



**“We lead you through the profitability maze”.**

CONDEVCO LLC / CONVENIENCE DEVELOPMENT CORP

## THE “METER” NEWSLETTER

### “THE METER”

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#### Fuel prices - the secondary market for most consumers second-most valuable property

##### Implications:

- 1) After a home, the auto is the second most expensive item most people own.
- 2) The up and down volatility in fuel prices is lowering demand, regardless of price

##### Analysis:

On October 20th the EIA (Energy Information Agency) listed the average retail price for regular unleaded at \$2.914/gallon, and it had been on a downward trend for 6 weeks or so at the time.

In it's report released on December 8th, the average price was \$1.699/gal. In 49 reporting days, (7 weeks) the price went down \$1.215/Gal, or 41.6%, and it wasn't even a primary economic headline.

The CSP Daily News is reporting as of December 9<sup>th</sup> that the savings at the pump aren't translating to dramatically increased inside sales at the convenience store portions of the fuel outlets. What is going on with the consumer?

Wal-Mart ([NYS:WMT](#)) may very well be getting those savings as increased holiday sales. In late summer, when \$4.00/gal fuel was being sold, the discussion being had about people needing to trade down from SUV's and minivans to hybrids and smaller vehicles was a laughable argument. Most families purchase their vehicles with consumer credit, and if you were 2 years into a 5 year loan on a SUV or pickup truck, you couldn't just adjust what vehicle you chose to drive on a daily basis.

The secondary market of vehicle costs, fuel prices, is much more volatile than the vehicle market itself. That's why demand didn't decrease more than it did; people were forced to drive what they owned, regardless of the cost to operate it. And having seen the automaker bailout play out over the last two weeks, there wasn't enough alternative and hybrid production to accommodate that vehicle demand, in any case. ([Read Entire Article](#))

#### The Ghost of Christmas (Just) Past

##### Implications:

- 1) Retailers are going into extended period of struggling to survive
- 2) Consumer credit, the primary spending mechanism for mid and big ticket items, is broken

##### Analysis:

With a wink and a nod to the esteemed Charles Dickens...

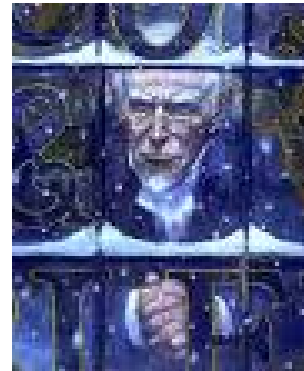
The dismal sales numbers are starting to leak out from Christmas Season 2008, and once the numbers from the major retailers are announced on the 8th, it will be official: The "ghost" of this Christmas just past will be haunting retailers for a long, long time.

There is going to be excess inventory of high-end goods no one will purchase right now, regardless of how desirable they are. Cashmere sweaters are being pushed at a Buy one, get TWO free deal at the Off 5th Saks Outlets. What do you do to recoup your inventory investment in luxury goods when no one wants them?

Marginal store locations are going to become cash flow drains on retailers with viable and previously successful business plans. Using Circuit City and Office Depot as examples of this, as the store count comes down, their corporate overhead gets split over fewer and fewer locations, increasing the pressure on each remaining unit to perform while cutting potential ability to advertise and market against their healthier competitors, in these specific cases, Best Buy and Staples.

Pulling out of markets is a short-term and drastic solution if you aspire to be (or continue to be) a nationwide leader in your category. This solution doesn't address how they ended up at a competitive disadvantage to begin with, another "Ghost" that has to have a reckoning with some upper management at various firms.

License Al Thibodeau: Managing the end of the beginning of the shake-out in retailing



**Ebenezer Scrooge says “Bah, Humbug” to 2008 and “Welcome” to 2009**

#### ABOUT CONDEVCO LLC AND RON & DARCEE SANTICOLA

Retail and Consumer products Experts for 25+ years...

RON SANTICOLA HAS BEEN IN THE CONVENIENCE STORE BUSINESS FOR 14+ YEARS HERE IN FLORIDA AND INTERNATIONALLY, AS A “C” LEVEL EXECUTIVE AND CONSULTANT. AWARD-WINNING AND RESPECTED INDUSTRY LEADER. DARCEE SANTICOLA IS AN AWARD-WINNING STORE DESIGNER AND SPACE PLANNER. WE MERCHANDISE LOCATIONS AND LAY OUT SELECTION, MIX AND PROMOTIONAL CALENDARS.

RON IS ALSO A FL LICENSED REAL ESTATE BROKER, SPECIALIZING IN PETROLEUM RETAILING PROPERTIES AND PETROLEUM DISTRIBUTION.

WE SPECIALIZE IN:

- ◆ SITE AND CHAIN ACQUISITION
- ◆ BRANDING AND FUEL SUPPLY
- ◆ STORE DESIGN—NEW & REFURBISHMENT / REBRANDING
- ◆ MERCHANDISING & PROMOTIONS
- ◆ FINANCIAL MODELING—ACQUISITION AND OPERATING
- ◆ CUSTOMER SERVICE TRAINING
- ◆ MYSTERY SHOPPING
- ◆ MANAGEMENT CONSULTING
- ◆ COMPANY BENCHMARKING
- ◆ FUEL PRICING USING THE: [marginvolumepricing.com](http://marginvolumepricing.com)©

a reckoning with some upper management at various firms.

Linens N Things, Mervyns; they are just the beginning of the shake out in retailing specialty and Department store chains. If you aren't nimble and financially strong enough to be able to both pick "Hot" value slanted goods and then price them right, you are in for rocky times with the consumer moving forward in the near term. [\(Read Entire Article\)](#)

### **Florida Station Owners - Tank-swap Financing**

Hey Florida Station owners who haven't switched out their tanks yet! The deadline is approaching in under 12 months. **That's January 1st 2010!!!** We have a lender providing tank-finance programs to station owners, including a full refinance of the site if the numbers work. [Click to contact us for details on the program.](#)

More information on the situation can be seen on Ron's Blog "The Service Station" [Click here to access Ron's Blog](#) There are numerous articles of interest, pertaining both to Convenience/Gasoline and General Retail and QSR/Casual Dining subjects.

To be removed from the mailing write to [rsanticola@condevco.com](mailto:rsanticola@condevco.com).

Questions or comments? E-mail us at [rsanticola@condevco.com](mailto:rsanticola@condevco.com) or call Ron at 561-274-4261

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