "recession-proof."[3]

Key Takeaways

- Monthly in-store revenue experienced strong growth in the first half of 2020, **up 6.7% from the same time period in 2019**

- Decreases in travel due to stay-at-home orders, as well as gas prices hitting a 20-year low, contributed to significant decreases in fuel revenue, including a **15% year-over year (YOY) volume decline in fuel gallons**

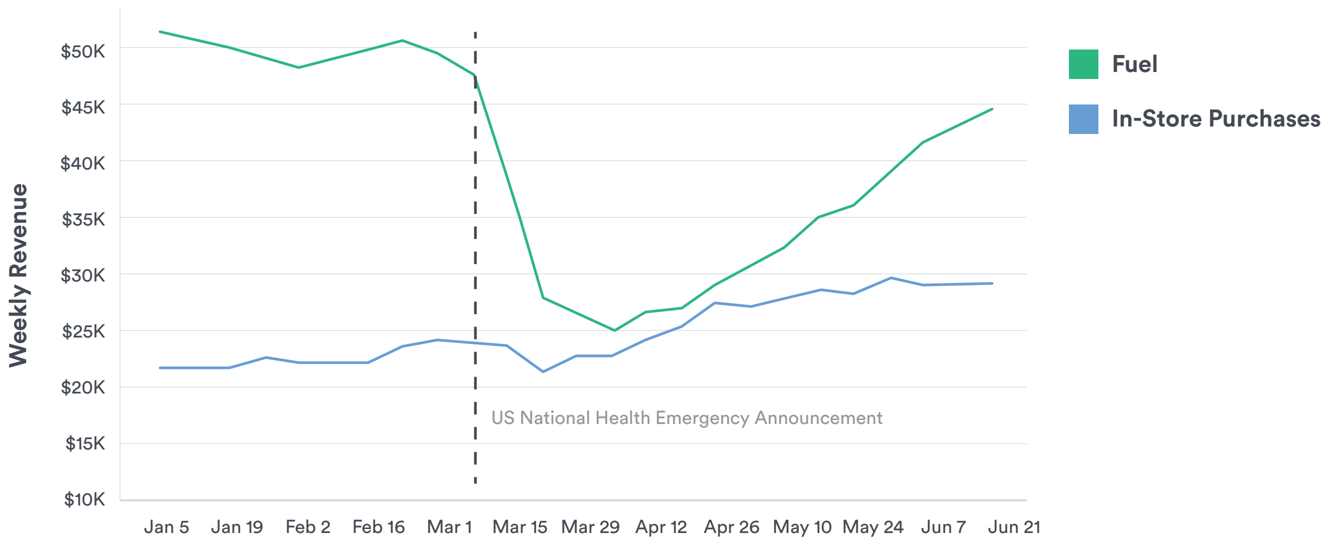
- Alcoholic beverage sales soared, with monthly in-store revenue for AB InBev and Molson Coors products increasing **by 9.4% in Q2 of 2020**

[1]"Discount, Convenience Stores to Grow Fastest in U.S., Reflecting Consumer Focus on Price, Speed." Edge by Ascential, 17 October. 2019, https://www.prnewswire.com/news-releases/discount-convenience-stores-to-grow-fastest-in-us-reflecting-consumer-focus-on-price-speed-300940034.html. Press release.

[2]"Convenience store growth competitive quandary for Sam's Club." Chain Store Age, 06 June 2012, https://chainstoreage.com/news/convenience-store-growth-competitive-quandary-sams-club.

[3]Goldstein, Joel. "Why and How Convenience Stores Can Become Recession-Proof." Forbes, 25 June 2020, https://www.forbes.com/sites/forbesbusinessdevelopmentcouncil/2020/06/25/why-and-how-convenience-stores-can-become-recession-proof/#734f8c27fb0e.

Average Weekly Revenue per Store (In-Store and Fuel)



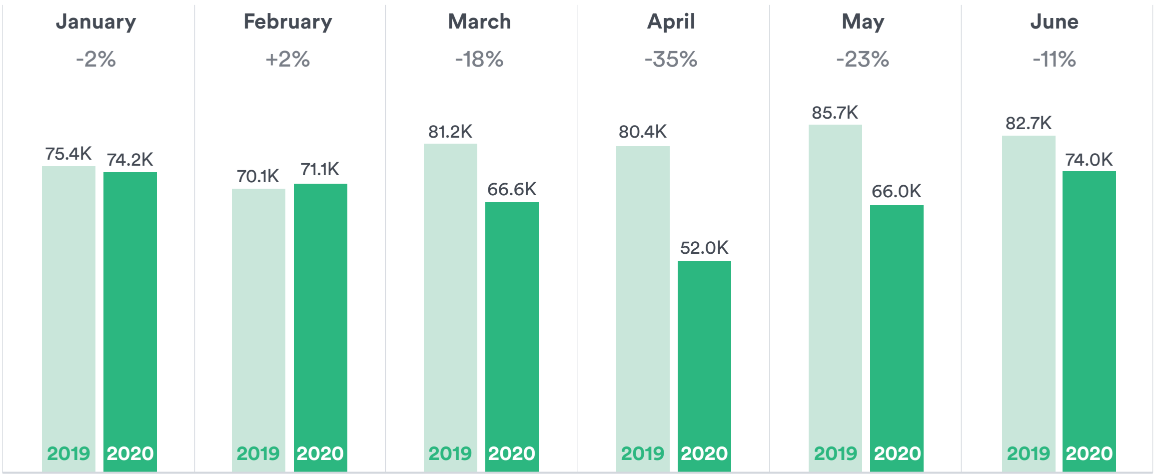
Average weekly fuel revenue per store took a major dip amidst nationwide shut downs in mid-March. Fuel started crashing the week of March 8th, dropping by 47% to its bottom the week of April 6th when fuel and in-store sales nearly met for the first time this year. In comparison, in 2019, fuel sales accounted for around 70% of average weekly revenue per store. During this same time frame in 2020, fuel sales accounted for roughly half of average weekly revenue per store. The sharp decline in dollar fuel sales was the result of the “one-two punch” of decreases in travel due to stay-at-home orders combined with gas prices hitting a 20-year low.

In-store revenue took a significantly smaller hit to top-line revenue, dropping by only 5% during the 30 days directly after nationwide shut downs. By the end of June, in-store revenue was up 37% from this year’s low the week of March 22nd. And while it’s great to see store revenue bouncing back, let’s take a look at some data from 2019 to help provide a little more context.

Average Monthly In-Store Revenue per Store

With consumer purchase behaviors shifting amidst the pandemic, March and April saw minimal growth YOY. However as people grew more accustomed to measures put in place to combat COVID-19, in-store sales bounced back, and even showed YOY growth. Monthly in-store revenue per store was up 11% and 13% YOY in May and June respectively, indicating that customers returned to convenience stores in full force.

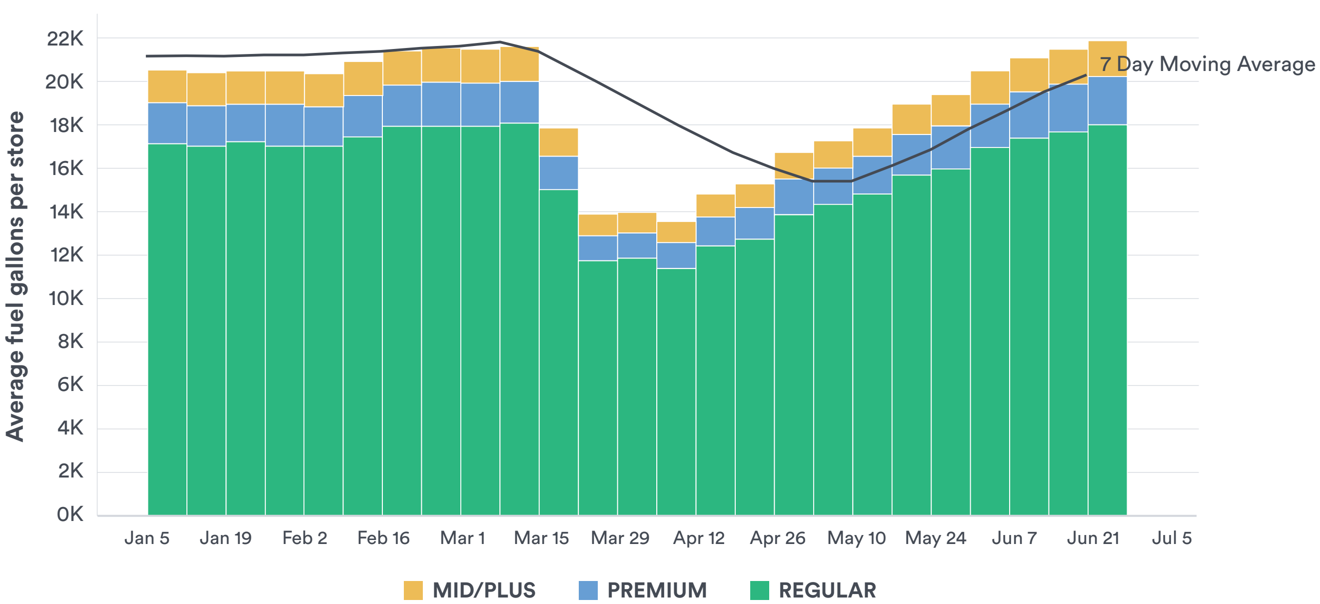
Average Monthly Fuel Gallons per Store



Fuel has yet to recover and reach 2019 volumes. The peak decline in volume occurred in April during the height of stay-at-home orders, when volumes were down 35% from the year prior. As states began to open back up and restrictions were lifted, volume steadily increased throughout the second quarter with June 2020 only ending down 11%.

This gradual recovery is expected, considering retailers typically see increased volumes during the summer. And although our summer might look a little different this year, consumers are still interested in getting away, just within driving distance. Surveys have indicated that while flight bookings are down as much as 90%, lodging bookings are down significantly less—which means fuel volumes will continue to rise.[4]

Impact of COVID on U.S. Fuel Sales

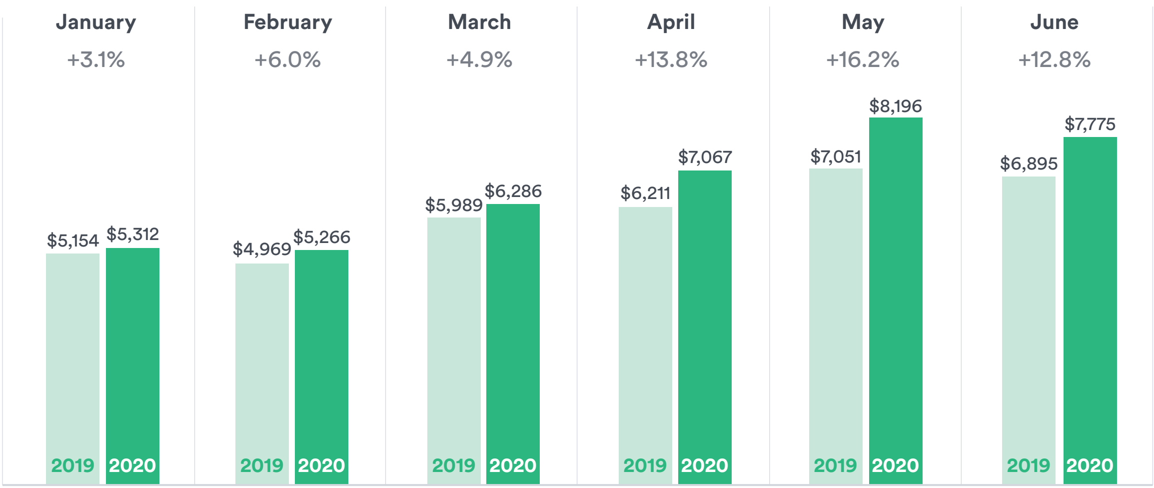


Across all fuel types, average weekly gallon sales per store plummeted the month after the US national health emergency announcement on March 13th. As restrictions eased across the country, gallon volumes have increased gradually to pre-stay-at-home levels as consumers have begun traveling again and driving to work more frequently. However, volume is still down YOY, which indicates that a portion of the population remains cautious about traveling.

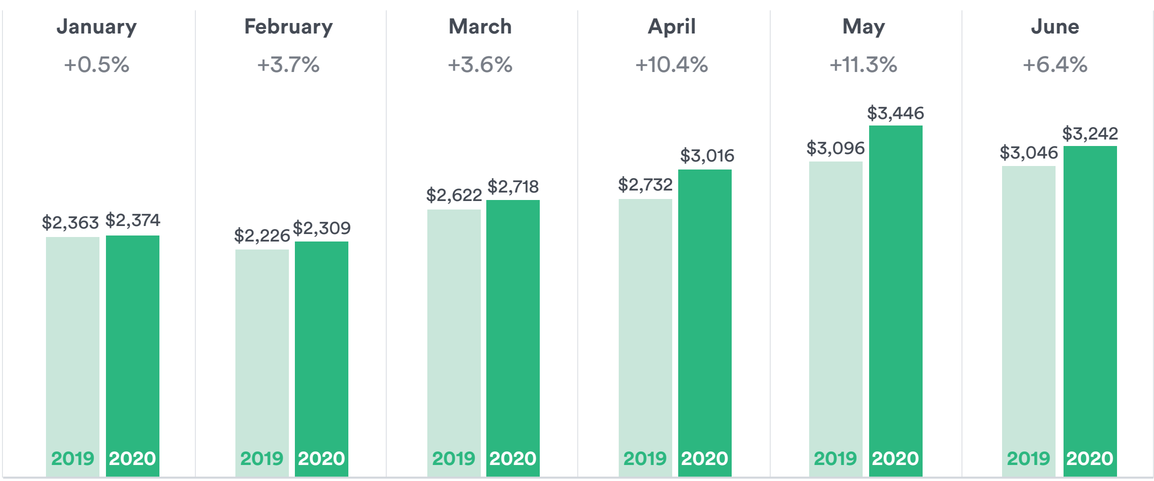
[4] "The Resurgence Of The Great American Road Trip." Pymnts.com, 09 May 2020, https://www.pymnts.com/travel-payments/2020/resurgence-of-the-great-american-road-trip/.

Average Monthly Revenue per Store - AB InBev and Molson Coors

AB InBev Average Monthly Revenue per Store



Molson Coors Average Monthly Revenue per Store



Monthly in-store revenue from AB InBev and Molson Coors products saw modest YOY increases in the first quarter of 2020. As COVID-19 shut down many bars and restaurants throughout March, April, and May, the second quarter saw higher monthly gains, with peak YOY increases from both companies occurring in May. And it's not just convenience retail that has seen this shift. In-store alcohol sales have increased across all retail formats, and are expected to continue to grow as consumers shift their consumption habits.[5]

[5]Hancock, Edith. "US Alcohol Sales Rise at Highest Rate Since Lockdown Peak." The Drinks Business, 13 May 2020, https://www.thedrinksbusiness.com/2020/05/may-us-alcohol-sales-rise-at-highest-rate-since-lockdown-peak/.