C-store revenue is up, but is that the whole picture?

Transaction data from more than 1,700 c-stores shows demand is actually in decline. We contextualized the numbers and interviewed consumers to find out what’s behind the shift in shopping behavior.

Last August, NACS shared that two in three (66%) convenience retailers reported higher sales numbers year-over-year. That continues a years-long upward trend in revenue — but when you look at other important indicators of business health, it becomes clear that revenue doesn't tell the whole story.

Looking solely at inside sales growth may lead you to draw the wrong conclusions if not adjusted for inflation. Despite top-line revenue growth, Upside's review of four years of transaction data from 1,700+ convenience retail locations shows that c-store revenue, transactions per day, and items per transaction are actually trending down, indicating a continuing decline in demand.

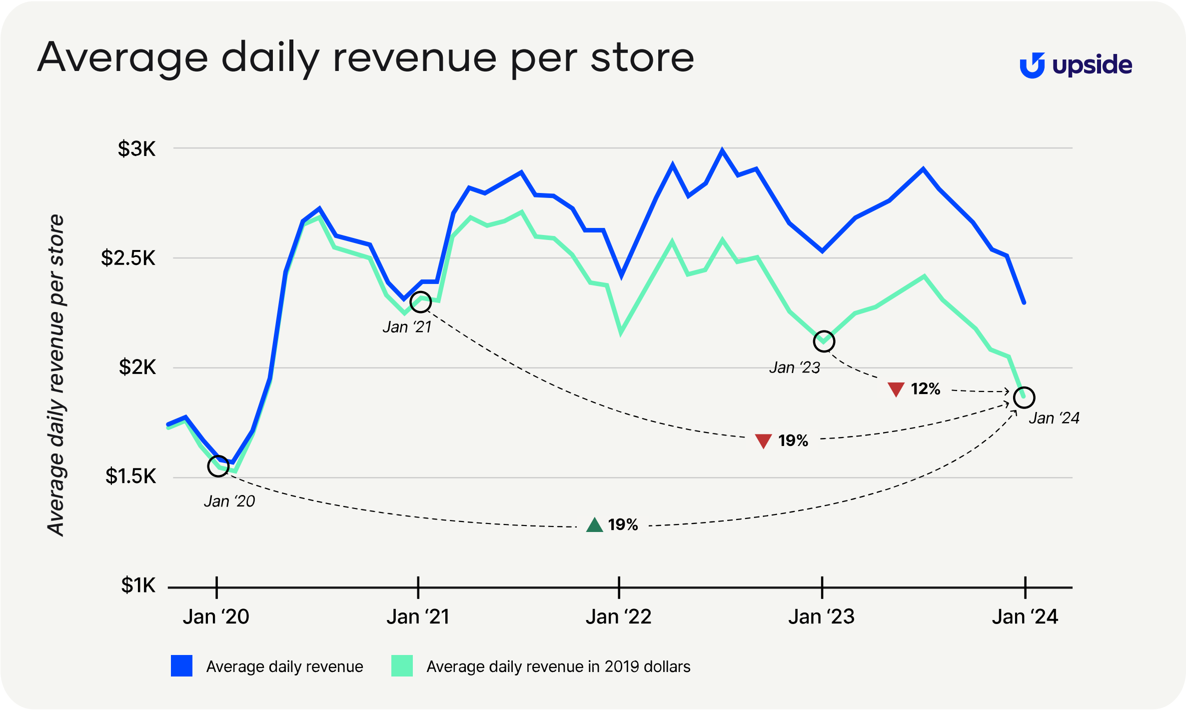
With fuel demand also in flux, the pressure is on for c-stores to make up the difference. To do so, retailers will have to understand what's behind the in-store transaction decline to turn that trend around.

Adjusting for inflation and other external challenges

While store revenue and basket size appear to have steadily increased following a leap during the COVID pandemic, contextualizing the data in terms of inflation tells a different story. In other words, looking at revenue in 2019 dollars makes a big difference in how you might interpret what it means for your business.

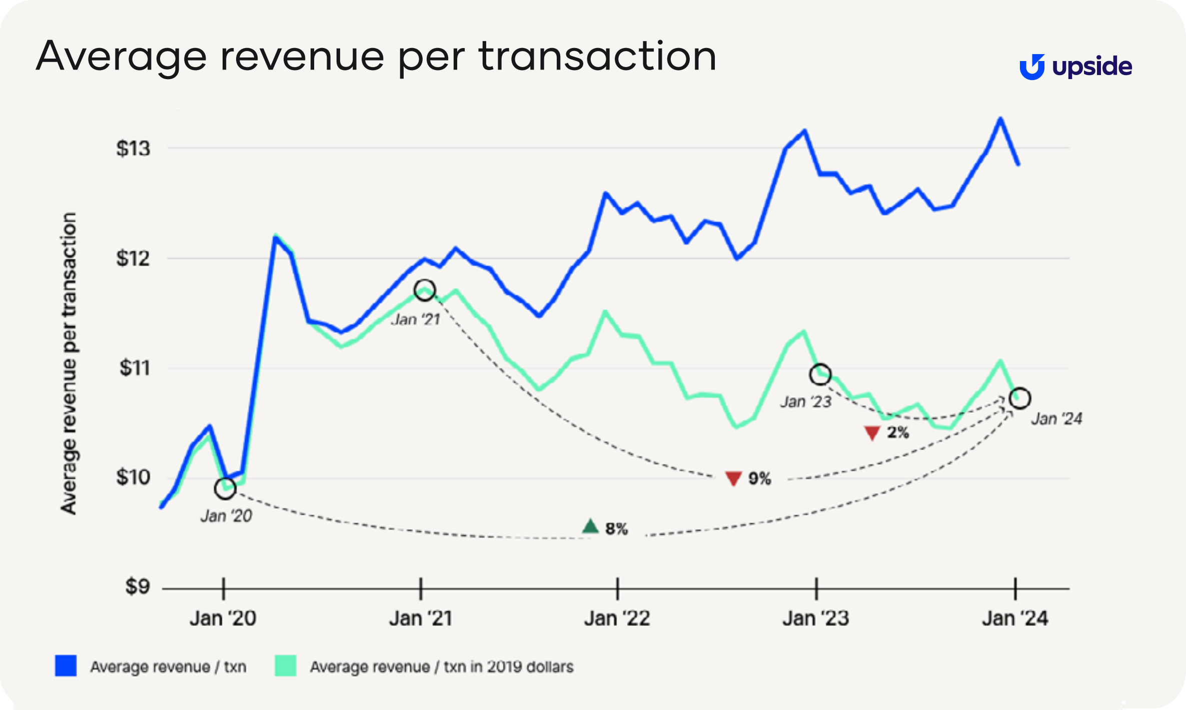
A look at revenue

Data shows that inflation-adjusted daily c-store revenue has dropped 19% from January 2021 to January 2024. This January marked the largest year-over-year decline (-12%) observed over the four-year period. That means that observed top-line growth in revenue post-pandemic is *driven by* inflation, and the trend of decreasing — not increasing — revenue appears to be gaining momentum.



A look at basket size

Inflation-adjusted revenue uncovers similar trends for basket size. Revenue per transaction rose sharply after the pandemic's onset and continued a positive year-over-year trend through January 2024. Controlling for inflation reveals an opposite trend — consistent year-over-year decreases since March of 2021.



Inflation isn't the sole challenge, either. [NACS reported](#) that labor and direct store operating expenses rose by 14.7% compared to 2021. Credit card swiping fees went up 40% during that same timeframe. C-store owners have also expressed concern about labor shortages, government regulation, and shoplifting.

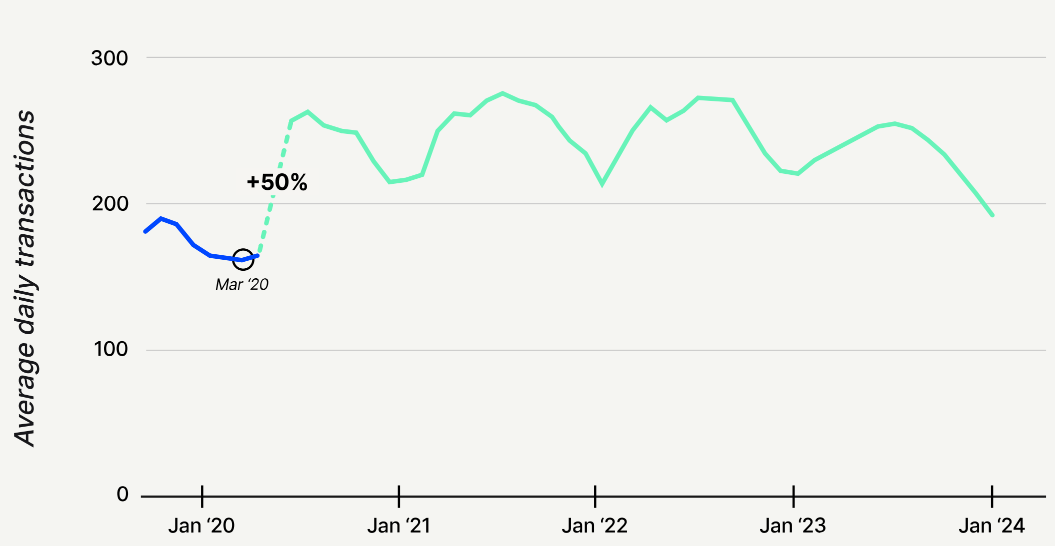
Fluctuations in c-store traffic since 2020

A look at transactions

Early in the COVID-19 pandemic, c-store transactions soared. Consumers were more likely to stay close to home and prioritize quick, minimal-contact trips to local convenience stores for everyday items. As gasoline demand dropped precipitously and oil prices briefly went negative, c-stores saw a huge surge in demand.

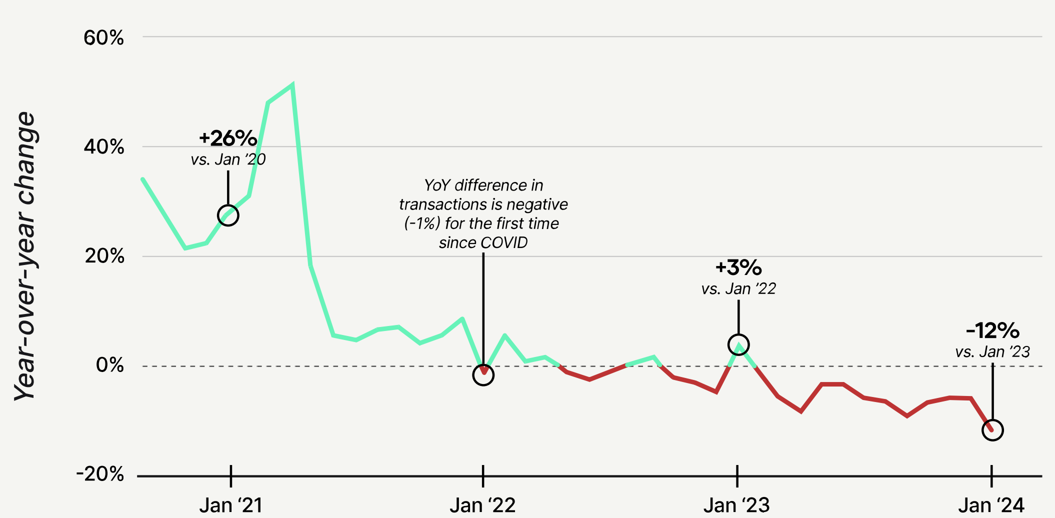
From April 2020 to June 2020, average daily c-store transactions jumped by nearly 50%. That monumental shift resulted in a step-change for the c-store industry, creating a "new normal."

Average daily transactions per store

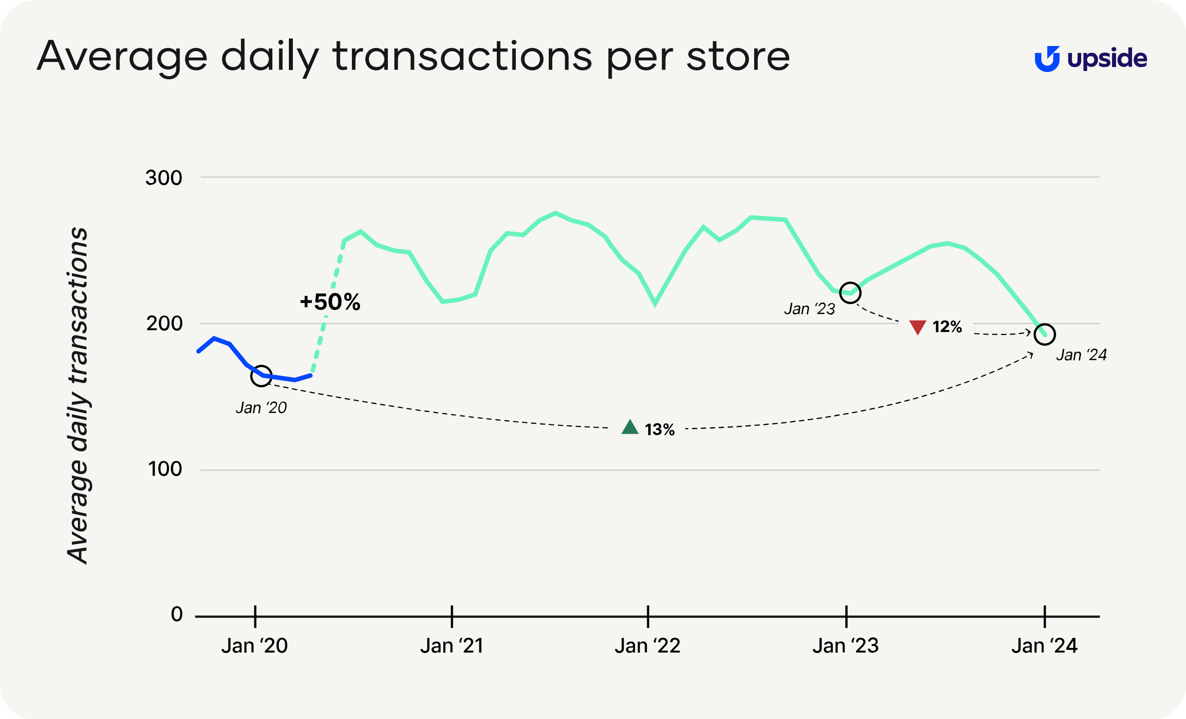


Until recently, daily transactions remained around 30% higher than pre-pandemic levels. The 2023 calendar year displayed visible signs of slowing demand, but looking year-over-year demonstrates that this was a continuation of a persistent trend: While transactions initially increased vs. prior year, the magnitude of the change declined after April 2021 and turned negative for the first time in January 2022.

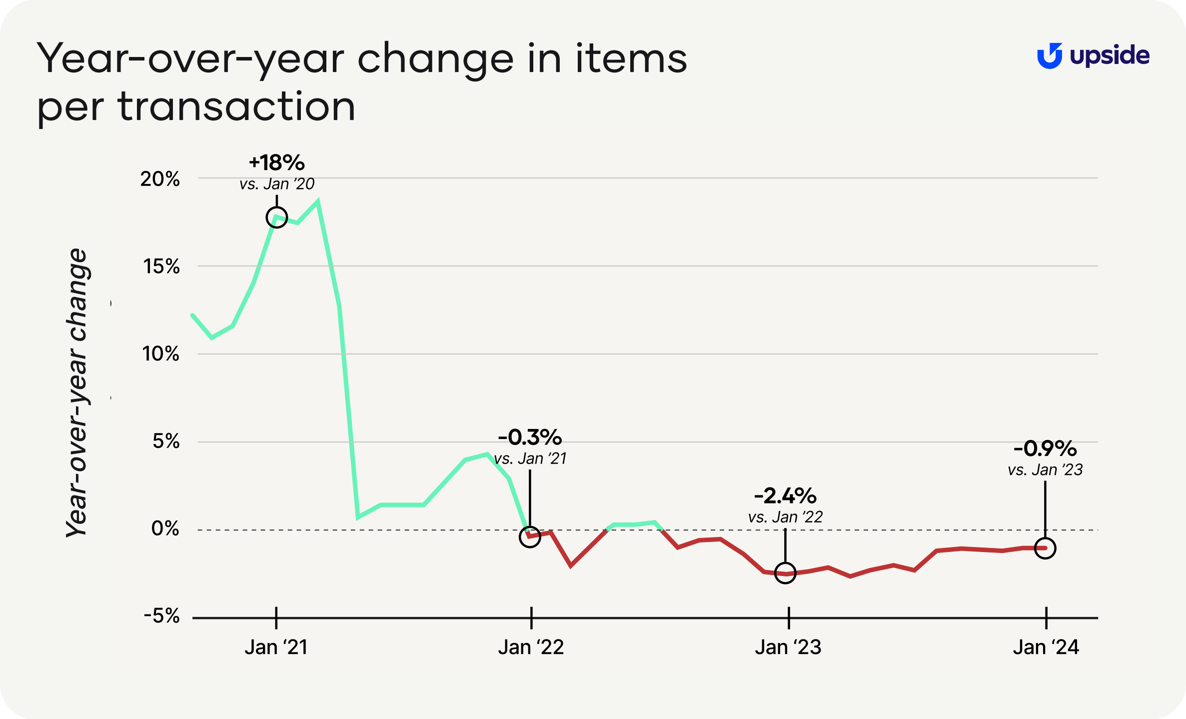
Year-over-year change in daily c-store transactions



As of January 2024, shoppers were transacting 12% less often compared to last January. Similar to inflation-adjusted store revenue, that's the largest year-over-year decline observed over four years of data.



The impact of declining transactions is compounded by a similar downward trend in the number of items purchased per transaction. While consumers are making less frequent trips, they're gradually reducing the number of items purchased per trip as well.



The pandemic introduced a “new normal,” so it’s unlikely that any observed decreases are simply a return to normal. In fact, the step-change COVID-19 caused means that trends over the last four years are likely more relevant than looking at past performance that goes back before the pandemic.

So, what’s behind this dip in c-store demand?

What's behind the shift in consumer spending

To add a qualitative element to the quantitative data, Upside surveyed around 1,500 consumers in early November 2023 to better understand what was causing this dip in demand.

27%
reported shopping less often at c-stores than they did a year ago

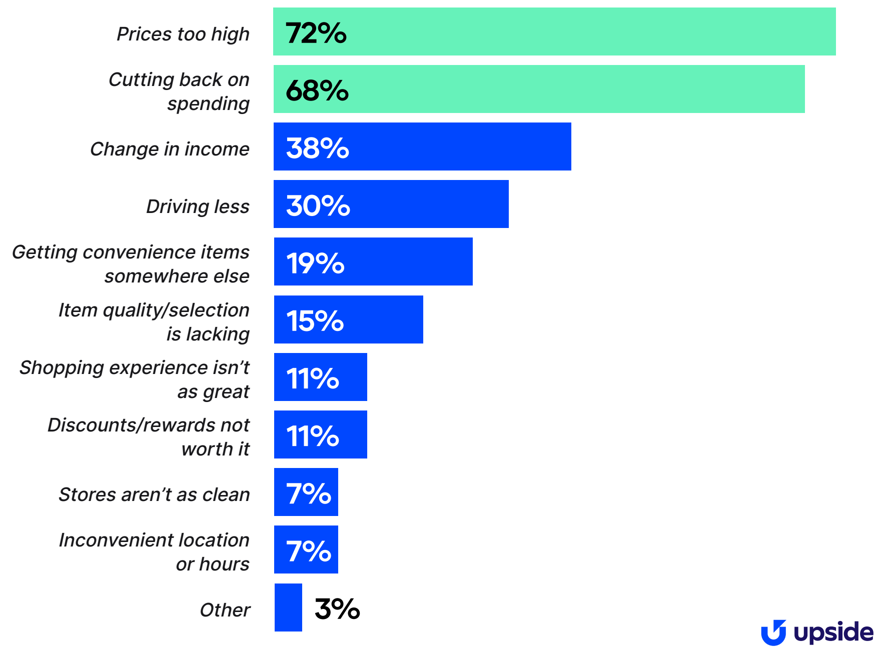
20%
said they shop at c-stores more often

53%
indicated their shopping behavior stayed about the same

High costs are the main reason for behavior change

Consumers who indicated that they're shopping at c-stores less gave reasons around cost as the primary drivers of their decision.

Reasons for shopping less at c-stores in the past 12 months



72%
of those shoppers said that prices are too high

68%
said they are cutting back on spending

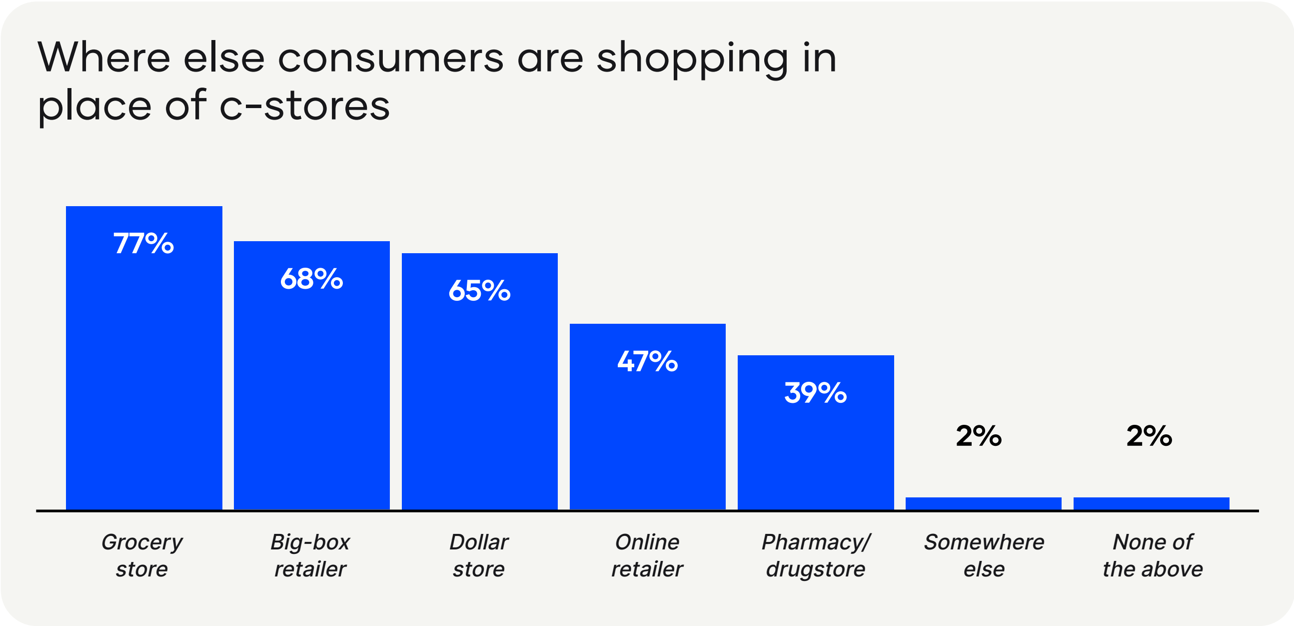
The third-highest reason shoppers gave for shopping less at c-stores was a change in income (**38%**), reinforcing the fact that macroeconomic challenges still persist even as inflation cools.

One respondent said,

> I shop less often because I am much more strict on my budget this year versus last year. **With inflation, and the high price of goods, I am much more aware of the small purchases** at these types of businesses and I avoid making them."

Replacing c-store visits with grocery trips

Because of prices, consumers report both pulling back on certain purchases to save money, and spreading their spend to different stores with lower item-level prices. To replace their c-store trips, consumers said they shop for convenience items at grocery stores (**77%**), big-box retailers (**68%**), and dollar stores (**65%**).

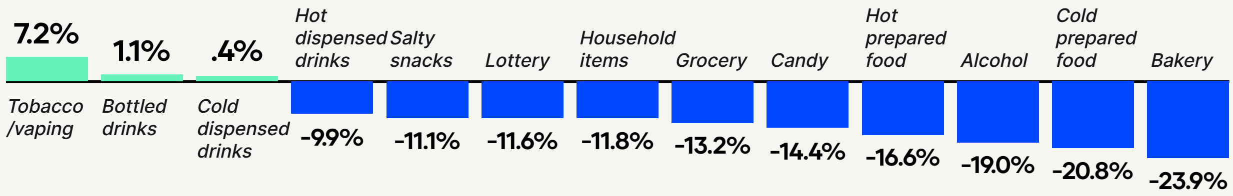


One respondent said,

> **I only shop at convenience stores in emergencies or as a last option.** They are more expensive [so it's] silly to pay so much when Dollar General is down the street or Walmart."

Consumers also said they're spending less on the types of items they would typically buy from c-stores. Reported spending in 10 of 13 convenience item categories is down — most notably bakery, prepared foods, and alcohol.

Change in how often respondents buy different items at c-stores this year vs. last year



These results show that c-stores are facing a range of challenges: increasingly price-sensitive shoppers, shifts in consumer preferences for convenience items, and a new level of competition from stores typically viewed as being outside of the industry.

Why a digital strategy emphasizing personalization is the answer to decreasing demand

Positive, pandemic-driven trends for c-stores are starting to fade, and retailers can't rely on another unprecedented event to boost demand. Today, they're faced with increased channel blending, persistent increases in labor, operating costs, swipe fees, and on top of all of that — ever-evolving consumer behavior trends. C-stores will have to find innovative ways to grow in spite of those challenges, and they can't do it with yesterday's strategies.

Most of the time, customers don't make the trip from the pump inside the c-store. However, they're more impressionable than you think. Nearly 90% of fuel-only customers could be enticed to make an inside purchase with the right promotion.

It's all about surfacing personalized incentives in the right way, at the right time. But that level of tailoring can be difficult without the systems and expertise needed to draw consumer insights from first-party data. Digital tools allow retailers to expand the aperture of influence, so they can reach customers at every point along the purchasing journey. Then, every time a consumer steps foot onsite, there is a greater chance of bringing them inside.

Broader customer reach

It's becoming increasingly clear that traditional marketing strategies that rely solely on physical signage and static promotional offers are becoming outdated. Digital and mobile technologies now enable convenience stores to extend their reach beyond physical locations, providing more opportunities to influence decisions and personalize engagement throughout the buying journey.

Consumers' usage of those technologies is becoming second nature, but there's still a lot of room for improvement in their level of engagement with branded programming and tech. Only 35% of consumers belong to a fuel or c-store loyalty program, and about 52% of those individuals access the program through a mobile app.

After investing to create an in-house app or license one from an existing loyalty provider, it can still be challenging to gain traction and keep customers engaged with store-specific programming. It requires a strong effort to persuade users to download an app they might only use for a few transactions a month.

35%

of consumers belong to a fuel or c-store loyalty program

52%

of fuel and c-store loyalty members use a mobile app to access the program

Influence the buying journey

Advanced retailers often segment their target market into smaller groups based on information like interests, needs, age, or region. Given that over 70% of consumers expect a personalized experience, it's increasingly important to provide an even more relevant message and promotional offer than customer segmentation allows.

Turn customer segmentation on its head, using one-to-one personalization to influence each customer through customized promotions, recommendations, and rewards, enhancing customer satisfaction and loyalty.

Developments in machine learning and other forms of AI make it possible to personalize experiences based on each customer's unique spending habits in a way that dynamically adjusts to preserve profit margins — a win-win for consumers and retailers.

Measure success

Just like traditional marketing programs are falling flat, traditional attribution methodologies and measurement tools fall short of telling retailers what's truly driving sales. Most retailers aren't able to prove that a transaction can be attributed to a specific campaign or marketing channel, leaving them with incomplete information about their investments.

Consider return on ad spend (ROAS), a common metric for measuring marketing success. ROAS doesn't tell the whole story, because it's unable to account for cannibalized sales, making it impossible to truly understand the return on investment.

The challenge of attribution is particularly apparent in the fuel and convenience industry, where price volatility and external factors can lead to significant changes in business outcomes. Based on the data covered earlier in this report, if you launched a new initiative from 2019–2022, any resulting transaction growth was likely eclipsed by the lingering effects of the pandemic. Without sophisticated attribution methods, it can be impossible to disentangle the impact of your initiatives from the many forces outside of your control.

Instead of measuring success by looking at changes in same-store sales, comparing the behavior of different buyer segments, or relying on rough indicators like loyalty program signups, retailers need platforms that measure incremental profit on every single transaction. Mobile technology opens up the opportunity for rigorous "test versus control" measurement for each individual user, at scale, so retailers can better understand and change consumer behavior in a way that drives bottom-line profit.

The power of existing digital marketplaces

Developing the right digital capabilities in-house can be costly and labor-intensive, which diverts resources from other projects designed to move your business forward. But tapping into existing digital marketplaces can give retailers a way to leverage the technology and draw in more shoppers without significant changes to operations.

Digital marketplaces help retailers reach thousands of shoppers well beyond their immediate physical location every day, keeping them top-of-mind when shoppers are looking for a place to buy. With a marketplace, retailers don't have to wait until a shopper sees the business to start speaking directly to them.

Marketplaces also open up opportunities to generate and distribute personalized customer incentives in the right way, at the right time, by offering retailers the digital tools they need to gather first-party data and tailor each shopper's experience to their unique interests without having to build their own in-house digital ecosystem.

By keeping their brand, products, and promotions top-of-mind, retailers have the opportunity to flip the script: Instead of trying to convince fuel customers to make an impulse buy in-store once at the pump, move toward making the c-store a destination in itself, where customers can also purchase fuel if they need it.

This dynamic will be even more critical in the next few years, in order to grow in spite of declining fuel trips, and build relationships with drivers who may be buying less fuel or transitioning to electric vehicles in the future.

How Upside can help

Upside's digital marketplace achieves these objectives and beyond. It enables retail partners to connect with millions of consumers, bypassing the need for tech platform development, maintenance, user acquisition, and offer delivery. **Upside's c-store promotions bring fuel-only customers inside the store.**

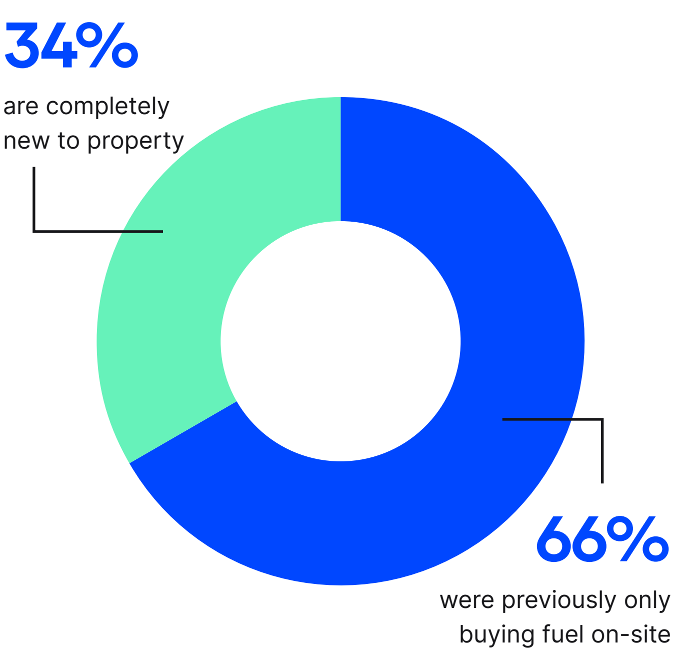
After launching their stores on Upside, c-store retailers see:

2.5x
increase in in-store visits from Upside users

12%
relative increase in pump-to-store conversion of Upside users

24%
increase in Upside user basket size

Of the 45% of Upside-driven c-store customers that are brand new...



What do Upside users say about how they engage with those promotions?

71%
say Upside c-store offers encouraged them to purchase inside the store more often

56%
say c-store offers influenced them to purchase gas from the retailer more often

Increase more than just top-line revenue for a more profitable c-store

The c-store industry is rich with potential, but a detailed examination of foot traffic and revenue patterns — especially once adjusted for inflation — uncovers a persistent downturn in demand.

For retailers to navigate these challenges successfully, it's imperative to use every available resource to attract new customers and ensure current ones keep coming back. **This calls for a strategic approach that goes beyond traditional, static, one-size-fits-all marketing and customer engagement programs to create dynamic, personalized, digital experiences.**

Get in touch

Interested in learning more about this topic, or how Upside can help?

Reach out to schedule time with our team.

Reach out

upside