

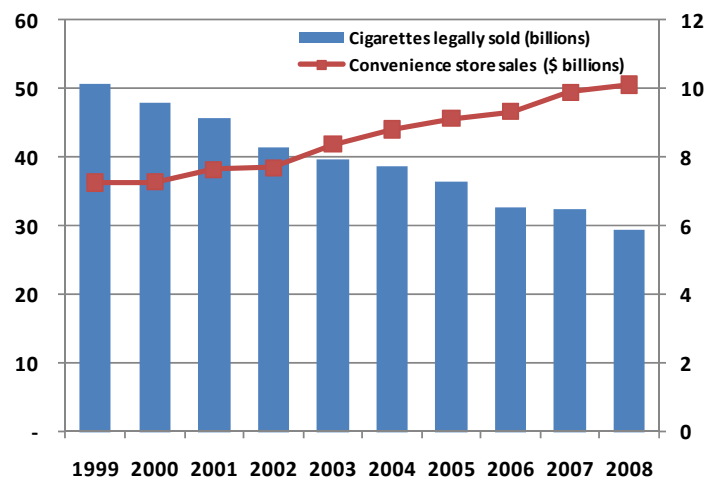
Retailers and tobacco sales

Business impact of reduced tobacco use on convenience stores. 1999-2008.

Key findings:

- Retailers have been able to replace revenues lost as a result of decreased smoking and increased contraband sales. *

- Gross revenues from tobacco sales in all retailers have increased by about 30% (taxes are included in this figure)
- Gross revenues for convenience stores have increased by about 40% (from all product sales).
- Operating revenue for convenience stores has increased by about a 50% for chain stores and about 20% for 'mom and pop' operators. Operating revenue does not include taxes collected for governments.



- Profitability for chain stores, calculated as earnings as a percentage of operating revenue has increased from 2.4% to 6.3% for chain stores, and fell from 2.4% to 2% for 'mom and pop' operators.
- The number of retailers has fallen by about 10%. There is an equal reduction in chain stores and in 'mom and pop' operations. There were 18,249 convenience stores in 1999, and 16,716 in 2008, a drop of 1,533 stores.

* The number of smokers in Canada has fallen about 20% between 1999 and 2008. The number of cigarettes legally sold in Canada fell by about 40% in the same period.

Tobacco use and convenience store business indicators, 1999-2008

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	% change
Prevalence of Smoking (CTUMS)	25	24	22	21	21	20	19	19	19	18	72%
Number of smokers identified through CTUMS (millions)	6.1	6	5.4	5.4	5.3	5.1	4.9	5	5.2	4.9	80%
Cigarettes legally sold in Canada (billions) [1]	50.735	47.83	45.621	41.438	39.66	38.646	36.337	32.647	32.332	29.32	58%
Retail revenues from tobacco sales (\$000) [2]	6,240,995	6,366,608	6,926,104	8,091,879	8,882,966	8,844,281	8,540,035	8,286,663	8,132,106	7,984,407	128%
Convenience store retail trade (\$ 000) [3]	7,264,228	7,277,170	7,642,330	7,694,394	8,371,416	8,806,908	9,128,627	9,324,577	9,885,045	10,116,861	139%
Number of convenience/specialty food stores [4]	18,249	19,869	19,692	20,202	20,475	20,594	18,648	20,058	17,005	16,716	92%
Chain Convenience and Specialty food store											
Total operating revenue (\$000) [4]	2,015,588	3,128,008	2,187,416	2,390,356	2,358,060	2,433,983	2,691,869	2,954,462	2,793,033	2,980,493	148%
Cost of goods sold (\$ 000) [4]	1,455,307	2,319,230	1,367,333	1,609,334	1,678,200	1,738,291	1,936,290	2,103,583	1,934,985	2,029,223	139%
Operating Expenses (\$000) [4]	511,908	721,915	451,144	539,937	511,929	524,740	533,059	572,159	683,664	764,592	149%
Number of stores [4]	2,398	2,153	2,139	2,049	2,166	2,117	2,384	2,663	2,427	2,153	90%
Gross margins [5]	28%	26%	37%	33%	29%	29%	28%	29%	31%	32%	115%
Earnings (\$000) [6]	48,373	86,863	368,939	241,085	167,931	170,952	222,520	278,720	174,384	186,678	386%
Earnings as % of operating revenue	2.40%	2.78%	16.87%	10.09%	7.12%	7.02%	8.27%	9.43%	6.24%	6.26%	261%
Independent Convenience and Specialty food store											
Total operating revenue (\$000) [4]	8,941,681	9,424,473	9,462,455	9,766,678	10,656,722	11,204,375	11,096,424	11,182,107	10,417,585	10,927,495	122%
Cost of goods sold (\$ 000) [4]	6,618,510	7,137,250	7,159,868	7,324,576	8,103,285	8,512,133	8,415,362	8,293,359	7,732,826	7,978,143	121%
Operating Expenses (\$000) [4]	2,103,243	2,123,038	2,030,292	2,115,402	2,300,470	2,423,025	2,481,006	2,684,622	2,482,672	2,722,854	129%
Number of stores [4]	15,851	17,716	17,553	18,153	18,309	18,477	16,264	17,395	14,578	14,563	92%
Gross margins [5]	26%	24%	24%	25%	24%	24%	24%	26%	26%	27%	104%
Earnings (\$000) [6]	219,928	164,185	272,295	326,700	252,967	269,217	200,056	204,126	202,087	226,498	103%
Earnings as % of operating revenue	2.46%	1.74%	2.88%	3.35%	2.37%	2.40%	1.80%	1.83%	1.94%	2.07%	84%

[1] Health Canada. CTUMS, 1999-2008.

[2] Statistics Canada Cansim Table 080-0018 - Retail commodity survey

[3] Statistics Canada Cansim Table 080-0014 Retail trade, sales by trade group

[4] Statistics Canada Cansim Table 080-0011 - Annual retail store survey

[5] Gross margin calculated as Operating Revenue minus Cost of goods sold and expressed as a percentage of operating revenue

[6] Earnings calculated as total operating revenue minus cost of goods sold minus total operating expenses