

An Industry Under Siege

NAG

September 12, 1999

Steven J. Montgomery

b2b Solutions, LLC

What Is The Convenience / Petroleum Industry?

† Convenience Retail

- ... “a retail business with primary emphasis placed on providing the public a convenience location to quickly purchase a wide array of consumable products... and services. (NACS 1998 Fact Book)

† Petroleum Marketing Industry

- locations that sell fuel to the motoring public

† Really Been One Industry Since 1989

- 1st year gasoline sales were greater than c-store mdse. sales

† Each Needs the Other's Revenue Stream to Survive



Mobil On The Run



BP-Amoco Split Second



How Important Are These Revenue Streams?

Sales

	<u>1988</u>	<u>% of Total Sales</u>	<u>1998</u>	<u>% of Total Sales</u>
GP / Gasoline	\$538,560	49%	\$1,193,000	61%
GP / Store Sales	\$567,000	51%	\$777,000	39%
Total GP / Location	\$1,105,560	100%	\$1,970,000	100%

Gross Profit

	<u>1988</u>	<u>% of Total GP</u>	<u>1998</u>	<u>% of Total GP</u>
GP / Gasoline	\$66,096	24%	\$143,221	37%
GP / Store Sales	\$206,388	76%	\$242,300	63%
Total GP / Location	\$272,484	100%	\$385,521	100%



Why Are They After Your Business?

† Cigarette Only Stores

- cigarette consumption declining
- c/p industry the only other major outlets

† Supermarkets

- eating habits changing / more food eaten away from home
- losing replenishment business to c-stores / mass merchants

† Pharmacies

- losing business to supermarkets / mass merchants
- losing business to on-line companies

† Mass Merchants

- losing business to club stores
- losing business to Wal-Mart / Wal-Mart needs to sustain growth



How Are They Seen By Consumers?

† COS

- smoker friendly environment
- lowest prices

† Pharmacies / Supermarkets / Mass Merchants

- One stop shopping
- Clean modern friendly alternative to gas stations and c-stores
- Environment more friendly to women (supermarket customer base 77% female)
- Lowest gasoline prices (PX - not yet)

† Super C-Store

- Bigger, brighter, better
- Re-position every one else in market place



Comparative Gasoline Volumes



**One
Supermarket**



**Five
Average C-Stores**



Are Pharmacies Serious About Convenience Retailing?



Are Pharmacies Serious About Convenience Retailing?

**Walgreen fills more than just prescriptions...
we fill all your needs quickly and conveniently.**

And that includes satisfying your hunger for fresh, fast food.

**Walgreen carries an entire line of convenience foods
from soda and snacks to fresh fruit and deli-style sandwiches.**

Stop by one of our stores soon and treat yourself to a great selection.

Real Convenience!

At Walgreen, we know your time is valuable.

That's why we've put everything you need all under one roof!

No need to fight traffic or wait in long lines.

**And since we have thousands of locations across the country,
there's usually a Walgreen right around the corner
- oftentimes, closer than your local supermarket.**



Supermarkets Pose Largest Threat

- † Far more of them than other new entrants
- † Used to working on very thin margins
- † Used to fierce competition
- † Great cross-merchandising possibilities
- † Trial
- † Incentive



To Prepare To Fight - Five Critical Success Factors

- † A Well Designed, Actionable Strategy
- † A Facility Designed to Implement the Strategy
- † An Information System Designed to Support the Strategy Infrastructure With the Requisite Skill Sets to Implement the Strategy
- † A Method of Operation Designed to Execute the Strategy
 - human resources
 - operations
 - marketing
 - accounting/finance/risk management
 - loss prevention



**For More Information on
An Industry Under Siege
contact**

**b2b Solutions, LLC
240 Dover Circle, Suite 101
Lake Forest, IL 60045**

**Steven J. Montgomery
847.295.2418
sjm@b2bsolutionsllc.com**