



Identifying Opportunity and Reducing Risk in U.S. Convenience Stores

Operators need to monitor the following risk areas to stay competitive in 2019:

1. Cybersecurity

Convenience stores should comply with PCI standards in order to protect cardholder information. Also be aware of skimming, in which devices are affixed to gas pumps and ATM machines to steal credit card information. C-stores should implement procedures to monitor pumps and ATM machines, and prevent and/or remove such skimming devices. Additionally, establish controls around the use of artificial intelligence to better understand consumer buying habits. Companies have until October 1, 2020 to comply with EMV chip card technology. Companies should invest in a proactive cybersecurity program which includes training programs to educate employees on common phishing scams.

2. Social Media & Mobile Technologies

Social media is increasingly becoming a part of everyday life. Incorporating social media into your business model can improve customer service and provide a low-cost alternative to traditional advertising.

More than half of all buying is expected to occur on mobile devices. Therefore, having mobile applications is crucial to achieving success. Incorporating a rewards program in an app can lead to customer loyalty and increased sales.

3. Food Service

Food service sales continue to drive the success of the convenience store industry, and you risk losing out on business if you do not invest in food service. Because customers are looking for healthier food options, the c-store industry has seen large sales increases in “better-for-you” items, with lunchtime traffic as the biggest opportunity. Five food service trends for 2019 per Bematech are: going green, customization, unique experiences, healthy options, and tech takeover.

4. Wage Rates

As many as 22 states, District of Columbia and 38 cities and counties could see increases to the minimum wage in 2019 per the National Employment Law Project. Approximately 17 million workers will benefit from the wage increase. This may result in workforce reduction and a shift to increased automation.

5. Regulation Compliance

Increased regulation may result in higher prices for products such as e-cigarettes and other vapor products, diet and energy drinks, and dietary supplements, or a ban on those products altogether. In addition, menu labeling regulations that took place on May 7, 2018 required increased menu labeling for chains with 20 or more locations. This change may cause consumers to avoid lower quality or less healthy food options and thus decreased food sales. Convenience stores must also comply with regulations regarding sales of alcohol, tobacco, and lottery tickets or face serious fines and penalties.

6. Softening Tobacco Market

While the tobacco market is stable, cigarette consumption is slowing as consumer demand flattens. E-cigarettes can be an important product line in c-stores, as almost half of adult smokers are looking for an alternative to cigarettes. Cigarette taxes have been rising, which will impact demand as well.

7. Shortage of Truck Drivers

A January 2018 report from American Trucking Association showed that more than 70% of goods consumed in the U.S. are transported by truck. Bloomberg reports the U.S. lacks up to 300,000 truck drivers. The average age of a truck driver is 55, so all industries need to work together to identify an expanded labor pool. Currently community colleges are expanding programs along with a focus on female and military veteran drivers. The shortage of truck drivers can create delays in shipments to stores, inventory shortages, and frustrated customers.

8. Environmental trends (Going Green)

Environmental trends are changing the landscape of c-stores. Plastic straws and disposable cups have been marked as ecological hazards. The industry needs to work together on finding alternatives to risk not losing its customer base.

[Read our 2018 Environmental Paper:](http://deandorton.com/industriesgoinggreen/)
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Beyond 2019, operators need to monitor competition from nontraditional c-store locations and sources. Amazon and Dollar General are both evaluating c-store options. Operators have also expressed concern in recruiting top talent and having to explore nontraditional labor pools. Additionally, significant changes in the automobile industry in the next 10 years will see autonomous vehicles, ride sharing programs and battery powered vehicles which will dramatically reduce the fuel supply provided by c-stores. C-stores provide approximately 80% of the fuel purchased in the U.S.