CSP Exclusive

Tobacco Outlook for 2012

Retailers weigh in on plans for their 2012 tobacco sets in CSP's 2011 Outlook Survey

By SAMANTHA OLLER
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For participants in CSP's 2011 Outlook Survey, the past year has presented a supreme challenge to grow inside sales even as the national and local economies sputtered and fuel demand slumped. The annual survey, which polled 188 retailers representing thousands of convenience stores on business conditions in the past year and their plans for the next, was conducted in mid-October.

Nearly 57% of Outlook Survey participants describe current business conditions as "flat" or "poor," compared to 51% in the 2010 Outlook Survey. Only 5.3% characterized conditions as "excellent," vs. 7.1% in 2010. (Because the participants of the survey and the degree of participation change from year to year, the results represent a directional indicator of industry attitudes.)

In the tobacco category, nearly 43% of Outlook Survey respondents plan to keep their set the same in 2012, while more than 30% will grow some subcategories and shrink others.

The most popular areas to grow: flavored cigars (52.3%) and moist smokeless (52.3%). (Respondents could pick as many options as they wished.)

Respondents say they will primarily cut premium cigarettes (54.6%).

A catalyst for premium cigarettes has been Altria's Marlboro Leadership Price (MLP) program, which recommends a "maximum" price for Marlboro cigarettes. For Bill Douglass, CEO of Douglass Distributing Co., Sherman, Texas, which operates 15 Lone Star sites, inside sales are up largely because of a 25% leap in cigarette sales tied to his adoption of the program. At the same time, he took a large hit in gross profits by more than that figure.

For Roger St. George, president of St. George Stores Inc., a 7-Eleven franchisee with three sites based in Aberdeen, Wash., unit sales of cigarettes have been steady, although the company is not participating in the MLP program. "There's definitely growth in OTP," St. George says. "But the biggest challenge is shelf contracts out there from Reynolds and Altria really limit creativity.

Despite the majority saying they would shrink premium cigarettes, more than one-fifth (21.5%) did say they would grow the category, however.

Other areas of growth for tobacco sets included snus (21.5%), make-your-own and roll-your-own cigarettes (18.5%) and other (7.7%).

To see retailer plans outside of tobacco, and for more on the 2011 CSP Outlook Survey, please see the December issue of CSP magazine.

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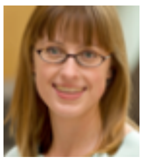

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