

# Going Within

Some big names in convenience are opening new stores without fuel, counting on a strong in-store offering and fresh food to attract and retain customers

By Tammy Mastroberte

**W**hile convenience stores throughout the United States continue to expand and strengthen their in-store offerings, particularly around foodservice programs, the majority still offer motor fuels to add extra profit and help drive traffic inside the store. Even industries outside of the c-store arena, from big-box retailers to grocery stores, continue to add fuel pumps to their retail sites to offer consumers more amenities.

So then, why would c-store companies like Kwik Trip Inc., QuikTrip Corp., Sheetz Inc. and Maverik Inc. start opening stores without fuel? It comes down to location and offering a strong enough in-store selection to stand on its own.

“To open a store without gasoline has been part of our strategic plan for some time, but it had to be the right timing and the right location,” said Mike Thornbrugh, spokesperson for QuikTrip, which operates more than 700 c-stores in 11 states and opened its first store sans fuel in downtown Atlanta this June. “The store in Atlanta was the right time and location, and a good opportunity for us to see if it will be successful and to learn from it.”

As part of the retail space of Viewpoint Condominiums, the 3,500-square-foot QuikTrip store



QuikTrip's new downtown Atlanta store is in a high-traffic area, with a lot of pedestrians walking, running and cycling by.

in downtown Atlanta offers a range of grocery items, as well as fresh foods through the QT Kitchens made-to-order concept.

This store is focused even more on the fresh food side of the business than other locations, Thornbrugh noted.

“Placing a lot of emphasis on fresh food will give us a chance to bring a lot of different products in; to see if we can perfect it and learn from it,” he said. “A lot of people don’t remember, but QuikTrip began as a grocery store that opened and operated for many years before we even got into gasoline.”

Another convenience chain opening stores sans gas is Sheetz, based in Altoona, Pa., and known for its “convenience restaurant” concept. During a recent speech

to the Carlisle Rotary Club in Carlisle, Pa., Louie Sheetz, a long-time company executive and now member of the board of directors, explained how this is the direction the retailer is headed in for the future. Sheetz already has a full-scale convenience restaurant operating in Altoona, and opened two Sheetz Cafés in Morgantown and State College, Pa. Another location without gasoline was slated to open this fall in Indiana, Pa.

“We have the two cafes that are totally food focused and don’t offer gasoline,” Tarah Arnold, public relations manager for Sheetz, told *Convenience Store News*. “Morgantown opened in spring of 2015 and State College opened in fall of 2015. They have been incredibly successful due to the location of the two cafes in two college towns and the loyalty of our Sheetz customers for our food offering.”

#### ATTRACTING CUSTOMERS WITHOUT A FORECOURT

In today’s market, making money on gasoline sales is not always guaranteed, but it can still deposit cash to the bottom line. The sale of motor fuels can also be a significant traffic driver to convenience store locations.

“Gasoline makes a significant contribution to c-stores and big-box stores as it’s a product every single customer needs, and they need it every week,” said Mark Whitehead, first vice chairman of the Petroleum Marketers Association of America.

Those c-store retailers who are moving into urban locations and stores without space for gasoline all have very strong and compelling offers in-store, he explained.

“All of these chains are leaders in the c-store business and have strong store sales along with gasoline. In some cases, the c-store can stand on its own,” Whitehead noted.

Sheetz, for example, differentiates itself from the competition with a strong foodservice offering, and has become a destination for prepared food, according to Donald Strenk, president of California-based Strenk Management Consulting LLC, who works with gas station and convenience store operators. In fact, one of the positives of not offering gas for Sheetz is its ability to focus solely on the quality and freshness of the food.

“We have some unique food items at these locations, so we have that ability because we don’t have



Maverik’s first non-gas store is on the ground floor of its new headquarters building in downtown Salt Lake City.

gas on the lot,” Arnold explained. “Offering quality products at an affordable price and creating a loyal base of passionate customers is a key component.”

Sheetz leverages the strength of the standalone c-store and competes very well with quick-service restaurants (QSRs), according to Strenk. “They have such a strong c-store offer, and there may be locations that would be viable for that type of offer that don’t have

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— Mark Whitehead, Petroleum Marketers Association of America

the ability or space to move gasoline as well.”

Some areas of the country, especially urban and downtown markets, lend themselves to producing customer traffic without gasoline, and that is where many of these chains are now setting up shop.

QuikTrip’s Atlanta store is within a condominium complex, and because of its downtown location, it is also a high-traffic area with pedestrians walking and cycling by, Thornbrugh said.

“One thing we learned, if you drive around the Atlanta metro area, is most people don’t know our

brand. There is a different type of customer base and demographic that doesn't go outside of their area, so they may not be familiar with us," he explained. As a result, this QuikTrip store may be an introduction to the brand for many people.

The product mix is different than its other stores — focused even more on fresh food, additional roller grill and more kitchen space. QuikTrip plans on testing new items in this prototype location to see how they are received, in hopes of finding menu candidates to bring to some of its other locations as well.

High-quality, prepared food seems to be key in driving traffic without gasoline, according to Strenk. "To be successful without gasoline, a store has to offer high-quality, well-differentiated prepared food," he noted. "7-Eleven does well [without selling gas], but they may not be averaging \$300,000 a month. Sheetz and QuikTrip have locations that do significantly high sales in the c-store."

For QuikTrip, the fuel-free concept is still relatively new, but the chain does operate a location in Oklahoma without gasoline that is an in-store, sit-down restaurant concept with a drive-thru. This location previously featured a Wendy's so there was already a drive-thru there, and it became a perfect testing location for the chain.

"This is still open, and we thought we would try the drive-thru and seating for people to come in and relax to see if this is a possibility for us to grow in the future as well," Thornbrugh said, explaining so far the chain is pleased with the results of both locations. "It has done very well and has been well received. There are no plans to expand the concept right now, but we are very pleased with the results at this point."

### THE OTHER SIDE OF THE COIN

While some c-store chains are venturing into the territory of stores without gasoline, the fuel business is still a strong profit center and traffic driver. This is true for the c-store industry and other industries like big-box retailers and grocers.

"The big-box retailers are still adding gasoline and



Sheetz Café stores are in college towns and focus predominantly on fresh food.

cutting contracts to add it, and I can't imagine these companies opening stores without gas saying, 'I want to do just a c-store because gas drags me down,'" Strenk told CSNews.

Also on the flip side are convenience store chains like QuickChek Corp., based in Whitehouse Station, N.J., and operating more than 140 locations. Already known for fresh food, QuickChek operated for years without gasoline, but is now adding it to stores.

"Customers need gasoline and they need it each and every week, so gas is something that will drive them to the store," Whitehead said. "In every scenario, you need to figure out what your strategy is for a particular location and how to profit there. If that includes gasoline, then great. If not, then that is fine, too. There are myriad of products and services that may or may not be included in a particular site, and gas is just one of them."

Strenk agreed, and went a step further by stating that those chains with gasoline already for sale at their sites will not be looking to eliminate the gas sales there because it's a profit center, just like a car wash or offering propane fuel.

"I'm led to believe these chains [opening fuel-free stores] are identifying [new store] sites where they can't put gasoline in. But because they have such strong brands, they want to leverage the brand equity they built," he said. CSN