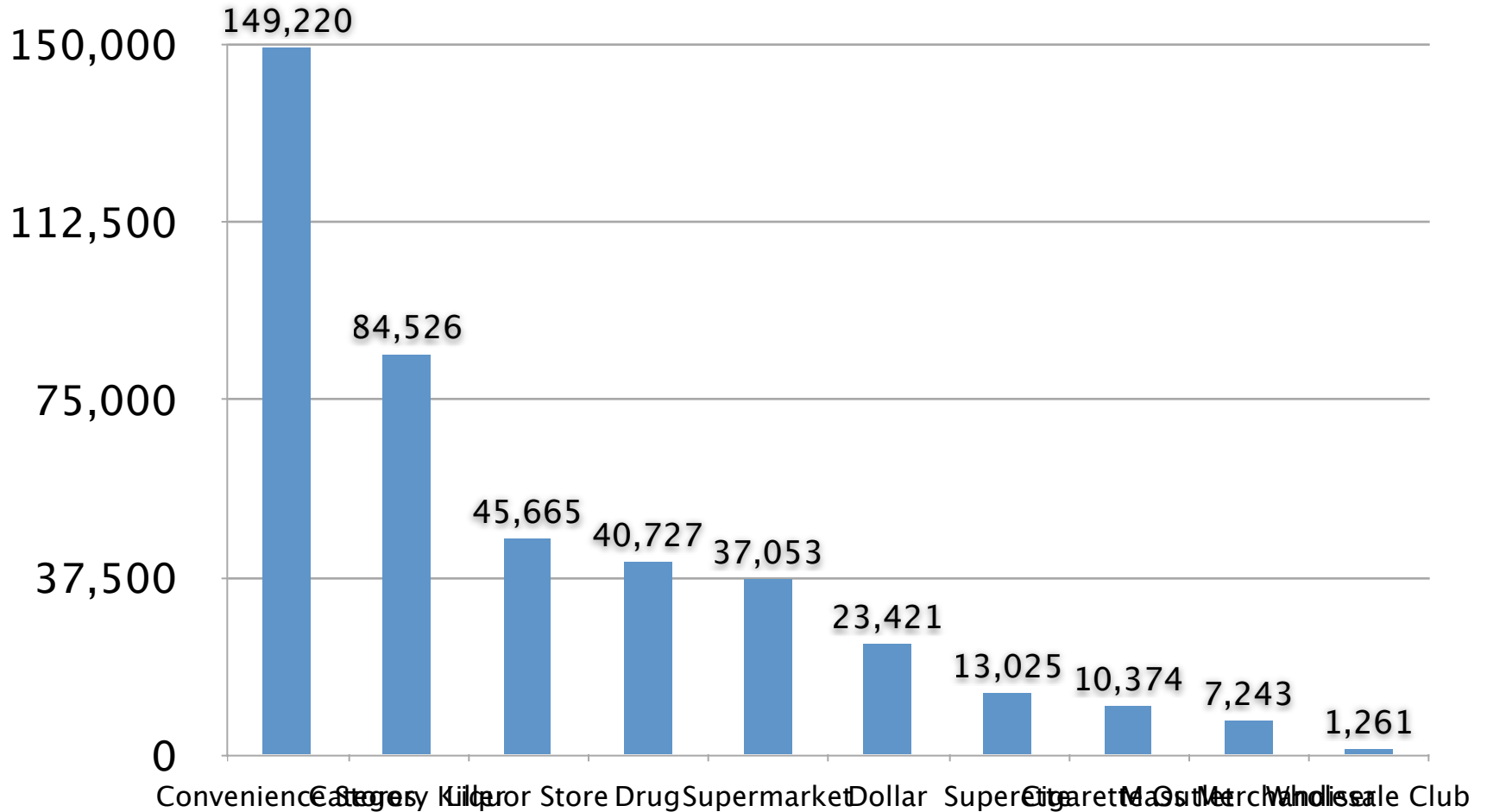


# The Convenience Market: Under Pressure from Washington

John Eichberger  
Vice President, Government Relations,  
NACS  
Executive Director, The Fuels Institute

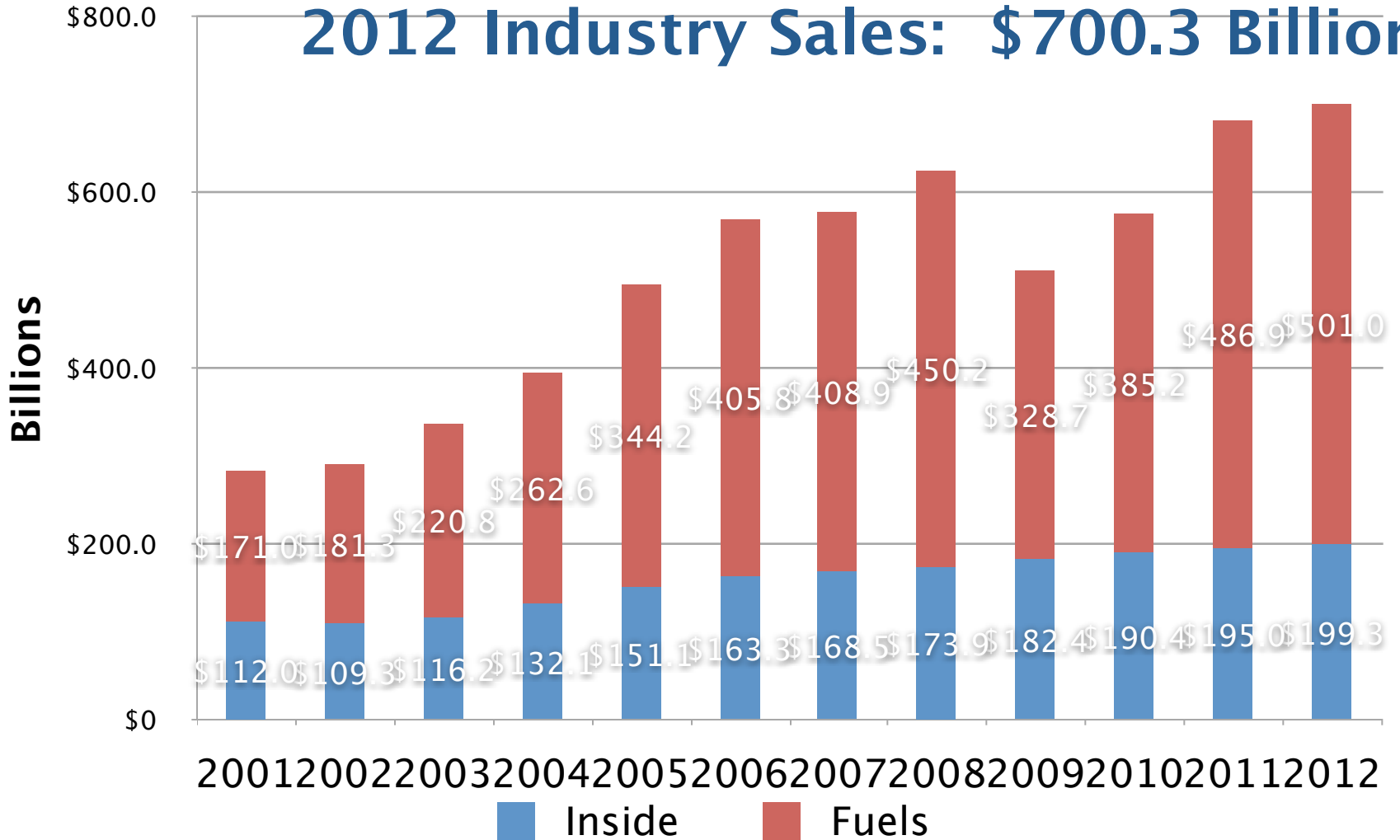
# Size of Industry

## 2012 Store Count



# Industry Performance

**2012 Industry Sales: \$700.3 Billion**

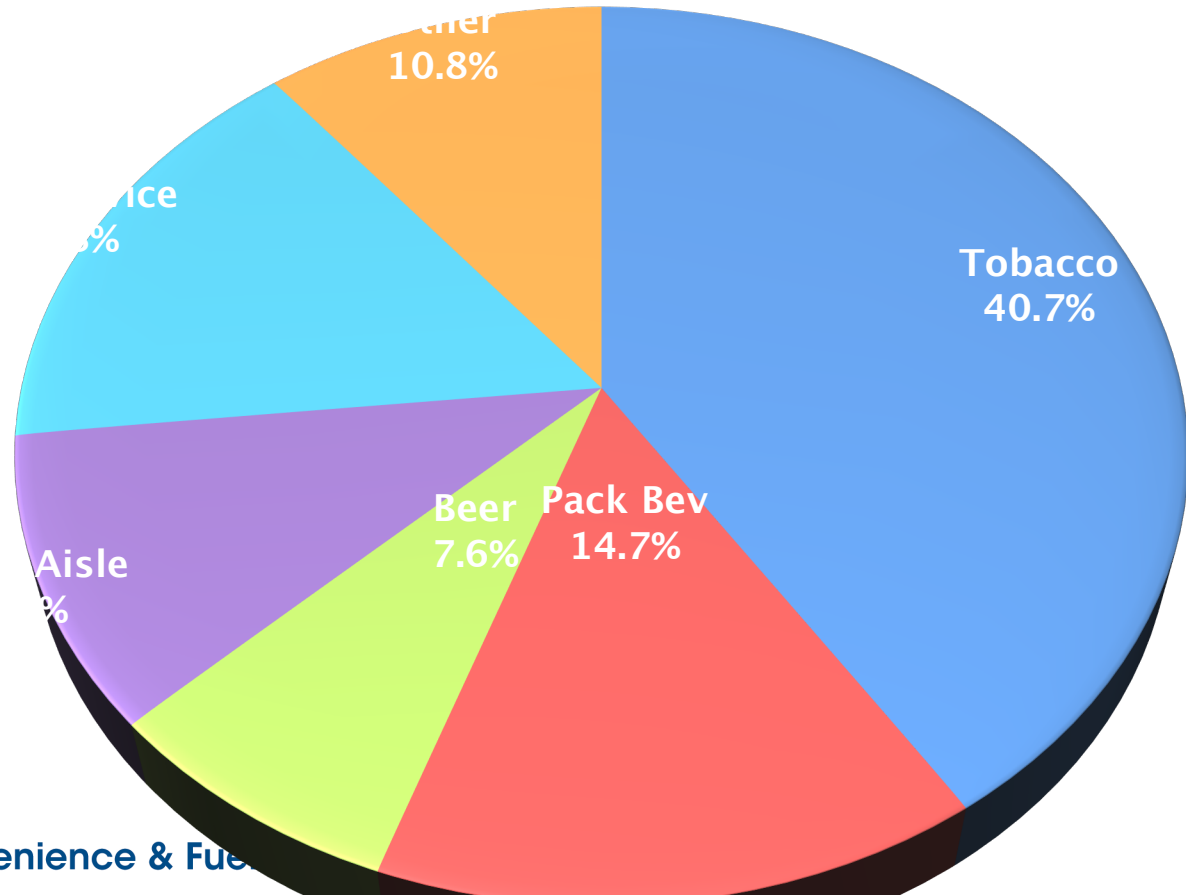


# Industry in US Economy

- 4.5% of U.S. GDP
  - 1 of every \$22 spent in U.S.
- 160,000 million transactions per day
  - ½ U.S. population every day
- Nearly 40 million fill-ups per day
  - More than 80% of U.S. gasoline consumption
- \$171 billion in federal, state, local taxes collected

# Top Categories

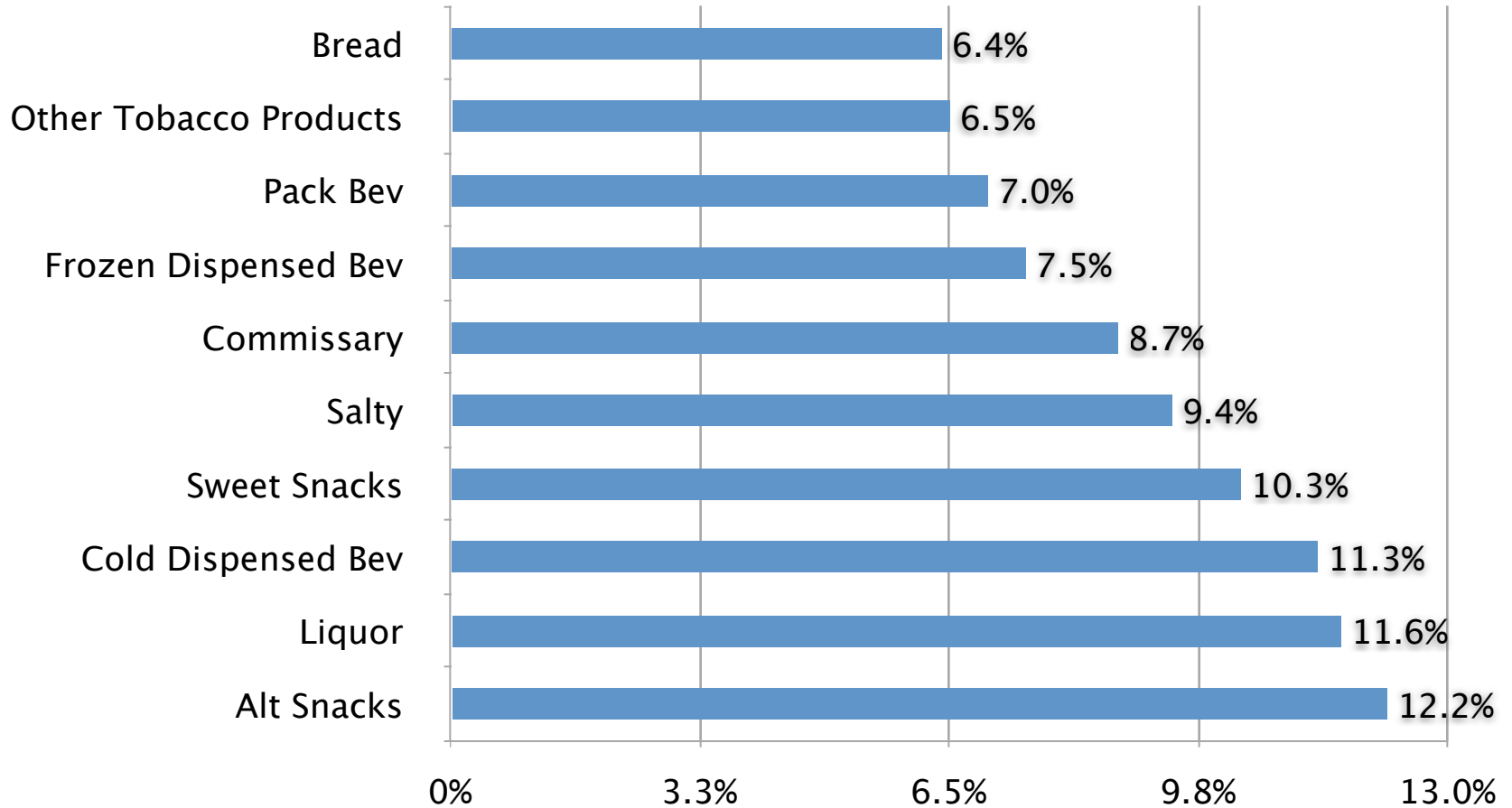
- Motor Fuels – 71.5% total sales
  - Inside Store – 28.5% total sales
- Inside Sales**



# Top Ten Categories

- Cigarettes
- Packaged Beverage
- Beer
- Other Tobacco Products
- Salty Snacks
- Candy
- Packaged Sweet Snacks
- Milk
- Ice Cream
- General Merchandise

# Inside Sales Growth



# Government Officials Focused on Several Key Categories



- Still largest category, but under pressure
- FDA Regulatory Authority
- Graphic Warning Labeling Requirements
  - SCOTUS Denied Challenge Last Month
- Tobacco Tax:
  - President Proposed 94 cent per pack increase

Beer – 7.6% inside sales; 11% growth since 2010;

- **Special Occupational Tax**
  - \$250 to pay for Civil War
  - 10 year battle
  - Repealed in 2004?
- **President's Proposal:**
  - Reinstate an alcohol retailer user fee
  - Past proposals = \$300 per outlet
  - Pay for enforcement activities
- **Myriad state beer bills**



# Food Service and Nutrition:

Snacks – 10.4%, \$12k/mo; Foodservice – 15.8%;

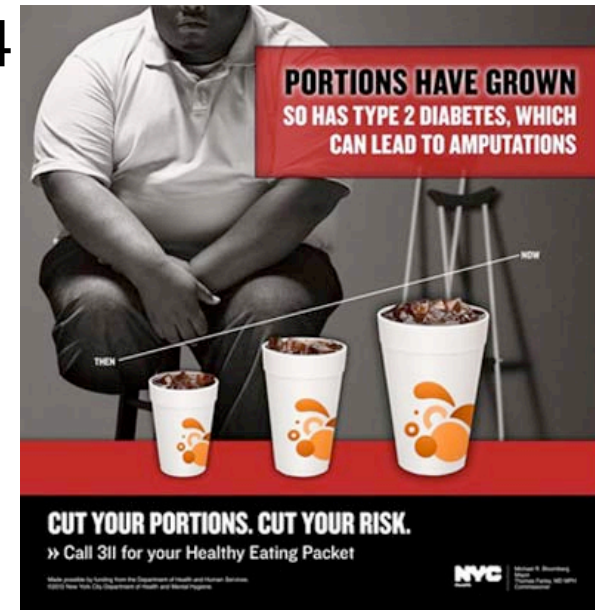
- Among most important categories...and growing
  - Foodservice sales up 24% since Jan 2010
- Menu Labeling Regulations
  - FDA’s Proposal
    - 50% floor space dedicated to food sales
    - Includes pre-packaged, labeled products
  - NACS’ Counter Proposal
    - 50% of sales “restaurant type food”
    - Pre-packaged, pre-labeled excluded from numerator
    - All sales included in denominator

- Local Efforts

- Mayor Bloomberg tries to ban 16 oz sugary beverages
- DC trying to follow NY lead
- Cities and locals using federal grants to run ad campaigns against foods considered “unhealthy”
- CA bill - 1 cent per ounce = \$1.44

- Federal Efforts

- “Let’s Move”
- Sugar taxes
- Salt restrictions
- Portion control





**Motor Fuels:**  
**\$501 billion, 71.5% of sales**

# Highlights: Next 28 Years

- US Population will increase 28% = 404 million
- US GDP will increase 95.9% = \$26.6 trillion
- LDV inventory will increase 26.7% = 283.7 million
- **VMT will increase 39.9% = 3.7 trillion miles**
- US Energy consumption will increase 12.0%
  - **Transportation energy consumption will increase 1.8%**

# Liquid Fuel Market Changes



# RFS – Then and Now

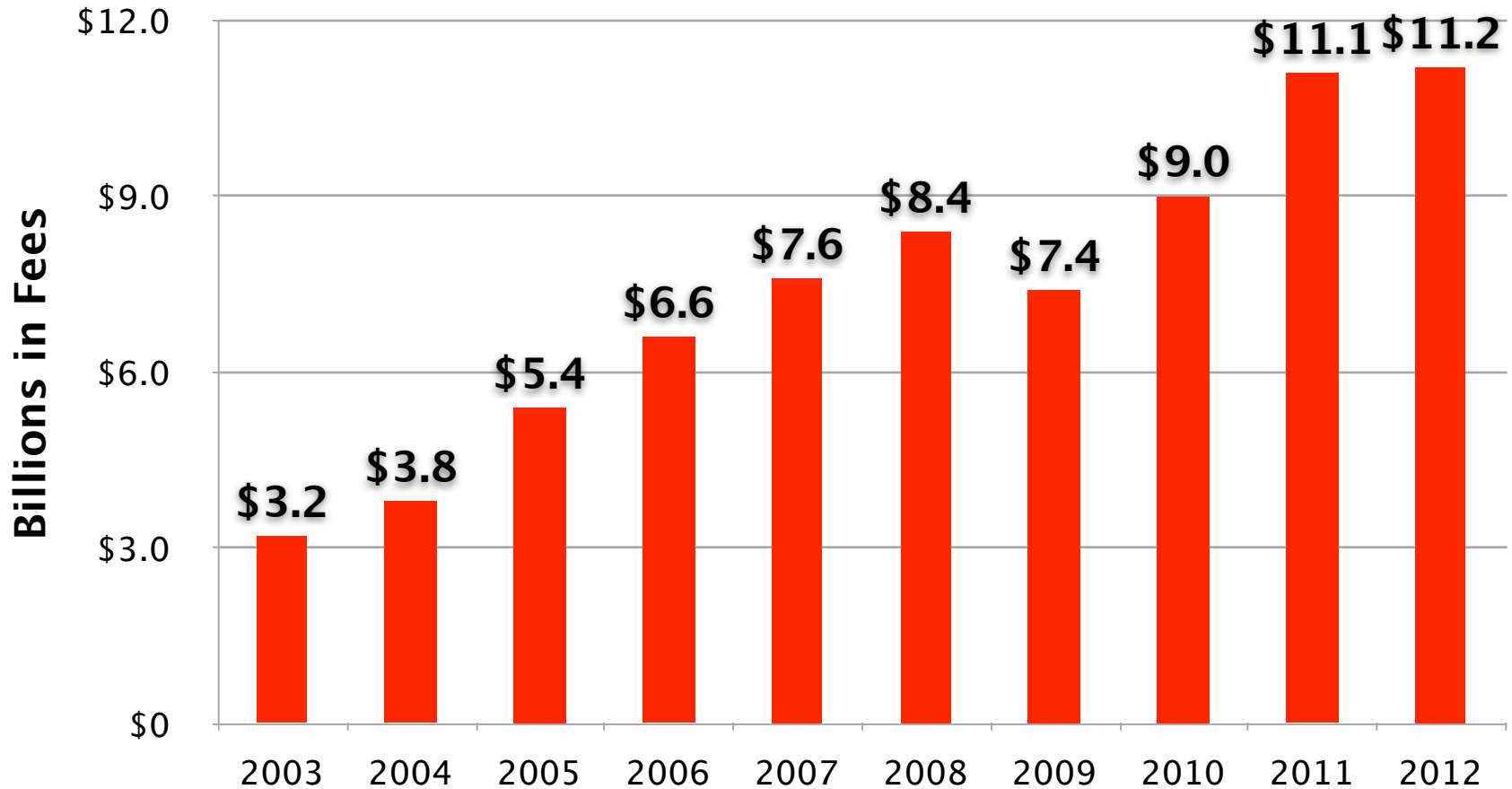
	2007 EIA Forecast Gasoline Demand	Total RFS as % of Forecast Market (excl. biodiesel)	2013 EIA Forecast Gasoline Demand	RFS as % of Forecast Market (excl. biodiesel/ E85)
<b>2012</b>	153.7	9.24%	133.8	10.5%
<b>2013</b>	155.7	9.99%	133.8	11.5%
<b>2014</b>	157.7	10.87%	131.8	12.4%
<b>2015</b>	159.9	12.20%	131.2	14.2%
<b>2016</b>	161.9	13.13%	130.6	15.5%
<b>2017</b>	164.0	14.03%	130.0	16.9%
<b>2018</b>	166.1	15.05%	129.2	18.6%
<b>2019</b>	168.3	16.05%	128.5	20.3%
<b>2020</b>	170.4	17.01%	127.9	22.2%
<b>2021</b>	172.7	18.53%	126.2	24.8%
<b>2022</b>	<b>174.9</b>	20.01%	<b>124.5</b>	27.4%



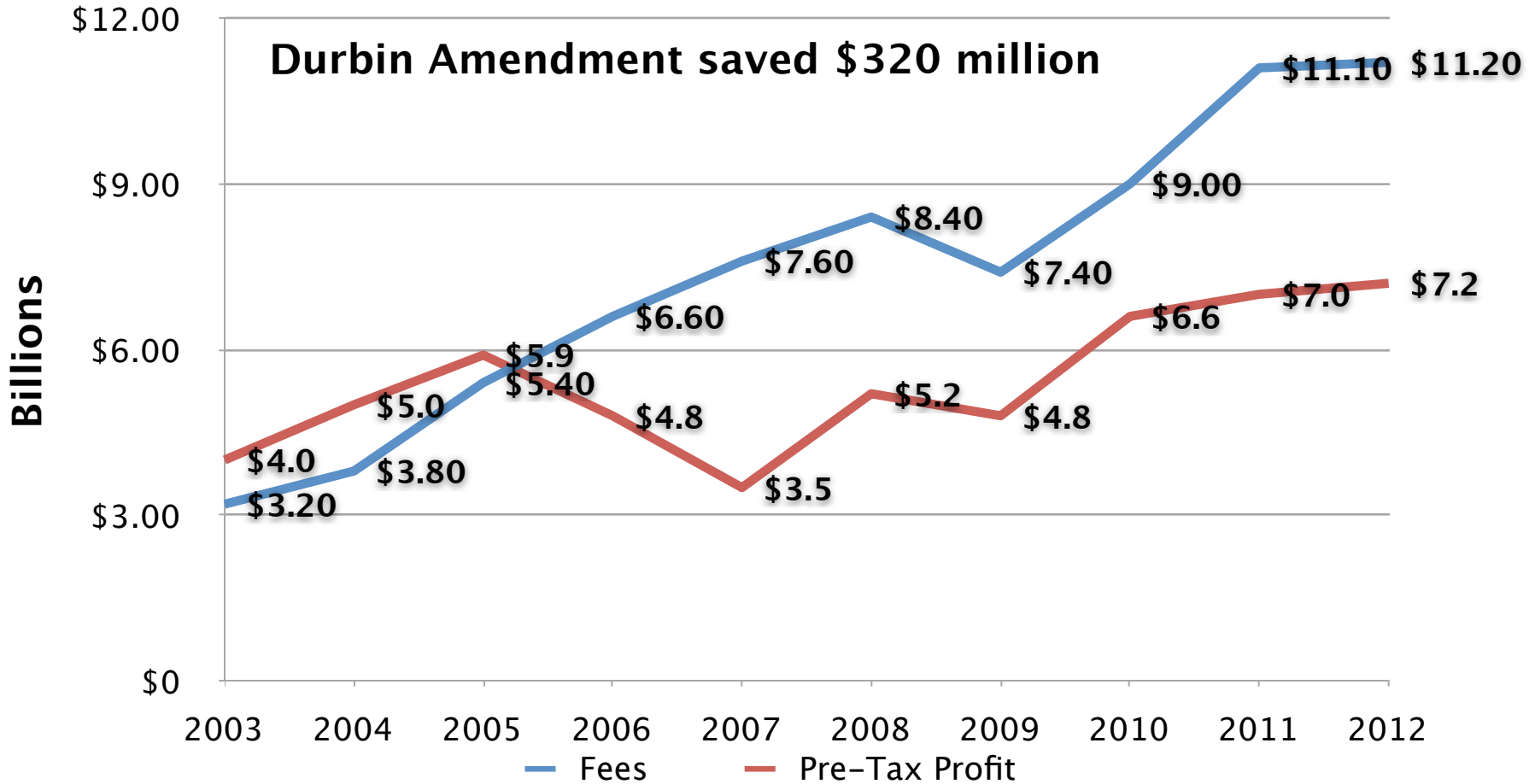
# Motor Fuels Profitability

- Coming to the market quickly
  - 51% of consumers own smart phones
- All stakeholders trying to “own” system:
  - Card networks
  - Cell networks
  - Device manufacturers
  - Mass merchandisers
- How security system is structured will

# Swipe Fees



# Swipe Fees



## **Legislative Status:**

- Senate effort to repeal Durbin failed last Congress: Vote 54 – 45
- No current congressional efforts

## **Legal Status:**

- “Settlement” of \$7.2 billion
- NACS opposing and opting out of “Settlement”
- Court to decide sometime this year

# Speaker's Corner: The U.S. Congress



# Questions?

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