



Tobacco Retailer Licensing

Cigarettes Generate Big Revenue for Convenience Stores

Analysis of 2010 State of the Industry Report



The Association for Convenience & Petroleum Retailing (NACS) is an international trade association that represents convenience and petroleum retailers. NACS releases an annual report on product sales, store operations, motor fuel and other topics of interest to the convenience store industry. This report is important to the tobacco control community because it includes figures about cigarette and tobacco product sales at convenience stores, which can be useful for local tobacco retailer licensing efforts. This fact sheet highlights data from the 2010 State of the Industry Annual Report of 2009 Data. Please note, all of these numbers are national averages for 2009 data, not California specific.

Cigarettes Are the Number One Product Sold at Convenience Stores

- Cigarettes accounted for 35.9% of sales inside convenience stores in 2009, by far the number one product. Non-alcoholic packaged beverages were second, with only 14.92% of inside sales.
- This number is an increase from 2008, when cigarettes accounted for 32.62% of sales.
- Average sales of cigarettes per store were \$576,354, an increase of 14.64% from 2008. This figure is roughly \$340,000 higher than any other product's per store average. The main reason for the large increase in sales in 2009 was the 62 cents/pack federal tobacco tax increase that went into effect on April 1, 2009.
- Other tobacco products were the seventh best selling product, accounting for 3.9% of inside sales.
- Average sales of other tobacco products per store were \$63,358, an increase of 15.27% from 2008.
- Smokeless tobacco products make up 57.3% of other tobacco product sales, followed by cigars at 36.5%.

Cigarettes Are a Very Important Product for Convenience Stores' Bottom Line

- Convenience stores are the top sellers of cigarettes nationwide. According to this report, 66% of total cigarette sales were made at convenience stores.
- 99.68% of convenience stores sell cigarettes, the largest percentage for any product. Other tobacco products are sold in 99.2% of stores, the third most common item found in stores.
- The average gross profit dollars per store for cigarettes was \$89,923.
- While cigarettes are the top selling product, they rank second in gross profit dollar contribution. Cigarettes contributed 17.75% of the average gross profit dollars per store, ranking behind non-alcoholic packaged beverages which are first at 18.04% and \$91,153.

What This Means for Local Tobacco Retailer Licensing Ordinances

Convenience store owners and other cigarette retailers often oppose efforts to enact strong local tobacco retailer licensing ordinances, which 86 cities and counties in California have adopted (as of March 2011) in order to reduce illegal sales of tobacco products to minors. A strong local tobacco retailer licensing ordinance requires all tobacco retailers to obtain a license with an annual renewal fee and includes enforcement efforts that result in the suspension of a retailer's license for selling tobacco products to minors. The State of the Industry Report shows just how lucrative selling cigarettes is to convenience stores. It is a product that accounts for more than a third of sales inside convenience stores and generates more than \$575,000 in revenue for the average convenience store. Being unable to sell cigarettes for a month or longer due to a suspended license would be detrimental to the bottom line of any store.

Sources: The Tobacco Education Clearinghouse of California (TECC) has a copy of the 2010 State of the Industry Report available for checkout. Call (800) 258-9090 to borrow the report.

The Center has many other resources related to local tobacco retailer licensing ordinances, including a matrix of communities with strong local licensing ordinances and a fact sheet on the effectiveness of local licensing efforts, available at www.Center4TobaccoPolicy.org/localpolicies-licensing.