

LEADSTORY



Photo by Bob Gigliano

Inside QuickChek's inaugural Long Island store on Middle Country Road in Lake Grove.

# FUELED BY CONVENIENCE

As gas profits slow, stations expand stores to drive revenue

By DAVID WINZELBERG

These are not your father's gas stations.

Shrinking gas sales and the increasing demand for one-stop shopping have sparked the continuing evolution of a growing business model, with pumps to fill up your car outside and full-service market/restaurants to fill your stomach or grocery cart inside.

The gas/convenience store genre began to take hold here more than two decades ago, while it had been flourishing in other parts of the country for much longer. The building at a traditional gas station on Long Island used to have a small office and a few service bays. But as the car repair business waned and most were relocated to occupy less expensive real estate off the beaten path, those service buildings morphed into small stores selling cigarettes, candy and sticks of

beef jerky.

And while there are still a few gas stations here that also offer onsite auto repair, almost all newer ones are primarily convenience stores that also have some gas pumps out front. Lately, a dip in gas consumption and lower fuel prices have further shifted the emphasis onto the stores, which

are getting bigger, adding full-service kitchens and offering a wider variety of food and other items.

That's because the numbers don't add up to sustainable profit at the pumps alone. Gas retailers on Long Island only make about 8 or 9 cents a gallon, a paltry \$1 to \$1.50 per fill-up. So though about two-thirds of their

overall revenue comes from fuel sales, two-thirds of their profits are derived from sales inside their stores, according to the National Association of Convenience Stores.

"There's more profit from selling a meal than gas," said NACS Spokesman Jeff Lenard, who added that the trend toward larger, well-stocked

24 hours a day, seven days a week.

Nationwide, convenience stores account for about 80 percent of total retail gas sales. And while late to Long Island, that business model is now spreading here, through local and regional chains.

After opening its first Long Island location in Lake Grove in October 2014, QuickChek has secured several sites throughout Nassau and Suffolk counties, where it plans at least two dozen stores. Next month, the Whitehouse Station, N.J.-based company will be breaking ground on its second Long Island store in Bethpage, located on the 2-acre site of a former car dealership. New stores in Copiague and Brentwood are expected to follow shortly.

A regional powerhouse in the convenience/gas industry, QuickChek has always been focused on its stores. In fact, the company's locations started out strictly as mini-markets, but added fuel to them 13 years ago. Besides

**'IN TODAY'S ENVIRONMENT THE OLD MINI-MART IS NO LONGER VIABLE.'**

stores with restaurant-like menus is a reflection on how consumers are evolving, led by the emergence of millennials and the growing numbers of single-person households.

"They're wanting more food on the go and they're more into snacking and eating at different hours," Lenard said. Most convenience/gas stores are open

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Cumberland Farms convenience stores are being expanded from 2,500 square feet to between 3,500 and 4,000 square feet.

a large assortment of fill-in grocery items, QuickChek customers can order freshly made hot and cold sandwiches, soups, salads and burritos. Each of its 142 stores employs between 30 and 40 people.

On Long Island, QuickChek's expansion has been challenged by zoning laws that restrict the size of stores in the convenience/gas genre. QuickChek stores, which measure around 7,000 square feet here, are three times the size of most 7-Elevens and four times the size of most stores fronted by gas pumps here.

"Most of Long Island's zoning and stores are caught in the old business model when the new business model has evolved into something so much better," said QuickChek CEO Dean Durling. "In today's environment the old mini-mart is no longer viable. The larger store is necessary to accommodate full-service kitchens, seating, wide aisles and modern restrooms."

Joseph Deal, a principal at Bohler Engineering, which specializes in designing retail stores – including QuickCheks – said many Long Island towns still limit the size of stores at convenience/gas businesses to under 2,000 square feet.

"Zoning in general is the biggest issue. It's behind the times in most of the municipalities on Long Island," Deal said. "They just don't understand the product. It's a new format now."

Attorney Keith Brown, a partner at the Harris Beach law firm in Melville, which represents QuickChek in its quest for approvals, said most town codes were written when a gas station with repair shop was still a viable business model.

"Town codes need to be updated to allow for a gas station to have a convenience store proportional to the size of the property," Brown said. "This will allow for convenience stores in accordance with modern site plan considerations and industry standards."

Brown gave kudos to the Town of North Hempstead, which amended its code in March to allow for stores of up to 5,000 square feet on properties of more than 1 acre. Those will also be allowed to have onsite food preparation without a variance or special-use permit.

Other towns, such as the Town of Hempstead, have been much less cooperative, requiring a rezoning for each new convenience/gas business, even if there was one at the site before.

Attorney Wayne Edwards, a partner at Sahn Ward Coschignano in Uniondale, who has won dozens of approvals for a variety of retail uses, said local resistance to the larger convenience/gas concept stems from unfamiliarity.

"The QuickChek model is something not common to Long Island, though if you go out of the area it's accepted," Edwards said. "Long Island decision makers are having trouble getting their heads around it. I think when people realize that it works and the world doesn't end it will be easier to get them built here."

Commercial real estate broker Roger Delisle of Smithtown-based Island Associates, who has helped secure several sites for QuickChek here, agreed that fear is often the initial reaction to a new and larger business model.

"When they hear bigger it's not a good thing," Delisle said. "Everyone runs away. People have to see it and go there to appreciate it."

Another growing player in the convenience/gas arena here, Cumberland Farms, is also going bigger. The Framingham, Mass.-based company has more than 550 stores, mostly in the Northeast and Florida, including seven on Long Island, one of which is still gas only.

The others are slated to get expanded stores, going from 2,500 square

feet to between 3,500 and 4,000 square feet, as part of the company's Accelerated Inside Merchandising remodeling, according to Bryan Pierce, a Cumberland Farms marketing associate.

"Our AIM concept is getting people from our pumps into our stores for a shopping experience," Pierce said. "We've built a whole food service station where customers can order breakfast sandwiches, a burger or even a chicken parm hero. The whole hot-food experience is a huge part of the new concept."

Pierce added that Cumberland Farms has seen "a significant increase" in sales from the expanded store model. The company is working on new stores at sites in Commack, Oceanside and Lake Ronkonkoma.

Garden City-based Bolla Oil has also been expanding its Bolla Market convenience/gas model on Long Island, opening its newest location in Ronkonkoma earlier this year. About half of the firm's 90-plus gas stations include

a Bolla Market or other convenience store.

Tariq Khan, president of the Long Island Gasoline Retailers Association, said there are far fewer gas stations in Nassau and Suffolk than there used to be – now slightly more than 1,000 – few of which could survive without a convenience store attached. Khan himself owns a Gulf station in West Hempstead that used to have a four-bay mechanic's shop that was transformed into a Gulf Express store.

"People find it very convenient to shop," Khan said. "Everybody is in a rush to go."

And that's why companies like QuickChek recognize the demand and are pumping up their efforts to expand here.

"We break through and people will understand it," Durling said. "We know that our services are needed on Long Island."

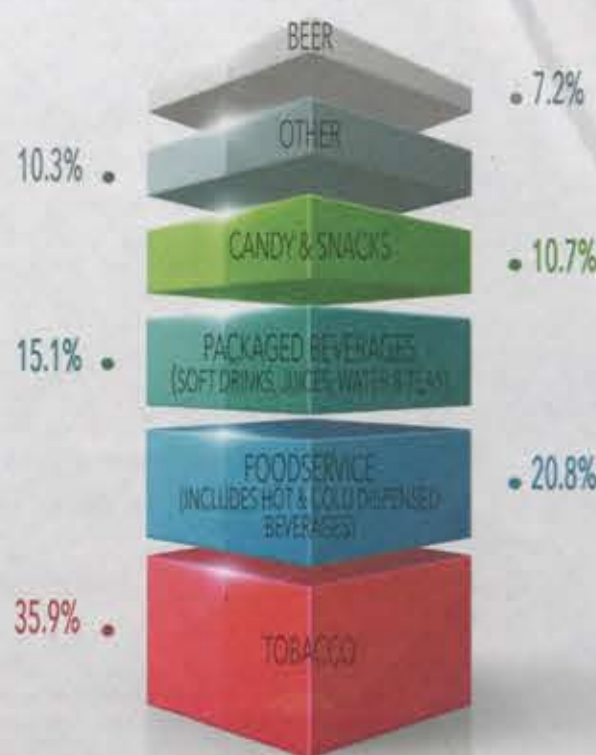
DAVID.WINZELBERG@LIBN.COM

## US CONVENIENCE STORES

	2014	2015
NUMBER OF STORES	152,794	154,195
INSIDE SALES	\$213.5B	\$225.8B (↑ 5.8%)
FUEL SALES	\$482.6B	\$349B (↓ 27.7%)
TOTAL SALES	\$696.1B	\$574.8B (↓ 17.4%)
PRETAX PROFIT	\$10.4B	\$10.6B (↑ 1.6%)

Source: National Association of Convenience Stores

## TOP SELLING CONVENIENCE STORE ITEMS



Source: National Association of Convenience Stores