

Insights and Data to Help Manage Today's Changing Consumer Environment

Memorial Day, originally called Decoration Day, dates all the way back to 1868. Initially established to commemorate the sacrifices of Civil War soldiers, today Memorial Day is a federal holiday honoring all U.S. military and personnel who died while serving in the armed forces. Over the years, Memorial Day has become not only a time of thanks and remembrance but a time to celebrate and welcome the new summer season. In this Memorial Day issue of Data in Motion, we provide a quick look at how our convenience store partners fared last year (2022) and the critical revenue and cost factors that impacted their business. We also include some Memorial Day weekend travel predictions for 2023 and a few suggestions for how to connect with players at this busy time of year.

2022: A Year of Convenience Store Growth

Convenience industry sales in the U.S. totaled \$906.1 billion in 2022, an impressive 28.4% increase over 2021¹. More than a third of that total, \$302.8 billion, came from in-store sales (vs. fuel sales), an increase of 9%. The average basket size increased 4.9% to \$7.52. Packaged beverages, tobacco products, salty snacks, candy, and packaged sweet snacks all saw double-digit sales growth. Lottery sales remained essentially flat in the convenience store channel for 2022, but as we've noted in prior issues of Data in Motion, 2021 was an exceptionally strong sales year for lottery products.

There was a 1.5% increase in the number of convenience stores in 2022, bringing the total count to 150,174 stores. This growth in store count was mostly spurred by an increase in single-store operators, which increased by 1,087 to a total 90,423 stores (60.2% of all convenience stores).

Convenience store transactions also increased 8.5% in 2022. This is especially impressive given the 8.8% increase the industry saw in 2021 as the country emerged from the economic slowdown related to the pandemic. This two-year positive in-store transaction growth trended to reverse a pre-pandemic five-year trend of declining performance.

Inflationary pressures also pushed prices higher. In 2022, the annual merchandise Consumer Price Index (CPI) increased 7.9% and the food service CPI increased 9.7%. However, even with the increase in costs, food service sales and offerings grew as operators continued to focus on providing restaurant-quality food. Average food service sales represented 25.6% of average monthly in-store sales and 36.1% of in-store gross margin.

Convenience stores saw fuel sales increase 41.2% reaching \$603.2 billion, largely because of higher gas prices, which increased 33.7% to \$4.04. Fuel volumes for the industry in 2022 remained relatively flat, up only 0.7%.

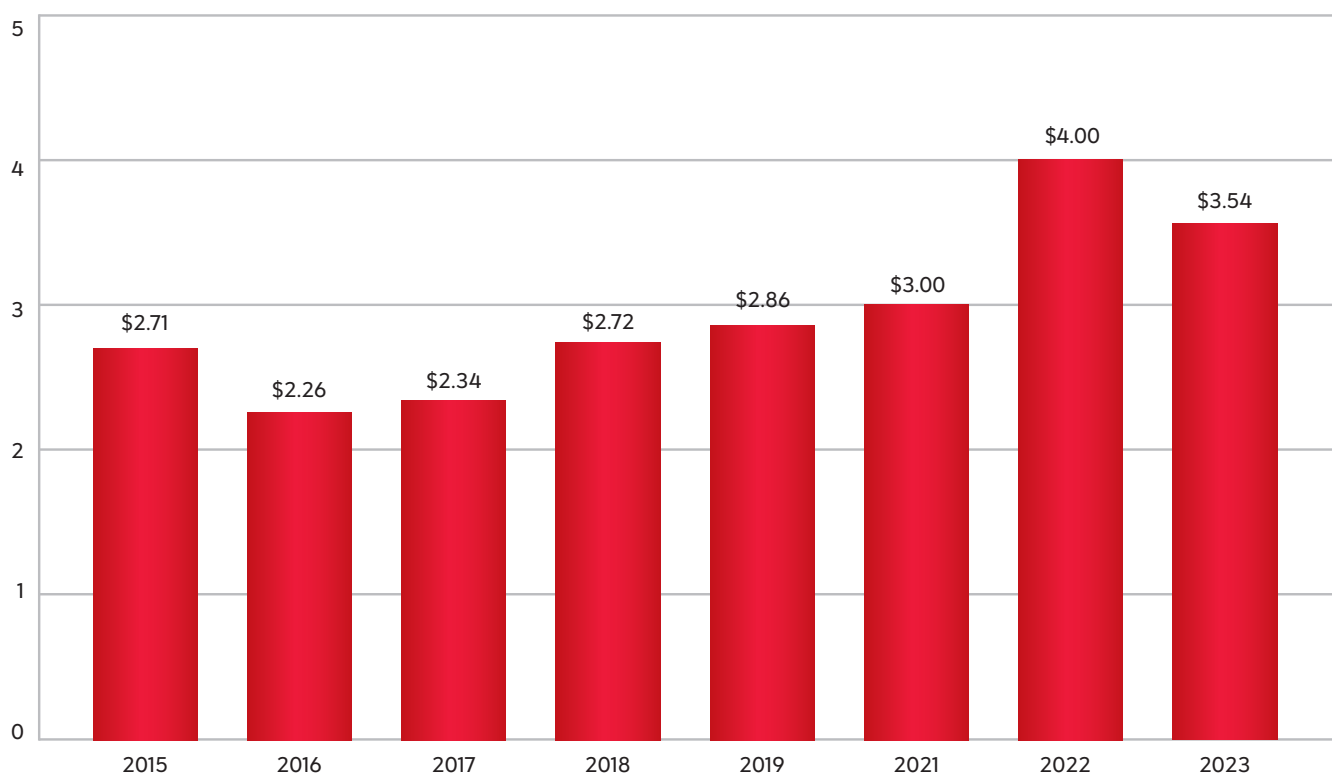


Despite positive sales growth on these fronts, convenience stores faced continued market pressures in 2022. Direct store operating expenses climbed, and credit card swipe fees increased a staggering 82% between 2020 and 2022, now at \$19.5 billion. Labor costs also increased in 2022: average wages increased 9.1% for full-time employees to \$14.33 an hour and 12.6% for part-time employees to \$14.02 an hour.

Memorial Weekend Travel Predictions

This upcoming Memorial Day weekend (defined as May 25th – May 29th) is expected to be one of the busiest in years. According to AAA, an estimated 42.3 million Americans will travel 50 miles or more from home this weekend, an increase of 7% over 2022. Road trips are expected to be up 6% over last year as 37.1 million Americans drive to their destinations. This year-over-year increase in travel can be partially attributed to lower gas prices which are down approximately \$0.46. But most experts believe that the primary reason for the jump in travel is pent up, post-pandemic demand and consumers' new focus on the importance of life experiences. Despite lower fuel prices, car travel will still be short of pre-pandemic numbers by about 500,000 travelers. In comparison, 3.4 million Americans plan to travel by air and 1.8 million by "other" transportation such as buses and trains².

Average Per Gallon Gas Prices for Memorial Day Weekend, 2015 - 2023



Sources:
American Automobile Association; IHS Markit
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Final Word

As mentioned above, Memorial Day marks the beginning of summer, so now is the time to communicate any summer promotions and sponsored events you may be considering such as concerts, sporting events, and state fairs. Let your players know where you will be and when. The increase in Memorial Day weekend travel also means an influx of customers at lottery locations, making it the perfect time to expose new audiences to our products through in-store marketing materials and promotions.

If you don't have the time or flexibility to put together a special promotion or event, but feel that it's important to acknowledge the holiday, try a "show of support" communication. A Memorial Day post on social media, a website banner, an email, or a unique landing page can all be thoughtful ways to connect with players at this special time of year.



Sources:
1. NACS State of the Industry 2023
2. AAA Newsroom, May 2022