

Riding Out the Storm?

We don't have to go far to understand this economic storm. It's everywhere—when our bills arrive, while we're in the grocery checkout line, when we read news headlines.

Most people think they are worse off than a year ago and see no help in sight. Well, some would say that nothing lasts forever, but what's in between

forever and a turnaround is the make-or-break question for many.

On June 12, CSP hosted our quarterly "How's Business" Web conference. Yes, it was a summary of bad news, but don't turn the page! We were offered some deep thinking on what we can and need to do.

So I am rerunning portions of our CSP Daily News story that followed the Web conference to urge you to view this presentation. The message is clear: We are not going through just another cycle, but an economic transformation. If so, then the "riding it out" strategy may not see

you still "riding" when the turn occurs.

The sky appears to be falling, but convenience retailers can put themselves in position to pick up the pieces, said presenters during the CSPNetwork CyberConference "How's Business: Are You Having a Good Year?" Beware, however: The country's ailing economy is causing consumers to significantly alter their shopping habits, which could inch inflexible retailers toward the edge of the scrap heap.

"Words cannot express what we are seeing with the changing landscape of the shopper," said Thom

Blischok, president of consulting and innovation for Chicago-based Information Resources Inc. "We are in a transforming economy," rather than a recession or downturn. And it's bound to have lasting effects.

From the struggling to the most affluent, consumers are shifting their collective mindset away from that of "availability" to one of "affordability." In the new mindset, they are forced to make significant tradeoffs in their everyday purchases.

It has been a gradual shift. Trip consolidation increased in the fourth quarter of 2007, when retail prices spiked in the gas and consumer-packaged-goods sectors. Today's gas prices have further driven the phenomenon of trip conservation.

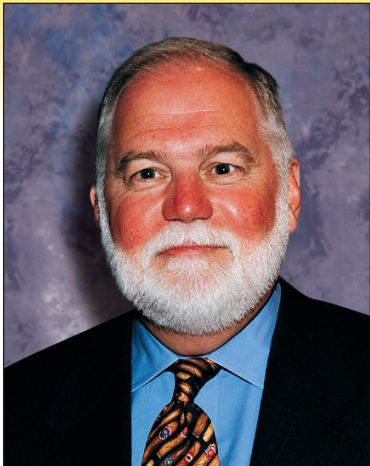
This "sticker shock" at the pump appears to be hurting c-stores' in-store sales. Low-cost supercenters are meeting consumer needs for weekly shopping trips, while dollar stores and drug stores are staking claims on consumers' immediate fill-in purchases. And this is just the beginning, Blischok warned: "The convenience channel is under attack."

Blischok said looking to the past to weather this new era would not serve anyone well. While commodity costs, consumer confidence, price inflation, consumption and the availability of credit all took negative turns during previous recessions, the magnitude of change this time around makes the current economy a much different beast.

"Across every single variable, the differences are dramatically worse," he said. "The last recession [in 2001] is not predictive of what's going on in today's retailing environment."

To view an OnDemand replay of this CyberConference (free to retailers and wholesalers, \$49 for others), visit cspnet.com and click on cyberconferences.

—Paul Reuter Editorial Director



Today's gas prices have further driven the phenomenon of trip conservation.