

NACS Consumer Fuels Report: Consumer Price Sensitivity

NACS ANNUAL FUELS REPORT 2011



Overview

Fuels retailers know that consumers are price sensitive. But to what degree? NACS sought to quantify price sensitivity by surveying consumers about their behavior related to gas prices. While there may be a difference between what consumers say and what they do, the results clearly confirm that consumers will change their behavior to save just a few cents a gallon, validating the common retailer strategy to fight for customers by trimming margins (the average gross margin on gasoline in 2010 was 16.3 cents per gallon, before expenses). Below are excerpts from surveys conducted by the

National Association of Convenience Stores (NACS) in early 2009, 2008 and 2007. To receive a full report contact NACS Vice President of Communications Jeff Lenard at jlennard@nacsonline.com, (703) 518-4272.

Methodology

NACS commissioned Penn, Schoen and Berland Associates LLC to conduct 1,100 telephone interviews with adult Americans. The margin of error for the entire sample is +/- 2.8 at the 95% confidence interval and higher for subgroups.

Consumer preference

Price is clearly the most important factor in why a consumer selects a fueling location. More than two-thirds of all consumers surveyed said it is the most important factor.

Q: When buying gas, which of the following factors is most important to you?

	2009	2008	2007
Price	70	73	66
Location of store/station	19	16	22
Brand	9	10	9
Other	1	1	1
Don't know/refused	1	1	1
All of the above	1	Not Asked	Not Asked

About two-thirds of consumers pay for their gas with plastic. A total of 62 percent of consumers said they paid by plastic in 2009. And even higher percentage (65 percent) said they paid by plastic in 2008, when gasoline prices topped \$4 per gallon.

Q: How do you typically pay for gas? Do you typically pay with...

	2009	2008	2007
Credit card	37	37	44
Cash	35	38	34
Debit card	27	23	21
Don't know/refused	1	1	2



How do consumers react to an increase in gas prices?

Consumers change their purchase behavior when gas prices increase. The sometimes “hedge” to anticipate price increases, they displace the pain by increasingly putting the purchase on plastic and they shop around more.

Q: When gas prices rise, would you say you are more likely to...

	2009	2008	2007
Spend the same amount of money but buy less gas	38	39	29
Buy the same amount of gas and spend more money	44	59	69
Buy more gas per visit in anticipation of higher prices tomorrow	11	Not Asked	Not Asked
Don't know/refused	7	3	2

Q: When gas prices rise are you...

	2009	2008	2007
Much more likely to use a debit or credit card	47	36	47
Somewhat more likely to use a debit or credit card	12	15	10
Somewhat more likely to pay with cash	5	8	6
Much more likely to pay with cash	28	31	29
Don't know/refused	8	10	8

Q: When gas prices rise are you ...

	2009	2008
More likely to shop around for the lowest price	68	40
Less likely to shop around for the lowest price	6	32
Neither	25	28
Don't know/refused	1	1

How much of a discount do we have to offer consumers to get them to change their behavior?

More than half (52 percent) of all consumers say they would alter the way they pay for gas to save 3 cents per gallon. Forty-five percent would take a left-hand turn across a busy intersection to save 3 cents per gallon. More than one-quarter (26 percent) would drive 10 minutes out of their way to save 3 cents per gallon. (Such a move, factoring in a 20-minute roundtrip and travelling 45 MPH in a vehicle getting 30 MPG, would burn 0.5 gallons of gas. At \$3.00/gallon, this means the consumer would use \$1.50 of gas and would need to fill up with at least 50 gallons to break even for this behavior.)



Q: IF YOU TYPICALLY USE CREDIT, DEBIT (64% in 2009, 61% in 2008): Pay with cash inside instead of using a debit or credit card. (Note: Totals are not cumulative but actual responses)

	2009	2008
1 cent per gallon of gas save...instead of using a debit card	38	31
2 cents per gallon of gas	7	8
3 cents per gallon of gas	7	10
4 cents per gallon of gas	6	6
5 cents per gallon of gas	14	13
10 cents per gallon of gas	10	13
25 cents per gallon of gas	5	7
I would never take this action	5	4
Don't know/refused	8	7

Q: Take a left hand turn across a busy street? (Note: Totals are not cumulative but actual responses)

	2009	2008
1 cent per gallon of gas save...instead of using a debit card	26	32
2 cents per gallon of gas	8	11
3 cents per gallon of gas	11	8
4 cents per gallon of gas	6	6
5 cents per gallon of gas	15	11
10 cents per gallon of gas	13	10
25 cents per gallon of gas	5	5
I would never take this action	6	7
Don't know / refused	10	11

Q: Drive 10 minutes out of your way? (Note: Totals are not cumulative but actual responses)

	2009	2008
1 cent per gallon of gas save...instead of using a debit card	9	15
2 cents per gallon of gas	4	5
3 cents per gallon of gas	13	9
4 cents per gallon of gas	7	7
5 cents per gallon of gas	18	14
10 cents per gallon of gas	19	22
25 cents per gallon of gas	13	13
I would never take this action	14	10
Don't know / refused	3	4