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# Convenience-Store Foodservice Outlook

From Subject Matter Expert, **Donna Hood Crecca, Principal**

As consumers pull back on restaurant usage to control spending, convenience stores are benefitting from inherent competitive advantages and recent investments in elevated offerings. Here we examine the drivers of convenience stores earning more consumer occasions.

74%

of c-store operators are concerned about increasing in-store traffic in Q1 2024

Down 9 points from Q3 2023

Source: Technomic April 2024 C-Store Operator Market Brief

Competition for consumer occasions among foodservice operators is fierce in 2024. The inflationary environment persists, and menu price increases continue. While the growth rate of both metrics is slowing, consumers are pulling back on restaurant usage to control spending.

Foodservice operators report high levels of concern about consumer visitation. But while

c-store foodservice operators' level of concern is declining, quick-service restaurant operators remain on high alert. What's more, convenience-store foodservice sales growth is projected to outpace that of quick-service restaurants and foodservice overall in 2024. Consumers appear to be increasingly gravitating to prepared food and beverage offerings in convenience stores, ramping up the competitive intensity between c-stores and QSRs, and making 2024 a potentially pivotal year for foodservice in convenience.

### Focus on Foodservice

Foodservice has emerged as the growth category in convenience stores in recent years, and operators acknowledge foodservice patronage and purchases are on the rise (Exhibit 1).

Consumers confirm growing

engagement with prepared food and beverage offerings in convenience stores. Nearly one-fifth (19%) reported increased foodservice item purchases at convenience stores compared to a year ago, and notable shares of these consumers said they decreased visits to fast-food restaurants (40%) and coffee/beverage shops (39%) as a result.\*

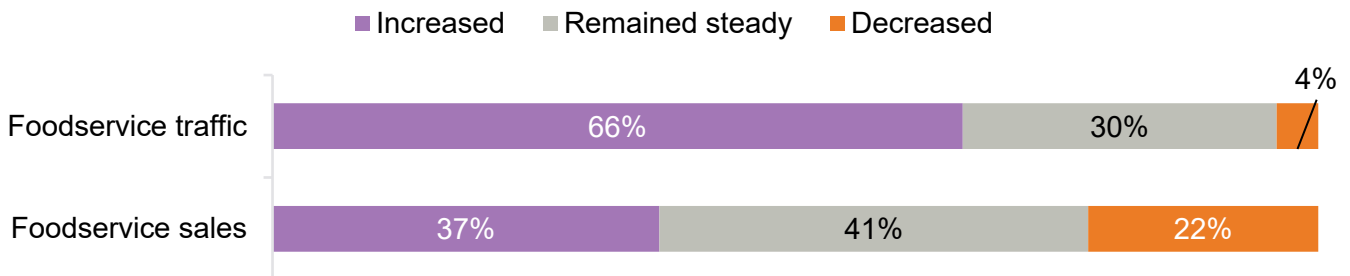
76%

of QSR operators are concerned about slow/declining traffic in Q1 2024

Down 1 point from Q3 2023

Source: Technomic Q1 2024 Restaurant & Operator Outlook Report

EXHIBIT 1: CHANGE IN FOODSERVICE TRAFFIC AND SALES COMPARED TO SIX MONTHS AGO



Base: 100 c-store operators  
Source: Technomic April 2024 C-Store Operator Market Brief

\*Base 192 c-store customers who are purchasing foodservice at c-stores more often than a year ago  
\*Source: Technomic Q1 2024 C-Store Consumer Market Brief

Examining the demographic distribution of frequent foodservice purchasers reveals convenience stores are earning increased sales from key consumer cohorts (Exhibit 2).

The respective shares of female, Gen Z and Hispanic/Latino consumers purchasing prepared food and beverages at convenience stores rose 2 points from 2022 to 2023. That may not sound like much, but in a sample that approaches 13,000 consumers, this shift is indeed notable!

Convenience has long struggled to engage female consumers, but efforts to create a more welcoming

environment and ensure a relevant mix of prepared food and beverage offerings appear to be paying dividends.

Gen Z is coming into its own with unprecedented foodservice options literally at its fingertips. It's growing involvement with c-store foodservice offerings bodes well for continued category growth in the channel.

As the largest contributor to population growth in the U.S., Hispanic/Latino consumers are vital to driving future growth.

Increased engagement with prepared food and beverages by these three cohorts points

to continued foodservice growth for convenience stores.

## Unique Differentiator

Satisfying their hunger and quenching their thirst aren't the only reasons consumers visit c-stores for foodservice while on the go.

As consumers' days are once again busy with work, school and activities, the ability to check other tasks off their to-do list, such as fueling or charging their vehicle and picking up fill-in grocery items or an Amazon package, is also top of mind. In fact, 75% of c-store foodservice patrons prioritize the ability to multitask at the location.\*\*

### EXHIBIT 2: DEMOGRAPHIC DISTRIBUTION OF CONSUMERS PURCHASING C-STORE FOODSERVICE 1X/WEEK+

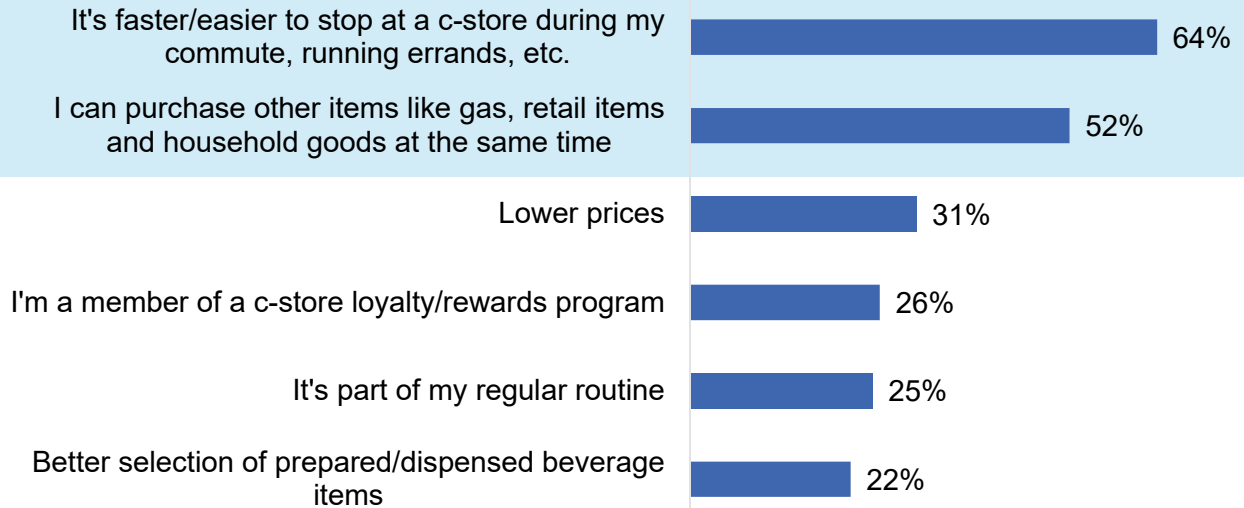
		2022	2023
<b>Gender</b>	Female	46%	48%
	Male	54%	52%
<b>Generation</b>	Gen Z	21%	23%
	Millennial	39%	39%
	Gen X	18%	18%
	Baby boomer	21%	20%
	Matures	1%	1%
<b>Background</b>	Asian	7%	7%
	Black/African American (non-Hispanic/Latino)	17%	18%
	Hispanic/Latino	20%	22%
	Other	7%	6%
	White (non-Hispanic/Latino)	49%	46%

Base: 12,800 consumers who purchase foodservice at c-stores once a month or more often  
Source: Technomic Ignite Consumer

\*\*Base: 1,000 c-store foodservice consumers

\*\*Source: Technomic Q1 2024 C-Store Consumer Market Brief

### EXHIBIT 3: REASONS FOR PURCHASING AT C-STORES OVER QSRS



Base: 1,000 c-store foodservice consumers  
 Source: Technomic Q1 2024 C-Store Consumer Market Brief

One-stop shopping is a differentiating advantage unique to the convenience channel in the battle for consumer foodservice occasions.

The myriad products and services available at convenience stores provide these operators with a distinct competitive advantage over quick-service restaurants. Speed and ease, along with the ability to multitask, are the primary reasons consumers pull into the c-store lot instead of the quick-service restaurant lot when looking to source foodservice items (Exhibit 3).

#### Price Advantage

Lower prices influence the c-store vs. QSR decision for

three in 10 consumers. Menu price inflation at limited-service restaurants in March was higher than the rate at full-service restaurants as well as that of overall inflation,<sup>\*\*\*</sup> continuing the recent trend. Meanwhile, c-stores have not taken menu prices increases as aggressively.

For example, the average price of a chicken sandwich at a QSR is nearly double that of c-stores, according to Technomic's Ignite Menu database. Today's consumers are very much in tune with menu prices, and this gap provides the convenience channel a distinct advantage over quick-service restaurant competitors.



**Chicken Sandwich**  
 Average Price

**\$9.11**  
 Quick-Service Restaurant

**\$4.88**  
 Convenience Store

Source: Technomic Ignite Menu  
 Image Source: Shutterstock

<sup>\*\*\*</sup>Source: Bureau of Labor Statistics

## On the Menu

Convenience-store operators' investment in their foodservice offerings to enhance freshness, elevate quality, expand selection and ramp up innovation for both food and beverage items is moving the needle on consumer perceptions of the channel as a credible foodservice provider.

When asked to rate foodservice segments visited on key attributes, a larger share of consumers rated convenience-store foodservice offerings as good or very good than said the same for price, freshness, cleanliness, quality and availability of unique items at quick-service restaurants (Exhibit 4). In fact, menu

variety was the only attribute where more consumers rated quick-service restaurants as good/very good than said the same for c-stores.

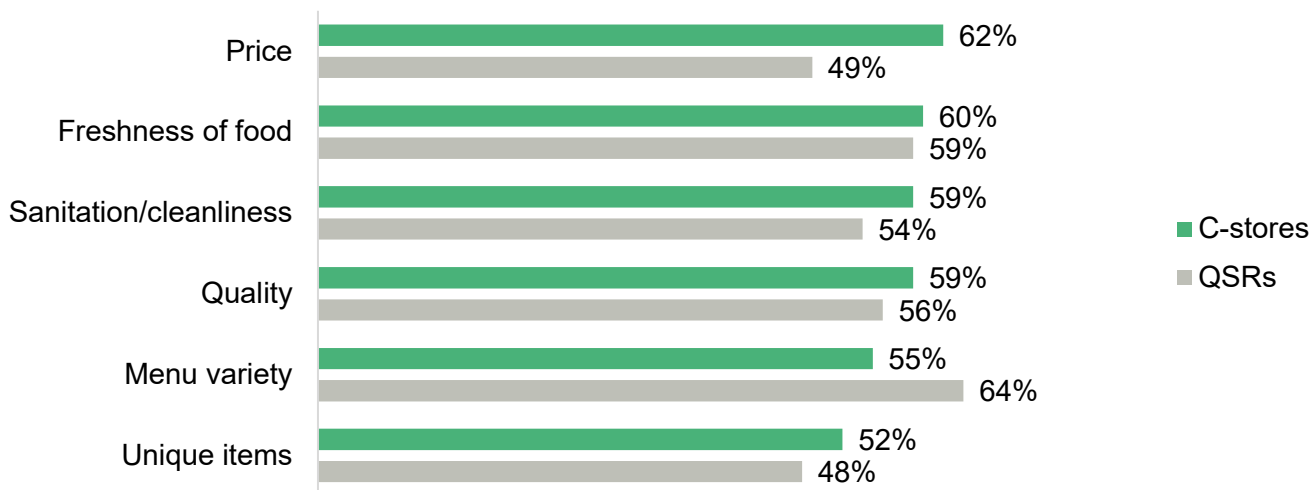
That may soon change. Upwards of 25% of c-store operators report plans to increase menu offerings across their varied prepared food and beverage formats in 2024, with menu updates focused on global flavors, dietary needs, and seasonal flavors and ingredients. \*\*\*\*

That variety of food and beverage formats is another competitive advantage for c-store operators in the battle for foodservice occasions. Today's foodservice-forward c-store may feature foodservice formats that include cold merchandisers displaying sandwiches, salads

and fresh snack items, as well as warmers/hot cases offering breakfast sandwiches, pot pies, burgers, burritos and chicken items. A plethora of customizable food and beverage menu items are available at made-to-order stations. And the roller grill, which is truly unique to the channel, can provide a quick snack or a meal at a value price. Extensive hot, cold and frozen beverages are typically offered to accompany food items or satisfy for a snacking occasion.

With continued focus on quality, freshness variety and value, convenience stores are well-positioned to compete for and win foodservice occasions in 2024 and beyond.

**EXHIBIT 4: PREPARED FOOD/BEVERAGE PERFORMANCE ACROSS ATTRIBUTES**  
% WHO RATED GOOD/VERY GOOD



Base: Varies by segment

Source: Technomic Q1 2024 C-Store Consumer Market Brief

\*\*\*\*Base: 100 c-store operators

\*\*\*\*Source: Technomic April 2024 C-Store Operator Market Brief



# Outlook and Opportunities

The growth outlook for foodservice in the convenience channel is positive. That said, evolving dynamics in the foodservice industry and the broader marketplace will require convenience operators and suppliers to sharpen their offerings, operations and strategies to compete effectively and maximize the growth opportunity. Some key considerations include:

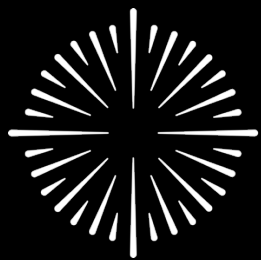
- Commitment to menu innovation will be key. Visitation is frequent in c-stores, so consumers seek their favorites but are open to and welcome the unexpected across prepared food and beverages
- LTOs present opportunity to engage consumers with new flavors, ingredients and items that will create excitement and drive traffic, as well as serving as a way to test new items for potential inclusion on the core menu
- Low-labor preparation and enhancements, as well as items and ingredients with applications across the offering, will enhance operational efficiency and margin

- Adoption of a restaurant-like approach to foodservice financials is crucial in ensuring the category is profitable. Retail financial metrics and norms do not apply
- Leveraging the ability to multitask in marketing the foodservice offering will be key. Most consumers no longer object to purchasing prepared food and beverages where they purchase fuel
- Showcase the availability of varied and unique foodservice formats to further differentiate the menu, as well as and convey variety and the ability to satisfy varied need states

- Highlight comparatively lower prices, but also convey value through quality, freshness, portion, brand and other key attributes

Finally, all stakeholders in the convenience channel must prepare for competition to intensify as electric vehicle (EV) adoption evolves and grows. The convenience channel currently owns the vehicle fueling occasion, but EV charging is increasingly available across various channels, including quick-service restaurants. Investment in foodservice now will position convenience stores to compete effectively for EV-charging occasions by providing a relevant and quality offering to charging consumers.





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