



2023 State of the Industry

Future of Convenience Stores

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Is this report for me?

Incisiv's 2023 State of the Industry "Future of Convenience Stores" brings you vital insights and in-depth analysis from a study of 125 convenience retail executives.

The study was designed to:

- Assess the evolving convenience retail landscape amidst rising competition and eCommerce influence.
- Explore the viewpoints of convenience retailers regarding the future of the c-store, emphasizing strategies to distinguish themselves in a fiercely competitive marketplace.
- Investigate convenience retailers' current use of crucial commerce experiences and capabilities, along with their intentions for future adoption.



You will find this report especially valuable if you are focused on one or more of the following:

- Exploring the impact of consumer, competitive, and macro trends on the future of convenience stores.
- Seeking to identify critical strategic imperatives for strengthening your competitive edge.
- Analyzing valuable insights to shape the roadmap for your next-generation store technologies.

Let's dive in.



The convenience retail landscape is experiencing transformative convergence. What will future c-stores look like, and what are the strategic imperatives for retailers to navigate this change?

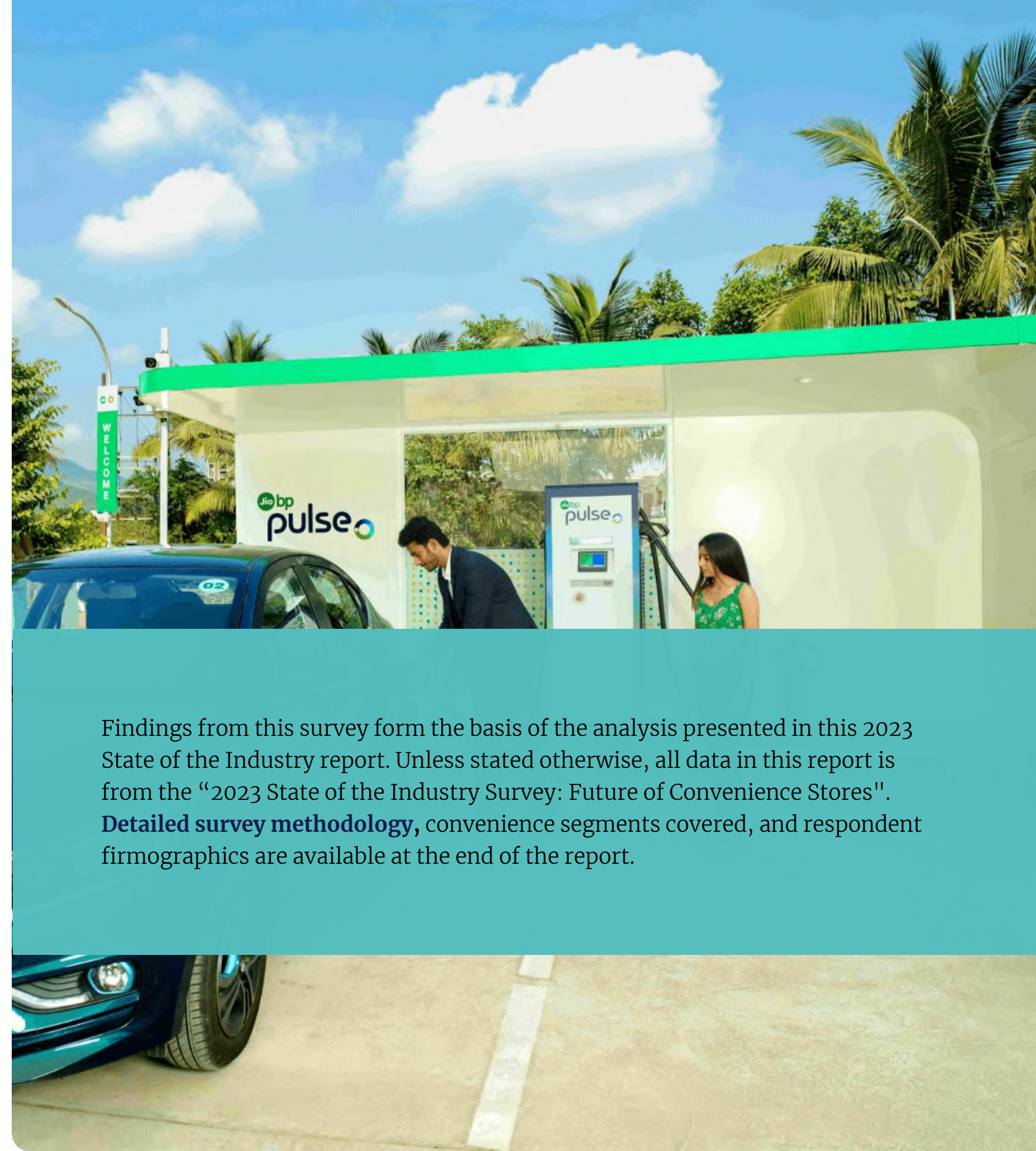
Incisiv surveyed senior fuel & convenience industry executives to understand their outlook and readiness for the future of c-stores.

125

Total respondents

42% from companies with over \$1 billion in annual revenue

63% VP level or above



Findings from this survey form the basis of the analysis presented in this 2023 State of the Industry report. Unless stated otherwise, all data in this report is from the "2023 State of the Industry Survey: Future of Convenience Stores". **Detailed survey methodology**, convenience segments covered, and respondent firmographics are available at the end of the report.

Quick Commerce Reshaping Convenience Stores

In the era of Quick Commerce, convenience stores face the challenge of adapting to the rise of ultra-fast delivery.

To excel, they must efficiently process orders, leverage their stores as local fulfillment centers, and expand store space dedicated to order fulfillment. This involves streamlining operations and ensuring swift order processing to meet the demands of this fast-paced environment.



The adoption of "Instant delivery / Quick-Commerce (30 minutes or less)" by convenience stores saw a substantial increase from 8% in 2022 to 17% in 2023, highlighting a significant shift towards faster delivery methods in the convenience store industry.

Strategic imperatives for Convenience Stores:

Embrace ultra-fast delivery: C-stores must prioritize adapting to the surge in ultra-fast delivery, a critical component of their growth strategy. The emergence of Quick Commerce demands expedited order fulfillment. **17%** of c-stores already offer Instant Delivery/Quick Commerce (30 minutes or less). In response, they should optimize their inventory and ensure rapid order processing to excel.

Harness stores as local fulfillment hubs: C-stores can play a pivotal role in serving as local order fulfillment centers, aligning with the preferences of **77%** who value using stores for local online demand distribution. This entails efficiently managing online orders from nearby customers, ensuring convenient product access, and establishing a seamless connection between physical locations and online operations.

Expand store space dedicated to rapid fulfillment: In response to the Quick Commerce trend, c-stores should allocate more space for efficient order fulfillment. **53%** of c-store executives plan to prioritize expanding their space for this purpose in the next 12 months. This goal may involve reconfiguring store layouts to optimize the order processing workflow.

From Convenience Stores to Experience-Driven Destinations

In response to evolving consumer preferences and market demands, convenience stores are evolving from traditional "convenience" hubs where quick purchases were the norm into experience-driven destinations where customers can expect more than just the essentials.

This transformation is propelled by a range of factors, including the need to allocate space for unique and diversified services and embrace EV charging solutions to meet the expectations of today's discerning consumers.



From 2022 to 2023, there was a 16% increase in recognizing the importance of offering unique services such as beauty and wellness in convenience stores, indicating the industry's commitment to diversifying offerings and enhancing the customer experience.

Strategic imperatives for Convenience Stores:

Offer new and differentiated services: C-stores must align with evolving customer expectations by introducing fresh and distinctive services, with **71%** of c-store executives highlighting the significance of offerings like EV charging. To stay competitive and elevate the overall customer experience, convenience stores should explore innovative services that set them apart.

Allocate space dedicated to health and beauty: C-stores can redefine themselves by dedicating space to health and beauty services, with **20%** of c-store executives planning to expand in-store areas for wellness services within the next year. Enhancing these offerings cultivates a comprehensive shopping experience and caters to customers' growing demand for wellness and personal care solutions.

Embrace EV charging solutions: C-stores should align with environmental awareness and shifting mobility trends by embracing EV charging solutions, as **39%** of c-store executives intend to expand space for EV charging infrastructure over the next year. This strategic move positions stores at the forefront of sustainable mobility and the evolving transportation landscape.

Food to be the Cornerstone of an Experimental C-store Future

Food emerges as the focal point in the ever-changing realm of convenience stores. It's not just a change; it's a seismic shift highlighting that food is leading the way in shaping the future of convenience stores.

To compete in this food-focused future, convenience stores must become culinary pioneers, offering sustenance and unforgettable experiences that keep customers returning for more.



The importance of higher quality, fresh food offerings goes beyond improving store experience. In 2023, 61% of executives said it is important for c-stores to increase their market share on third-party platforms such as UberEats and DoorDash, up from 43% in 2022.

Strategic imperatives for Convenience Stores:

Improve competitive differentiation: The C-stores landscape is experiencing heightened competition from various sources, including other c-stores, grocery chains, and restaurants. This fierce competition is underlined by the fact that an overwhelming **95%** of c-store executives stress the importance of boosting competitive differentiation. It underscores the urgent need for convenience stores to step up their game in setting themselves apart from their competitors.

Elevate food quality levels: Customer satisfaction with current food offerings presents a critical challenge for C-stores. Only **31%** currently find food offerings satisfactory, signaling ample room for improvement in both the quality and variety of foods provided. To excel, C-stores must focus on enhancing the overall dining experience.

Create space for in-store dining: C-stores are responding boldly to this culinary challenge, with **24%** planning to increase space allocated for in-store dining. This clear commitment shows that they aim to provide food and inviting spaces where customers can savor their meals, fostering memorable and enjoyable experiences.

Reimagine Convenience Store Space with Self-Checkout

Convenience stores are actively engaged in strategically reimagining their store space. Central to this transformation is integrating self-checkout technology, which is pivotal in optimizing store layouts and enhancing customer interactions.

This innovative approach streamlines checkout, freeing space for customer-centric areas. With the decline of traditional fixed checkout counters, self-checkout usage is increasing. Addressing theft and shrinkage concerns is crucial in this evolving landscape.



In 2022, 34% of c-stores had Scan & Go technology either being piloted or on their roadmap. Fast forward to 2023, and that number has grown to 43%. This shift underscores the ongoing efforts to reimagine convenience store space with innovative self-checkout solutions.

Strategic imperatives for Convenience Stores:

Elevate in-store aesthetics: C-stores should prioritize enhancing the overall ambiance, creating a premium shopping experience. Crafting an inviting and visually pleasing environment can set them apart in the competitive landscape. **52%** emphasize the need for a transformed in-store look and feel.

Adapt to evolving checkout trends: The checkout landscape is rapidly evolving, especially in self-checkout technology. C-stores should acknowledge the decreasing significance of fixed checkout counters, with **32%** in 2023 anticipating a reduction in in-store space allocation for traditional checkout in the next 12 months. This shift aligns with the increasing adoption of self-checkout options as part of the store space reimagination.

Address theft and shrink concerns: While self-checkout technology offers numerous benefits, it introduces new challenges, including theft and shrinkage. Implementing robust loss prevention and security measures is crucial. **71%** emphasize the importance of computer vision for detecting potential shoplifting, making it a crucial technology for enhancing security within the store space optimized for self-checkout.

Effortlessly Unify Digital and Physical Experiences

The future of convenience stores hinges on seamlessly integrating digital and physical dimensions. Shoppers no longer settle for mere transactions; they crave a comprehensive, unified experience that erases the lines between online and in-store shopping.

To meet this expectation, convenience stores must seamlessly integrate digital and physical dimensions, offer personalized experiences, and establish a foundational architecture for a unified shopping experience.



The challenge of integrating store experiences with digital due to inconsistent platforms across stores persisted for convenience stores. In 2022, 65% of respondents expressed this difficulty, which increased to 73% in 2023, underscoring the ongoing nature of this challenge.

Strategic imperatives for Convenience Stores:

Seamlessly integrate digital and physical realms: C-stores should bridge the gap between their digital and physical operations, as highlighted by **92%** of c-store executives who value a unified experience across channels. This involves merging online and in-store experiences, ensuring consistent services, and harmonizing the shopping journey based on shoppers' preferences.

Address the gap in personalization: An opportunity exists as **67%** of c-stores are not currently offering personalized promotions based on digital and in-store behavior. To meet customer expectations, c-stores should leverage data-driven insights to tailor promotions, recommendations, and services to individual preferences.

Build a robust foundation for unity: In response to recognizing the need for a unified architecture across digital and physical commerce, **85%** of C-store executives agree that they lack a unified architecture. Addressing this challenge requires facilitating a seamless shopping experience, including features like a unified shopping cart, efficient inventory management, and consistent branding.

Enhance Speed of Innovation and Minimize Operational Risk

The future of convenience stores depends on swift adaptation and innovation. Shoppers now demand more than mere transactions; they desire stores that can quickly experiment with new ideas, scale operations to meet market demands, and swiftly respond to changing dynamics.

To excel, convenience stores must prioritize accelerating innovation, enhancing their capacity for rapid expansion, and improving their adaptability to shifting market conditions.



As c-stores embark upon improving their innovation maturity, 2023 has brought financial prudence back in focus, with a 17% year-over-year increase in those that "strongly agree" that extracting the highest possible return from existing technology investments is one of their key Unified Commerce related technology challenges.

Strategic imperatives for Convenience Stores:

Accelerate speed of experimentation: When it comes to experimenting with new in-store experiences, speed is vital. **94%** of c-store executives emphasize its importance. However, only **30%** expressed satisfaction with their current pace of experimentation. This substantial satisfaction gap underscores the imperative for c-stores to foster a culture of continuous experimentation and adaptation.

Develop ability to scale quickly: C-stores must rapidly scale their operations to meet evolving market demands. While **75%** recognized its importance, but only **33%** were satisfied with their current scaling capabilities. This underscores the need for stores to enhance their agility for swift expansion and adapt to changing market dynamics.

Gain flexibility to respond to market dynamics: Adapting to ever-changing market dynamics is critical. While **68%** highlighted its importance, only **35%** are satisfied with their current level of flexibility. To thrive in the evolving c-store landscape, retailers must improve their adaptability and responsiveness to shifting market conditions.

Survey methodology.

Incisiv conducted a hybrid online + Computer Aided Telephonic Interview (CATI) survey of 125 convenience retail executives in the United States and Canada. The study was conducted from **August 28, 2023 - September 13, 2023**.

Respondent Distribution by Number of Stores

51 - 100	21%
100 - 500	46%
501 or more	33%

Respondent Distribution by Annual Revenue

\$50 MM - \$250 MM	23%
\$250 MM - \$999 MM	35%
\$1 B - \$4.9 B	25%
\$5 B +	17%

Respondent Distribution by Designation

C-Level or SVP/EVP	15%
VP	27%
Director	36%
Manager	5%

Respondent Distribution by Convenience Retail category

Traditional Convenience Store	44%
Expanded Convenience Store	35%
Hyper Convenience Store	14%
Limited Selection Convenience Store	5%
Mini Convenience Store	2%



ABOUT INCISIV

Incisiv is a peer-to-peer executive network and industry insights firm for consumer industry executives navigating digital disruption.

Incisiv offers curated executive learning, digital maturity benchmarks, and prescriptive transformation insights to clients across the consumer and technology industry spectrum.

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ABOUT TOSHIBA GLOBAL COMMERCE SOLUTIONS

Toshiba Global Commerce Solutions empowers retail to thrive and prosper through a dynamic ecosystem of smarter, more agile solutions and services that enable retailers to resiliently evolve with generations of consumers and adapt to market conditions. Supported by a global organization of devoted employees and partners, retailers gain more visibility and control over operations while enjoying the flexibility to build, scale, and transform retail experiences that anticipate and fulfill consumers' ever-changing needs.

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