

Alimentation Couche Tard Inc.: Why the Future of the Convenience Store Looks Bright

Description

Alimentation Couche Tard Inc. (TSX:ATD.B) has underperformed this year with shares still down ~9% from all-time highs over various short- and long-term worries, which I believe are completely unwarranted. Short-term concerns impacting the company's bottom line included the [effects of hurricane season](#) and harsh weather conditions experienced in Scandinavia. Both are one-off events (hopefully!) and will likely be forgotten as time goes on. As for the longer-term concerns, many investors are uncertain what the fate of convenience stores will be once electric vehicles take over the roads.

What will happen once gas-powered cars are completely replaced by electric cars?

There's no question that there's a huge cloud of uncertainty following Couche Tard over the long term. Fuel is one of the items that Couche Tard sells, and if everyone is driving electric cars, fuel sales are going out the window.

Tech innovations are changing the convenience store landscape, but I believe Couche Tard will be able to adapt and thrive as electric vehicles become more popular. Management hasn't just been pondering what will happen once electric vehicles hit the roads; they've already been testing a new concept in the Norway, where electric vehicles account for nearly a third of all new sales.

"This is a trend that will continue to grow, so what is important to us is to transform with the market, like we have done many, many times over the last 100 years," says Jacob Schram, head of European operations at Couche Tard.

At a Circle K location in Norway, electric car owners are able to charge their batteries in just 10 minutes. That's enough time to enter the convenience store, go to the washroom, buy snacks to go, get a coffee fix, and enjoy a hot meal. Since consumers are less likely to be in a rush, they'll likely buy higher-margin items from the store.

Mr. Schram estimates that only ~10% of plug-ins occur at gas stations, but if the convenience store experience can improve, I think there's an opportunity to increase this number by double or even triple.

Couche Tard is reinventing the convenience store

Gas stations and convenience stores today aren't the best places to hang out. The washrooms are usually disgusting, and oftentimes there are no televisions or a place to sit down to enjoy a meal.

Couche Tard is looking to improve the customer experience by reinventing the convenience store, so in the future, more consumers will be enticed to charge their cars, even if their battery isn't close to being depleted. After all, who wouldn't pounce on an opportunity to charge their smartphones, even if it's at 50% capacity?

Couche Tard's convenience store of the future will have clean washrooms, plenty of seating locations, televisions, high-quality fresh food options, and — who knows? — maybe cannabis joints for sale.

Couche Tard has been testing new innovative food concepts at its Circle K locations. And no, we're not talking about overcooked hot dogs that have been spinning on the turnstile for weeks; we're talking about freshly prepared burritos. Think **Chipotle Mexican Grill Inc.**

Bottom line

Many investors are worried about the nascent industry that Couche Tard is in, but I don't believe such fears are warranted. Management has already started to study the new industry it's heading towards, and it's going to adapt in order to thrive. That means a tonne of renovation and innovation are to be expected over the course of the next decade.

Who knows? The convenience store of the future may replace malls as the go-to place to hang out. And if that's the case, investors should be greedy and not fearful about Couche Tard's future.

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