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Fuels

How Consumers React to Gas Prices

Insights from NACS Consumer Fuels Surveys
on consumer perceptions related to gas prices
and the economy overall

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How Consumers React to Gas Prices

Nearly 40 million Americans fill up their vehicles every day. How they drive, consider gas prices and determine whether to shop inside a convenience store for food, snacks and beverages has a profound impact on the retail channel that sells 80% of the fuel purchased in the United States. Let's look at some of the broad characteristics of how consumers buy gas and examine how convenience retailers can keep them coming back.

In particular, we examine:

- + **Overall driving habits**
- + **Consumer behavior at the pump**
- + **What retailers can do to change consumer behavior**

Key Insights:

DRIVING TIME



Consumers who are **DRIVING MORE** are doing so **BECAUSE OF A JOB OR A LONGER COMMUTE.**

PRICE AND CHOICE



PRICE DOMINATES WHERE CONSUMERS CHOOSE TO PURCHASE FUEL, but that characteristic is falling: **58% in 2018** vs. 71% in 2015.

QUALITY COUNTS



THE QUALITY OF FUEL, FOOD AND EMPLOYEES is increasingly influencing where consumers choose to shop.

IN-STORE SHOPPING



45% of gas customers also **COME INSIDE THE STORE.**

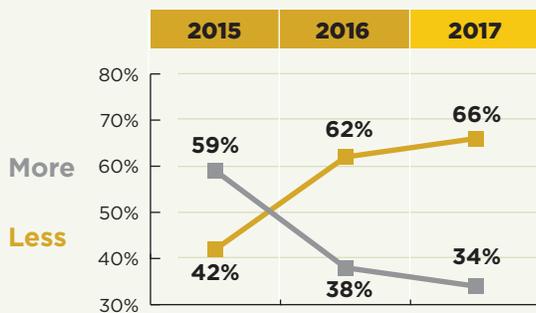
Overall Driving Habits

In 2017, motor fuels demand in the United States decreased slightly (-0.3%) to 9.29 million barrels per day, but the U.S. Department of Energy expects consumption to increase to record levels in each of the next two years. Fuel demand has remained steady, but does that translate to certain people driving more or less? Our survey found that about one-third of all consumers (36%) say the amount they drove changed in 2017 compared to 2016.

Then, we looked at the 36% of Americans who say they changed the amount they drove and wanted to know: Did your driving increase or decrease? And by a nearly two-to-one margin, consumers say they are driving less than a year ago.

How driving changed in 2017

Are you driving more or less this year?:



THOSE IN THE SOUTH ARE MOST LIKELY TO DRIVE MORE BECAUSE OF A JOB (36%) AND THOSE IN THE NORTHEAST AND MIDWEST ARE LEAST LIKELY (20% EACH).

Men (40%) and younger consumers ages 18 to 34 (45%) are the most likely of the demographic groups to say they had driven more in 2017. And with only a slight dip in overall fuel consumption in 2017, those who have increased their driving have increased it at a greater level than others have reduced their driving.

So why are people driving more or less than a year ago? Those driving more are doing so because of a job or a longer commute. Those driving less are doing so because of cost concerns.

There are demographic variations as well. Men are twice as likely as women to say they are driving more because of a job (40% vs. 20%). And geographic variations also exist. Those in the South are most likely to drive more because of a job (36%) and those in the Northeast and Midwest are least likely (20% each).

Why People Are Driving More

Reason for driving more (% gas consumers)	
My job; longer commute to work; I have a new/second job	30%
Have more things to do/more errands now	12%
Have a car now; have my own car now; have a better car now	10%
My children; taking my children to more places/activities	12%
I am driving to more places	10%
Lower gas prices	12%

Meanwhile, cost considerations dominate why people say they are driving less. Younger consumers ages 18 to 34 are most likely to say higher gas prices made them cut back (44%).

Why People Are Driving Less

Reason for driving less (% gas consumers)	
Higher gas prices	35%
My job; shorter commute to work; working from home; retired	15%
Saving money; cannot afford gas; cannot afford to go anywhere/shop	14%
Combining trips; going to less places	5%
Saving gas; do not want to waste gas	4%

Finally, how long are people spending in their cars daily? Most consumers (78%) spend less than an hour in their vehicles, although 9% spend more than 90 minutes in their cars daily.

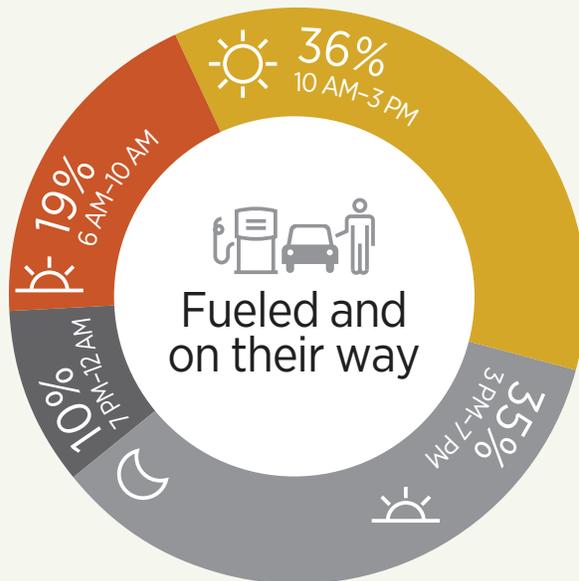
Consumer Behavior at the Pump

Understanding how gas prices affect consumer behavior and driving habits can help convenience retailers execute their marketing strategies. But it's also important to examine how consumers buy gas, which reveals some interesting variations.

Consumers are more likely to buy gas during the evening rush than the morning daypart (35% vs. 19%), likely because of morning time pressures. But these time pressures vary by demographic. Those most likely to purchase fuel in the morning are consumers ages 35 to 49, so there may be an opportunity for convenience retailers to expand their breakfast foodservice marketing to focus on this segment of shoppers. Meanwhile, those age 50 and older are most likely to purchase gas mid-day, outside of rush hours. A promotional campaign around slowing down and enjoying a snack or meal inside the store might appeal to this demographic. And those in the Midwest are most often likely to purchase gas during the evening rush (40%), which may present an opportunity for retailers to promote fill-in dinner items, or even meal kits.

Filling up the tank

When do most Americans fill up?



CONSUMERS AGES 35 TO 49 ARE MOST LIKELY TO PURCHASE FUEL IN THE MORNING, WHILE MOST CONSUMERS ARE MORE LIKELY TO BUY GAS DURING THE EVENING RUSH, LIKELY BECAUSE OF MORNING TIME PRESSURES.

Shopping on Price

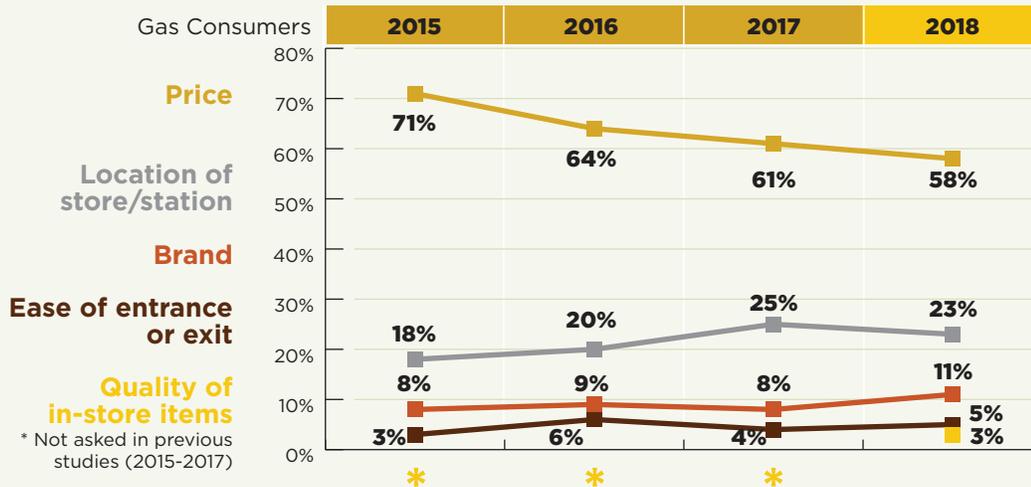
The rise of mobile commerce, smartphone apps and price-checking websites make it easier for consumers to shop for deals on everything from appliances to new shoes, a mentality that also carries over to gasoline. Simply put, no matter what the price per gallon is, consumers want to find the best price.

Historically, about two in three consumers shopped on price, whether gas was as low as \$1.62 per gallon at the start of 2009, or as high as \$3.28 per gallon at the start of

2013. However, a focus on price is diminishing and has fallen 13 percentage points in just three years.

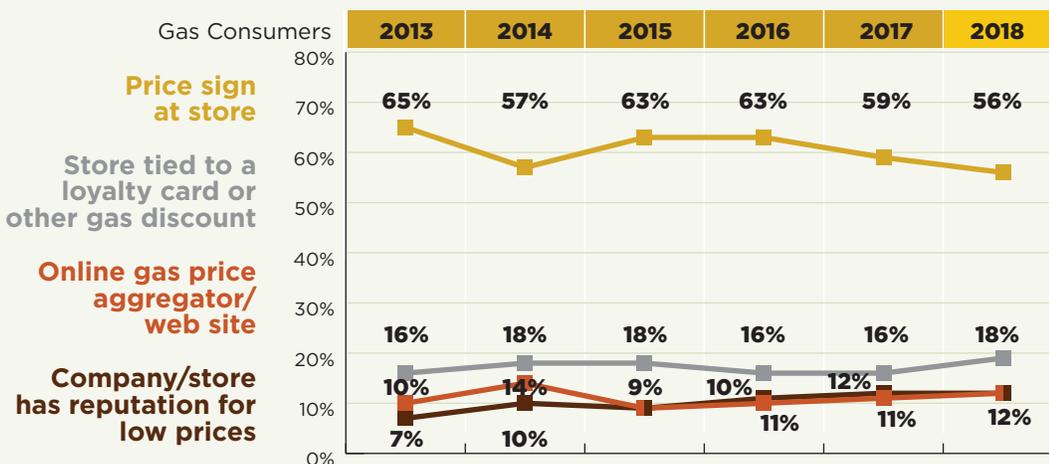
Price is least important to those who consider themselves daily shoppers (48%) and most important to those who say they never shop inside the store (62%).

Characteristics most important in purchase decisions

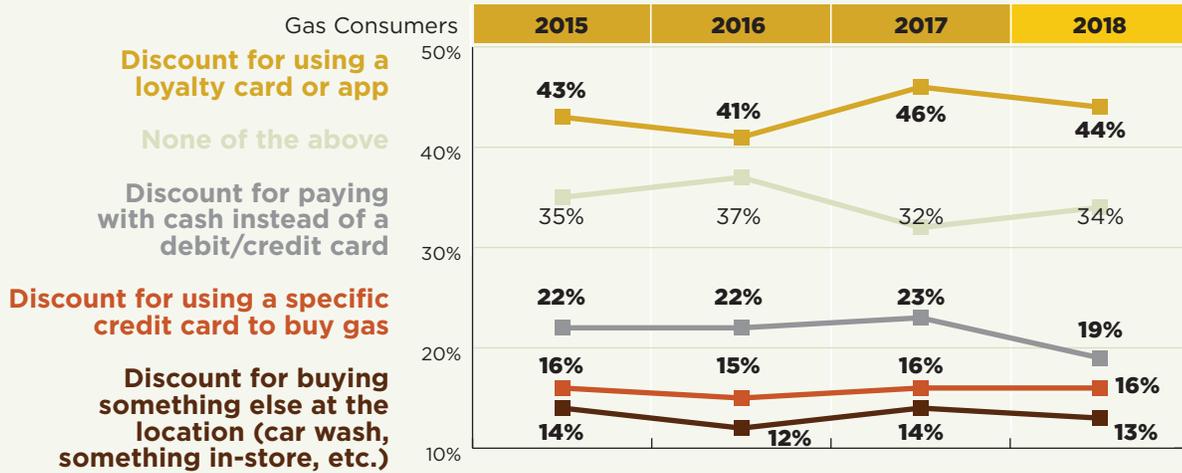


In terms of how price-sensitive consumers shop by price, the traditional gas price sign remains the most common method, particularly among drivers during the morning rush (61%). Loyalty cards are a second choice and are used by nearly one in five (19%) price-sensitive consumers, but interestingly, loyalty cards are not popular with tech-savvy younger consumers ages 18 to 34, who are instead much more likely to look at the price sign (63%).

How consumers shopped for price

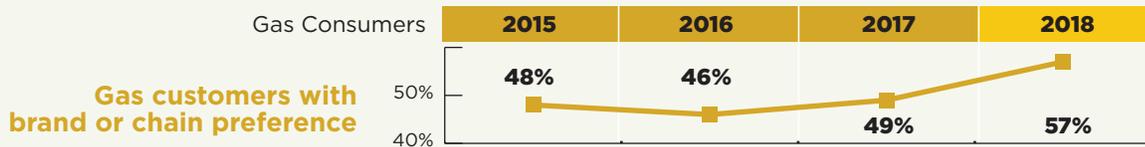


Discount offers tried by consumers



While 19% of price-sensitive consumers say they regularly use loyalty cards to price shop, a much higher percentage of consumers say they have at least tried using a loyalty card, changing their payment method or by earning discounts for buying additional items to reduce the price per gallon. Customers in the Midwest are most likely to have tried a loyalty app (52%) and consumers ages 18 to 34 are most likely to have tried a cash discount (25%).

Customers who prefer a certain brand or chain



Gas customers are increasingly saying that they prefer a specific station to fill up. In fact, the percentage has almost doubled in six years (57% in 2018 vs. 31% in 2012). Those in the West (68%) are the most likely to prefer a certain store or chain.

Price is the top reason for this preference, but reputation also plays a strong role, whether for quality of fuel (44%), in-store items (14%) or employees (13%).

Those who are daily convenience store customers are most likely to care about the fuel quality (58%) and loyalty program (46%).

Why customers prefer a specific store/chain

	2015	2016	2017	2018
It usually has lower prices	57%	47%	51%	50%
Quality of fuel	46%	39%	41%	44%
Loyalty program with chain	5%	37%	33%	30%
Loyalty program with individual store	14%	17%	17%	16%
Quality of items inside the store	11%	12%	16%	14%
Quality of store employees	*	*	*	13%
Other	5%	8%	9%	8%

* Not asked in previous studies



GAS CUSTOMERS ARE INCREASINGLY SAYING THAT THEY PREFER A SPECIFIC STATION TO FILL UP. IN FACT, THE PERCENTAGE HAS ALMOST DOUBLED IN SIX YEARS.

Changing Consumer Behavior

How might consumers adjust their behavior to save money on gas, beyond selecting the best price they see in their neighborhood or on a trip? Here's some good news for convenience retailers: Consumers especially would consider an alternative payment method to save money at the pump.

Younger consumers (ages 18 to 34) are most likely to consider discounts for gas purchases by cash (80%). Those filling up after 7:00 pm are most likely to drive five minutes out of their way (71%) or 10 minutes out of their way (46%).

More than one in three consumers say that they would drive 10 minutes out of the way to save 5 cents per gallon, which means a 20-minute roundtrip. Assuming the car travels 45 mph and gets 30 miles per gallon, the trip would burn 0.5 gallons of gas—or roughly \$1.30 at January 2018 prices. To make it financially worthwhile to save 10 cents per gallon, one would have to buy at least 13 gallons of gas to simply to break even.

More than anything else, this exemplifies consumer price sensitivity relating to gas prices. Whether they would save money, consumers want to feel like they found a “deal” or “did something” about the price they paid.

Discounts consumers would take

To save 5 cents per gallon on gas I would:	
Pay with a debit card instead of a credit card	73%
Pay with cash instead of a debit or credit card	71%
Take a left-hand turn across a busy street	61%
Drive 5 minutes out of my way	63%
Drive 10 minutes out of my way	38%
Gas price at time of survey (\$)	\$2.57



80%

YOUNGER CONSUMERS (AGES 18 TO 34) ARE MOST LIKELY TO CONSIDER DISCOUNTS FOR GAS PURCHASES BY CASH (80%).

Retailers know that if they can get a customer to fill-up at their store, they have a good chance of getting them inside the store to buy other merchandise. And because in-store sales make up around two-thirds of a store's overall profits, it's vital that customers buy something besides low-margin fuel. And nearly half of all gas customers do go inside the store (45%), a 9-point jump from three years ago. Those ages 18 to 34 (55%) and those who purchase gas in the morning (50%) are most likely to go inside the store.

Among those who went inside the store, those ages 18 to 34 were most likely to purchase a drink (49%) or a snack (44%). Drinks were the most popular items purchased, especially among those ages 18 to 34 (49%). Meanwhile, meals were most popular with consumers ages 35 to 49 (14%).

Items purchased

	2015	2016	2017	2018
Paid for gas at the register	42%	46%	50%	45%
Bought a drink (coffee, fountain drink, or frozen beverage, can or bottle)	36%	42%	45%	41%
Bought a snack	33%	31%	36%	33%
Bought lottery tickets	22%	25%	25%	24%
Bought cigarettes	24%	21%	24%	22%
Used the bathroom	17%	15%	22%	18%
Bought a sandwich or other meal	8%	9%	8%	10%
Used the ATM	6%	8%	11%	9%
Bought fill-in grocery items, like bread or milk	9%	10%	6%	8%
Bought beer / wine	11%	6%	8%	7%
Went in to look but did not buy anything	6%	3%	4%	3%
Other	3%	4%	3%	3%
None of the above	4%	3%	3%	4%



49%

DRINKS WERE THE MOST POPULAR ITEMS PURCHASED, ESPECIALLY AMONG THOSE AGES 18 TO 34 (49%).



14%

MEANWHILE, MEALS WERE MOST POPULAR WITH CONSUMERS AGES 35 TO 49 (14%).

Ultimately, success for retailers is often determined by how they can attract customers to their lot to buy fuel and also get them inside the store to purchase other items. Or, increasingly, by developing a strong in-store offer that translates to a fuel purchase that may be less dependent upon only the gas price sign.

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Fuels Resource Center

Survey Methodology: NACS has surveyed consumers about their perceptions related to gas prices since 2007 and has conducted monthly consumer sentiment surveys since 2013. NACS commissioned Penn, Schoen and Berland Associates LLC to conduct 1,100 online interviews with adult Americans on January 22-25, 2018. The margin of error for the entire sample is +/- 2.95% at the 95% confidence interval and higher for subgroups are referenced in commentary and a limited number of charts.

About NACS

NACS (www.convenience.org) advances the role of convenience stores as positive economic, social and philanthropic contributors to the communities they serve. The U.S. convenience store industry, with more than 154,000 stores nationwide selling fuel, food and merchandise, serves 165 million customers daily—half of the U.S. population—and has sales that are 10.8% of total U.S. retail and foodservice sales. NACS has 2,100 retailer and 1,750 supplier members from more than 50 countries.

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