



June 2017

FEATURE

SOUTHERN CHARM

Migration and immigration are fueling population growth in the South. Convenience store retailers are expanding their footprints to capitalize on the opportunities.

By Jerry Soverinsky

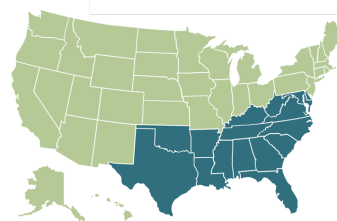
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Like most sports-talk-radio-fueled, unknowledgeable college football fans, I attribute my Big Ten conference's failure to win but two of the last 19 national football championships to any number of excuses, of course none having to do with inferior talent. But the *Wall Street Journal* offered a more cogent explanation back in 2008, after the Deep South had compiled an 11-4 record in the (now disbanded) Bowl Championship Series from 1999-2008 (since then, it has added seven of the last eight championships to its trophy mantle).

The newspaper acknowledged the value of the South's fanatical support of college football as playing a role. But more significantly, it pointed to demographic trends that have helped shaped the South's command of college football championships. "In recent years, the South has undergone rapid growth," the *WSJ* reported. "Twenty-seven of the 50 fastest-growing metropolitan regions in the country in 2007 were in the South, while personal income growth in the region outpaced the national average over the past decade."

It's a population shift that is creating rippling effects throughout the United States, beyond just college football. "Jurisdictions experiencing sizable population shifts must plan and budget accordingly," reported governing.com, which noted that Florida in particular has received a surge of new residents, with eight of the nation's top 10 metro areas with the highest population growth located in the Sunshine State. "Hillsborough County, where Tampa is located, has focused on improving its transportation network to accommodate the region's projected growth. The issue is likely the most important facing the region, so officials are budgeting additional dollars for transportation projects."

Clarifying the Map



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As infrastructure expands to meet the needs of its population, so do opportunities for c-store retailers, some of who are already adding to their existing southern footprints, while others based outside of the region have begun expanding to the South.

“With more than 300,000 new people moving to Florida each year, this has resulted in a significant growth period for the state’s c-store industry,” said Ned Bowman, executive director of the Florida Petroleum Marketers and Convenience Store Association. “Florida is the third largest state in the nation and recently topped 10,000 c-stores, with more than 130,000 Floridians employed in the industry. This is a great growth market for both independents and others.”

Dr. Johnson includes the following states in his analysis of the South: Texas, Oklahoma, Arkansas, Louisiana, Mississippi, Alabama, Georgia, Florida, Tennessee, Kentucky, North Carolina, South Carolina, Virginia, West Virginia, Maryland, Delaware and the District of Columbia.

“You’re going to accommodate population growth, you’ve got to change the design of your stores.”

Dr. James Johnson Jr., distinguished professor of strategy and entrepreneurship and director, Urban Investment Strategies Center, at The University of North Carolina Kenan-Flagler Business School, addressed this phenomenon when he previously spoke to NACS State of the Industry Summit and Leadership Forum attendees. He addressed, among other items, a population shift to the South and its impact on the convenience

store industry. (For a list of what states comprise the South, see map below.)

“Our country is in the midst of an unprecedented demographic transformation,” Johnson said. “If you ignore it, you do so at your own peril.”

The South Rises—Again

The South wasn’t always the place to be. From 1910 until 1970, the region captured just 30% of the net American population growth, tallying 33.4 million new residents out of a total U.S. population gain of 111.0 million, according to U.S. census data. Back then, “it was the place to leave,” Johnson stated.

But over the next four-plus decades, population redistribution from the Midwest and Northwest to the West and South accelerated, with the greatest growth occurring in Texas, Florida, Georgia and North Carolina, which collectively saw 71% of the total influx. And from 2000-2010, the most recent period for which U.S. census data exists, the South recorded 53% of the total net population growth by region, with more than 14 million people converging on the region.

Those numbers are not just population redistribution, though; while more than a million domestic residents moved south from 2004-2010, more than 250,000 others came from foreign countries.

Johnson attributes the change to a combination of factors. As for migration, “the South is a retirement destination for many snowbirds,” Johnson said, “and as the population ages, large numbers [of this aging population] are moving to the South.”

Immigration has also brought “a large number of Hispanics settling in the region,” Johnson said, “adding to the population growth.” And finally, there is migration borne from historical roots. “Huge counter-stream migration is occurring among people who were born in the region 20 or 30 years ago,” Johnson said. “They’re now returning home.”

Leverage the Opportunities

Those trends add up to opportunities for convenience store retailers, Johnson said. But to leverage the influx, it’s critical to adjust your offerings to the area’s changing

Tipping the Political Balance?

Population shifts to the South could play a critical role in the balance of state representation at the federal level. “If the population shift continues, Texas could gain three new seats in the U.S. House, Florida two, and Arizona, Colorado, North Carolina and Oregon one apiece after the next census,” noted the Pew Charitable Trusts, citing an analysis by Election Data Services, a political consulting firm.

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demographics.

“If you’re going to accommodate population growth, you’ve got to change the design of your stores,” Johnson said, “because the 65-plus population is also growing. And the first thing they’re looking at when they enter a store is whether it is age-friendly.” Their general answer, Johnson says: No. “So you’ve got to make adjustments,” which he said include brighter lighting, signage that’s easier to read and doors that are easier to open.

Recognizing that the Latino population is also growing, Johnson said appreciating their shopping preferences is critical for success. “You must understand Latino culture,” Johnson said. “They shop as families and so if you’re going to tap into that market, you’ve got to diversify your product line and add some other things and be more diversified with services.”

Among those that Johnson recommends: “Especially in food deserts and urban communities where grocery stores won’t work, the strongest appeal will come with a modified c-store that offers healthy, fresh foods, a minute clinic and maybe even a beauty salon. “That would make these places destinations for the Latino population,” he said.

Targeting the age of shoppers more precisely also plays a factor in success. “The median age of Hispanics in the United States is 28, compared to 42 for non-Hispanic whites,” Johnson said. “This is a young demographic with high fertility and that is family-oriented. You’ve got to understand that to [fully leverage sales opportunities].”

If They Come, You Will Build It

Responding proactively to the growing population in the South, some convenience store retailers have already begun developing and expanding their Southern presence.

“The influx of new c-store consumers has resulted in significant expansion plans by a number of our members including GATE Petroleum, Wawa, JH Williams, and Sunshine Distributing,” Bowman said. “As the number of new consumers goes up, so will local expansion plans. This is a very exciting time to be in the c-store industry in Florida as the opportunities are endless. We are excited about what the future holds for our industry and we look forward to supporting our members as they chart their path to growth and continued success.”

Jacksonville, Florida-based GATE Petroleum Company (GATE) has called the Southeast home for more than 60 years, and recently began adding units in response to the area’s growing population. “For GATE, population growth in the Southeast region presents tremendous opportunity, as that is the region where the company has an existing concentration of stores, the greatest brand recognition and most market knowledge,” said Misty Skipper, vice president, marketing, communications and government affairs for GATE. “As more and more people move into the region, we will continue to use that knowledge to look for opportunities to bring our products and services to even more customers.

The company opened three new stores in Jacksonville in 2016, and has four additional stores under development that are scheduled to open in the next 18 months. “The new stores are located throughout Northeast Florida, in both urban and suburban areas, reflective of significant growth in diverse sections of the region,” Skipper said. “GATE is firmly in an expansion mode and is continuing to closely monitor real estate markets, population shifts and growth patterns to identify additional sites for development that will further grow our presence in Northeast Florida as well as other markets around the state. ... Going forward, the company will continue to closely monitor shifts in population centers to identify areas that we can serve.”

Meanwhile, Pennsylvania-Based Wawa began heading south five years ago, when it opened its first Florida store in July 2012. “The store is the first of five stores opening in the greater Orlando area by mid-August (2012),” Gov. Rick Scott said in welcoming Wawa to Florida, “with 100 Florida stores planned during the next five years ... the company’s first outside of the Mid-Atlantic states.”

“As each location opens, we will further solidify our commitment to filling a void in our new Florida customer’s lives, providing them with a level of convenience and appetite appeal our customers have come to rely on us for,” said Wawa CEO Howard Stoeckel, acknowledging the area’s growth opportunities.

Just three years later in 2015, Wawa had opened 79 stores in Florida and announced plans to add 120 stores in South Florida by 2022. “Our plan was always to have a presence across most of the state,” said Chris Gheysens, Wawa’s president and chief executive.

On the Other Hand...

But not everyone in the South has seen a rise in opportunities for c-store retailers. “We have 6,300 c-stores in Georgia, down from 7,300 not long ago,” said Angela Holland, president of the Georgia Association of Convenience Stores. “That’s because we’re one of the most saturated states with stores —two on every corner in many areas.”

Has population growth in the South impacted her members? “Not that I know of,” she said. “In fact, we’re seeing consolidation left and right, and we’ve got more companies up for sale, too.”

And even in those areas where growth has positively impacted stores, political realities may bring about (abrupt) change. “Convenience stores stand to lose a lot with a rise of deportation orders,” Johnson said, alluding to current events. “That’s a major customer base for c-stores.”

Johnson said it’s difficult to forecast how recent executive orders will play out. “It depends on how we respond ... But realize that these executive orders slow down immigration and probably accelerate the number of immigrants leaving, either out of fear or because of deportation.”

Southern Comfort

For now, though, the South remains fertile ground for retailers, assuming they bring a strategic approach to engage area demographics. Johnson offers an optimistic outlook and said by tapping their entrepreneurial acumen and applying analytical reasoning, c-store retailers could best respond to a retailing climate where “the new normal in our economy is certain uncertainty. ...If you want to tap these markets, the market is wide open.”

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About Jerry Soverinsky

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