



A Red-Ink First Half

The *Convenience Store News Midyear Report Card* reveals the pandemic's early effects

By Don Longo

CONVENIENCE STORE retail sales plunged into the red as COVID-19 caused economic shutdowns across the country, which adversely affected store traffic and fuel volume. There was an initial sales boom driven by panic-buying of basic essentials when the pandemic first gained notoriety in early to mid-March. However, soon after that, nationwide shelter-in-place restrictions destroyed demand for fuel and depressed customer traffic inside the store. Foodservice, including prepared food, fresh baked goods, and hot and cold dispensed beverages, were particularly hard-hit.

The *2020 Convenience Store News Mid-year Report Card* shows that most in-store

product categories were negatively impacted by the pandemic during the first six months of this year.

Of the major categories tracked by Nielsen, beer exhibited the greatest percentage dollar growth in the first half of 2020. Edible grocery and non-edible grocery also saw uncommon sales gains as sheltering consumers bought essential grocery items and cleaning supplies at c-stores. Cigarettes, cigars and smokeless tobacco also performed well in the first half.

Most other categories, however — especially those reliant on impulse purchasing — were negatively impacted by the coronavirus pandemic, including gum and mints, packaged beverages, and salty snacks. Seasonal candy was also hurt as the Easter selling season fell right in the midst of the worst part of the health crisis.

CIGARETTES ARE SMOKIN' AGAIN

The headwinds against cigarettes reversed during the first half of 2020. Dollar sales bounced back from a 5 percent decline during the first half of 2019 to a slight gain in the first six months of 2020. Unit-volume decline also moderated, falling 5.6 percent, compared with a steeper 7.9 percent drop in the year-ago period.

Subgeneric/private label brands showed the biggest increase during the first half of the year, rising 9 percent in dollars and 3.1 percent in units. Premium brands also made a comeback, rising almost 1 percent, after a 4 percent decline in the previous year's first half.

Fourth tier brands and imports showed the biggest declines in the category, losing 16.1 percent and 14.4 percent in dollars, respectively. Branded discount brands were also down, about 5 percent in both dollars and units.

	DOLLAR SALES % CHANGE 2020 FIRST-HALF	DOLLAR SALES % CHANGE 2019 FIRST-HALF	UNIT VOLUME % CHANGE 2020 FIRST-HALF	UNIT VOLUME % CHANGE 2019 FIRST-HALF
Total Cigarettes	0.2%	-4.9%	-5.6%	-7.9%
Branded discount	-4.9%	-11.4%	-10.3%	-11.5%
Fourth tier	-16.1%	-14.7%	-25.6%	-20.6%
Imports	-14.4%	-14.3%	-11.2%	-6.4%
Premium	0.8%	-4.1%	-5.1%	-7.2%
Subgeneric/private label	9.0%	7.6%	3.1%	7.8%

Source: *Convenience Store News* Market Research; Nielsen C-store Track, June 2020

PACKAGED BEVERAGES SENT PACKING

Adversely affected by the c-store traffic declines, packaged beverage dollar sales were down a little more than 2 percent during the first six months of 2020, on a nearly 7 percent decline in unit volume. Every subcategory took a hit except sports drinks, which managed a 3.8 percent dollar gain, according to the *CSNews Midyear Report Card*.

The biggest declines were seen in bottled water, down almost 11 percent in dollars as panicked consumers bought in bulk at grocery stores, and enhanced waters, down 9 percent in dollars.

Carbonated soft drinks (CSDs) actually performed better than expected, falling 6 percent in volume on flat dollars during the first half of the year. A year ago, CSDs were down 8 percent in volume and 2 percent in dollars.

BEER KEEPS FLOWING

The beer category has been a silver lining in the current crisis. Total beer category dollar sales were up 12 percent in the first half of this year, while unit sales were up 3.8 percent. Last year at this time, both dollars and unit sales were relatively flat.

Within the category, dollar sales gains on a percentage basis were strongest in flavored malt beverages, likely due to the growing popularity of hard seltzers. Non-alcoholic, super premium and import beers also made a strong showing. And microbrew/craft beer reversed its year-ago trend by increasing 8 percent in both dollars and units, after a disappointing flat performance in the first half of 2019.

The only subcategory in the red for the first half of this year was malt liquor, which for the second consecutive year recorded the biggest decline in both dollars and units.

OTP STALLS

Other tobacco products (OTP), one of the fastest-growing categories of the past several years, hit a roadblock during the first half of 2020. Dollar sales, which grew by double-digits a year ago, were up less than 2 percent for the period.

The biggest culprit was e-cigarettes, which saw an 8.6 percent decline in dollar sales during the first half of the year, after exploding by 76.5 percent the year earlier.

OTP bright spots for the first six months of 2020 were cigars and smokeless tobacco. After declining by more than 3 percent in dollar sales a year ago, cigars climbed back up by more than 7 percent; unit volume was up almost 4 percent. Smokeless tobacco saw a 7 percent dollar sales gain on flat unit volume. Both figures surpassed last year's at the midway point.

	DOLLAR SALES % CHANGE 2020 FIRST-HALF	DOLLAR SALES % CHANGE 2019 FIRST-HALF	UNIT VOLUME % CHANGE 2020 FIRST-HALF	UNIT VOLUME % CHANGE 2019 FIRST-HALF
Total Packaged Beverages	-2.2%	1.0%	-6.7%	-4.9%
Energy drinks (i.e., alternative beverages)	-0.7%	8.4%	-1.9%	2.9%
Bottled water	-10.9%	-5.5%	-17.4%	-8.5%
Carbonated soft drinks	-0.2%	-2.0%	-6.1%	-8.4%
Enhanced water	-9.3%	5.3%	-12.8%	2.3%
Iced tea RTD	-8.0%	-6.5%	-12.5%	-8.6%
Juice/juice drinks	-5.0%	-5.9%	-9.8%	-8.3%
Other packaged beverages	-2.5%	1.5%	-5.9%	-0.1%
Sports drinks	3.8%	0.2%	0.0%	-8.0%

	DOLLAR SALES % CHANGE 2020 FIRST-HALF	DOLLAR SALES % CHANGE 2019 FIRST-HALF	UNIT VOLUME % CHANGE 2020 FIRST-HALF	UNIT VOLUME % CHANGE 2019 FIRST-HALF
Total Beer	12.0%	0.1%	3.8%	-1.5%
Budget	0.7%	0.1%	-4.6%	-5.5%
Flavored malt	59.8%	1.5%	23.9%	1.0%
Imports	16.7%	7.9%	10.1%	6.4%
Malt liquor	-6.0%	-7.3%	-7.2%	-9.4%
Microbrew/craft	8.0%	-1.2%	8.3%	0.0%
Non-alcoholic	41.4%	3.5%	22.1%	-0.1%
Popular	2.1%	-5.3%	-5.7%	-5.5%
Premium	1.9%	-3.7%	-3.0%	-3.5%
Super premium	20.4%	13.2%	9.8%	10.4%

	DOLLAR SALES % CHANGE 2020 FIRST-HALF	DOLLAR SALES % CHANGE 2019 FIRST-HALF	UNIT VOLUME % CHANGE 2020 FIRST-HALF	UNIT VOLUME % CHANGE 2019 FIRST-HALF
Total OTP	1.9%	15.3%	2.4%	-1.3%
Cigars	7.1%	-3.4%	3.7%	-3.8%
E-cigs	-8.6%	76.5%	3.6%	58.7%
Other	25.5%	-7.1%	26.3%	-14.8%
Papers	8.8%	-7.7%	5.2%	-8.2%
Pipe/cigarette tobacco	-4.1%	-11.0%	-8.1%	-13.6%
Smokeless tobacco	7.0%	0.2%	-0.6%	-5.5%

	DOLLAR SALES % CHANGE 2020 FIRST-HALF	DOLLAR SALES % CHANGE 2019 FIRST-HALF	UNIT VOLUME % CHANGE 2020 FIRST-HALF	UNIT VOLUME % CHANGE 2019 FIRST-HALF
Total Edible Grocery	7.3%	0.3%	2.6%	-2.2%
Breakfast cereal	-7.5%	-0.3%	-12.4%	-3.5%
Condiments	13.1%	-2.6%	10.4%	-1.8%
Other edible grocery	11.1%	-3.0%	8.0%	-3.4%
Packaged coffee/tea	3.6%	3.8%	-2.1%	0.0%

Source: Convenience Store News Market Research; Nielsen C-store Track, June 2020

EDIBLE GROCERY GAINS

Consumers turned to convenience stores for everyday grocery items at the beginning of the pandemic. Edible grocery sales improved in the first half of 2020, climbing a solid 7.3 percent in dollar sales on a 2.6 percent increase in unit volume. Condiments (up 13.1 percent) and other edible grocery (up 11.1 percent) were the best subcategory performers.

TAKING A SHINE TO GENERAL MERCHANDISE

Batteries and seasonal products were two outstanding subcategories that drove sales in the general merchandise category in c-stores during the first half of the year. While seasonal products were up 13.1 percent in dollars and 2.9 percent in units, batteries gained 12.7 percent in dollars and 7.3 percent in units.

Still, total general merchandise category dollar sales declined 4.4 percent and units fell 8.1 percent in the first half. Hardware/housewares, school/office supplies, telecom hardware and wearables/apparel all experienced sales declines compared to the first half of 2019.



GUM, MINTS & DROPS DROP

Lighter customer traffic means fewer opportunities for impulse sales and this greatly impacted the candy category in the first six months of the year. Confectionery sales were down 2.8 percent in dollars and 11.5 percent in units.

Rolls, mints and drops were down a whopping 20.5 percent in dollars and 23.7 percent in units, while gum was down 21.5 percent and 27.8 percent, respectively. It's likely that the lower level of social activity during the pandemic depressed gum and mint sales. Seasonal candy also took a hit as the Easter holiday was all but forgotten amidst the pandemic.

Chocolate bars and packs, up 3.6 percent in dollars, and bagged/repacked/pegged candy, up 3.2 percent in dollars, were the best performers in this category during the first half.

SALTY SNACKS GO STALE

Not a single subcategory within salty snacks had a dollar or volume increase during the first half of 2020 — a testament to the devastating impact of the economic shutdowns caused by the pandemic. The total category was down 7.6 percent in dollars and 13.1 percent in units.

The most adversely affected subcategories were nuts/seeds (down 15.8 percent in dollars), mixed snacks (down 8.4 percent in dollars), crackers and potato chips (both down 7.8 percent). Puffed cheese (down just 2 percent) experienced the lowest percentage decline in sales dollars.

STOCKING UP ON NON-EDIBLE GROCERY

Non-edible grocery products saw solid sales gains at convenience stores in the first half of 2020 as Americans hunkered down in their homes, but needed essential household items, especially cleaning supplies. The category grew 3.3 percent in dollar sales on a slight unit gain.

Certain subcategories, though, far exceeded that growth rate. Dish care was up 15.3 percent in dollars and 12.1 percent in units. Household care, laundry care, paper/plastic/foil and other non-edible grocery also saw big dollar sales gains, according to the *Midyear Report Card*. **csn**

	DOLLAR SALES % CHANGE 2020 FIRST-HALF	DOLLAR SALES % CHANGE 2019 FIRST-HALF	UNIT VOLUME % CHANGE 2020 FIRST-HALF	UNIT VOLUME % CHANGE 2019 FIRST-HALF
Total General Merchandise	-4.4%	-11.5%	-8.1%	-14.4%
Batteries	12.7%	-8.5%	7.3%	-9.9%
Hardware/housewares	-23.3%	-20.4%	-15.8%	-28.1%
School/office supplies	-18.6%	-17.4%	-18.7%	-16.2%
Seasonal	13.1%	12.8%	2.9%	8.9%
Smoking accessories	-3.5%	-10.2%	-7.6%	-12.7%
Telecom hardware	-15.1%	-22.6%	-17.3%	-31.5%
Video/audio tapes	4.0%	-45.0%	153.4%	-67.0%
Wearables/apparel	-11.1%	2.9%	-8.7%	5.5%

	DOLLAR SALES % CHANGE 2020 FIRST-HALF	DOLLAR SALES % CHANGE 2019 FIRST-HALF	UNIT VOLUME % CHANGE 2020 FIRST-HALF	UNIT VOLUME % CHANGE 2019 FIRST-HALF
Total Candy	-2.8%	-1.4%	-11.5%	-6.1%
Chocolate bars/packs	3.6%	-2.8%	-6.6%	-5.6%
Non-chocolate bars/packs	-1.7%	-6.0%	-12.1%	-7.9%
Rolls/mints/drops	-20.5%	-3.6%	-23.7%	-9.0%
Gum	-21.5%	-2.3%	-27.8%	-11.5%
Bagged/repacked/pegged	3.2%	-0.5%	-5.6%	-4.5%
Novelties/seasonal	-25.9%	12.0%	-29.5%	3.8%

	DOLLAR SALES % CHANGE 2020 FIRST-HALF	DOLLAR SALES % CHANGE 2019 FIRST-HALF	UNIT VOLUME % CHANGE 2020 FIRST-HALF	UNIT VOLUME % CHANGE 2019 FIRST-HALF
Total Salty Snacks	-7.6%	4.1%	-13.1%	-3.4%
Crackers	-7.8%	3.2%	-15.1%	-3.0%
Mixed	-8.4%	-2.9%	-13.4%	-6.5%
Nuts/seeds	-15.8%	-0.1%	-22.0%	-4.7%
Other salty snacks	-4.1%	4.8%	-7.6%	-1.7%
Packaged RTE popcorn	-7.3%	0.6%	-11.4%	-6.1%
Potato chips	-7.8%	3.0%	-12.4%	-5.7%
Pretzels	-6.6%	1.8%	-14.7%	-3.8%
Puffed cheese	-2.0%	9.7%	-6.6%	0.5%
Tortilla corn chips	-6.5%	8.1%	-11.3%	-0.6%

	DOLLAR SALES % CHANGE 2020 FIRST-HALF	DOLLAR SALES % CHANGE 2019 FIRST-HALF	UNIT VOLUME % CHANGE 2020 FIRST-HALF	UNIT VOLUME % CHANGE 2019 FIRST-HALF
Total Non-Edible Grocery	3.3%	-4.0%	0.4%	-5.5%
Dish care	15.3%	-7.4%	12.1%	-8.4%
Household care	3.1%	-9.7%	4.3%	-10.6%
Laundry care	1.3%	-1.0%	-3.8%	-6.4%
Other non-edible grocery	11.9%	-8.4%	9.6%	-11.6%
Paper/plastic/foil	8.4%	-4.6%	6.4%	-8.0%
Pet care	-3.8%	2.6%	-8.9%	-0.9%

Source: Convenience Store News Market Research; Nielsen C-store Track, June 2020