Financial Insights

Take the Credit Card Fight Inside the Store

Make a better profit on items you can control

A new year is upon us and many within the c-store industry will be expecting better financial results in 2008 compared to the reduced fuel margins, high credit-card fees, and record-breaking gas prices that negatively impacted the industry over the last two years.

However, 2008 has opened ominously, with oil futures rising to $110 a barrel during the last month, marking the first time prices have reached that milestone. Soaring oil prices could further impact the c-store industry in the form of reduced fuel margins, and is also an indicator that things may get worse before the economy makes the eventual upward shift we're all anticipating.

While this certainly does not paint a rosy profit outlook for the c-store industry, there are options available to help fight rising fees and increase the overall profit margin of your stores. For c-store owners and operators, it's time to start looking inside the store to raise profits. While low gasoline prices ultimately drive traffic to your store, it's in the sale of in-store items where the profits hide. I have conducted my own unofficial survey and determined that nearly 90 percent of the items sold inside c-stores are not pre-priced, meaning you as the owner or operator have control over setting your own prices.

Most consumers will shop around to purchase fuel at the lowest-priced marketer in town, sometimes driving several miles just to save a penny per gallon. For those consumers, that's only about a 20-to-30-cent savings per fill-up. What's interesting is that those same consumers don't shop around to find the lowest-priced soda, snack, coffee or other in-store sale items, which could easily be marked up to cover the diminishing margin at the pumps. Gas prices might be the curb appeal that gets consumers to your stores, but the price of items inside will ultimately make up for the loss you'll experience due to high oil prices and credit-card fees.

So where do you start when considering making those changes to your in-store items? It's important to be accurately priced for your market. Therefore, I always advise my clients to know their competition as well as they know themselves. Consider the fact that you already survey your competition when it comes to fuel prices. Why not do a price comparison of frequently purchased items like sodas and snacks?

By performing a market basket survey, you might realize that you can raise candy prices by 15 cents and still beat your competitor. Conversely, you might find that your competitor has raised prices by 25 cents on soda and the consumer has not flinched.

Let's not forget that your stores are called convenience stores for a reason. You're not supposed to be the cheapest guy in town. However, consumers can't

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While low gasoline prices ultimately drive traffic to your store, it's the sale of in-store items where the profits hide.

beat your location, easy in-and-out access, and product selection. If people were searching for the best price on those items, they would be going to Wal-Mart or some other big-box retailer.

Once you've done your survey and have an idea about pricing, the next step is to market, or advertise, your in-store items in order to bring people from the pump to the register. Simple signage on the front door, at the pump, and on the curb will remind consumers to stop inside the store for the $2 hot dog lunch specials.

In addition to adjusting prices, there are other options available to you that could boost that profit margin. You should also consider promoting a co-branded credit card or the use of debit cards, both of which carry much lower transaction fees than typical credit cards. In addition, monitor your stores and employees to be sure authorization is received for every transaction that occurs in-store and at the pump.

As an owner or operator, don't get so caught up in the gas game outside the box that you forget there's money to be made inside the box. Make the most of what you can control, inside the store, and beat the credit-card crunch.

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