Technomic. Multi Client Studies

Convenience-Store Foodservice

Driving growth in the new environment

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We welcome your questions!

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Secondary Source Review

- Nonproprietary Technomic reports and data, including Ignite Company and Ignite Menu
- Winsight media content and expertise
- Information from government agencies, associations, media outlets and other trusted sources

Quantitative Consumer Survey

- 2,000 consumers 16+
- Visit convenience stores
- Engage with prepared food and beverages
- June 2022

Quantitative Operator Survey

- 392 convenience-store operators
- Responsibility for foodservice offering
- June 2023

Qualitative Operator Assessment

- In-depth interviews
- Phone or web conference
- June-July 2022

Analysis, Market Size Modeling, Reporting & Delivery

Technomic employed a multi-phase mixed-methodology approach

Navigating The Report

The Table of Contents is hyperlinked to corresponding sections.

The High-Level Summary provides a brief summary of the most important aspects of the research.

The Expanded Insights fleshes out our key findings with supporting data and provides Technomic's recommendations.

The Data Deep Dive charts out each question asked of study participants via surveys and interviews. This section also shows relevant comparisons to prior studies.

Abbreviations

CAGR: Compound Annual Growth Rate

NACS: National Association of Convenience Stores

MTO: Made to Order

GNG: Grab and Go

Key Findings

#1

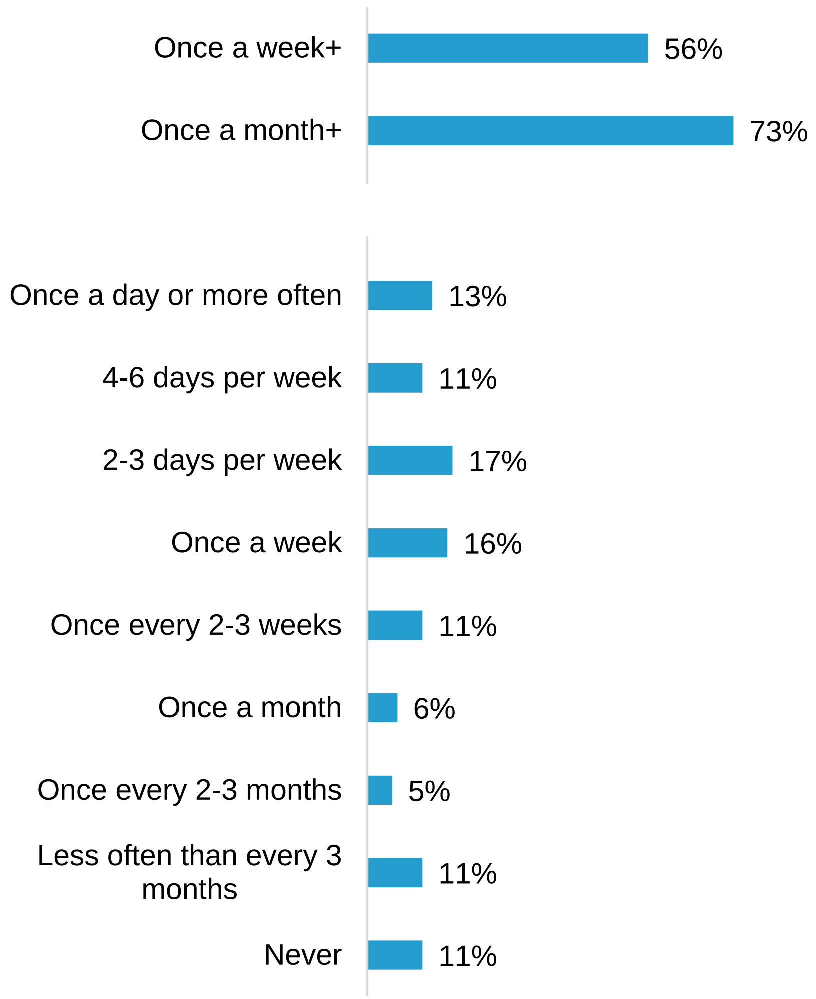
Both general c-store visit frequency and foodservice visit frequency have returned to pre-pandemic levels

COVID-19 remains a factor in the market, however, with restrictions lifted, consumers have adapted to the point where most have established routines outside the home once again. This is good news for c-store visits—on both a weekly- and monthly-plus basis—and general c-store and foodservice visit frequencies have returned to pre-pandemic levels (as benchmarked in February 2020).

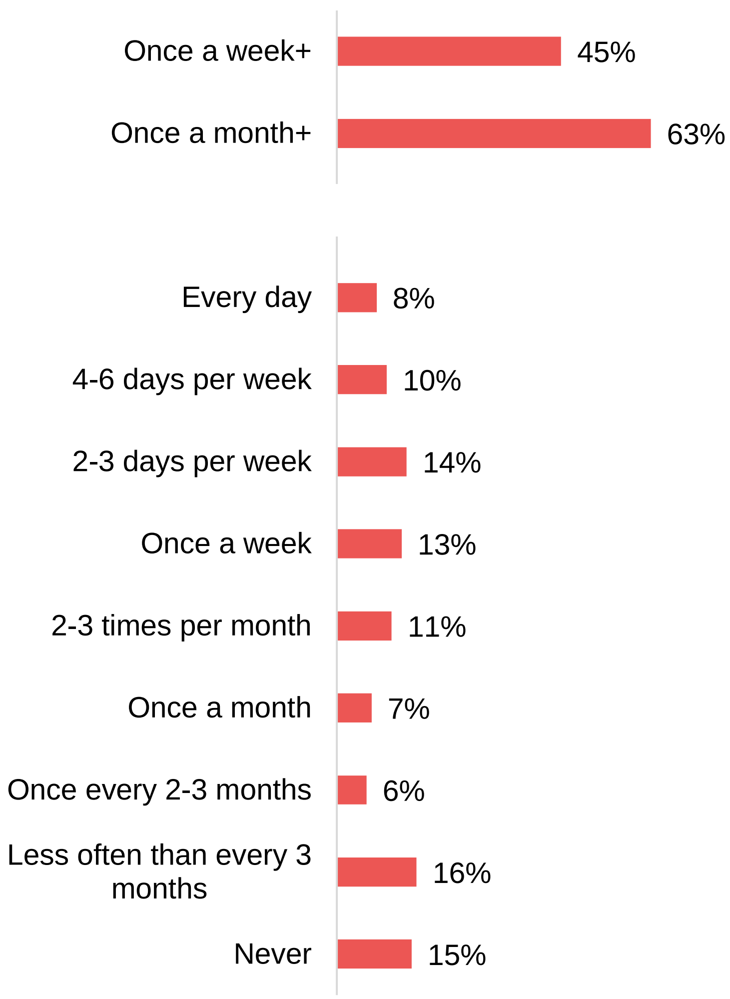
The key consumer need states are unchanged despite the pandemic, with convenience and cravings remaining the top drivers of c-store foodservice purchases. This speaks to the ongoing relevance of c-store foodservice in a post-pandemic world, as well as the ability for prepared food and beverage to satisfy consumers' on-the-go needs.

Image Source: Shutterstock

C-STORE VISIT FREQUENCY*



C-STORE FOODSERVICE VISIT FREQUENCY**



*Base: 4,393 consumers; includes terminates
*Q: How often do you visit any type of convenience store? A convenience store can be either a standalone store or a store with a gas station.
**Base: 3,910 consumers; includes terminates
**Q: How often do you visit a convenience store specifically to purchase foodservice items?

DATA COMPARISON

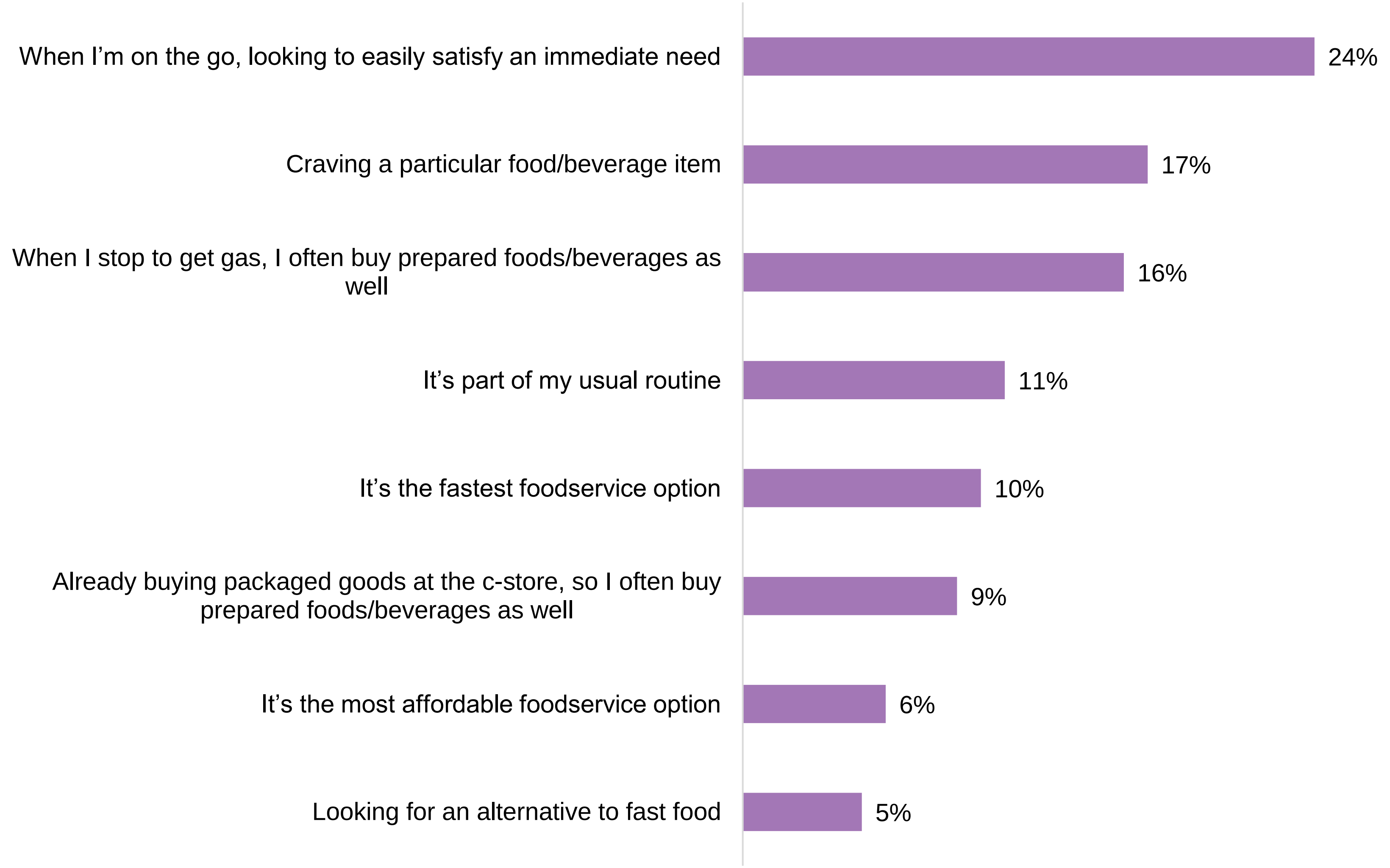
General C-Store Visit Frequency

When surveyed in February 2020, 54% of consumers said they visit c-stores at least once a week, and 72% said they visit c-stores once a month or more often

C-Store Foodservice Visit Frequency

When surveyed in February 2020, 44% said they purchase foodservice items from c-stores at least once a week, and 62% said they purchase foodservice items from c-stores at least once a month

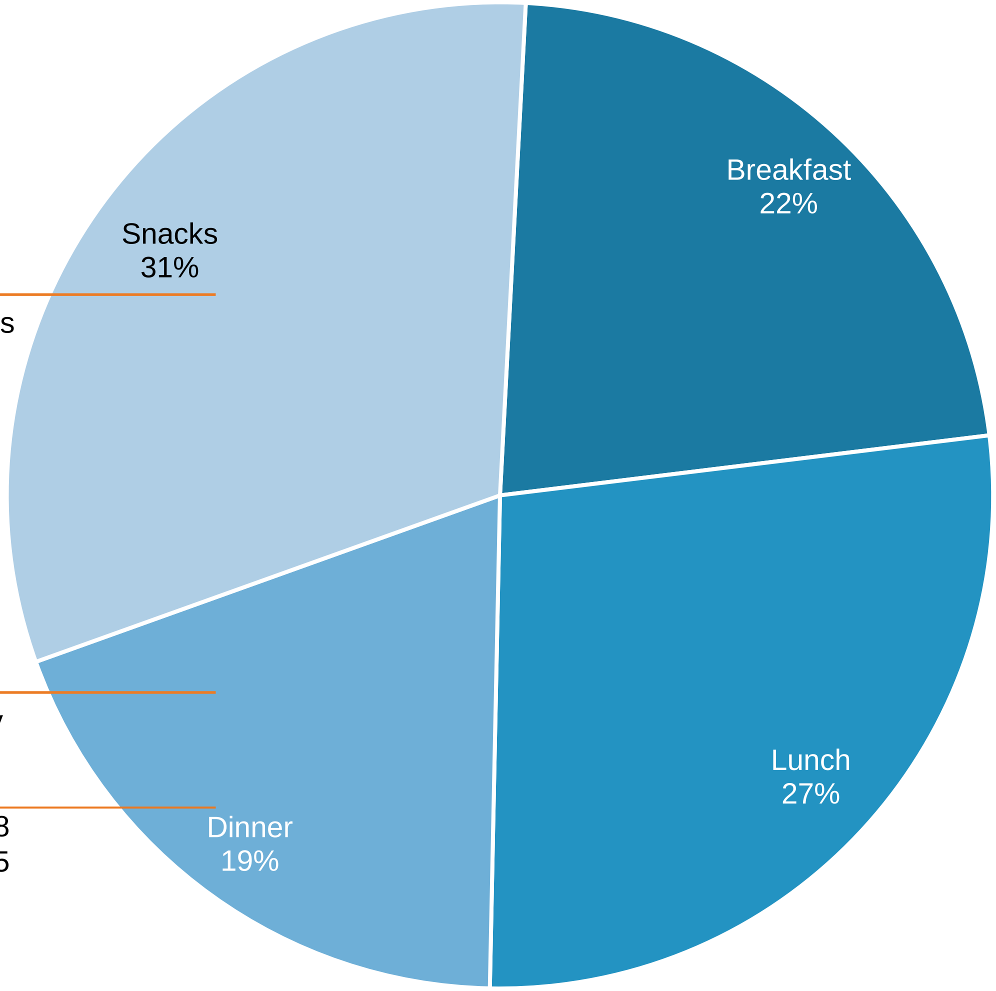
C-STORE FOODSERVICE KEY NEED STATES



Base: 2,000 c-store customers
Q: When you visit convenience stores for prepared foods and/or beverages (e.g., prepared sandwiches, hot dogs, taquitos, fountain drinks, fresh-brewed or dispensed coffee, etc.) what tends to be your primary motivation for doing so? Please select the option that is the best overall fit.

19% of Super Heavy Users say visiting a c-store for foodservice is part of their usual routine

SHARE OF CONSUMER-REPORTED PURCHASES
BY DAYPART



36% of Lapsed Users

22% of Super Heavy and Heavy Users

Up from 17% in 2018
Up from 13% in 2015

Base: 2,000 c-store customers
Q: Thinking about the prepared food and beverages you purchase from convenience store foodservice, what percent would you say are for the following meals or types of food? Total percent must add up to 100%.

Recommended Action

C-store operators and their foodservice suppliers must meet consumer demands for convenience, speed and craveability in order to draw traffic and ensure repeat visits. On the speed and convenience front, it will be imperative for operators to continue to **INVEST IN ONLINE ORDERING AND PAYMENT CAPABILITIES** as this will accelerate purchases and reduce friction, particularly during peak hours. Ideally, online ordering provides customers the choice of in-store pickup, curbside pickup or even delivery. Operators will also need to work closely with their foodservice suppliers to **OFFER NEW AND EXCITING FOODSERVICE ITEMS THAT WILL PIQUE CONSUMER INTEREST AND DRIVE IMPULSE PURCHASES**. Consumers want (and expect) craveable foodservice items at c-stores, so **INNOVATION TO ELEVATE GO-TO ITEMS** like dispensed soft drinks, coffee, doughnuts, breakfast sandwiches/wraps, hot dogs, pizza and burgers is warranted.

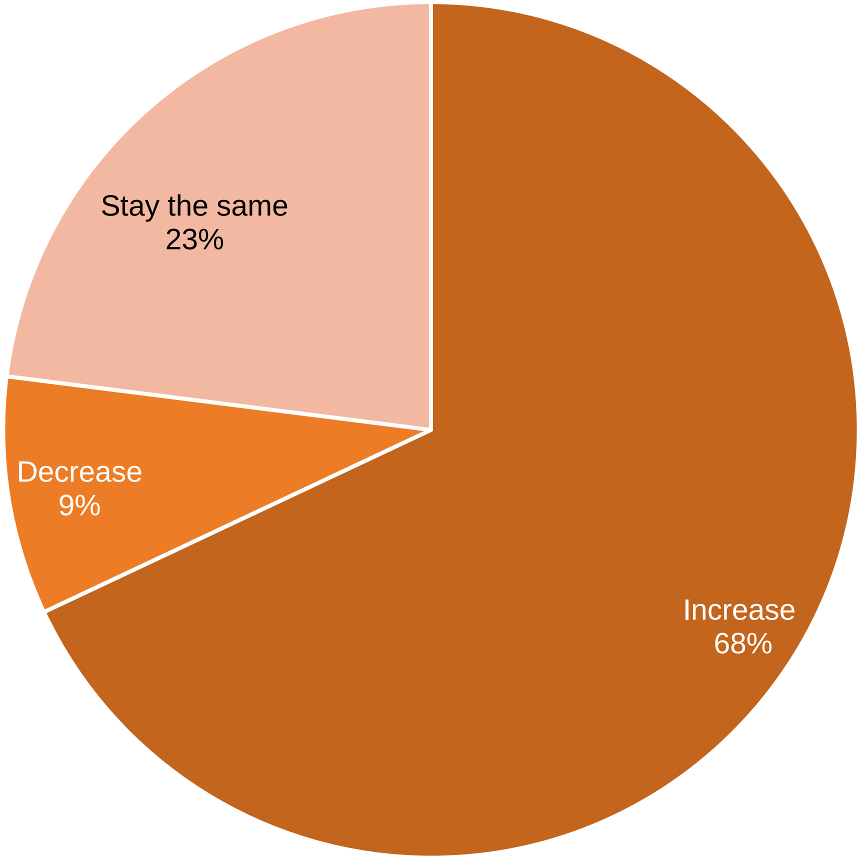
#2

Foodservice sales recover from the pandemic and growth resumes, prompting operator optimism for the future

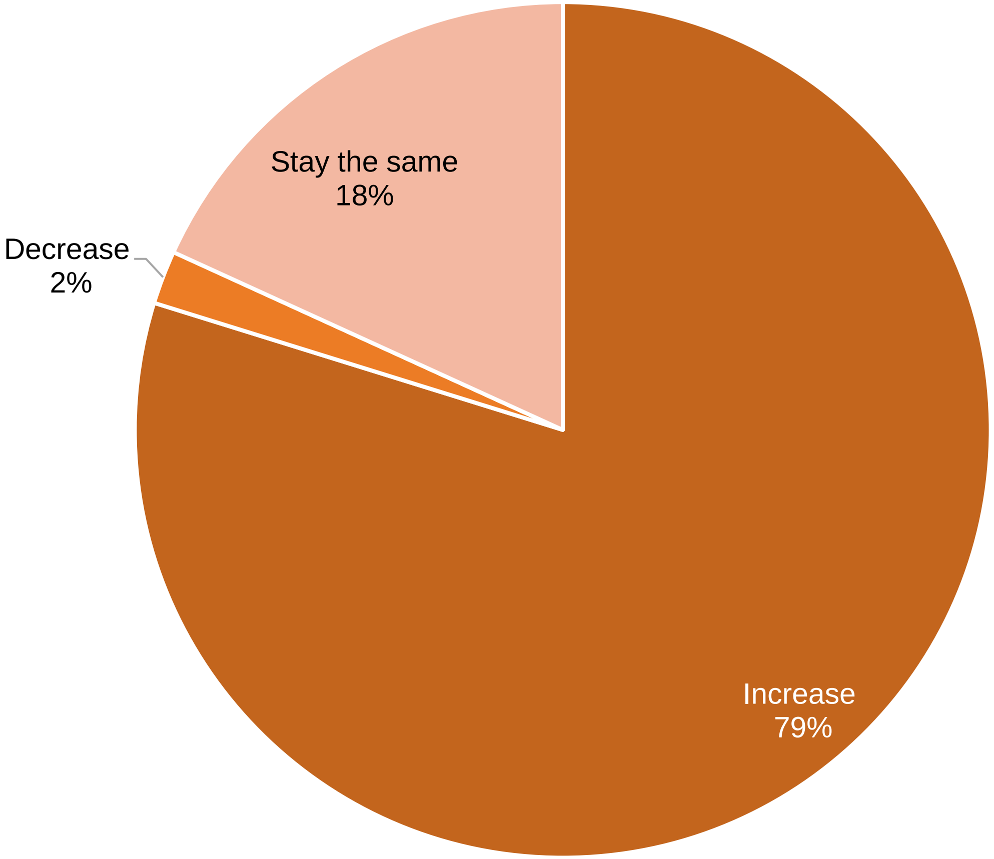
While upended consumer habits and routines during COVID-19 dealt a heavy blow to operators, relative stability amid pandemic recovery helped to recover sales in 2021 and fuel optimism for future growth. In fact, more than two-thirds (68%) of operators indicated that foodservice sales (including prepared food and beverages) grew in 2021 compared to 2019. Further, the vast majority (79%) looking ahead anticipate sales to continue on an upward trend and increase through 2023, indicating high levels of operator confidence even amid pervasive industry challenges. Technomic's outlook calls for 7.1% compound annual growth for the period of 2021-2024 for prepared food and beverage sales in the channel.

Image Source: Shutterstock

OPERATOR PERSPECTIVE 2021 SHIFTS IN FOODSERVICE SALES VS. 2019*



OPERATOR PERSPECTIVE ANTICIPATED FOODSERVICE SALES SHIFTS IN 2023**



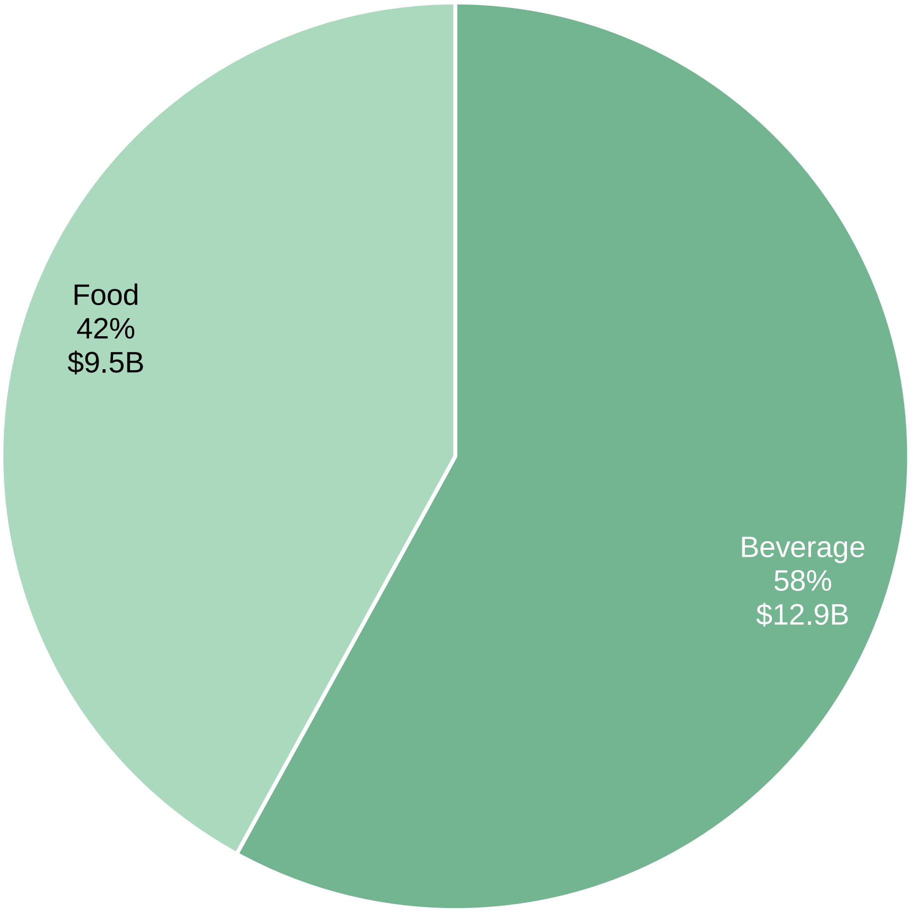
Base: 292 operators
*Q: Compared with 2019, did your 2021 foodservice sales (prepared food and beverages) increase, decrease or stay the same in your stores? Please exclude quick-service/fast-food concepts in your stores (e.g., Subway, Dunkin', Pizza Hut, etc.).
**Q: Looking ahead to 2023, do you expect your overall foodservice sales (prepared food and beverage) to increase, decrease or stay the same? Again, please exclude quick-service/fast-food concepts in your stores.

“Our goal is to **continue double-digit increases** and we’ve been on track for the last four years. It’s just going to take **more work moving forward**.”

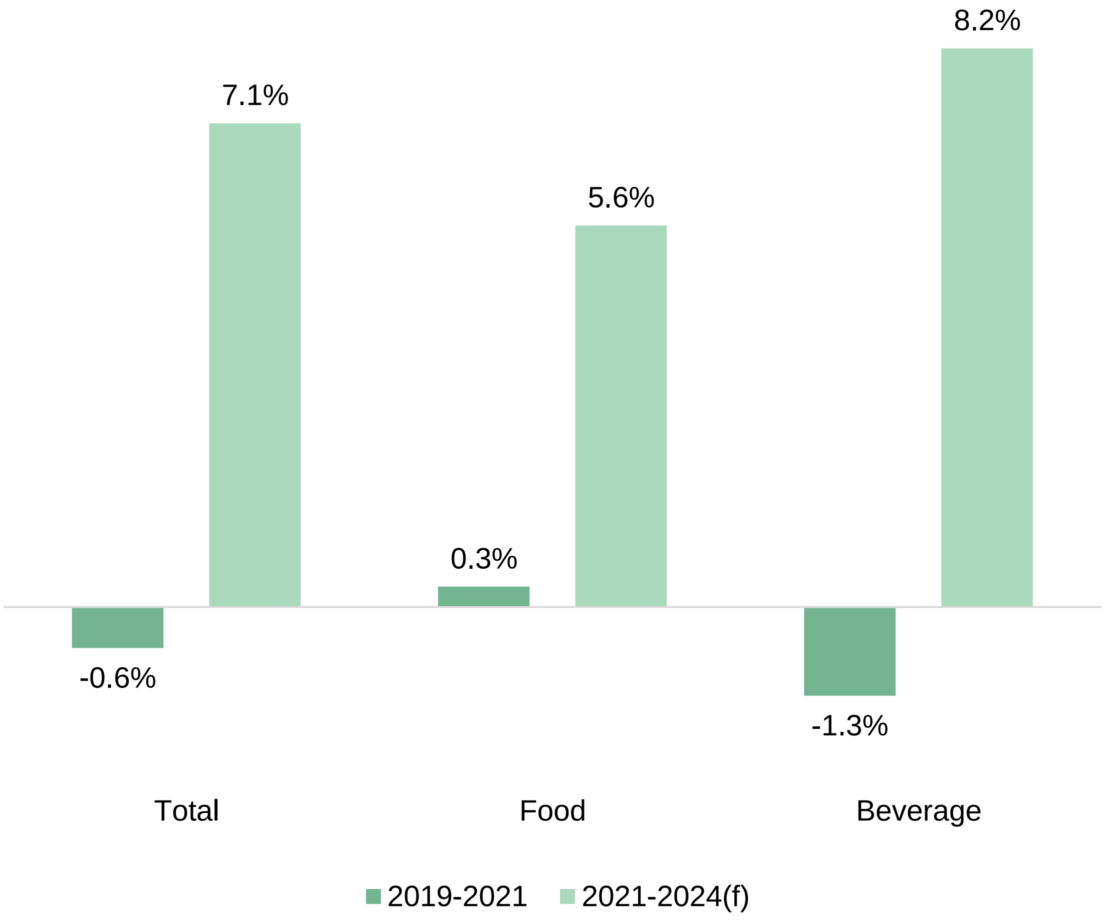
–Large chain c-store operator

PROPRIETARY C-STORE FOODSERVICE 2021
RETAIL SALES EQUIVALENT ($B)

$22.4 billion

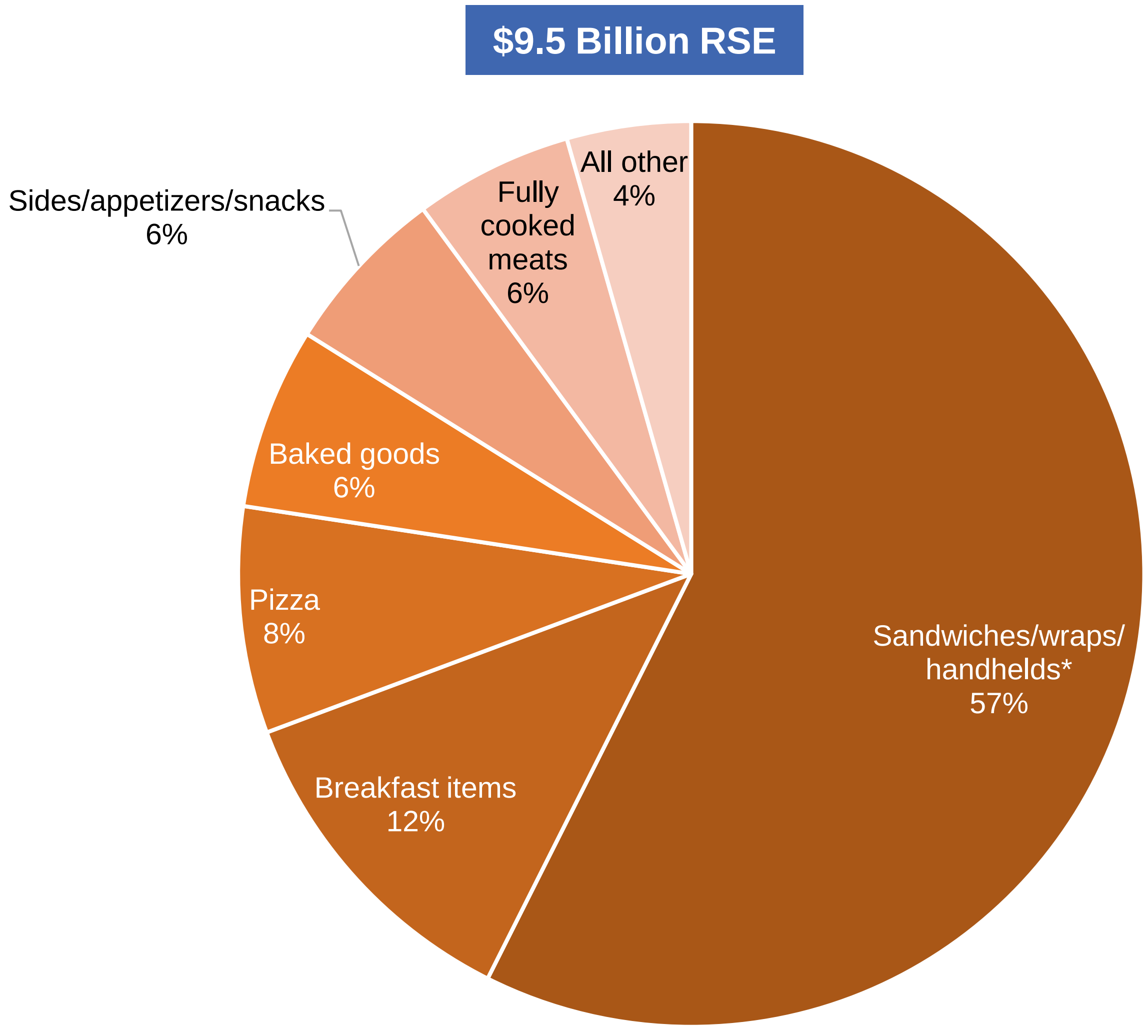


C-STORE FOODSERVICE SALES GROWTH COMPOUND ANNUAL GROWTH RATE



Source: Technomic
Note: (f)=forecast

C-STORE FOOD SALES 2021



Source: Technomic
*Note: Nonbreakfast items

All other 4%

Prepared salads 0.9%

Fruits 0.8%

Other global 0.7%

Other 0.7%

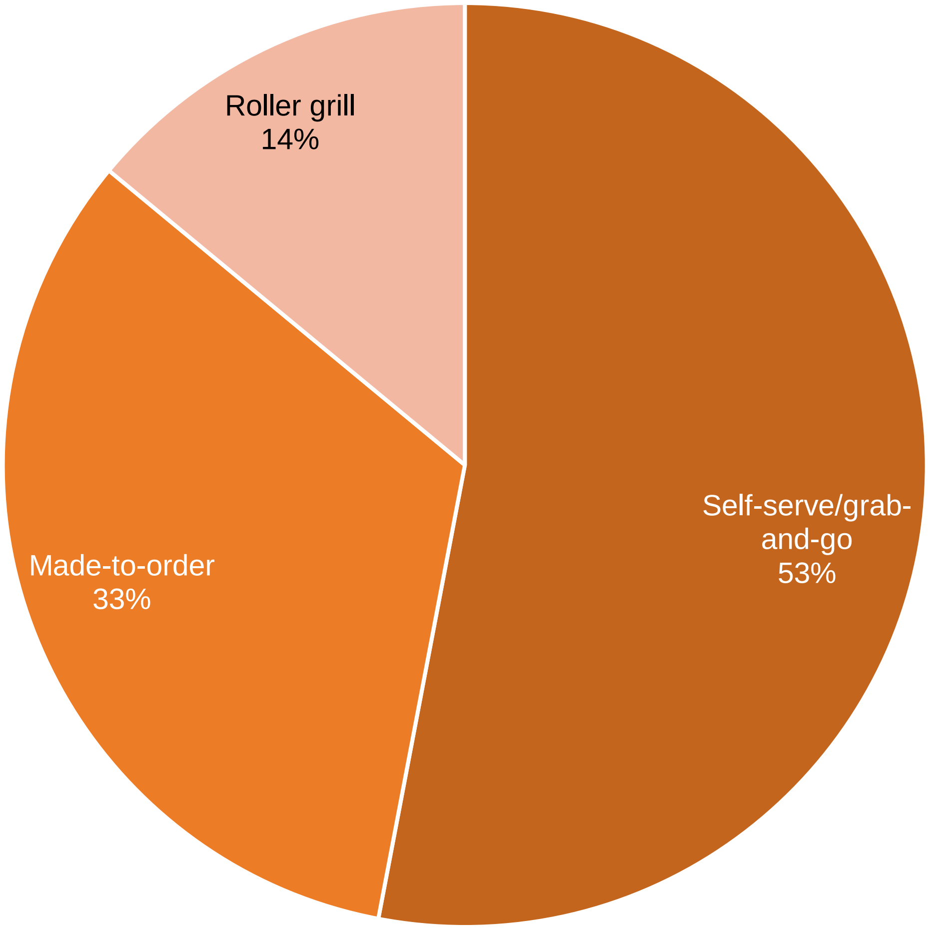
Soups/chilis 0.5%

Frozen desserts 0.4%

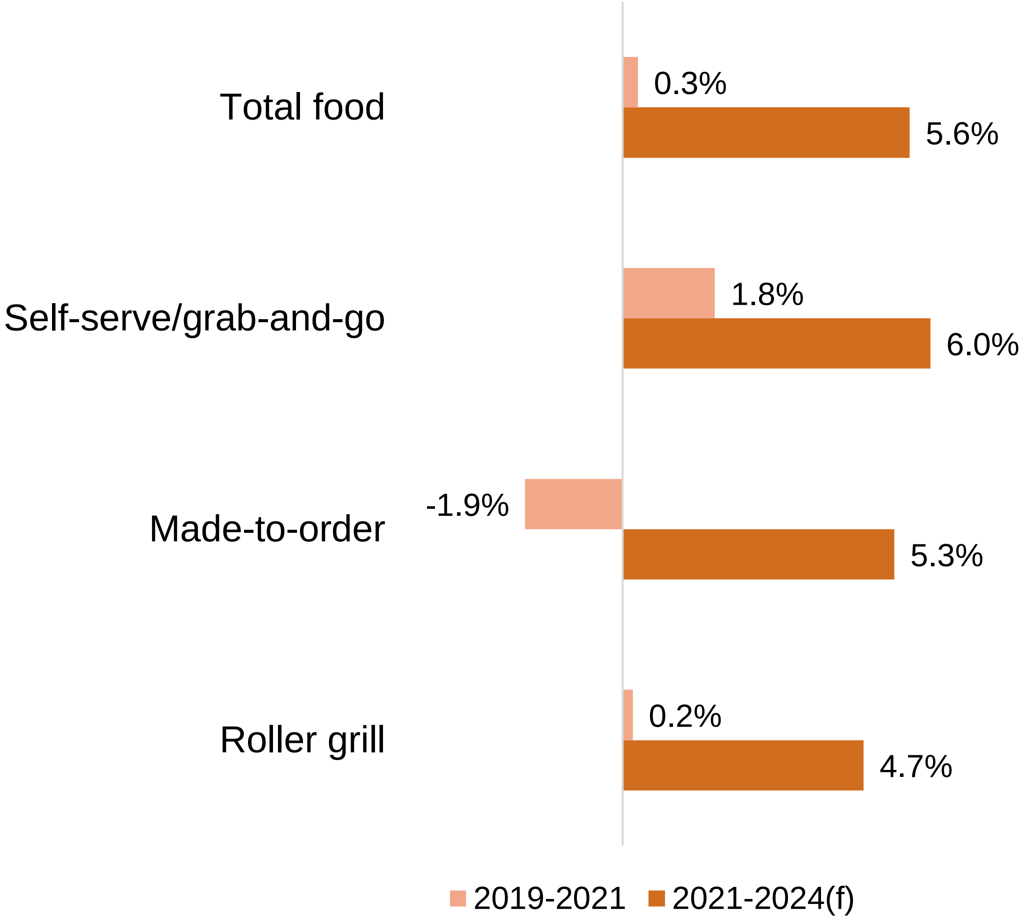
Hot entrees 0.3%

Nonbreakfast sandwiches, wraps and handhelds remain the primary drivers of food sales, underscoring the on-the-go nature of the foodservice purchase occasion at c-stores

FORMAT SHARE C-STORE FOOD SALES 2021
$9.5 BILLION RSE



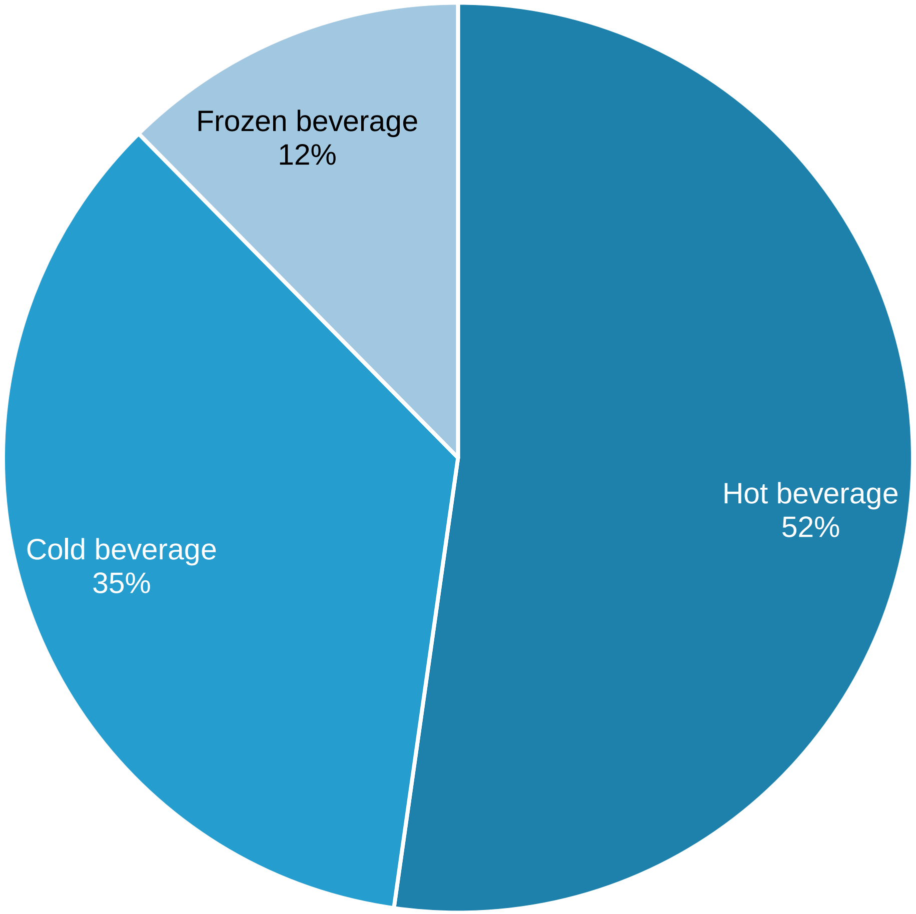
C-STORE FOODSERVICE FOOD FORMAT SALES GROWTH
COMPOUND ANNUAL GROWTH RATE



Source: Technomic

C-STORE BEVERAGE SALES 2021

$12.9 Billion RSE

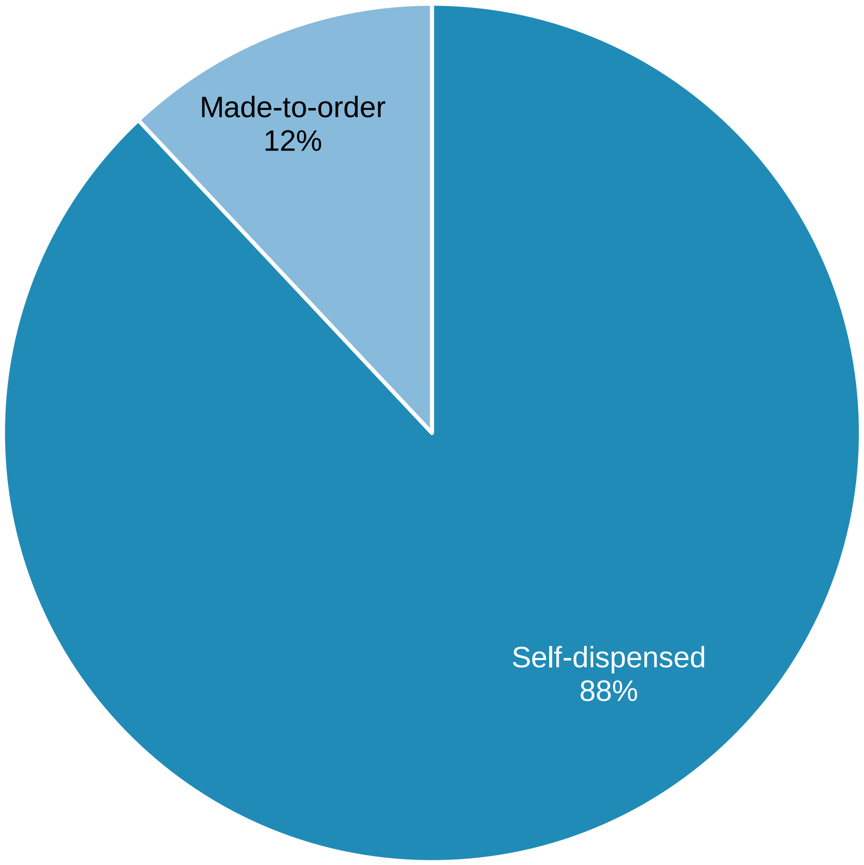


Source: Technomic

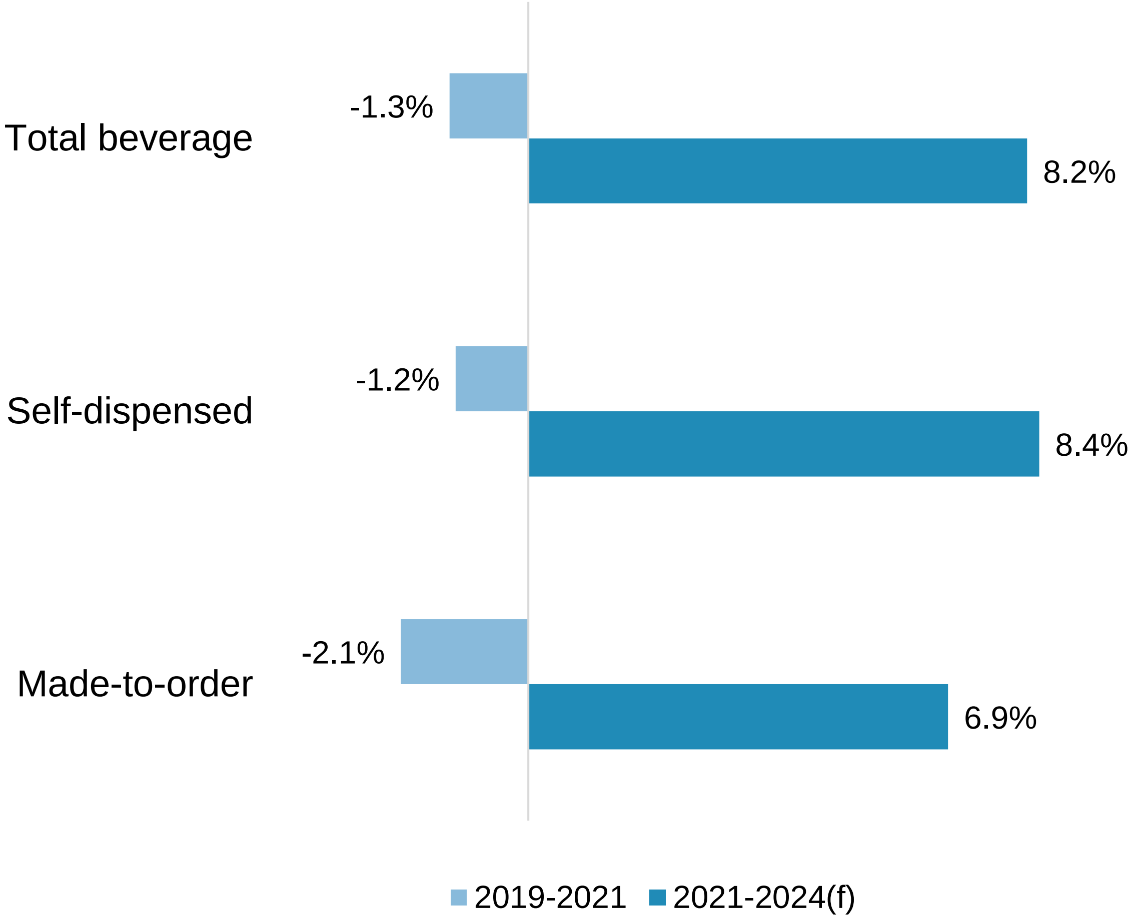
Hot offerings continued to generate the largest share of c-store beverage sales in 2021, indicating that their importance to consumers and operators persists in the new environment

HOT BEVERAGE FORMAT SHARE OF 2021 BEVERAGE SALES

$12.9 Billion RSE



C-STORE FOODSERVICE FOOD FORMAT SALES GROWTH COMPOUND ANNUAL GROWTH RATE



Source: Technomic

Image Source: Shutterstock

Fastest-growing categories

Prepared food

- Pizza
- Hot entrees
- Breakfast items
- Prepared salads
- Fully cooked meats

Prepared beverage

- Regular hot coffee
- Hot chocolate
- Cold coffee drinks
- Iced tea

Growth format:
Hot case/warmer

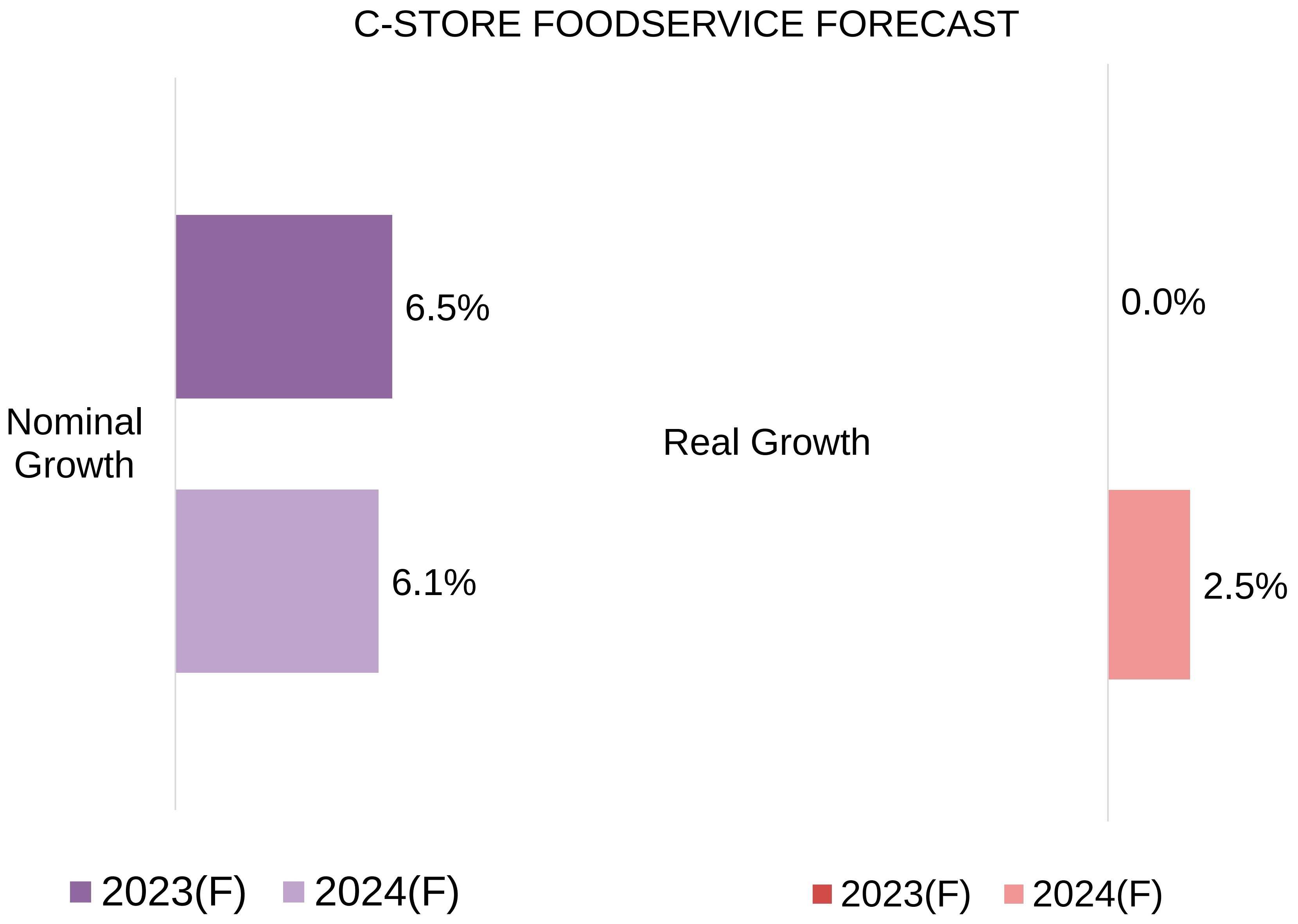
“The biggest problems are spoilage and the labor—having enough people making the right amount at the right time so you don’t have things expiring all at the same time.”

–Large chain c-store operator

“We have all offers out all day. That’s not how every c-store does it because it makes spoilage go up since you’re not focusing on higher guest count times.”

–Large chain c-store operator

C-store foodservice momentum continues



Note: (F)=forecast
Source: Technomic

Recommended Action

Foodservice growth is a bright spot for convenience operators, who are highly optimistic about their ability to grow sales over the next year, pointing to ample opportunities to **LEVERAGE PROFITABLE CATEGORIES DEMONSTRATING HIGH DEMAND**. For example, legacy categories such as coffee, breakfast sandwiches, fried chicken, pizza and french fries continue to be at the forefront of operator menus due to their familiarity and craveability.

Still, it's important to **ASSESS SPACE FOR UNIQUE OFFERINGS**, which can be initially explored **THROUGH SEASONAL SPECIALS OR LIMITED-TIME OFFERS** to drive excitement and then potentially be added to the menu. For example, 7-Eleven recently released a Peanut Butter and JAMs Cappuccino as a limited-time offer in July, leveraging a nostalgic flavor combination to maximize appeal, while Speedway featured a maple-flavored sausage, egg and cheese taquito with sweet and salty ingredients in May 2022.

#3

Better-for-you offerings are a part of many consumers’ consideration sets, although intent to purchase remains low

While 54% of consumers say the availability of healthy food and beverages is important when purchasing foodservice items from c-stores, plant-based and vegetarian designations remain attributes least likely to increase consumer propensity to purchase an item.

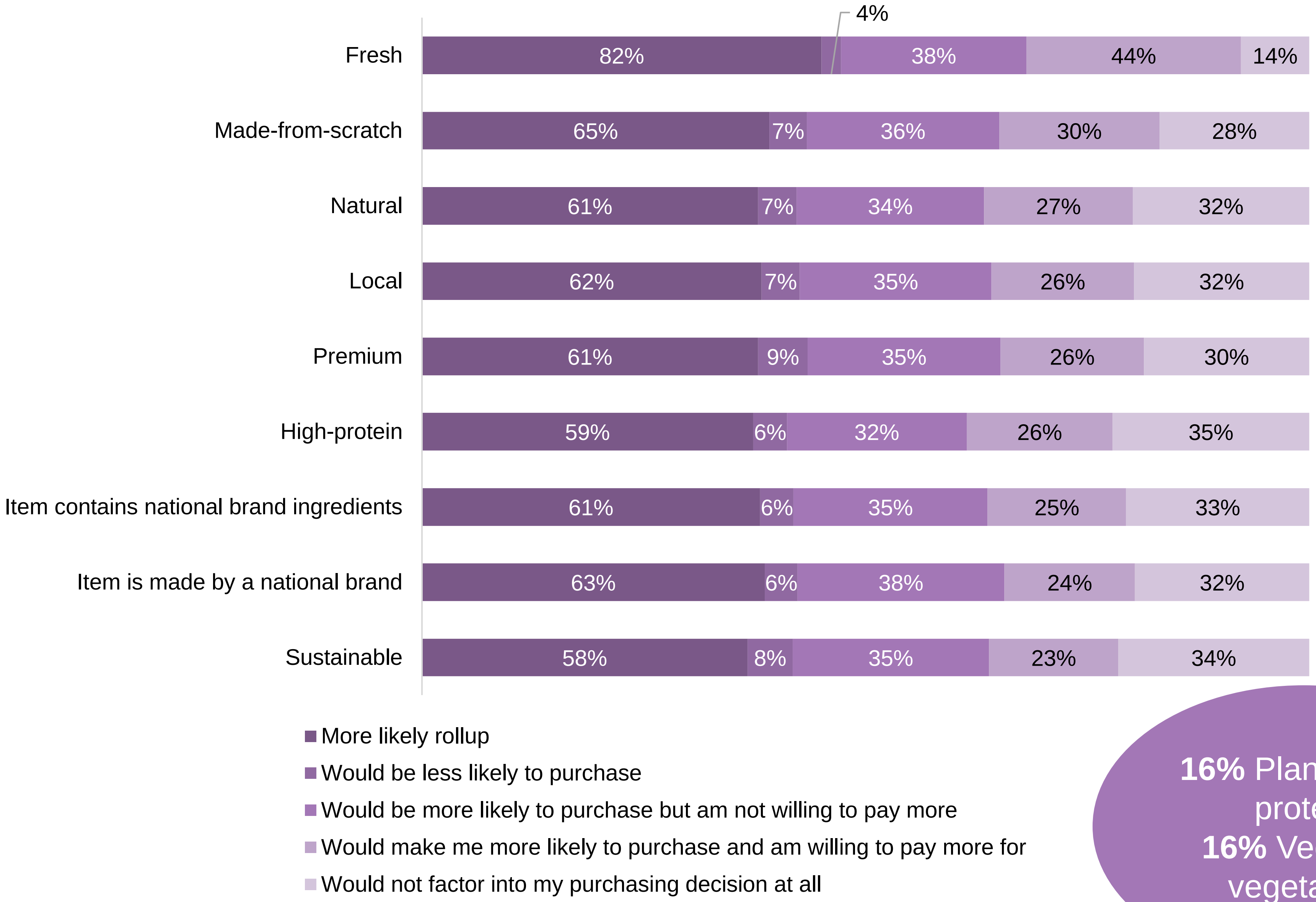
That said, about a quarter of consumers indicate interest in plant-based variations of popular items, including burgers and breakfast sandwiches, indicating these offerings have traction with some patrons, particularly younger ones.

Image Source: Shutterstock

54% say healthy food & beverages are an important factor when deciding to purchase foodservice from c-stores

“Fresh” is the most influential attribute

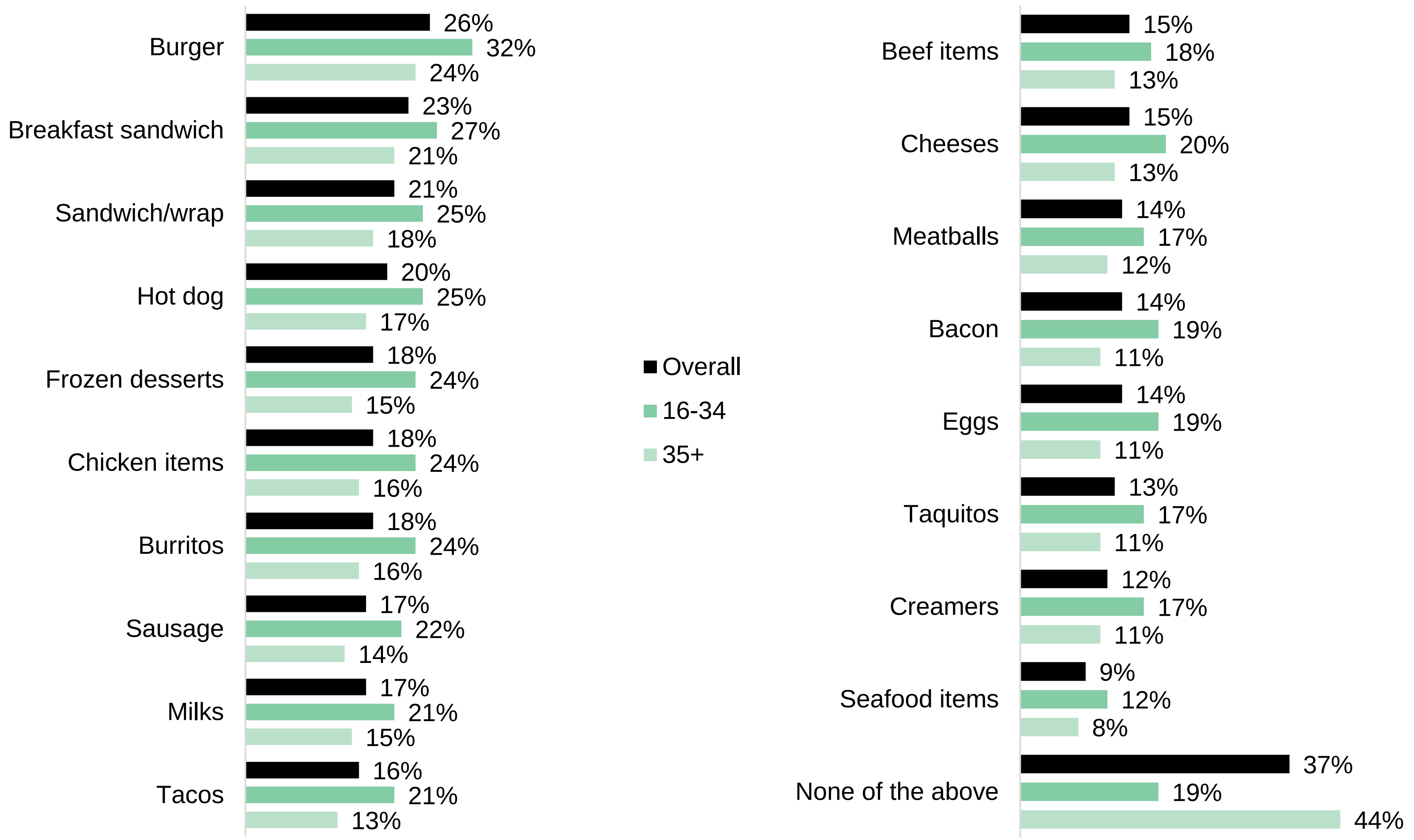
FACTORS THAT INFLUENCE PURCHASE INTENT AND WILLINGNESS TO PAY MORE



16% Plant-based protein
16% Vegan or vegetarian

Base: 833 c-store customers
Q: How do the following attributes affect your food and beverage purchasing decisions at convenience-store foodservice areas?

PLANT-BASED ITEMS LIKELY TO PURCHASE



Base: 2,000 c-store customers
Q: Which of the following prepared food items (if any) would you be most likely to purchase a plant-based variation of at convenience stores? Select all that apply.

Additional Insight

Strong skews among younger consumers suggest the next generation of c-store customers will be more open to plant-based variations of popular items.

Overall, 81% of younger consumers express interest in at least one type of plant-based item.

“We introduced two big salads and **took our prices up by adding protein** to them. **I see us doing that more.**”

–Small chain c-store operator

Recommended Action

Better-for-you offerings certainly have a place in c-store foodservice, but it’s important to identify how best to meet a chain or store’s specific consumer’s needs in terms of health attributes and focus on formats and items with strongest opportunity. **HIGHLIGHTING FRESH, NATURAL, LOCAL AND/OR PROTEIN CONTENT** is most likely to drive purchase, while **COLD GRAB-AND-GO OFFERINGS SIGNAL FRESHNESS AND HEALTH**.

Also, at the forefront of better-for-you in general are **PLANT-BASED PROTEINS**, which have limited appeal overall among convenience-store foodservice patrons but will **RESONATE WITH SOME YOUNGER CONSUMERS**. Providing plant-based alternatives to favorite items may drive increased engagement with 18- to 34-year-olds—a key consumer cohort for driving future growth.

#4

Current market dynamics and increased focus on foodservice result in a more demanding operator evaluating items, ingredients and supplier support for their programs

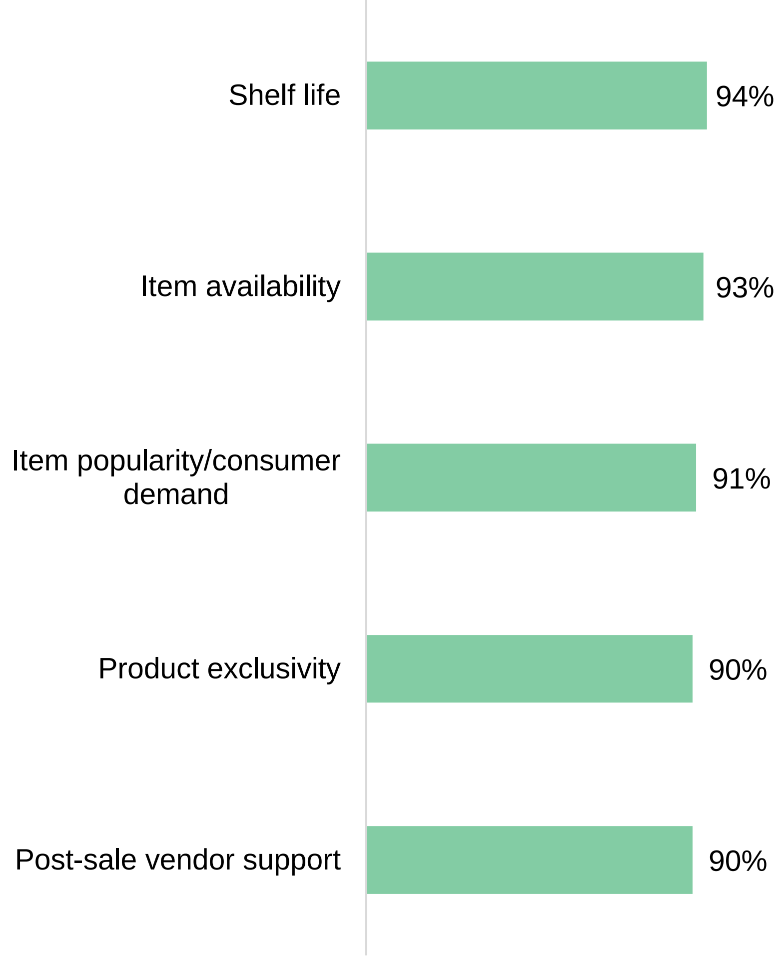
More product and support attributes are important to more c-store foodservice operators now than in February 2020, including brand, vendor support, product exclusivity, shelf life and availability. These elevated criteria for evaluating new products and supplier partners relates to a greater share of operators confirming foodservice as a strategic priority (10 points), which is driven by contraction in other key categories such as center store and tobacco. In addition, high levels of concern about rising costs, supply chain, competition and labor in the current environment are sharpening operator focus on ROI and support when making product and partner selections.

Image Source: Shutterstock

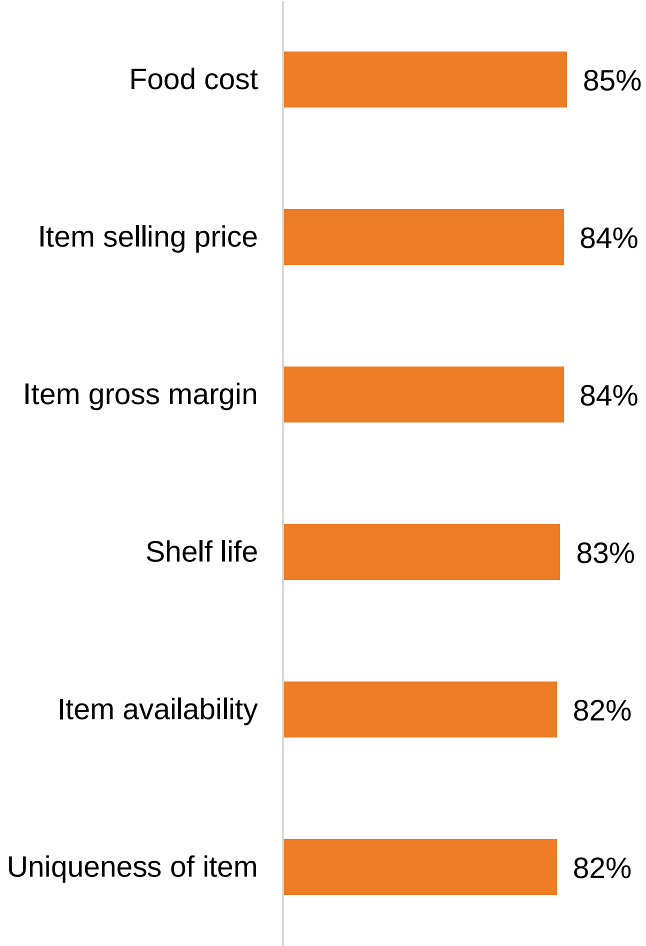
95% of operators agree that foodservice is a strategic priority for their company

"If you're not in the food business, then you're not in business." –Small chain c-store operator

ATTRIBUTE IMPORTANCE WHEN ADDING TO FOODSERVICE PROGRAM 2022*



ATTRIBUTE IMPORTANCE WHEN ADDING TO FOODSERVICE PROGRAM 2020**



GREATEST CHANGES IN ATTRIBUTE IMPORTANCE VS. 2020

Brand (+13 points)

Post-sale vendor support (+12 points)

Product exclusivity (+12 points)

Shelf life (+11 points)

Item availability (+11 points)

Item popularity/consumer demand (+11 points)

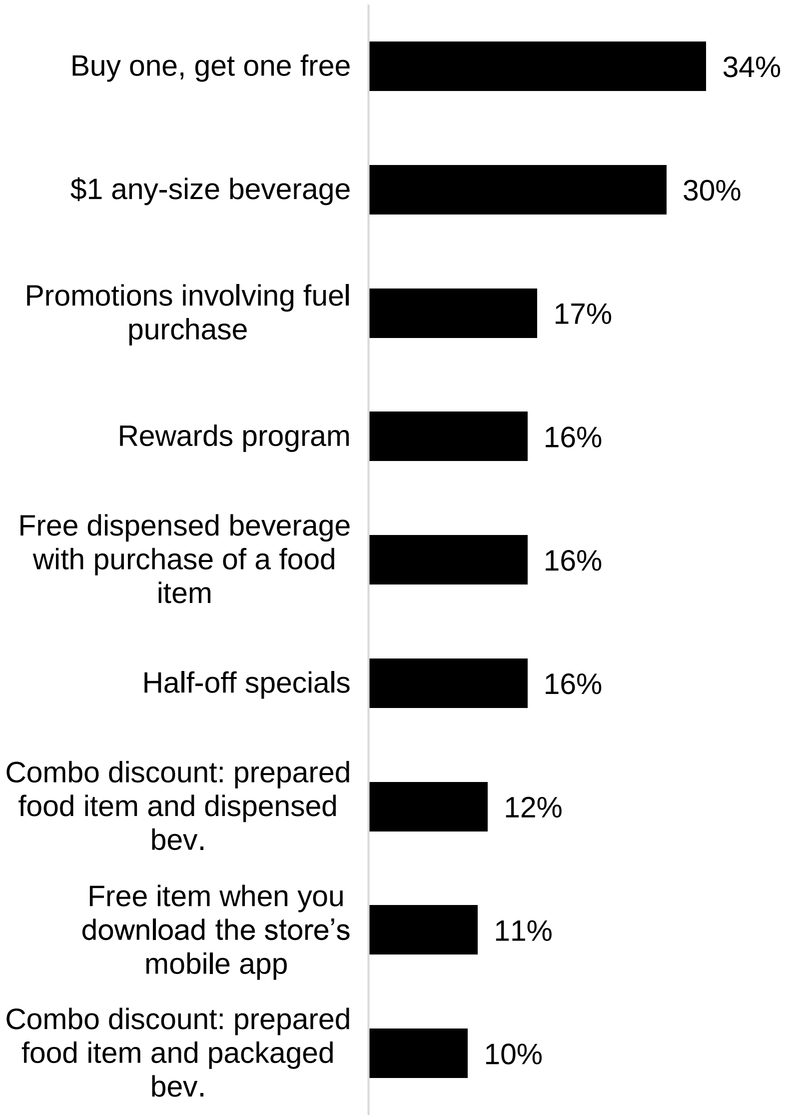
Sourced/prepared in a sustainable manner (+11 points)

*Base: 292 operators
**Base: 300 operators
Q: How important are each of the following when considering whether to add a food or beverage item to your foodservice program? Use of scale of 1-5, where 1=not important at all and 5=extremely important.

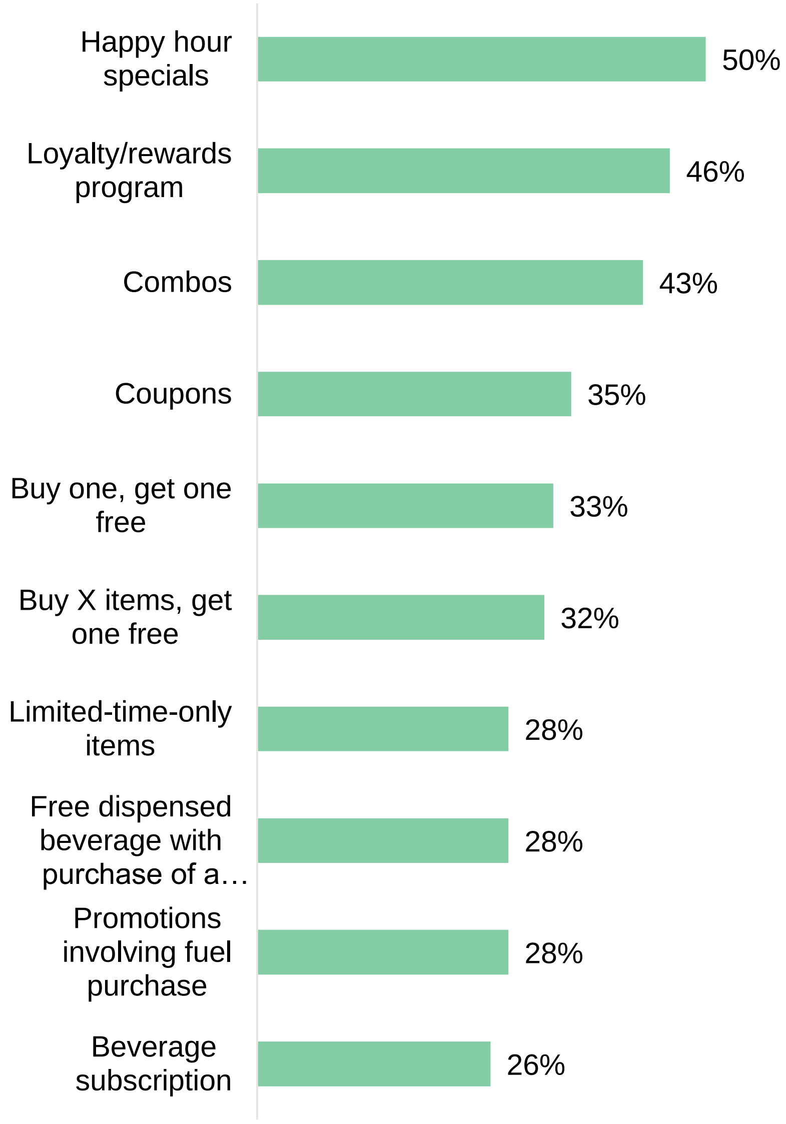
44% of consumers say they are seeking out c-store foodservice **deals/promotions** more often than a year ago due to rising prices

Creative promotions that marry value with quality and innovation will resonate with consumers and drive results for operators

PROMOTIONS MOST LIKELY TO DRIVE AN UPLANNED CONSUMER VISIT*



PROMOTIONS OPERATORS USE TO DRIVE FOODSERVICE SALES**



Base: 2,000 c-store customers
Q: Which of the following foodservice promotions would be most likely to cause you to make an unscheduled trip to a convenience store in order to take advantage of the promotion? Select up to three.
**Base: 292 operators
Q: Which of the following types of promotions does your operation use to drive sales for your foodservice program in 2022? Please consider promotions already run, currently running or planning to run this year. Select all that apply.

Recommended Action

Given rapid convenience industry shifts that are elevating the role of foodservice in retailer growth strategies and challenges including growing competition, labor shortages and persistent supply chain issues, it's critical suppliers proactively **TOUT CONSISTENCY AND RELIABILITY OF PRODUCT AVAILABILITY, LABOR EFFICIENCY, CONSUMER APPEAL AND MARGIN GENERATION** to drive operator confidence. With roughly 90% of operators rating shelf life, item availability, item popularity/consumer demand and post-sale support as being highly important in foodservice product selection, supplier partners should **POSITION PRODUCTS AS DELIVERING ON TOP PRIORITIES AND SOLVING FOR KEY CHALLENGES** and highlight their own ability to **PROVIDE ONGOING SUPPORT**. In today's challenging environment, operators demand new food and beverage items, as well as vendor partners that provide good value to their customer, their operation and their bottom line.

QUESTIONS?

So, what's next?

Do you have questions on this report or want more information about other vital topics? Reach out to your Technomic team today

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Technomic

Since 1966, we have produced in-depth research focused on the foodservice industry.

We provide insights into consumer, industry and menu trends in the U.S., Canada and 23 countries around the world.

Our team of experts helps leaders in the industry make complex business decisions, set strategy and stay ahead of the curve.

Have questions?
Reach out to us today.

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