IV. MARKET ANALYSIS

A. Industry Trends

Convenience stores are rapidly gaining popularity as people become more work-oriented, creating less time for household purchases. According to the National Association of Convenience Stores (NACS), convenience stores generally stock 1,500 to 3,000 items, compared to 7,000 or more in supermarkets. The closest supermarket is in Indianapolis, 27 miles from Anytown. Convenience Mart will carry a wide line of goods and services in stores, allowing consumers to satisfy more needs quickly in one location without having to drive to Indianapolis. NACS estimates there are some 71,200 convenience stores, with 1000 more to drive to Indianapolis. NACS estimates there are some 71,200 convenience stores, with 1000 more established each year in the suburbs and concentrated city areas. Due to the area's limited competition and rising popularity of convenience stores, Convenience Mart will enter the market in a rapid growth period.

B. Description of Total Market

Anytown is isolated from other residential areas in Johnson County, and during the peak hunting and tourist months of September through April, the population increases from 850 to 1,488, or 175%. State Road 37 is a major thoroughfare to Indianapolis and offers a significant secondary target market for Convenience Mart from the travelers going to and from the city needing gas, food, or other services. Convenience Mart is the only store located along the highway, giving them a large potential share of this secondary market.

Growth potential for Anytown and Convenience Mart is promising. Indianapolis's population has increased consistently over the past ten years and the number of businesses in the city has risen by 30% during this time period. The annual Indiana Square Dancing and Polka Championship Tournament in September increases tourist activity tremendously. The 1992 tournament hosted over 700 competitors. During this week of activity, over 1,000 people visited Anytown, increasing potential for sales and visibility for potential new residents. Hunting leases, which are growing in popularity, provide a steady, recurring source of visitors in need of supplies.

Anytown is located in one of the more economically stable areas of South Indiana. It is known as a quiet community consisting of mainly middle-income families. This hometown image has made Anytown appealing to winter tourists as a temporary residence. Year-round population is approximately 85% Caucasian, 15% Minority, and has a conservative political history. Social activities for Anytown residents take place almost entirely in Indianapolis except for Wednesday Night Bingo, which brings over 50 Indianapolis residents to Anytown.

C. Target Market

As Convenience Mart is the only store in the area selling food, household items and gas, they anticipate reaching 80% of this primary market of year-round residents and winter visitors. Residents of Anytown have expressed a need for a wide-service convenience store such as Convenience Mart, and the Grand Opening specials and incentives will provide sufficient attraction for first-time customers. Fast, friendly service will build customer loyalty and repeat business. Convenience Mart will also offer weekly specials, homemade novelty items, and Senior Citizen discounts to maintain the market share. Convenience Mart will apply to become a distributor of Indiana Lottery tickets.

Convenience Mart hopes to expand its market through Indianapolis's increasing population. As the neighboring city grows more crowded, more people will desire residency outside city limits. Valley Developer's, Inc. purchased a 400 acre parcel of wooded land 10 miles outside of Indianapolis, and has recently begun offering 3 to 5 acre tracts of land for housing; creating the potential for approximately 100 new residences within the next few years. With it's nearby location and tradition of quiet family living, Anytown is a good candidate for similar development.

Indianapolis was recently selected as the site for a new perfume manufacturing facility, which will initially employ 50, with projected employment of 100 by 1994. This new business will attract new residents and commuters who will use State Road 37 to reach Indianapolis, creating additional potential sales due to Convenience Mart's location on this highway.

A. Documentation of demand for product or service

Current market demand has been documented through market research compiled by Mr. and Mrs. Jones. Research shows 73% of all Anytown residents are currently purchasing "specialty" items in Indianapolis that will be provided by Convenience Mart. Eighty-two percent (82%) of residents presently purchase everyday "necessity" items from Fred's Fruit Stand. However, 75% of those purchasing Fred's Fruit Stand expressed dissatisfaction with availability and price. Ninety-three percent (93%) of the respondents indicated a need for a local convenience store in Anytown. Sixty-five percent (65%) of Anytown residents commute to Indianapolis for employment on a daily basis. The remaining 35% travel to Indianapolis on an average of once every ten days, increasing the need for the ability to replenish items and purchase gasoline at a store located in Anytown. (See Supporting Documents - Market Research)

E. Competition

Convenience Mart's main competitor is Fred's Fruit Stand, located on 4th and Main Street. This business carries fresh fruit, vegetables, and a variety of canned goods. However, his inventory is very limited, as he carries selected name brands, which can be purchased much cheaper from grocery stores in Indianapolis. He does not provide gas or snack bar services. A former

employee of Fred's Fruit Stand estimates sales volume to be roughly $90,000 a year.

Fred's Fruit Stand currently employs two part-time assistants who help during peak hours, from 4 p.m. to 6 p.m. Sales volume has been increasing during the last few years due to the addition of credit card sales. Fred's Fruit Stand's only recognizable advantage is the large quantities of fresh fruits and vegetables.

Convenience Mart's prime location will attract traffic from the highway, in addition to the local residents. Fred's Fruit Stand has little opportunity to attract any new customers due to his downtown location. Convenience Mart plans to advertise and give sales incentives, something Fred's Fruit Stand has lacked. All items will be purchased from local wholesalers in Indianapolis and resold at a 35% profit. Extending store credit to local customers was considered, but after observing the trouble Fred's Fruit Stand has in collecting from residents, the idea was dismissed. The store will accept cash, local personal checks, and major credit cards.

Indirect competition is found in neighboring Indianapolis, with 2 full-service convenience stores, an Hays Grocery, and a Super S Grocery. At a distance of 27 miles, Convenience Mart hopes to capture patrons not willing to travel for convenience items. Convenience Mart does not expect to substantially effect the market share of the large grocery stores.

F. Differentiation of Product and Service

Convenience Mart desires to set a precedent in Anytown as a full-service convenience store with an economical image, offering a wide range of competitively priced products and services in one location. Need expressed by residents combined with the growing popularity of convenience stores predict a favorable business climate for Convenience Mart.

Mr. and Mrs. Jones hope their success will be furthered by offering several services and goods not available at any other store in Anytown. One area of potential profitability is in novelty items Winter Texans frequently purchase as gifts for friends and relatives. They also hope to garner the pharmaceutical market, as no other stores in town sell these products. Low prices, a variety of products and services, and fast, friendly service will quickly differentiate Convenience Mart from Fred's Fruit Stand. The business previously occupying the building was reasonably successful as a limited-service convenience store until the owner became ill and went out of business 4 years ago.