



Embracing Modern Convenience:

RESPONDING TO SHOPPER NEEDS

DECEMBER 2018

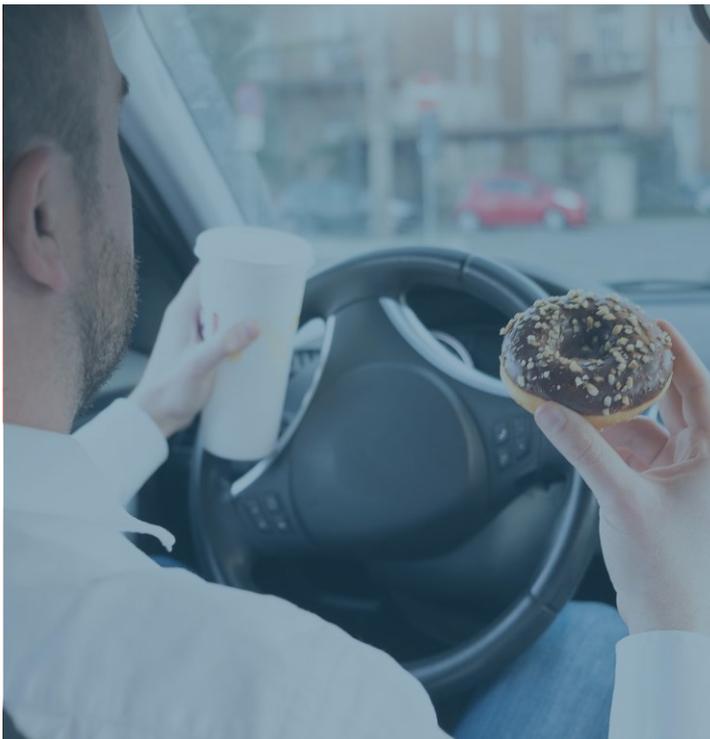


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Introduction

The convenience channel occupies an important and unique place in the American retailer landscape. Widely associated with the fuel stop, it caters to a much broader set of consumer needs, particularly desires for immediate consumption of snacks and beverages and, on a less functional level, for a delightful treat.

Long-term demand trends in U.S. food culture are causing tectonic shifts in the industry today and threaten the convenience channel's very essence. These macro cultural drivers – and the resulting emergence of new technologies and competitors – have forever altered the playing field in which the convenience channel operates. The convenience channel will experience profound shifts in how consumers perceive its role and value in this new landscape.

The future relevance of the convenience store channel in this emerging environment is not a certainty. Operators' ability to understand and adapt to the changing cultural factors and the shifts in the consumer's purchasing and eating patterns will determine if the convenience store seizes growth in an increasingly competitive environment or merely exists as a part of consumer nostalgia.

Background:

To understand how convenience is understood today, where convenience stores are currently situated in the consumer's food and shopping rotation and how they can best be positioned to align with the consumer's evolving array of need states and requirements, the NACS/Coca-Cola Retailing Research Council partnered with The Hartman Group to conduct a three-phase, multi-method study with the following goals and approaches:

Goals:

1. EXPLORE

Review existing knowledge of consumer perceptions, need states and categories



2. DEFINE

Size consumer perceptions, need states and behaviors, distinguish among consumer types, prioritize drivers



3. TRANSLATE

Connect quantitative findings to real people, bring findings to life, develop and deliver business recommendations



Methodologies:

Mining of existing relevant Hartman and NACS data; key industry stakeholder interviews; convenience store audits in Dallas and Orlando; nationwide virtual ethnographic consumer interviews with week-long virtual engagements. *March-April 2018*

Quantitative online survey among 2,279 U.S. adults 18-72 years old, weighted to U.S. Census on key demographic measures, including consumers with different C-store usage levels. *July-August 2018*

Nationwide virtual ethnographic consumer interviews with week-long virtual engagements; consumer shop-along interviews in Dallas and Des Moines. *August-September 2018*

Note on terminology: Throughout this report, "C-store" refers to convenience stores both with and without fuel. "Café" refers to a channel encompassing coffee shops, delis and cafés.



Chapter One: Current Landscape

Changing demographics, ever more complex lifestyles and evolving attitudes toward health and wellness all affect how we live, shop and eat. Consumers are expanding their approaches to shopping, seeking convenience in both old and newly relevant ways. While traditional notions of convenience (quick, easy and accessible) are still highly important, consumer views of what convenience means to them are evolving along with their lifestyles. The new “modern” convenience layers in the notions of quality, health and experience, blurring lines among channels and increasingly turning traditional stock-up channels, such as grocery, into competition for the convenience store.

Macro drivers are influencing how we live, shop and eat ... and increasing the demand for convenience

The way consumers eat and shop for food and other daily necessities is shaped by broad demographic and cultural trends. The changing nature of U.S. family and household (HH) units, ongoing labor shifts, increasing (sub)urbanization, ever-evolving consumer perceptions on health and wellness, and the growing role of technology in consumers’ lives all influence how they approach shopping and eating.

MACRO DRIVERS					
	Who We Are	What We Do	Where We Live	What We Value	How We Connect
FOR EXAMPLE	Rising single-person households	Shift from manufacturing to “white collar” work	Centralized population growth in (sub)urban areas	Wellness, culinary distinctions and experiences in food & beverage	Reliance on digital platforms to socialize, learn, shop
	Couples with fewer or no kids	Rise of freelancing	Food retail is everywhere	Globalization & diversity	“Digital food companies” – online grocery, meal delivery, etc.
	Culturally diverse communities	Rise of two-working-parent households	Blurred lines between retail channel types	Aspirations to both modernity & nostalgia	

IMPLICATION

On-the-go, tech-enhanced lifestyles have led to fragmentation of eating routines and new ways to shop. Consumers now spend more hours outside the home and are more likely to eat alone, to add eating occasions into their day (such as early mornings) and to seek out food and beverages from outlets beyond the grocery store.

In **60%** of U.S. households, both adults work

45% of meals are eaten alone

91% of consumers snack multiple times throughout the day

All of these developments have heightened demand for convenience.

50% of all eating occasions include the desire to save time & energy in preparing or cooking food – making convenience the number one driver across occasions

U.S. Bureau of Labor Statistics: <http://www.bls.gov/cps/wftable23.htm>.
 The Hartman Group Occasions Compass 2016, 2017.
 The Future of Snacking 2016, syndicated study by The Hartman Group.

Consumers pursue convenience through an expanding set of shopping approaches within households and across channels

Consumers are adopting increasingly complex shopping strategies to support their busy lifestyles and achieve the breadth of eating experiences they seek. With food and beverage options ubiquitous and personal preferences more individualized, we see both the decline of just one sole shopper for the household and the rise of the male shopper – everybody shops for food and beverages today. Busy shoppers stitch together their ideal shopping basket across multiple retailers and channels each month and even on a single trip. This continuous shopping mode also allows for more immediacy in planning and shopping for groceries. In fact, most eating choices are now made just prior to eating, due to lack of both time for and interest in planning (it is more fun to choose one's food when immediate gratification is possible).



CROSS-SHOPPING

45% of shoppers visited 2+ retailers per grocery shopping trip

4.4 channels shopped per month for food and beverage



SHARED SHOPPING

45% of primary shoppers are now male



IMMEDIACY

73% of food choices are made within an hour of eating
(51% of dinners)



I go to some stores for prices, some for variety. I go to grocery stores because they have weekly sales circulars and more selection.

I shop at the nearby convenience store when we run out of something.

—Ronak, 30



Food Shopping in America 2017, syndicated study by The Hartman Group. SP2. On your most recent grocery shopping trip, how many different stores did you visit? Total, N=2004. S9. How much of your household's shopping for groceries (i.e., food, beverages, personal care items, and non-prescription drugs/medications) are you responsible for? Total N=2004, Men N=854, Women N=1150. The Hartman Group Occasions Compass 2017.

Complex needs and occasions continue to require solutions based on traditional notions of convenience

In many situations and across various needs, quick and easy is the primary goal when shopping for food and beverage. As food and beverage are becoming increasingly easier to procure and consume, the bar is lowered in how far consumers will go to shop and eat. The focus on quick, easy and accessible highlights how notions of traditional convenience continue to be relevant today.

TRADITIONAL CONVENIENCE

Resolving the stress and busyness of life and its effect on shopping & meal prep



It's a quick grab and go to get a wide variety of things. In the grocery store, it takes 30 minutes to hunt [everything] down in all the aisles, but in C-store, it's a quick loop. I think how everything is condensed makes my trip a lot quicker.

–Brianna, 24

1 Quick

Food: Minimal time, low commitment

Shopping: In and out, short time in store

2 Easy

Food: Outsourced prep, low touch

Shopping: Seamless logistics, no hassle

3 Accessible

Food: Guaranteed assortment

Shopping: Easy-to-access store location

“Short Distance” is a leading selection driver for every brick-and-mortar channel

Grocery	54%	#1
Drug	49%	#1
Convenience Store	37%	#1
Dollar	37%	#2
Quick Service Restaurant (QSR)	33%	#1
Café	32%	#1



Many of the leading drivers for selection of C-store are related to standards of traditional convenience: speed of getting in and out (#2: 28%) and easy parking (#5: 19%).

Embracing Modern Convenience, December 2018. Q9A: On this occasion, why did you choose this [channel] store over other options? (Select all that apply). P2D C-store users, N=703.

But consumer views of what convenience means are evolving on pace with their modern lifestyles

Increasingly busy consumers continue (and will continue) to value traditional convenience in the form of quick and easy and small-basket trips. But they are, at the same time, wanting to incorporate food values and emotional benefits. They seek healthy, high-quality, distinct, personalized, inspired and delightful options that fit their own personal preferences ... on the go. This is what we call “modern convenience.”

MODERN CONVENIENCE

Facilitating connections to food in service of eating better (healthier, tastier, more filling, more interesting ... whatever individual consumers’ goals may be), **despite modern challenges** (not just making it easier to access)



“It seems like they’re switching it up a lot. Adding more stuff – keeping up with changes and trends. The hummus thing I really like. I never thought of a C-store having hummus.”

–Cynthia, 53

- 1 Engaging**
Food: Memorable, distinctive components
Shopping: Creating points of distinction to foster memorable experiences
- 2 Empowering**
Food: Personalized choices made easy
Shopping: Consumer confidence that convenience is the best option
- 3 Flexible**
Food: Scalable, multipurpose options
Shopping: Options for size, price and levels of healthfulness for all occasions

81%

of consumers find the idea of a **balance*** between current traditional and fresh/healthy foods appealing at a C-store



To be sure, not all consumers are actively seeking elevated food and beverage options or a more engaging shopping experience. The channel’s loyal consumers, in particular, continue to value traditional convenience deeply.

Embracing Modern Convenience, December 2018. Q39: How appealing is this idea to you? (Select one) N=900.

* Balance between current and fresh/healthy foods idea presented: “Convenience stores would reduce the space dedicated to their current food, snack and beverage offerings, and use the newly available space to provide a wider selection of healthy and fresh food and beverage choices.”

As the retail landscape expands and diversifies, retail channels are answering the call for convenience in new ways

Consumers navigate a broad variety of channels to achieve their own ideal of what and how they want to eat. At the same time, they have to contend with their busy lifestyles and seek convenience where they can get it. This contradiction of consumer motivations offers retailers an opportunity to cater to both needs at once; that is, to provide the consumer’s “ideal” in a convenient way, or vice versa, provide convenience without sacrificing the ideal.

Many retailers have already begun to play this card. Channels with different areas of expertise pursue convergent strategies: larger-format and pantry-stocking channels adopt new strategies to appeal to modern convenience, encroaching on the territory of traditional convenience leaders. Quick Service Restaurant (QSR) and café, meanwhile, continue to be the biggest competitors of the convenience channel.



<p>TRADITIONAL CONVENIENCE Provides quick and easy solutions to immediate needs</p>	<p>MODERN CONVENIENCE Offers value and experience in a convenient way</p>	<p>TRADITIONAL LARGE FORMAT Delivers category breadth and depth to meet a variety of needs</p>
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Traditional Convenience Leaders

How they are embracing modern convenience:

- Tapping into modern notions of discovery, taste and occasion relevance (e.g., McDonald’s nails occasion relevance with all-day breakfast, taps into customization with made-to-order burgers and personalizes with small-sized burgers)
- Experimenting with offerings and formats (e.g., some C-stores allow food trucks on their lots to cater to local tastes; some Walgreens now include a Kroger food section)

Pantry-Stocking Channels

How they are embracing modern convenience:

- Improving experiential *and* functional components
- Adapting store footprints (e.g., Hy-Vee and other grocery retailers offer smaller footprints to fit neighborhood needs)
- Creating in-store destinations and services (e.g., Murray’s Cheese Shop at Kroger or the veggie butcher at Whole Foods Market)

! Retailers can find a sweet spot of success by innovating within their own traditional channel strengths while introducing elements that cater to more modern consumer needs. Example: Aldi, while not falling easily into any one existing channel, deserves a special mention for its successful expansion in the U.S., fueled by perceptions of good value and modern convenience: high-quality products, shopping enjoyment and satisfaction, low prices and quick in-and-out trips.

Given this multi-channel landscape, shoppers’ needs for each trip drive which channel they visit

Shopping trips are prefaced by need states, or feelings shoppers have before beginning the shopping trip. Consumers’ needs span physical and emotional desires, with varying relevance, depending on the specific occasion. Patterns of needs within, and between, channels help to outline the drivers of channel selection.

Immediate physical and emotional needs, such as hunger, thirst and a desire for delight, lead consumers to **traditional convenience channels** – the convenience store, quick service restaurants and cafés – where they can quickly and conveniently satisfy their immediate food and beverage needs.

When it comes to broader household needs, such as grocery shopping, consumers look to **stock-up channels**: grocery (and similar channels), drugstore and dollar store. Trips to these stock-up channels tend to be void of emotional needs – it’s more about getting errands done.

TOP NEEDS BY CHANNEL						
	Convenience Channels			Stock-up Channels		
	C-store	Café	QSR	Drug	Dollar	Grocery
I wanted food/drink that would delight me	25%	28%	22%	13%	14%	12%
I was just thirsty	23%	19%	10%	7%	10%	2%
I was just hungry	18%	22%	55%	4%	8%	5%
I wanted to do something indulgent for myself	8%	19%	9%	4%	10%	5%
I was just trying to get my errands done	11%	8%	8%	34%	31%	44%
I had no particular emotional feeling at all	10%	8%	7%	24%	16%	26%

 = most reported behavior for each channel

Bolded numbers indicate top 3 behaviors for each channel



Among the convenience channels, C-store has a strong hold on consumers looking to quench their thirst or get a small, delightful treat, while QSR and Café own more substantial food options and indulgence.

Embracing Modern Convenience, December 2018. Q4: Which of the following best represent what you were feeling at this time when you decided to use this [channel] store? (Select all that apply) P2D C-store users, N=703; P2D users of other channels, N=132-501.

Use of channels roughly falls into immediate and stock-up needs

Echoing the needs that drive consumers to different channels, actual in-store activities also cater to immediate, often emotionally or physically motivated use vs. “for later,” often errands-driven, use. Shoppers most use traditional convenience channels to pick up only a few items they can consume within a short time frame. Larger-footprint stores, on the other hand, serve to stock up on household groceries and other items.

The stock-up channels, including drugstore, also often play an inspirational role. **Looking around** – an expression of engagement with the shopping experience – is one of the top three activities shoppers do in these channels’ stores and is a key way today’s shoppers establish a connection with the store and evaluate their overall shopping experience. This element of **discovery** could serve as a linchpin between the immediate-consumption needs that C-store shoppers already seek to satisfy and the expanded “for later” needs they could be motivated to fulfill if inspired to linger and explore.

TOP 3 THINGS SHOPPERS DO IN THE STORE						
	Immediate Use			Stock-Up/Later Use		
	C-store	Café	QSR	Drug	Dollar	Grocery
Buy one or a few items to drink	36%	44%	24%	20%	17%	11%
Grab one or a few items to eat or snack on	29%	25%	31%	20%	21%	13%
Pay for gas inside the store	27%	-	-	-	-	1%
Grab a hot or cold ready-to-eat meal	17%	28%	50%	4%	8%	7%
Stock up on groceries and/or household items	7%	2%	5%	15%	28%	53%
Grab one or a few needed staples/ingredients	10%	6%	3%	13%	24%	42%
Look around	11%	7%	3%	32%	25%	17%
Grab one or a few personal care or HH items	7%	7%	2%	31%	30%	13%

 = most reported behavior for each channel

Bolded numbers indicate top 3 behaviors for each channel



Drugstores straddle these two broad channel drivers. Drugstore trips are commonly motivated by functional needs (similar to grocery), but actual in-store activities support both immediate and later uses, showing that **product assortment catering to both types of needs can live under one roof** successfully, inspiring shoppers to linger and look around.

Similarly, **dollar stores**, traditionally more of a stock-up, “for later” channel, have added more single-serve, immediate-consumption items and refrigerated cases.

Using the lenses of traditional vs. modern convenience and immediate vs. later use, this report explores what short-term and longer-term approaches the convenience channel can adopt to remain relevant to consumers into the future.

Embracing Modern Convenience, December 2018. Q10: Regardless of why you visited this [channel] store on this occasion, what did you actually do while there? (Select all that apply) P2D C-store users, N=703; P2D users of other channels, N=132-501.



Chapter Two: C-store in the World of Convenience

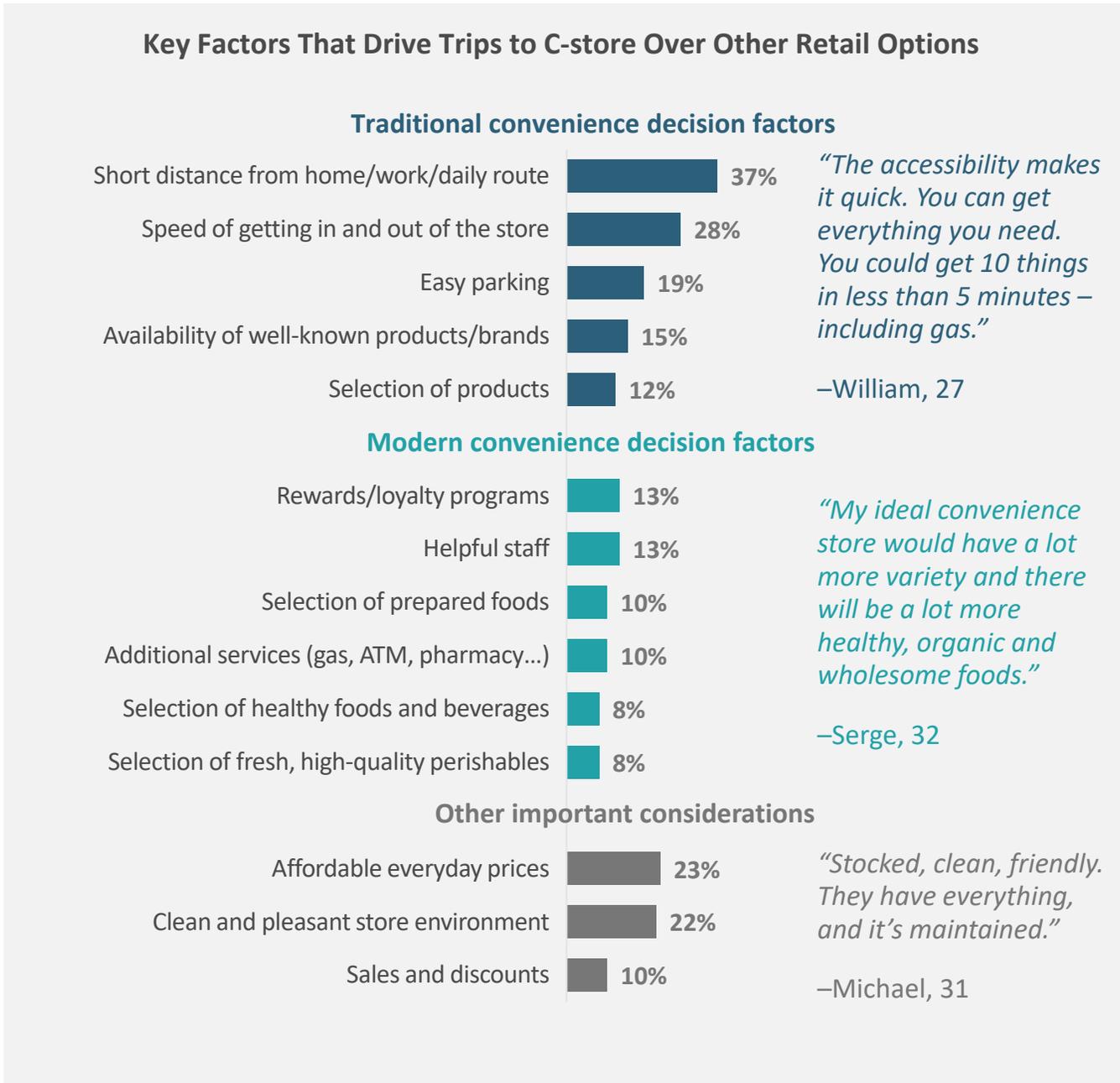
The convenience channel is widely recognized as a leader in traditional convenience, offering many easy-to-access locations and quick in-and-out trips. Consumers see it as a good place to get a delightful treat – either a snack or a beverage – more so than any other channel.

While these are the hallmarks of the C-store channel, ways in which C-store is used vary among different consumers and occasions. Consumers across a spectrum of demographics and usage levels are looking for C-stores to incorporate modern convenience to better meet their emerging needs and expectations.

As market trends and consumer expectations evolve, the C-store channel can adapt in a number of ways. Some strategies may be more relevant or timely to certain C-stores, while some represent strategies to build toward in the future.

C-store trips today are mostly driven by traditional convenience needs

Multiple channels are typically available to meet a consumer’s needs on any one occasion. To decide which retail option best suits their current needs, consumers consider a blend of criteria that encompasses both traditional and modern convenience. While proximity, speed and ease are still the most common considerations, a range of more modern notions factors into their store choice.

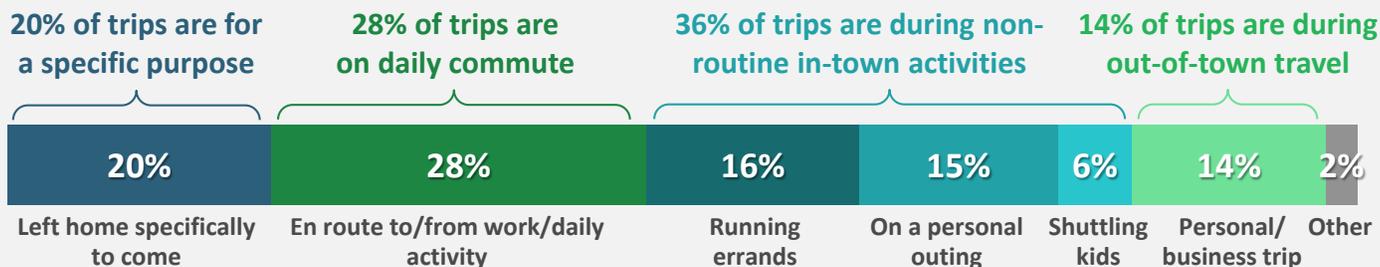


Embracing Modern Convenience, December 2018. Q9A: On this occasion, why did you choose this convenience store over other options? (Select all that apply) P2D C-store users, N=703.

C-store visits tend to be trips of a similar type – occurring alone while en route to other destinations and driven by immediate-consumption needs

Anatomy of a C-store Trip

C-store visits typically occur in the midst of other trips



Embracing Modern Convenience, December 2018. Q16: Which of the following best represents how this last visit to this convenience store fit within your overall activities that day? (Select one) P2D C-store users, N=703.

Percentages may appear to not add up due to rounding.

While shoppers come alone on most C-store visits, trips can be social experiences



6 out of 10 are alone on their trip



Alone visits are often motivated by physical needs (thirst, hunger)



7 out of 10 times traveling companions come inside with the shopper (including when it's children)



*Presence of others makes the trip into more of a social occasion when **delight and stimulation seeking** becomes **more important***

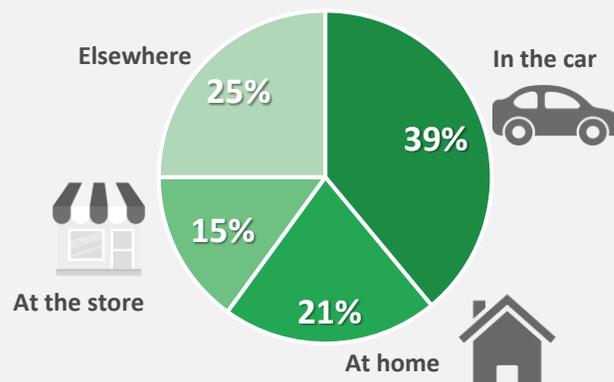
Embracing Modern Convenience, December 2018. Q18: Who accompanied you on this convenience store trip, whether or not they actually went inside with you? (Select all that apply) P2D C-store users, N=703. Q19: Who came inside this convenience store with you (as opposed to waiting outside or running a separate errand elsewhere)? (Select all that apply) P2D C-store users not alone on trip, N=303.

C-store trips are all about immediate consumption

78% of food and beverage purchases are first consumed within 30 minutes of purchase

Nearly 80% of consumption of food and beverage bought at C-stores starts on the go

Where Consumption Starts



Embracing Modern Convenience, December 2018. Q21A-B: When/Where were any of the items you purchased in the store first consumed and where? (Select one) P2D C-store users who purchased consumables on trip, N=529.

The convenience channel’s unique differentiation as a provider of traditional convenience has made it a destination for shoppers of all kinds

Today’s C-store shoppers have a spectrum of needs ranging from traditional convenience to modern convenience. The large majority of C-store operators today are well positioned to address traditional convenience needs (to the left of the continuum) but will need to innovate along the continuum to address modern convenience needs in order to remain competitive into the future.

C-store Loyalist



TRADITIONAL Convenience		NEEDS FULFILLED BY C-STORE		MODERN Convenience
multiple locations	combo deals	gas and drinks in one stop	freshly brewed iced tea	bakery fresh donuts
low prices	quick in-and-out	rotating deals	a wide variety of flavors	made-to-order sandwiches

“I go there every other day. If I’m in the mood for a quick snack or an iced tea (they have amazing fresh-brewed iced tea), this is undoubtedly my go-to spot. It’s also my gas station, primarily since I can grab something to drink! They have more coffee options than a Starbucks, it seems.”

–Andrew, 30

Millennial



TRADITIONAL Convenience		NEEDS FULFILLED BY C-STORE		MODERN Convenience
road trips	desperate thirst/hunger	beverages for entertaining	iced coffee machines	
cheap beer	quick pick-me-ups	permissible indulgences	healthy snacks	knowledgeable staff
tobacco products		small OTC trips	limited hot food items	

“I get gum, coffee, water, gas, caffeine pills, 5-hour Energy. Sometimes I get specialty beer. I try to eat healthy snacks – hummus. But sometimes I get the Flamin’ Hot Cheetos.”

–Brianna, 24

Busy Parent



TRADITIONAL Convenience		NEEDS FULFILLED BY C-STORE		MODERN Convenience
quality gas	quickly feed hungry kids	self-service food and drink	brightly lit and nice atmosphere	entertaining for kids
small and quick	clean	spontaneous treats for kids	variety of flavors	friendly staff

“We visit a lot during the colder months because my kids like the hot chocolate. In the summer months when they get a slushy treat day, we come here. They have healthier food options!!! This is a plus when you’re trying to eat better.”

–LaJuana, 40

Why reach beyond the traditional C-store loyalist?

While the prototypical C-store shopper is indeed a stalwart user of the channel, shoppers reflecting a variety of demographic characteristics, lifestyle drivers and shopping needs use the channel regularly and demonstrate the importance of C-stores to the retail landscape today. They also underscore opportunities for C-stores to retain and expand their relevance to a range of shoppers moving forward.

This research uncovered three groups important to the present and future of C-stores. Two of these groups, Millennials and Busy Parents, are emerging as new targets because their modern convenience needs are compelling them to seek new retail solutions that aren't currently provided by other channels. Each group is profiled on the following pages.



C-store Loyalists

Loyalists are indeed an important source of business for C-stores – largely because they are just that, loyal. **Seventy percent of Loyalists claim to have a primary C-store** (vs. 60% of all others). And C-stores are important to the shoppers who are loyal to them. In fact, even though they are most likely to stop while on the way to home or work, C-store **Loyalists are also twice as likely to leave home specifically to run to their C-store** (24% vs. 12% of all others). Going inside the store is far more likely to motivate their trips than just getting gas (62% of Loyalists vs. 50% of all others). The ambiance and cleanliness, friendliness of staff and selection of items are all important drivers for loyalty.



Millennials

Millennials have now surpassed Boomers in population size (25% vs. 21%, according to U.S. Census). Millennials are a diverse and connected generation – and a major cultural and market force. They have virtually unlimited access to information and are a generation that is heavily engaged with digital technology to simplify and enhance their lives. With 46% of Millennial shoppers still single and 68% with no children in their households, **Millennials have on-the-go and on-demand lifestyles that align well with C-stores' access, speed and efficiency strengths**. The single-serve and immediate-consumption snacks and beverages that dominate C-stores are a key draw for this generation. But they crave variety and better-for-you options too, so it is more important than ever for C-stores to understand and embrace this discerning group while they are still forming habits, preferences and loyalties.



Busy Parents

While one in four shoppers has children under 18 at home, that number jumps significantly among on-the-go generations – Millennials (32%) and Gen X shoppers (44%). These shoppers are balancing complex lives, work, kids' activities and their own needs. Their busy schedules and diverse appetites demand quick and easy solutions. And **busy parents are turning to C-stores more frequently** – 27% of shoppers with kids under 18 have used a C-store in the past seven days compared to 15% of those without kids at home. The **largest pain points for busy parents align well with C-store strengths** – accessibility and efficiency. Compared to those without kids under 18, shoppers with kids find it more difficult to shop for items they need due to insufficient time to shop for everything (23% parents vs. 15% others) and household schedules that are too busy (25% parents vs. 17% others).

Millennial and Parent Shopper data: Hartman Group; *Food Shopping in America 2017*. C-store Loyalist data: *Embracing Modern Convenience*, December 2018.

Spotlight on C-store Loyalist



Consumers who shop the convenience channel regularly tend to come from lower socioeconomic backgrounds. They appreciate the traditional convenience benefits the channel offers: delight in the form of beverages or snacks that they can obtain quickly and without going too far out of their way. They are more deeply engaged with the C-store: they have their favorite store, are more discerning in selecting that store and make trips specifically to go there.

Reason to target: Those loyal to C-stores will continue to be integral to future success of the channel. Along with other target groups, their expectations for C-stores are increasing as they desire healthier and more diverse options presented in new and efficient ways. It will be crucial to deliver on their evolving needs to retain their loyalty.

Meet Michael ...



“It’s a quick in and out. They have the majority of things you need on the fly. I buy cigarettes, juice, wine, snacks, toilet paper, paper towels, lunch sandwiches. One thing I would change is if they could have fresh made-to-order food.”

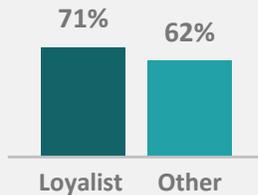
–Michael, 31, Chicago, daily user

Michael’s Unique Needs:

- Quick in and out
- Friendly staff
- Cigarettes and energy drinks
- Classic brands of snacks & drinks
- Fresh sandwiches for work

Loyal C-store customers are more deeply engaged with the store

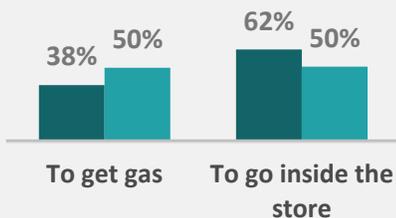
Has a primary C-store



On their last C-store visit 24% left home specifically come here (vs. 12% among others)

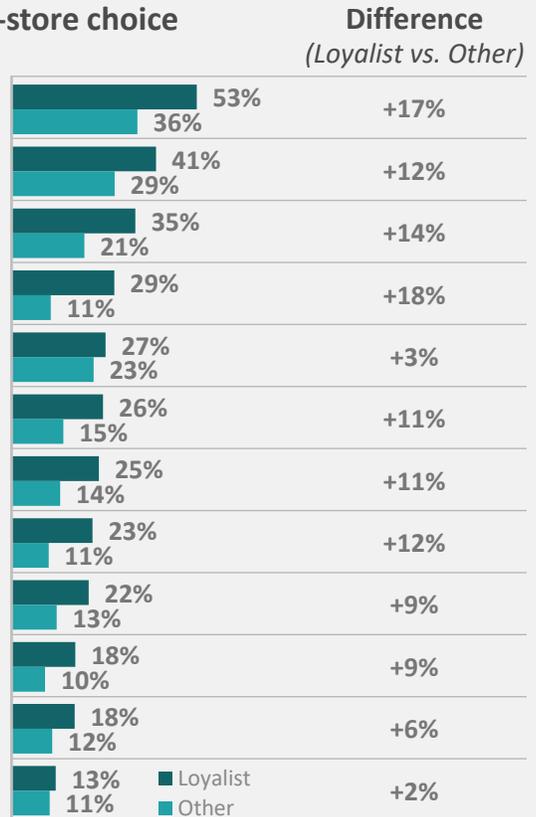
Primary reason for stop

■ Loyalist ■ Others



Reasons for primary C-store choice

- It’s closest to home or workplace
- I’m familiar with it
- It’s on my frequent route
- It has a nicer, cleaner store
- It has lower gas prices
- It has friendlier staff
- It has specific items I like
- It has a better selection of items
- It has better prices in the store
- It has better quality gas
- It has an ATM
- It has other services I use



Embracing Modern Convenience, December 2018. Q25. Q16. Q6. Q26. See full question text in Appendix, page 73.

Spotlight on C-store Loyalist (continued)

Loyalists' C-store visits are more emotion-driven

The top need that drives Loyalists to C-stores is delight (vs. thirst & hunger among others), even though they are just as likely or more likely to go in to buy a beverage or food/snack.

Feelings at the time of trip	Loyalist	Others	Primary reason for going inside	Loyalist	Others
Wanted some food/drink to delight me	33%	13%	Pay for gas inside the store	17%	18%
Was just thirsty	25%	20%	Grab one or a few items to drink	17%	11%
Was just hungry	19%	16%	Grab one or a few items to eat/snack on	14%	13%
			To buy hot brewed coffee	8%	2%

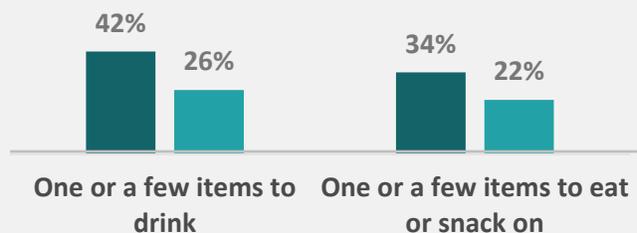
Embracing Modern Convenience, December 2018. Q4. Q10.
See full question text in Appendix, page 73.

C-store Loyalists go to C-stores for traditional convenience more so than others

They are more likely to walk out of the store with a cold or hot beverage and to buy multiple items, both for themselves and for others who are present on the trip.

Among items bought...

■ Loyalist ■ Others



Bought 3+ items

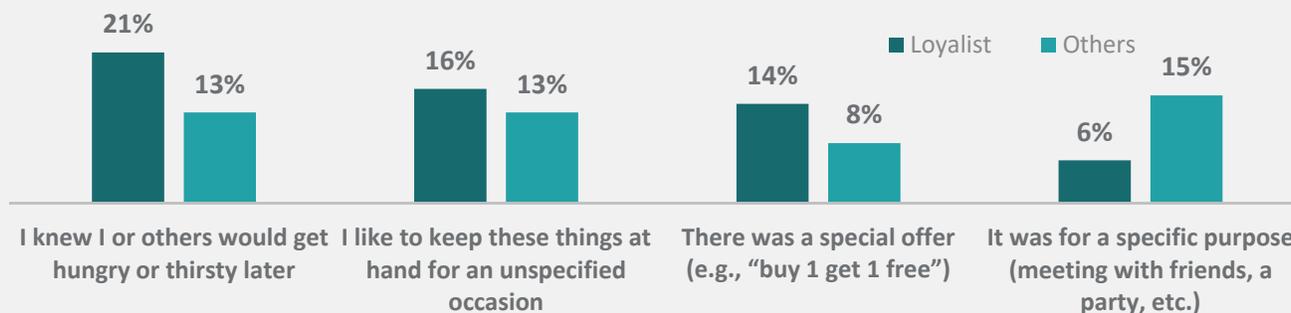


Embracing Modern Convenience, December 2018. Q10. Q11. See full question text in Appendix, page 73.

Loyalists are more strategic about their C-store purchases

They have items left for later consumption more frequently (67% vs. 61% among Others), often buying extra for later on purpose (57% vs. 49% among Others). Their for-later purchases are often for an unspecified purpose, while others have something specific in mind.

I ate some of my purchase immediately and bought extra for later because...



Embracing Modern Convenience, December 2018. Q22. Q24. See full question text in Appendix, page 73.

Spotlight on Millennials



Today’s Millennials are a more urban, racially diverse, tech-savvy and on-the-go generation. Young and busy with work or school (and often with children), they seek to simplify their complex lives. Millennials’ tendency toward more fragmented eating habits (more snacks or mini meals) and eating en route makes the convenience channel uniquely positioned to meet their needs.

Reason to target: Their on-the-go lifestyle requires grab-and-go nourishment – a need that C-stores are uniquely positioned to deliver on. Millennials already buy more items per visit than others and are likely to use C-stores more as the selection of fresh, healthy, portable snacks and small meals expands.

Meet Will ...



“My favorite convenience store is right around the corner. It has a little bit of everything I need. I’m always on the go, so I’m getting gas, I get my snacks, my soda, my sweets. I get all of them from the same place. My ideal convenience store will be a little bit extra convenience, a little bit extra technology and entertainment.”

–William, 27, Atlanta

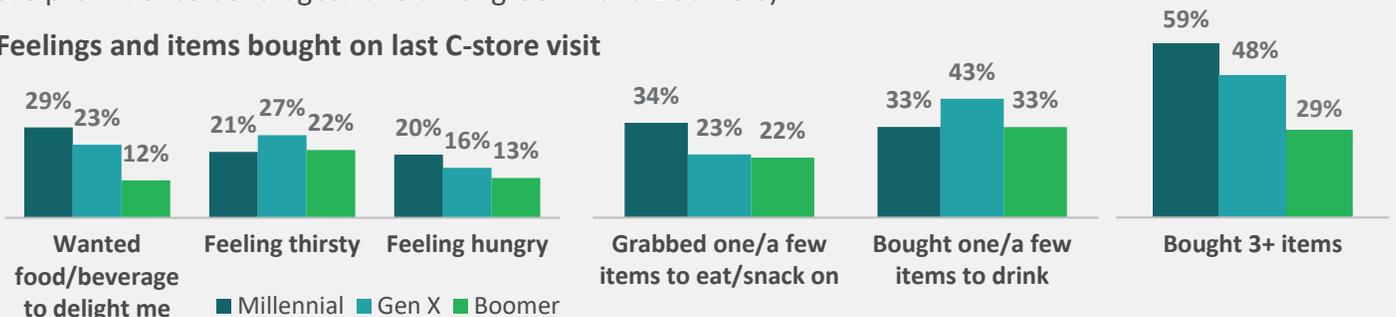
Will’s Unique Needs:

- Grab-and-go items
- Consistent taste and quality
- Gas rewards
- Short lines
- Multiple locations around town

Millennials walk into the C-store with a broader set of needs and emotions

They report on average 2.2 different needs at the time of their last C-store visit (vs. 1.8 among Gen X and 1.3 among Boomers). They are more likely to seek **delight** and are the only generation for whom it is the top need during their C-store visit. **Food/snacks and beverages are of equal importance** to them (vs. the prominence beverages have among Gen X and Boomers).

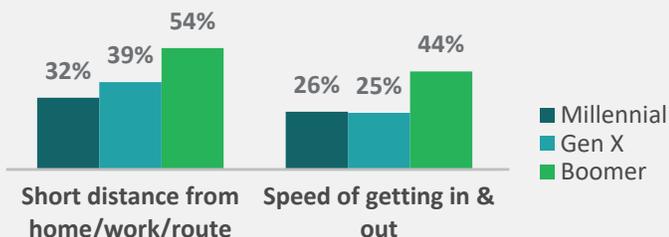
Feelings and items bought on last C-store visit



Embracing Modern Convenience, December 2018. Q4. Q10. Q11. See full question text in Appendix, page 73.

Millennials are less motivated by traditional convenience

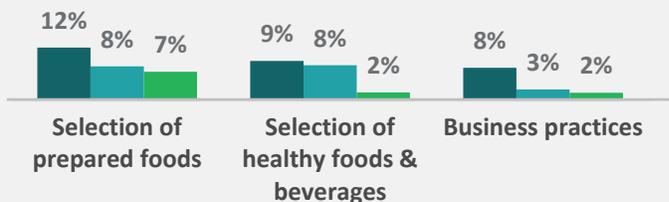
Traditional convenience factors at last C-store visit



Embracing Modern Convenience, December 2018. Q9A. See full question text in Appendix, page 73.

While proximity and speed are the top C-store choice criteria across generations, Millennials pay **closer attention to cues of modern convenience**.

Modern convenience factors at last C-store visit



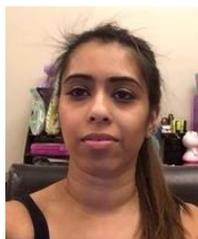
Spotlight on Busy Parents



Parents are always busy and on the go, looking for solutions to help them take care of life’s needs (and those specific to their children) as efficiently as possible. Compared to non-parents, they drive more often, multitask more often, outsource meals more often and use the convenience channel more often (and for a broader set of needs). They also see deeper relevance in potential channel innovations that would make their lives easier, such as ready-to-eat meals, digital pre-ordering or seating areas.

Reason to target: They are twice as likely as non-parents to be loyal to the C-store. They are also heavier C-store users, buying more items per visit, including more snacks, drinks and cooking staples.

Meet Ruby ...



“7-Eleven has variety. It’s got a huge section of food, candy, drinks, coffee – so it’s just a win-win for all of us. It’s got something for me, something for the kids. It’s got a quick cashier, so we are in and out in 5 minutes. I find myself stopping off more now than I used to 5 years ago.”

–Ruby, 37, Chicago, mother of kids 6 & 12

Ruby’s Unique Needs:

- Small footprint, several cashiers for quick in and out
- Wide variety of snacks, hot and cold beverages
- Organized layout
- Clean and safe store
- Cheap, quality coffee

C-stores meet parents’ needs for self-treat and multitasking

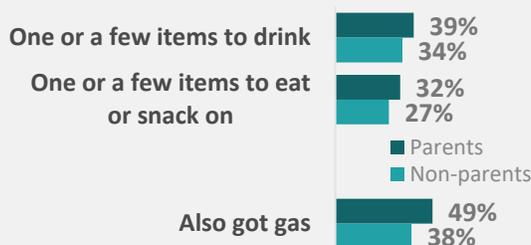
29%

Are also C-store Loyalty (vs. 14% among non-parents)

While their needs at the time of the trip are similar to those of non-parents, they place a little more emphasis on their own personal needs, such as **delight**, something **healthy for themselves** and **replenishment**.

At the store, they buy gas (as incidental to store visit), drinks and foods/snacks as well as a few cooking staples and personal or household items at a higher rate than non-parents.

Bought at last C-store visit:



(They also see the C-store as a good place to use the ATM, source alcohol, stock up on groceries or meet up.)

55%

bought 3+ items (vs. 49% among non-parents)

When left with items for later consumption,

22%

bought these extra in anticipation of later hunger/thirst (vs. 16% among non-parents)

Embracing Modern Convenience, December 2018. Q7. Q10. Q11. Q24. See full question text in Appendix, page 73.

Time- and hassle-saving tools offer opportunity areas among parents

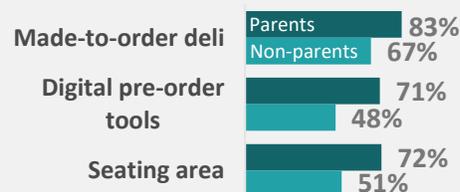
Cold entrée/item from a deli or cold case

Hot entrée/item from a hot-food counter

Made-to-order beverage

Parents are **1.6 times** more likely to order these once a week or more often (across channels)

Would use if available:



Embracing Modern Convenience, December 2018. Q34. Q40. See full question text in Appendix, page 73.

As the consumer dynamics reveal, market trends and the emerging redefinition of convenience will force the C-store channel to adapt

While C-store's expertise in traditional convenience has made it a go-to destination for shoppers of all kinds. All shoppers – including the loyalist – speak to a desire for modern elements of convenience to round out C-store's traditional value proposition. C-store's dominance is being challenged by a range of market forces and cultural trends:

Increasing Competition

Other channels, in an effort to help consumers navigate their busy lifestyles, are increasingly becoming quicker, easier and more accessible. As small-format grocery, cashier-less checkout, quick meal solutions, faster delivery windows and curbside formats all deliver on the traditional convenience need, competition will intensify in this space.

Changing Behavioral Trends

On a broader societal level, declining consumer reliance on fuel-powered cars, rise of Uber/Lyft, volatility of the fuel market and declining cigarette and carbonated soda drink sales are making the very categories on which convenience stores thrive less relevant. Embracing new products and services will help offset declining categories.

Evolving Standards of Convenience

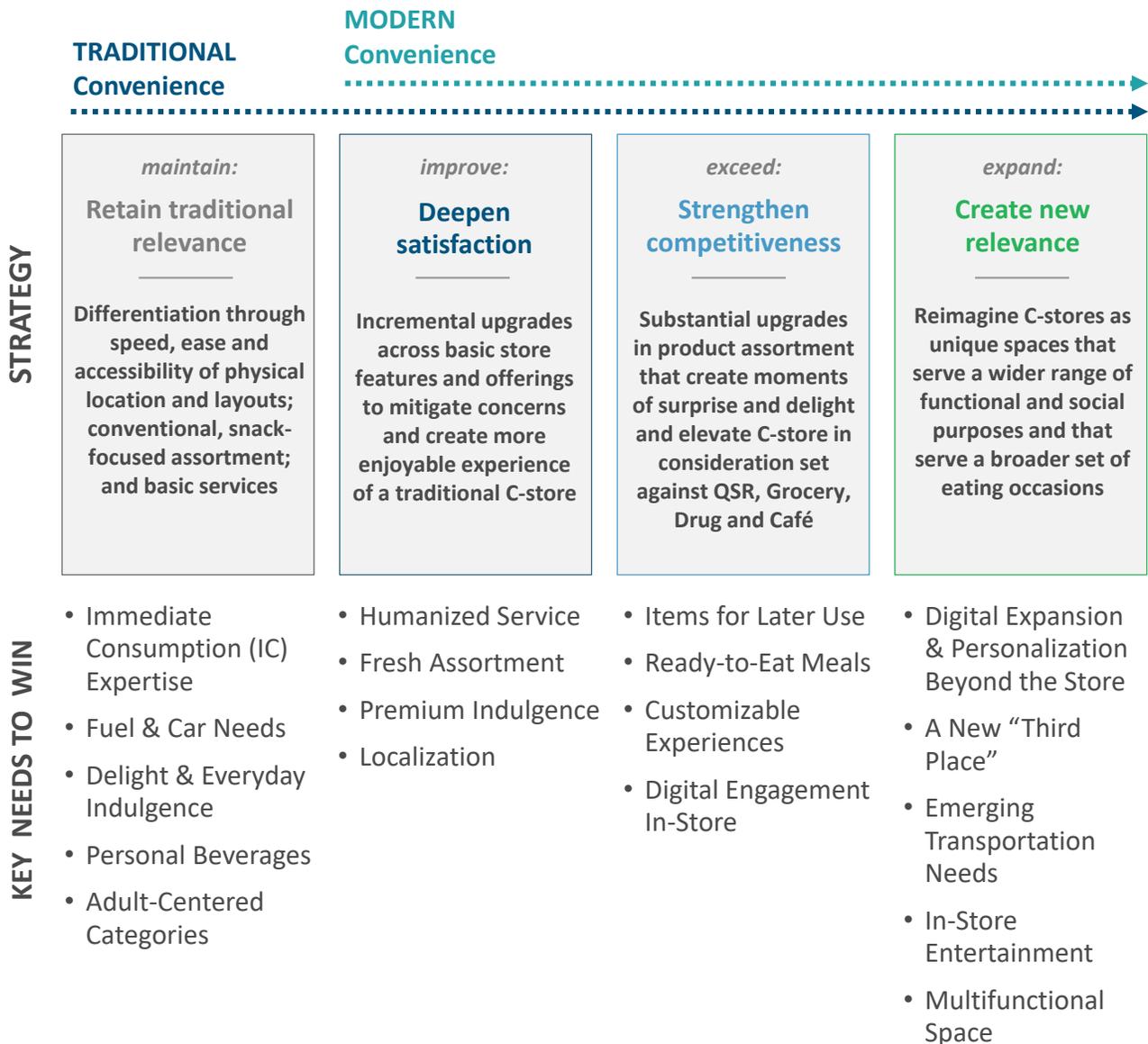
Further, consumer ideas about what "convenience" means are evolving. Today's consumers increasingly eat on the go, with snacks assuming a more nutritional role within their overall diets. While beverages and "treat" snacks remain important, consumers also seek fresh, healthy, high-quality, portable solutions.

The convenience channel can respond to the needs of the future consumer along a continuum of change

Given these market trends, consumer needs and shifting expectations, convenience stores will need to evolve both to maintain a strong position among other channels and to reach for new opportunities that these changes offer.

However, channel evolution should be a **gradual process** that keeps the channel on pace with the consumer.

The remainder of this report provides a road map for incremental growth, outlining several opportunities to move into modern convenience while retaining C-store’s core strengths.





Chapter Three

Maintain: Retain Traditional Relevance

MAINTAIN:

Retain traditional relevance

IMPROVE:

Deepen satisfaction

EXCEED:

Strengthen channel competitiveness

EXPAND:

Create new relevance

Convenience stores are masters of their game, delivering on basic immediate needs – such as thirst, hunger or desire for a treat – quickly and conveniently. While C-store operators have traditionally viewed males and lower-income consumers as the key support base across multiple occasions, many other types of consumers also rely on C-stores to fulfill very specific needs.

Though consumer notions of convenience are evolving to include more experiential aspirations, it's important for C-stores to continue to deliver well on traditional needs for speed, ease and accessibility as well as foundational expectations, such as the feeling of safety in and around the store, bathroom cleanliness and overall store appeal. C-store is expected to, and must continue to, fulfill these needs well in order to maintain competitiveness in the changing landscape.

We identify several convenience store **core strengths that are important to defend and carry forward**, including areas where the channel is currently winning and which the consumer will continue to value.

Key Needs to Maintain:

Immediate Consumption (IC) Expertise

Fuel & Car Needs

Delight & Everyday Indulgence

Personal Beverages

Adult-Centered Categories

Key Need: Immediate Consumption (IC) Expertise

C-stores thrive on fulfilling immediate needs with products that can be consumed quickly and easily

Consumers' on-the-go lifestyles and desire to take a more fluid approach to food planning, sourcing and preparation have made immediate consumption (occurring within an hour of purchase) a fixture of our modern food and beverage routines.

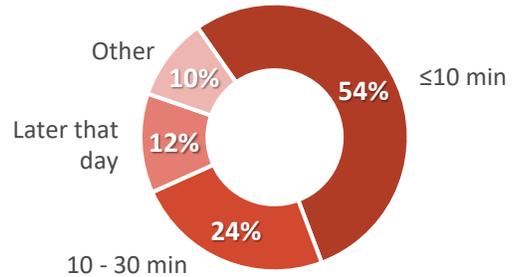
Planned and Immediate: Consumers regularly turn to C-store for planned IC due to the channel's convenient locations along regular routes and near home/work/school as well as the ease of getting in and out of the store. These types of trips extend across many grocery and non-grocery categories where speed and accessibility are paramount.

Spontaneous and Immediate: The prevalence of C-stores within the retail landscape also inspires unplanned trips when the visual cue of the store triggers a craving for a treat or other unplanned need. Similarly, presence in the store (e.g., for fuel, beverage, lotto) may prompt a desire for an add-on purchase. In fact, just 18% report feeling hungry on their way in, but 29% walk out with food or a snack, pointing to impulse as a trigger rather than a strong physical need.

More consumers leave with a snack than came in hungry



When C-store Shoppers Begin Consuming Purchases



Millennials are more likely to start consuming their purchase right at the store or while walking home (25% vs. 19% among Gen X and 9% among Boomers).



The [roller] station attracts you. Even if you're not hungry, you're hungry now.

—Susy, 29

Strategic opportunity

C-stores can support immediate-consumption needs through an assortment of single-serve portable foods, snacks and beverages for on-the-go consumers. Compact and easily navigable store layout can make unplanned and impulse items easier to spot, and add extra sales.

Embracing Modern Convenience, December 2018. Q21A/B: When/Where were any of the items you purchased in the store first consumed and where? (Select one) P2D C-store users who purchased consumables, N=529. Q4: Which of the following best represent what you were feeling at this time when you decided to use this convenience store? (Select all that apply) P2D C-store users, N=703. Q10: Regardless of why you visited this convenience store on this occasion, what did you actually do while there? (Select all that apply) P2D C-store users, N=703.

CHAPTER THREE – Maintain: Retain Traditional Relevance

Insight Activation Examples

Key Need: Immediate Consumption (IC) Expertise

Convenience classics can be elevated with quality cues

RaceTrac’s contemporary and elevated presentation of a traditional C-store favorite, the roller station, looks fresh and clean, with a visible, easy-to-use customization station.

Positioned close to the store entrance, the fresh and appetizing display, which also includes unique but regionally appropriate tamales, seeds impulse purchases upon store entry.

Takeaway: Placing desirable products close to the front of the store can prompt additional purchases. However, products must have quality cues of freshness, variety and cleanliness in order to spark inspiration.



Embracing Modern Convenience, December 2018, Consumer shop-along, Dallas, TX.

Speed of service and customer service are not mutually exclusive

In August 2018, Wawa began pilot testing a new type of rolling checkout kiosk. Operated by an employee and accepting only credit card payments, the portable checkout counter is about the size of a mailbox. It was designed to reduce checkout times during the busiest time of the day.

Takeaway: Immediate-consumption occasions are strongly aligned with customer needs for speedy checkout. For most C-store occasions, the need for speed is a constant. Stores that prioritize innovative solutions for traffic fluctuations throughout the day and demonstrate understanding of their customers’ top priority – time – will engender greater loyalty.



Convenience Store News, "Wawa Tests New Checkout Kiosks," August 7, 2018, <https://csnews.com/wawa-tests-new-checkout-kiosks>.

Key Need: Fuel & Car Needs

Car needs continue to be a major driver to the pump and the store

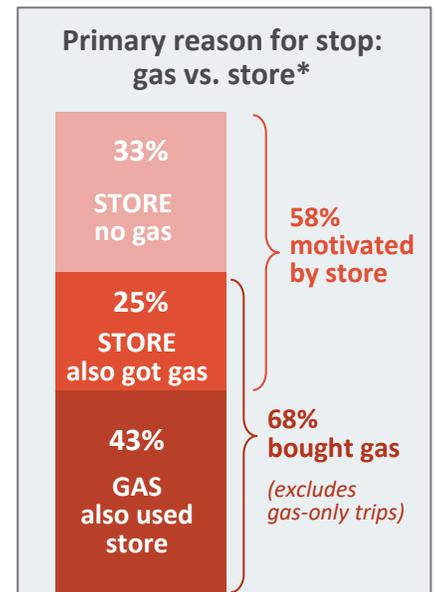
While this report examines a range of needs that lead consumers inside convenience stores (from specific food and beverage offerings to the overall experience), we must also recognize the importance of fuel in this picture as a primary driver to the channel. As the number one retailers of fuel, convenience stores are often synonymous with gas stops.

Beyond fuel services, C-stores are also often a destination of choice for related car needs, like car washes and vacuum/air services.

Once consumers are on property to service their car needs, many factors motivate them to enter the store.



Convenience stores sell approximately **80%** of the fuel purchased in the U.S., making it the #1 retail destination for fuel



“ Usually when you’re pumping gas, the screen or banner above the pump is advertising Coke or cigarettes. A fresh or new idea would be great.

–Austin, 23

“ C-stores really save you time when you buy gas, especially incorporating car wash or vacuum.

–Papi, 48

“ If I need gas, I go anywhere. But if it’s QuikTrip, I’ll grab an iced tea: it’s clean, they have people working, a huge selection of drinks and get you in and out.

–Andrew, 30

Strategic opportunity

Appealing to other car needs, like emergency car accessories or cell phone chargers, will continue to align the C-store with the fuel stop, while having visual cues (such as messaging or merchandising at the pump) related to modern convenience will ignite more interest from the pump.

Source for 80% fuel stat: <https://www.convenience.org/Research/FactSheets/FuelSales>.

Embracing Modern Convenience, December 2018. Q6: What was the main reason you stopped at this gas station and store location? (Select one) P2D users of C-store with a pump, N=587. Q7: Did you also get gas for your vehicle during this particular visit to the store? (Select one) P2D C-store users who stopped to go to the store, N=345.

* Percentages may appear to not add up due to rounding.

CHAPTER THREE – Maintain: Retain Traditional Relevance

Insight Activation Examples

Key Need: Fuel & Car Needs

Fuel delivery is the ultimate in accessibility

In partnership with ExxonMobile, Yoshi is an app-based service that brings the gas station to the customer. Available for on-demand and regularly scheduled fuel-ups, Yoshi claims to carry enough fuel for 35 cars in a trip.

YOSHI

A Full-Service Gas Station
on Wheels

Available in select cities across the country, Yoshi meets consumers where they are to gas up and provide other basic car services, like car wash, oil change and tire checks. In addition to the cost of the fuel, customers pay \$20 a month for the subscription to schedule deliveries of fuel and other services.

Takeaway: Consumers are increasingly embracing subscription-based services as convenient solutions for their busy lives. Innovative companies are exploring opportunities for growth through technology and other partnerships that can meet consumer needs. C-stores that evolve product offerings and services to reward busy customers for making a stop will find greatest success.

Peter Holley, "The latest way busy people are saving time: Hiring someone else to fill up their car with gas," *The Washington Post*, August 10, 2018, https://www.washingtonpost.com/technology/2018/08/10/start-up-that-wants-make-sure-you-never-have-go-gas-station-again/?utm_term=.39f4ae03df0a.

Yoshi, accessed December 28, 2018, <https://www.startyoshi.com>.

Loyalty programs can create synergy between fuel stops and store trips

Yesway's loyalty program is driving nearly half of its members from the gas pump into its convenience store. The 150-location convenience store chain launched a loyalty program, Yesway Rewards, in June 2017, through a partnership with Paytronix Systems. As members swipe their card or mobile app at checkout, they earn points that can be redeemed for merchandise, gas savings and exclusive deals. To date, 40% of members have downloaded the app and 45% of loyalty members have visited the convenience store after pumping gas. The chain received the 2018 Paytronix Loyalty Award for Best Convenience Store Loyalty launch.



Takeaway: Creating meaningful connections between fueling and store purchases is a strong incentive for repeat visits and a foundation for continued trips inside the store for discovery of new products and services.

Convenience Store News, August 14, 2018, <https://csnews.com/yesway-rewards-program-honored-driving-more-visits-fuel-purchases-store-spend>.

Key Need: Delight & Everyday Indulgence

C-stores are top of mind for a wide assortment of small food and beverage treats

Delight seeking is the most common need or emotion that consumers feel at the time of their convenience store visit, above physical needs such as hunger, thirst or fatigue.

Consumers want just a bite or (often) a sip of something they would not typically stock at home.

Delight at C-stores may take several forms, all supported by the small-portion sizes and accessibility the channel offers.

25% say they wanted some food or drink that would **DELIGHT** them during their last C-store trip (top need for channel, also top need at Café: 28%)

!	Need for delight is strongest among:	
	C-store Loyalists:	33%
	Millennials:	29%
	Parents:	28%

Permissible: A small drink or food item may be indulgent or an extra expense, but since it is small in cost and size, it is “allowable.”

Anticipated: A planned treat is something consumers can look forward to, and a convenience store is a reliable place to supply it.

Impulsive: Already being in the store may spark the purchase, which is still more permissible due to its size.

Nostalgic: Branded treats that evoke well-established childhood memories (e.g., Hostess Cakes, Slurpee) can lead to purchase.



“ Sometimes I’m in the mood for something sweet and I’ll go to a C-store to get a cookie, candy or a drink. –Serge, 32

“ At the gas station, I get a little ice cream cone – it’s only that vs. the whole indulgent meal at Burger King. –Carmen, 26

“ I get super sour candies as impulse buys. It’s the “hey, I am there, the line is right there.” Everything is fast. –Brent, 36

Strategic opportunity

C-stores already excel in meeting needs for beverages and snacks to “delight.” But they have an opportunity to close a gap vs. other channels through offerings that provide discovery, unique flavors and right-sized formats.

Embracing Modern Convenience, December 2018. Q4: Which of the following best represent what you were feeling at this time when you decided to use this convenience store? (Select all that apply) P2D channel users, C-store N=703, Café N=337, Loyal N=429, Millennial N=394, Parents N=679.

CHAPTER THREE – Maintain: Retain Traditional Relevance

Insight Activation Examples

Key Need: *Delight & Everyday Indulgence*

Customized, flexible indulgence appropriate for everyday

In addition to a wide selection of beverages, RaceTrac's Swirl World features a variety of ice cream, frozen yogurt and sorbet flavors and a toppings bar, all available by the ounce.

Takeaway: Self-serve ice cream dispensing with a toppings bar offers a moment of delight with high engagement and is especially suitable for busy parents to indulge their children with small, accessible treats. Per-ounce purchasing allows flexibility to meet needs across occasions and price points.



Dan Longo, "Meet Cold & Frozen Dispensed Beverages Innovator of the Year: RaceTrac Petroleum," *Convenience Store News*, April 23, 2018, <https://csnews.com/meet-cold-frozen-dispensed-beverages-innovator-year-racetrac-petroleum>.

Candy with quality cues at Drug

Bartell Drugs is a family-owned drugstore operation with a 120-year history and over 60 stores in Seattle and surrounding areas. With a mission to be "the best loved drugstore of our Northwest neighbors," the company has made its candy aisle a point of distinction. Bartell's dedicates a full page on its website to showcasing its vast selection of classic and seasonal candies along with its strong commitment to premium and locally made sweets from the Northwest. In early 2018, Bartell Drugs and Seattle Gourmet Foods/Dilettante Chocolates teamed to raise \$25,000 for Seattle Children's Hospital. For each package of Dilettante Chocolates sold at Bartells, each company made a financial contribution to the fund.



Takeaway: Long considered the quintessential source for candies and sweets, C-stores may find their candy stronghold at risk. Paying particular attention to premium offerings, local favorites and partnership opportunities will help C-stores deliver their customers easy and accessible treats and everyday delights with new discoveries to keep them coming back.

Bartell Drugs, accessed December 28, 2018, <https://www.bartelldrugs.com/products/food-beverages/sweets>.

Key Need: Personal Beverages

Beverages are the primary driver of the convenience store visit

Beverages are not only the key driver of C-store trips; they are also the “stickiness” for habituation and loyalty to C-stores.

- 23%** of C-store trips are driven by **thirst** (surpassed only by wanting “a food/drink to delight me,” 25%)
- 36%** of consumers buy one/two items to **drink** (the most common in-store behavior for C-store)
- 40%** of past-month C-store users rate C-stores as **“a good place”** for something to drink (more than any other channel)

Drinks are an anytime occasion and an easily fulfilled need. Consumers pick C-store due to low spend per trip (even when price per unit may be higher vs. other channels), deals offered, speed of service and beverage selection.

! Some consumers are more avid beverage buyers than others:

- 43% of Gen X** (vs. 33% of Millennials who buy drinks at the same rate as snacks)
- 42% of C-store Loyalists** (vs. 26% among others)

...bought a drink on their recent C-store visit.

When beverages are purchased, 89% of the time the items purchased are for one’s self.

33% of drink purchases are accompanied by snacks and 20% by hot/cold meals.



“ QuikTrip has a lot more options, especially the beverages – it gets people in.

–Andrew, 30

“ I get single beverages (soda and energy drinks) at C-store. It would probably save us money at Club, but a case of energy drinks at Club would be 50 bucks.

–Jeff, 27

Strategic opportunity

Beverage sections have expanded dramatically across all channels as consumers embrace greater variety and discovery in all types of functional, flavorful and indulgent drinks. C-stores that routinely reassess the variety and innovation of their beverage offerings will be best poised to meet consumers’ evolving needs. Fresh, healthy and premium options, in addition to classic beverage favorites, will ensure ongoing strength in this important C-store category.

Embracing Modern Convenience, December 2018. Q4: Which of the following best represent what you were feeling at this time when you decided to use this convenience store? (Select all that apply) P2D C-store users, N=703. Q10: Regardless of why you visited this convenience store on this occasion, what did you actually do while there? (Select all that apply) P2D C-store users, N=703, Loyal N=429, Millennial N=394, Gen X N=211. Q29: For which of the following needs do you consider convenience stores to be a good resource? Convenience stores are a good place to... (Select all) Past 30 day C-store users, N=1,409. Q20: For whom were the items purchased? (Select all that apply) P2D C-store who bought a beverage, N=254.

CHAPTER THREE – Maintain: Retain Traditional Relevance

Insight Activation Examples

Key Need: Personal Beverages

There's a lot of room to explore in the beverage category

Portland is the home of Green Zebra, a modern convenience store currently with three locations and plans to open 20 more along the West Coast by 2020. The burgeoning chain balances some conventional products with premium ones, including 20%-30% locally sourced products (from Oregon and Washington). Premium beverages range from locally made bottled balsamic vinegar soda to dispensed CBD-infused fruit soda.



Takeaway: Since personal beverages drive so much in-store traffic for C-stores and since beverages are a very dynamic space of innovation, it is an important category in which to offer more premium options—bottled or dispensed. Striking the the right balance between premium and traditional offerings can help attract new customers and satisfy loyal customers alike.

Olga Kharif, "Kombucha Is King at the Convenience Store of the Future," *Bloomberg*, October 22, 2018, <https://www.bloomberg.com/news/features/2018-10-22/kombucha-is-king-at-the-convenience-store-of-the-future>.

Private brand cold-pressed juices can deliver quality cues in grab-and-go

Meeting the need of fresh, healthy convenience, 7-Eleven has added USDA-certified organic, cold-pressed, 100% juice blends to their branded beverage category. Available in four varieties (Clean & Green, Tropical Glow, Berry & Bright and Restoration Red), these juices deliver better-for-you benefits at a lower price point than national brands.



Takeaway: Consumers today are willing to switch to private brands, especially when backed by quality cues. Bottled private brand beverages can offer C-stores an opportunity to deliver on health needs while keeping price points low.

Caitlin Dewey, "Why 7-Eleven, inventor of the Slurpee, is now all about cold-pressed organic juice," *The Washington Post*, January 16, 2018, https://www.washingtonpost.com/news/wonk/wp/2018/01/16/why-7-11-inventor-of-the-slurpee-is-now-all-about-cold-pressed-organic-juice/?utm_term=.f35e133f29bb.

Press Release, "7-Eleven Juices up Vault with first USDA Organic, Cold-Pressed Offerings," *7-Eleven*, January 08, 2018, <https://corp.7-eleven.com/corp-press-releases/01-08-2018-7-eleven-juices-up-vault-with-first-usda-organic-cold-pressed-offerings>.

Key Need: Adult-Centered Categories

C-store is a leader in most adult-centered occasions and age-restricted purchases; opportunity lies in premiumization

C-store is a leader in age-restricted categories of tobacco and alcohol, as shown in the categories' strong contributions to in-store sales and gross margins. Consumers also strongly associate the channel with these needs, perhaps due in part to the large in-store presence and promotion of the categories. C-store's existence as local, neighborhood outposts that are easy for in-and-out trips might be why C-store is colloquially associated with the quick "beer run" or "grabbing cigs" as well as the "gas run." In many ways, adult categories are the traditional area of expertise for C-store; this may also be why C-store is often considered an adult space.

These categories are not exempt from emerging standards of modern convenience, especially in the notions of fun and engaging quality. Modern C-stores that embrace more premium alcohol and offer more engaging experiences in these categories will continue to be competitive if they are able to strike a balance between adult indulgence, premium quality cues and family occasions.

“ When we run out, we go get beer at Casey's. When we have people over, we don't want to be gone for more than 10 minutes.

—Brianna, 24

“ If all I need is gas, a lotto ticket, then I'm going to go to the convenience store because I get in and out so quickly.

—John, 61



Strategic opportunity

C-stores that embrace adult-centered categories elevate their expertise by offering premium variety, such as micro/specialty beers and local wines, and creating more delight and indulgent distinction. Premium adult beverages can also apply to "for later" needs with add-on specialty food items (e.g., premium party snacks, cheese, chocolate).

CHAPTER THREE – Maintain: Retain Traditional Relevance

Insight Activation Examples

Key Need: Adult-centered Categories

Flexible options make C-store suitable for a wider set of adult occasions

This year, 7-Eleven added two new wines to their private label. Voyager Point, at \$9.99 MSRP, is available in a Marlborough Sauvignon Blanc and two California reds: Cabernet Sauvignon and Red Blend. Roamer is a budget-friendly canned wine available in Chardonnay and Rosé.

Takeaway: Premium wines offering strong value allow consumers to upgrade their wine selection, appealing to more consumers and/or more occasions. Similarly expanded formats, such as canned wines, allows for more flexibility and portability for adult-driven occasions.



7-Eleven, "A Toast to Voyager Point™, a New 7-Eleven Premium Vintage Wine Available at Participating 7-Eleven® Store," *Cision PR Newswire*, June 5, 2018, <https://www.prnewswire.com/news-releases/a-toast-to-voyager-point-a-new-7-eleven-premium-vintage-wine-available-at-participating-7-eleven-stores-300660166.html>.

7-Eleven, "Cans Let Wine-Lovers 'Roam' Away from Home," *Cision PR Newswire*, December 11, 2018, <https://www.prnewswire.com/news-releases/cans-let-wine-lovers-roam-away-from-home-300763547.html>.

Local experts lead to fertile partnerships

Wawa released a limited-edition Winter Reserve Coffee Stout in November 2018 in partnership with 2SP Brewing Company, a brewery located in Aston, PA. The new beer is available in one Wawa location and in bars and shops in and around Philadelphia.

Takeaway: The new coffee stout from Wawa and 2SP promotes Wawa's new line of reserve coffee, continues to market the brand as an expert in coffee, taps into the premium, local craft beer market and grows sales beyond Wawa's current retail locations.



David Chang, "Wawa Combines Beer and Coffee in Seasonal, Limited Edition Drink," *NBC Philadelphia*, November 29, 2018, <https://www.nbcphiladelphia.com/news/local/Wawa-Coffee-Beer-Pennsylvania-Chadds-Ford--501593291.html>.



Chapter Four Improve: Deepen Satisfaction

MAINTAIN:

Retain traditional
relevance

IMPROVE:

Deepen
satisfaction

EXCEED:

Strengthen channel
competitiveness

EXPAND:

Create new
relevance

Beyond upholding its current strengths, there are incremental changes the convenience channel can make to further cement its place as the cornerstone of convenience in the retail landscape. These are not about introducing new concepts or redesigning the “typical” C-store per se. Rather, they are about taking what already works at C-store and making it more appealing to a broader range of consumer needs.

In this chapter, we highlight four areas that pose opportunity for incremental improvement, helping C-store to deepen its satisfaction and retain distinction as a provider of convenience.

Key Needs to Improve:

Humanized
Service

Fresh
Assortment

Premium
Indulgence

Localization

Key Need: Humanized Service

C-stores with efficient, friendly service heighten the customer experience and provide a reprieve in an increasingly technological world

Maintaining efficiency remains essential to C-store's convenience proposition. However, C-stores are well positioned to couple efficiency with personalized, **humanized service**.

Fast but friendly: Despite the advantages of digital devices and cashier-less services, many consumers lament the loss of human interaction when shopping. C-stores that execute on quick and unobtrusive service while providing a pleasant greeting and social engagement stand apart as providing a more meaningful experience.

Hands-on: Staff that is visible and actively engaging with customers and product throughout the store creates a number of emotional benefits: feelings of safety, trust in the quality and freshness of items, and assurance of cleanliness of the store.

Employee-led personalization: As in other retail channels, C-store has the opportunity to create engagement by positioning employees as fellow consumers and experts. "Staff picks," communicated through signage or expressed as spoken recommendations, carry more authenticity than sponsored signage and can create a sense of interaction with shoppers.



22%

of those who have a "primary" C-store cite **friendlier staff** as a reason for choosing that store

“*Smile more, acknowledge and engage with customers vs. a robotic interaction, which is kind of how we live now. It would be a sign of human interaction.*

–Brianna, 24

“*You can have more tech in the prep of the food, but have people interact with people.*

–William, 27

For additional information on employee engagement, see *People Power for C-stores: Using Employee Engagement to Build Business Results*, North America NACS/Coca-Cola Retailing Research Council, September 2016. Available at: <http://www.cccrc.org/2016/06/22/people-power-for-c-stores/>.

Strategic opportunity

A friendly staff that is visibly engaged with both customers and the store's merchandise sets the tone for service that is both proficient and personalized. Highlighting the humanized elements of service allows C-stores to be an outlet of authentic sociability, thereby sowing seeds of loyalty among community members.

Embracing Modern Convenience, December 2018. Q26: Why do you go to this convenience store more often than to other similar stores? (Select all that apply) P2D C-store users who have a primary C-store, N=483.

Insight Activation Examples

Key Need: Humanized Service

Strong customer service seen in food service offers a model for C-stores

Chick-fil-A, rated #1 in the 2018 American Customer Service survey for limited-service restaurants, is widely recognized for delighting its customers. From “please” to “thank you” and “my pleasure,” Chick-fil-A employees engage with and create satisfied customers by going the extra mile. Examples include offering freshly ground pepper to customers who dine in and staff offering to carry heavy trays for moms with small children.



The company gives free rein to their operators to get creative, which a Virginia franchise did by offering expired (only by hours) chicken nuggets to pet owners. Speed of service is also given an extra human touch by stationing employees outside in the drive-thru line to greet customers in their cars and take orders using tablets.

Takeaway: There are many ways to add a human touch and deliver elevated customer service. Empowering staff to be creative creates ownership and understanding of the value it can bring. C-stores can look to food service operators to spark ideas to emulate.

Danny Klein, “Study: Chick-fil-A Has the Most Satisfied Customers,” *QSR Magazine*, June 2018, <https://www.qsrmagazine.com/fast-food/study-chick-fil-a-has-most-satisfied-customers>.

SAS, “A lesson in customer service from Chick-fil-A President Dan Cathy,” accessed December 28, 2018, https://www.sas.com/en_us/insights/articles/marketing/a-lesson-in-customer-service-from-chick-fil-a.html.

CHAPTER FOUR – Improve: Deepen Satisfaction

Key Need: Fresh Assortment

Fresh assortment is a welcome surprise to consumers, who are looking for multiple signals of quality

Due to the channel's association with highly processed indulgences and underdeveloped perishable sections, C-stores have often underperformed on the need for fresh and healthy offerings. Conversely, C-stores that have made steps to improve their selection are often viewed as a welcome surprise. As the cultural desire for healthy snacking and fresh food experiences grows, C-stores are primed to increase their share of such occasions.

Given the perception hurdle of the channel, C-stores must make a concerted and intentional effort to curate offerings that meet modern notions of freshness – symbolically via refrigerated and freshly prepared items and objectively through offerings made with simple, less processed ingredients and brands more closely aligned with the healthful snacking space.

Curation is just the start, however. Supporting cues of freshness are just as essential to create incremental wins in freshness. Attractive signage and merchandising, cleanliness of store and engagement of staff create a context where offerings are likely to be well received. Furthermore, signals of high touch and care can cue freshness in terms of timeliness of preparation.

20%

of those who shop C-stores less than once a month cite lower quality and/or less healthy foods & beverages as a reason



Millennials are especially interested in fresh choices: 43% buy items from a deli counter or cold case at least weekly (vs. 32% among Gen X and 15% among Boomers).



It surprised me, the number of options. It seems [C-stores] are trying to be more intentional about providing healthier things instead of the C-store back in the day.

—LaJuana, 40

Strategic opportunity

Increasing the number of fresh and healthy SKUs already present in some C-stores positions the channel to create incremental wins.

Incorporating fresh cues for healthier and perishable items such as time stamps, at-shelf labeling that communicates frequent turnover and a hands-on staff is important for creating fresh positioning of items.

Embracing Modern Convenience, December 2018. Q31: You mentioned you shop at a convenience store less than once a month. Why is that? Less than monthly C-store shoppers, N=1,343. Q34: How frequently do you buy each of the following types of ready-to-consume foods or beverages, as opposed to making them at home or dining out at a café or restaurant? (Select one per row) Millennials N=855, Gen X=690, Boomers N=734.

Insight Activation Examples

Key Need: Fresh Assortment

Training and patience can ensure successful activation on "fresh"

Tedeschi Food Shops expanded their food service to include locations that had never before handled food service. They needed to overcome inherent objections from franchisees over anticipated waste and the additional effort required to properly stock and rotate perishable inventory. To ensure success, Tedeschi created a training program to help franchisees learn how to manage commissary products and anticipate challenges during this transition. When adopting new food service programs, waste is initially high and sales are low. Over time, however, waste goes down, sales go up and new customers are drawn in. To help build patience, Tedeschi supported the program with incentives and strong leverage of testimonials. The result was, in fact, a large success for the company and the franchisees. They increased their sales and customer base, and further differentiated their stores and their brand.



Takeaway: Managing expectations and establishing a success timeline when initiating fresh programs are important steps in getting operators and employees on board. While adjustments may initially feel like a misstep, it takes time for employees and consumers to adjust to changes and find the payoff.

Peter Tedeschi, CEO Tedeschi Food Shops.

Fresh cues at store entry can elevate quality perceptions

Fuddruckers, a fast casual hamburger chain, features compact but enticing displays of fruits and vegetables at the entrance to their airport locations to cue freshness and wholesomeness not typically associated with airport food.

Takeaway: Nothing conveys freshness more strongly than fresh produce. C-stores that merchandise fresh foods, particularly snackable fruits and vegetables, near the store entry can provide a halo of freshness for the entire store. Combining with a condiments or toppings bar can deliver added quality and healthful cues of modern convenience.



CHAPTER FOUR – Improve: Deepen Satisfaction

Key Need: Premium Indulgence

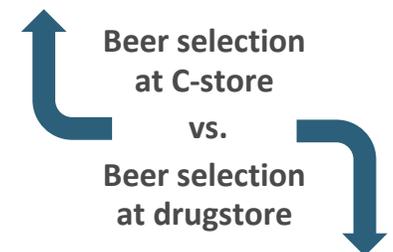
While C-store is strongly associated with small treats, consumers are turning to other channels for more extravagant indulgences

Premium indulgence hinges on the notion of specialization – whether via service, ambiance or specialness of the items being offered. Cafés, QSR and drugstores are increasingly offering one or more such elements, making special indulgences more accessible for everyday enjoyment.

Given C-stores' connection to delight and immediate-consumption moments, shoppers are especially open to the channel tapping into **specialty offerings** at a premium price point in order to facilitate more deeply indulgent, unique moments of treating, self-care and fun.

Tapping into **premium indulgence** does not mean replacing traditional, beloved brands across the entire store. C-stores can expand within a few categories demonstrating strong premium segments (e.g., beverages, chocolate, salty snacks).

Incorporating products that suggest higher quality, distinctive taste experiences and unique brand stories will allow C-stores to play on “splurge” occasions where deeper, more satisfying indulgences are desired and create a positive halo effect for the store/channel.



“ I know the quality and consistency of coffee at 7-Eleven, so I am pretty loyal. If I am going to splurge on coffee, I go to Starbucks, but it's also a 4- to 5-dollar drink. Do I want to spend that much, or \$2.50 and get a regular coffee that still tastes good?

–Ruby, 37



Strategic opportunity

C-store's modern convenience proposition can include a modest selection of premium offerings that create a special sense of surprise and delight.

As more channels compete for such moments, C-store is also well positioned to hit a “sweet spot” of premium indulgence that offers better taste experiences at a higher price point but just below food service prices.

Insight Activation Examples

Key Need: Premium Indulgence

Premium indulgence in a reimagined C-store experience

Mendez Fuel, a Miami C-store with 5 locations, features up to 16 tap lines for growler fills. Supporting small and local craft breweries also creates a sense of adventure for Mendez Fuel customers. The fresh growler fills are so desirable and limited that they sometimes sell out within an hour of posting to social media. The stores also feature a deli, freshly made smoothies and their own organic, cold-pressed juices made with locally sourced ingredients. The freshly prepared items, especially the juices and craft beers, are now a major draw. Their newest location is skipping the pumps and opting instead to be a small food and drink market.



Takeaway: While remaining in the C-store channel, following four store/fuel locations with a fifth stand-alone juice bar/C-store is an example of how far innovation can evolve to meet consumer needs. With taps, a coffee program and organic cold-pressed juices, Mendez Fuel has reimagined the C-store well beyond premium indulgence in beverages.

Emily Michot, "South Florida Food 50: Andrew and Michael Mendez of Mendez Fuel," *Miami Herald*, February 16, 2016, <https://www.miamiherald.com/living/food-drink/article60472441.html>.

Clarissa Buch, "Mendez Fuel Opens Standalone Juice Bar and Convenience Store in Westchester," *Miami New Times*, January 23, 2018, <https://www.miaminewtimes.com/restaurants/mendez-fuel-opens-standalone-juice-bar-and-convenience-store-in-westchester-10009490>.

Key Need: Localization

Community engagement, either through assortment or philanthropy, personalizes the store experience

Due to their small footprints, proximity to homes and neighborhoods, ubiquity along everyday commuter routes and the regionalism of many banners, C-stores are already connected to their local communities in many ways. C-stores can further imbed themselves into the lives of locals by reaching out to community members beyond the store and by reflecting local needs and preferences within the store.

Locally sourced products and services, or items that simply reflect the preferences, culture or traditions of patrons in the neighborhood, create a personal hook for shoppers. A localized assortment also creates distinctiveness for individual stores and chains that might otherwise be seen as nondescript.

Community involvement and philanthropic efforts allow the store to extend beyond its four walls to create authentic relationships. When stores demonstrate financial support, and, in particular, actively participate in local causes and events, customers view the store as an extension of the community.



C-store Loyalists are 3 times as likely as others to consider the variety of unique, new or local products/brands as a store selection factor on their last C-store trip.

“*If they're part of the community or engaged in some way, that would be awesome because it's the community who's coming here every day. I would be a better advocate [for the store].*

–Susy, 29

“*They know the community. They give back. They've been here for years. If I see them outside the store, I'd say hi! It's just a social thing – neighborly thing. They are involved.*

–Kami, 34

Strategic opportunity

Stores that demonstrate their awareness of local demographics, frequent/repeat customers and community interests through localized products/services are able to create a more satisfying relationship with shoppers. As patrons embrace the store as an extension of its community, individual locations and even chains are able to create a sense of distinction and loyalty.

Embracing Modern Convenience, December 2018. Q9A: On this occasion, why did you choose this convenience store over other options? (Select all that apply)
P2D C-store Loyal users, N=429.

CHAPTER FOUR – Improve: Deepen Satisfaction

Insight Activation Examples

Key Need: Localization

Localization is a key consideration in a culinary-focused C-store concept

Shell Select opened in Louisville, KY in September 2018. A culinary-focused convenience store with fresh-prepared foods items and specialty drinks in addition to fueling stations, Shell Select was drawn to Louisville for its first location because of a distinct food and beverage scene. Snacks are designated at shelf as “local favorites,” and the coffee is a local brand.



Takeaway: With Shell’s first foray into branded C-store operations, the company is demonstrating an understanding of contemporary food and its importance in modern convenience. Their first location was tapped due to its local culture in order to capitalize on product localization as an integral element of their culinary twist.

Convenience Store News, “First-ever Shell Select Convenience Store Debuts in Louisville,” September 11, 2018, <https://csnews.com/first-ever-shell-select-convenience-store-debuts-louisville>.

“Local” can be a brand itself to create loyalty

Buc-ee’s Travel Centers, located throughout Texas, are a bigger-than-life destination in themselves, centered on such prepared foods as brisket sandwiches, kolaches and beef jerky. Texas is a major theme in the store’s food service, non-consumable product assortment like clothing and souvenirs, and in-store branding. With confidence that their “Texas-centric brand can be adapted to work elsewhere,” they will begin to open stores outside of Texas in 2019, with locations in Alabama and Florida.



Takeaway: Buc-ee’s successful brand strategy shows how local pride and community focus can be powerful draws to create local loyalty and tourist resonance.

Peter Carbonara, “How Two Texans Made Buc-ee’s Convenience Stores A Phenomenon,” *Forbes*, September 05, 2017, <https://www.forbes.com/sites/petercarbonara/2017/08/22/buc-ees-game-of-porcelain-thrones/#2ff5ef517626>.



Chapter Five

Exceed: Strengthen Channel Competitiveness

MAINTAIN: Retain traditional relevance	IMPROVE: Deepen satisfaction	EXCEED: Strengthen channel competitiveness	EXPAND: Create new relevance
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As channels vie to meet a greater share of consumers’ evolving needs, the array of choices and quality options available has never been greater. C-stores have an opportunity to adapt product assortment and services to create moments of surprise and delight and elevate the convenience store in the consideration set against QSR, grocery, limited assortment (dollar/Aldi) and drug.

While C-stores have many individual opportunities to strengthen channel competitiveness, we expand on four key areas in this chapter that can be instrumental in helping C-stores adapt to consumers’ evolving standards of convenience, now and in the future.

Key Needs to Exceed:	Items for Later Use	Ready-to-Eat Meals	Customizable Experiences	Digital Engagement in Store
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Key Need: Items for Later Use

Heavy morning traffic offers an opportunity to meet snacking needs for the whole day

C-stores draw in a significant portion of their customers during the morning, while competing channels see a greater spike in the afternoon (except Café). Prompting C-store shoppers to plan and purchase their afternoon snacks, including for work and on the go, during their morning visit can help win over some of the afternoon traffic to other channels.

Many C-store customers already delay consumption of part of their purchase for later, motivated by compelling “2-for-\$\$” deals that spark channel selection and drive C-store trips or more impulsive in-store decisions to grab a snack to have “on hand.”

C-stores can capture a higher share of other channels’ afternoon snacking occasions by helping customers in the moment with enticing afternoon-centered snacks or in-store offers.

	Before noon	Noon	After noon	Evening
C-store	42%	9%	35%	13%
Café	50%	11%	27%	11%
QSR	22%	17%	37%	24%
Drug	36%	5%	40%	19%
Dollar	35%	11%	45%	8%

65% of C-store trips result in both IC and non-IC purchases
(55% of these intentionally bought for later)



“ This is my mid-afternoon snack – any of these. Since I’m here now, and I know that tomorrow afternoon I’m going to need a snack, it makes sense to buy them.

–Kenneth, 47

Strategic opportunity

Stores that inspire customers with time-saving and creative solutions for snacking needs for now and later will have more opportunity to leverage morning customers for multiple-occasion purchases in a single transaction.

Embracing Modern Convenience, December 2018. Q3: Approximately what time of day was it? (Select one) P2D channel users, C-store N=703, Café N=337, QSR N=501, Drug N=132, Dollar N=298. Q22: You said you first consumed at least part of your purchase [location]. Did you also consume any part of the purchase later? P2D C-store users, N=514.

Insight Activation Examples

Key Need: Items for Later Use

Coffee shops tap incremental afternoon snack add-ons during morning sales

Starbucks stores stock their Bistro Boxes and snacks in coolers along the order and payment lines in order to entice customers waiting in line to grab a lunch or snack for later.

Takeaway: While not explicitly marketed “for later,” placement in the checkout line takes advantage of long lines that may build in the morning hours. To spark impulsive purchases, items for later must be visually interesting, fresh and appetizing combinations and easy to grab.



Hartman Group store audits, various markets.

Merchandising for broader occasions can spur sales of items for later use

Royal Blue Grocers, an independent convenience market with locations in Dallas and Austin, TX, showcases its selection of wines with add-on ideas, such as chocolates, small gifts and gift bags – creating inspiration for gift-giving and aligning its store with the idea that one stop can benefit multiple needs.

Takeaway: C-stores can capitalize on “en route” trips beyond daily commutes when products are cross-merchandised with complementing items, especially for social occasions, such as ones that may require a gift or other small purchase.



Embracing Modern Convenience, April 2018, store audit, Dallas, TX.

Key Need: Ready-to-Eat Meals

Meeting needs for ready-to-eat meals requires offering products and services that cue mealtime occasions

C-stores are top of mind for quick, on-the-go needs and “tide-me-over” snacking, but the channel captures less than its fair share of on-the-go meals. However, C-stores can begin elevating perceptions about meals by evaluating their offerings through a mealtime occasion lens, considering product selection, merchandising and freshness cues. Millennials in particular have fewer preconceived notions about meal sourcing and are open to messaging around meal procurement at C-stores.

A satisfying meal is not restricted to serving sizes or caloric intake. Rather, consumers have a variety of needs and desires that flex with situational and social influences that shape meal expectations.

Good Food: Consumers often have higher expectations around ingredients, health and overall quality for their meal occasions.

Fresh Preparation: Consumers want food to be freshly prepared, ideally on-site, and tended to throughout the day.

Family & Friends: Larger offerings, like full-sized pizzas, tap into needs for multiple servings and suitability for sharing with others.

While meeting all three goals at every meal is largely aspirational, having some cues associated with each can help C-stores better position themselves as a solution for ready-to-eat meals.

17%

of consumers leave a C-store with a ready-to-eat meal (vs. QSR 50%, Café 28%)



“That [packaged sandwich] looks more like a snack. But it’s a meal if I’m getting a fresh sandwich that’s customized.”

–Susy, 29

Strategic opportunity

C-stores that also enable speed of purchase and ease of transportation/consumption as part of their ready-to-eat meals will find most resonance with their customers. Food truck partnerships – partnering with a food truck to park on the C-store lot on a permanent or rotating basis – present an opportunity to take a first step into fresh, ready-to-eat meals. Drawing on digital tools and customizable experiences can also facilitate speed and accessibility while satisfying unique needs of the meal occasion.

Embracing Modern Convenience, December 2018. Q10: Regardless of why you visited this convenience store on this occasion, what did you actually do while there? (Select all that apply) P2D channel users, C-store N=703, QSR N=501, Café N=337.

Insight Activation Examples

Key Need: Ready-to-Eat Meals

A focus on food can address modern needs and remain true to convenience

Choice Market in Denver bills itself as “a new kind of convenience store,” combining quick service, user-friendly technology and local product selection. CEO Mike Fogarty was influenced by European small-format grocers for his food-centric convenience store. Targeted to Millennials who are willing to pay a premium for quality, the store offers fresh produce, prepared foods and quality premade options.



In 2018, Choice Market introduced catering and later partnered with *Prefare Meals* to create 15-minute meal kits. Online ordering allows consumers to shop the entire store (from prepared to frozen) for next-day in-store pickup; prepared food and meal kits can also be delivered via Uber Eats.

Takeaway: Choice Market was food-focused from its inception, but the development of online ordering, catering and a meal kit partnership demonstrate how a food focused C-store can expand beyond C-store channel boundaries while staying true to convenience to appeal to more occasions.

Mark Hamstra, “Hybrid c-store/fast-casual eatery debuts in Denver,” *Supermarket News*, October 12, 2017, <https://www.supermarketnews.com/news/hybrid-c-storefast-casual-eatery-debuts-denver>.

Alaina Lancaster, “Choice Market Partners With Prefare Meals to Launch Meal Kits,” *CSP Daily News*, December 17, 2018, <https://www.cspdailynews.com/foodservice/choice-market-partners-prefare-meals-launch-meal-kits>.

Food trucks or food service partners can offer a win for customers and operators

Texaco Food Mart in Bellevue, WA, has delighted local area customers with the addition of O’Bop Korean Barbeque. The food service provider operates out of a dedicated kitchen space inside the store, while the truck out front is actually a life-size, and very eye-catching, decal on the building.



Takeaway: C-stores may find it easier to venture into the fresh and prepared, ready-to-eat meal space by renting space within their store to food service operators or by partnering with a popular and reliable food truck to operate from the store’s parking lot.

Hartman Group store audits, Bellevue, WA.

Key Need: Customizable Experiences

Customized and made-to-order foods cue freshness and higher-quality experiences

Consumers want choices that allow them to meet their individual needs and preferences, regardless of channel. C-stores have opportunities to deliver customized experiences, ranging from self-serve to full-service customization.

Self-Serve: Self-serve makes the consumer feel in control. Freshness and quality cues are essential. Covered and clean displays, date and time stamps and visible staff engagement convey freshness and cleanliness of ingredients.

Full-Service: Though it requires a bit more time investment from the customer, the experience is elevated for emerging consumers in the channel who are looking for freshness and higher quality. Consumers will expect speed, friendliness and accurate execution of the item that is made to order.

Choices: Wider assortment of flavors and formats increases the opportunity for a customer to customize their food and beverage experiences to their tastes.

71%
of consumers would use a **made-to-order deli*** at a C-store



“Do it yourself. Get in, get out of the way real fast. I know what I’m doing.”

–Rafael, 42

“It’s a grand idea getting a milkshake through a vending machine. It was something new I wanted to try.”

–Papi, 48

Strategic opportunity

C-stores that can provide experiences that are efficient and personal across a variety of self- and full-serve options will satisfy the widest variety of customer needs. Understanding customers’ needs starts with engaging them for feedback, offering samples, testing a variety of choices and hearing their ideas about freshness and quality.

Embracing Modern Convenience, December 2018. Q40: How likely would you be to make use of this idea when in the convenience store? (Select one) All, N=925.

* Made-to-order deli idea presented: “Convenience stores, in addition to their current offerings, would offer made-to-order sandwiches and beverage items (e.g., smoothies) prepared on-site and in front of you.”

Insight Activation Examples

Key Need: Customizable Experiences

Fresh, customizable experiences address modern convenience desires

QuikTrip offers many levels of customization in its grab-and-go offerings. Its roller grill and extensive toppings bar allow shoppers to create highly customized snacks and meals. The Toppings Bar features a wide array of free and fresh toppings, such as diced onions, pico de gallo, pickle slices, diced tomatoes and sliced jalapeños. A wide variety of branded condiments is also presented in their regular bottles, elevating the experience further.

Takeaway: Levels of customization allow a wider range of customers to engage with the store across a wider range of occasions. The presentation of condiments can be a key distinguisher for C-stores. Freshness and variety of condiments and toppings reinforce perceptions of quality and variety as well as deliver on modern consumer needs for customizable experiences.



Embracing Modern Convenience, September 2018, shop-alongs, Dallas, TX.

The convenience of customizable experiences can extend to customers' homes

Wawa has a well-established reputation for customizable sandwiches, salads and wraps that consumers order from a touchscreen. The company recently expanded customization capabilities to include a catering and delivery service, launched in Philadelphia in November 2018. Ordered online or over the phone, Wawa's catering allows consumers to design a menu by building customizable menu items, including a hot bar setup. Wawa associates deliver and even set up the spread.

Takeaway: Wawa erases the last mile by bringing its customizable products directly to the consumer, showing a level of innovation that underscores modern convenience need across multiple occasions. Personalized catering extends in-store fresh customization to make life easier for consumers beyond Wawa's doors.



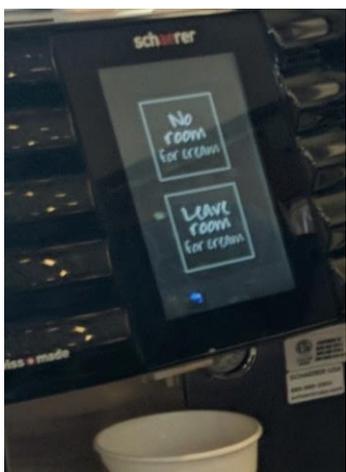
Convenience Store News, "Wawa Launches Catering Service," November 12, 2018, <https://csnews.com/wawa-launches-catering-service>.

Key Need: Digital Engagement In-Store

In-store digital solutions can enhance customization while also delivering fun and delight

Digital engagement can heighten a customized in-store experience for adults and children alike. From customized beverages/meals to digital apps with push-notifications of new products and promotions, digitally based services can create a quick and efficient experience while also giving the store a modern and exciting presence.

While some C-stores are beginning to offer touchscreen ordering kiosks to complement other fresh and ready options, not all C-stores are ready for custom preparation and not all customers are willing to wait for made-to-order food items in this channel. Other ways to tap into the benefits of technology include a variety of beverage machines that provide quicker customized, but still fun and new experiences. Parents and kids both enjoy having choices and “making their own.”



“ I love this “leave room for cream.” It’s nice and fun and thoughtful.
 –Cynthia, 53



“ They are adding a couple of things: freshness and technology. You can place your order on a screen, watch staff make it. The whole transaction is less than 8 minutes.
 –Ruby, 37

Children are present at 12% of C-store trips, and they come inside the store 69% of the time if present.



“ My kids love the freestyle machine!
 –LaJuana, 40

Strategic opportunity

C-stores should incorporate digital solutions at a pace that suits their customers, their staff and their ability to execute them well. The goal of any digital solution should be to enhance the customer experience but not replace current products, customer service or staff engagement. Millennial customers, especially, will appreciate digital services. They are eager for new experiences, facile with technology and likely to be highly engaged with apps across competitor channels.

Embracing Modern Convenience, December 2018. Q18: Who accompanied you on this convenience store trip, whether or not they actually went inside with you? (Select all that apply) P2D C-store users, N=703. Q19: Who came inside this convenience store with you (as opposed to waiting outside or running a separate errand elsewhere)? (Select all that apply) P2D C-store users not alone on trip, N=303.

Insight Activation Examples

Key Need: Digital Engagement In-Store

Digital enhancements can support both speed and customized experiences

With the help of Sheetz’s touchscreen ordering, the made-to-order Sheetz Bros. Coffeez is designed to provide speedy handmade barista drinks. The brand has also innovated with reusable mugs equipped with radio frequency identification (RFID). The cups are preloaded with three free refills upon purchase, and customers can add a prepaid dollar amount to the cups. Then they simply rest the cup on the RapidPay kiosk platform and are prompted with on-screen steps to complete the transaction.

Takeaway: Digital enhancements can be implemented at many points along the shopping trip. Digital-based customization, like touchscreen ordering, can create fun and delight, while seamless technological advancements to quicken speed of service can also engage C-store customers with modern convenience.



Aimee Harvey, "RFID Redefines Convenience for Dispensed Beverages," *CSP Daily News*, January 24, 2018, <https://www.cspdailynews.com/csp-magazine/rfid-redefines-convenience-dispensed-beverages>.



Chapter Six

Expand: Create New Relevance

MAINTAIN:

Retain traditional relevance

IMPROVE:

Deepen satisfaction

EXCEED:

Strengthen channel competitiveness

EXPAND:

Create new relevance

Reaching even further along the continuum of traditional to modern convenience, we see emerging consumer needs and white space opportunities for C-stores to create new relevance. By **reimagining** C-stores as unique spaces that serve a **wider range of functional & social purposes** that are relevant to a broader set of occasions, C-stores can begin to tap new growth opportunities.

In this chapter, we highlight five areas that are aligned with emerging consumer needs. We present these as thought starters for consideration – products and services that may help better engage customers, strengthen channel competitiveness and retain distinction as a provider of convenience.

Key Needs to Expand:

Digital Expansion & Personalization Beyond the Store

A New “Third Place”

Emerging Transportation Needs

In-Store Entertainment

Multi-functional Space

Key Need: Digital Expansion & Personalization Beyond the Store

Extending digital services beyond store doors and across visits can enhance convenience through a more seamless experience

An omnichannel business model creates a well-integrated customer experience that brings digital and store together. Engaging customers through multiple touchpoints can elevate the quick and easy traditional C-store experience with higher-quality personalized experiences that build loyalty.

Digital Lifestyles: Digital tools and services are proliferating in the retail landscape and are integral to many consumers' daily lives. They regularly check apps and online services as an early step in food planning and sourcing, for both immediate needs and stock-up occasions. Digital coupons, app-based pre-ordering and third-party delivery systems are all combining to make food sourcing quicker, easier and sometimes cheaper. Millennials and younger parents are especially engaged.

Tailored Experiences: Growing digital lifestyles are creating networks of data that can be used to personalize experiences for each consumer, such as promotions and coupons based on consumers' shopping habits or recommendations on new products that align with their preferences. Creating digital touchpoints out of the store can keep the store top of mind for on-the-go needs.

75% of Millennials say they would **use digital pre-ordering*** if provided by a C-store

*71% among parents
55% among all consumers*



“ At Chick-fil-A I can order my food, pay with my phone. I go in, they hand me my food and I can be out the door. If it was at QuikTrip, that would be good.

–LaJuana, 40

“ A coffee deal may make me stop, since it is something I am already purchasing. Even if I wasn't planning on it, I would stop.

–Ruby, 37

Strategic opportunity

Utilizing digital services to create additional touchpoints can build greater engagement and loyalty by further demonstrating that C-stores understand both traditional and modern convenience needs of their customers.

Embracing Modern Convenience, December 2018. Q40: How likely would you be to make use of this idea when in the convenience store? (Select one) N=902, Millennials N=325, Parents N=266.

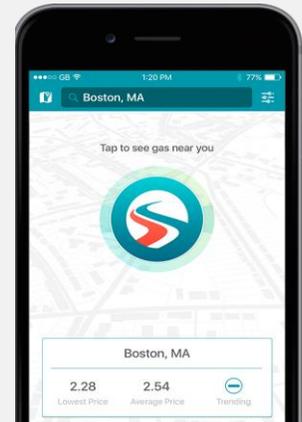
* Digital pre-ordering idea presented: "Convenience stores would offer a proprietary app that would allow you to pre-order any food, drink or other items you want at a specific location. You could pick these up in half an hour through a drive-up window without the need to get out of your car and enter the store."

Insight Activation Examples

Key Need: Digital Expansion & Personalization Beyond the Store

Technological engagement can help bring consumers from pump to store

A nationwide app designed to help consumers find low-priced fuel through crowdsourcing, GasBuddy, has expanded by adding challenges, ratings and reviews to increase consumer engagement, including offering mobile coupons to help drive in-store sales and creating a business intelligence tool through which C-store companies can access analytics. Through partnerships with Cuebiq, which tracks footfalls, among other things, and Koupon Media, which offers mobile coupons that appear when a consumer is at the pump, GasBuddy is able to track consumer usage and other data points (location, weather, time of day, etc.) to create custom offers for consumers and valuable data for retailers.



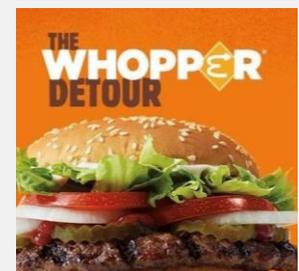
Takeaway: Digitally native consumers (Millennials and Gen Z) are already reaching for phone-based apps to help navigate purchase decision making, including fuel stops. By partnering with mobile technologies or third-party app-based companies, C-stores can dynamically engage with fueling consumers and drive in-store sales more effectively at the pump.

Renee M. Covino, "Marketing to Today's Mobile Consumer," *Convenience Store News*, February 28, 2017, <https://csnews.com/marketing-todays-mobile-consumer>.

Allison Schiff, "GasBuddy Fuels In-Store Engagement With Targeted Mobile Coupons," October 19, 2016, *adexchanger*, <https://adexchanger.com/mobile/gasbuddy-fuels-store-engagement-targeted-mobile-coupons>.

Creative use of technology can drive app downloads for ongoing connections

In a bold, though successful, move to increase app downloads, Burger King ran "The Whopper Detour" in December 2018, which geofenced more than 14,000 McDonald's locations in the U.S. Using software that activated a 1-cent-Whopper coupon when consumers were within a 600-foot radius of a McDonald's, the offer was available only to consumers who downloaded the app. Once the coupon was activated, the app would then navigate to the nearest Burger King location. The promotion achieved about 20 times more redemptions than any other Burger King app promotion.



Takeaway: Novelty and humor can reach digitally engaged consumers in new ways to stand out in increasingly competitive retail and food service landscapes.

Danielle Wiener-Bronner, "Burger King trolls McDonald's with 1 cent burger promotion," *CNN*, December 05, 2018, <https://www.cnn.com/2018/12/05/business/burger-king-1-cent-burger/index.html>.

Key Need: A New “Third Place”

C-stores can leverage their strength in accessible and convenient locations to build welcoming spaces that create greater engagement

The rise of the gig economy is changing how a workspace is defined while centralized population growth is making both public and private spaces tighter. As a result, the concept of a “third place” that lives between home and work is becoming more important in consumers’ lives. While cafés have traditionally dominated this need, an increasing number of channels are vying for this retail space, which can be an opportunity for C-stores as well.

Personal Third Place: With most shoppers coming alone, the C-store is already aligned with the “me-focused” trip. C-stores can capitalize on this association by creating a quiet and WiFi-connected place to meet customer needs to “take care of myself,” either as a personal break space or work spot.

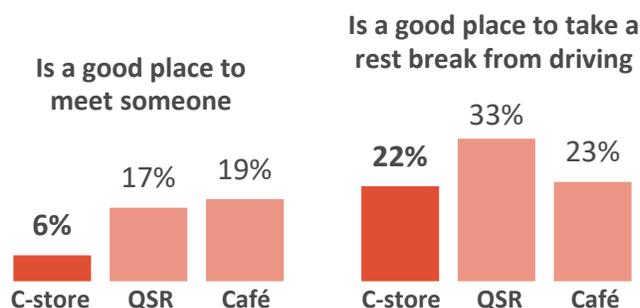
Social Third Place: Thanks to their “en-route” locations and easy accessibility, C-stores could be natural places for small groups to gather. C-stores that create a welcoming place for families, community groups, friends or business associates help support a key consumer need for social connections and in the process also invite incremental sales opportunities.

“ Having a seating area says ‘Hey, you are welcome here! Sit down, chill out, relax and have a cup of coffee.’ ”

–Kami, 34

“ We meet here to get going because it’s central, safe, everyone can get what they need. ”

–Cynthia, 53



72%
of parents say they would use a seating area* if available in a C-store

66% among Millennials
57% among all consumers

Strategic opportunity

While not currently top of mind as a place for social gatherings, C-stores’ key presence in most communities and core work centers suggests an opportunity to gain a competitive advantage as a new “Third Place” by providing comfortable, well-placed and WiFi-connected seating, along with a welcoming ambiance.

Embracing Modern Convenience, December 2018. Q29: For which of the following needs do you consider [channel] to be a good resource? (Select all that apply) Past-30-day channel users, C-store N=1,409, QSR N=910, Café N=689. Q40: How likely would you be to make use of this idea when in the convenience store? (Select one) N=908, Millennials N=342, Parents N=254.

* Consumer reactions to the following description of possible seating areas in C-stores: “Convenience stores, in addition to their current space, would feature a small lounge or a counter seating area where you could eat or drink what you bought, meet up with people and socialize, or just take a break.”

Insight Activation Examples

Key Need: A New “Third Place”

Community is built into C-store from the ground up

“We want to make time more rewarding for people by emphasizing a sense of local and personal connection that transforms the necessary errands of today’s busy lives into engaging experiences.”

–Julian B. Wills, President, Dash In



Dash In, a 50-store convenience chain in Massachusetts, Virginia and Delaware, debuted its “neighborhood concept store” in the summer of 2018 after three years of collaborating with design and construction partners on its reimagined brand experience. Featuring Virginia highlights, including Jeffersonian architecture, area imagery and local craft beer, Dash In has elevated a fresh format to draw on community connections. A social upgrade to fresh is exemplified in the growler fill station, which features a large indoor communal table. Outdoor seating is also available.

Takeaway: Adding both space and ambiance that encourages customers to linger and socialize, along with fresh food and beverage offerings and local decor, can add a modern element of convenience to build loyal customers.

Danielle Romano, “Dash In’s New Store Concept Goes From Transaction to Connection,” *Convenience Store News*, July 05, 2018, <https://csnews.com/dash-ins-new-store-concept-goes-transaction-connection>.

Business Wire, “Dash In Unveils New Store Design in Chesterfield County, Virginia,” April 11, 2018,

<https://www.businesswire.com/news/home/20180411005900/en/Dash-Unveils-New-Store-Design-Chesterfield-County>.

Photo source: <https://dashin.com/about>

Key Need: Emerging Transportation Needs

Increases in the use of electric vehicles, public transit and ride-sharing services change the definitions of accessibility and relevance

Three in four C-store customers currently arrive by car, but the changing transportation landscape suggests a different future. Flexibility will be required for this channel — which has historically centered on personal, gas-powered vehicles — to adapt to emerging transportation needs that impact how consumers commute, move about and shop.

Electric Vehicles (EV): As EV charging currently requires more time than a gas fill-up, C-stores' current position as a fast fuel-up location is potentially incongruous with EV charging needs. However, C-stores' many accessible locations en route are an asset, and creating additional services and an environment that encourages more time in store will help bridge that gap to compete with retail spaces, including grocery and drugstores, that are already installing EV charging stations as a trip perk.

Public Transit: Increased use of public transit and bike commuting changes routes and personal routines that impact shopping behaviors. C-stores located near public transit routes and bike paths will need to offer right-sized portions/packages and portability for individual shoppers. Stores that consider “last-mile” opportunities and enhanced options for portability, both for immediate, on-the-go consumption and small, stocking-for-later trips, will best meet the needs of the transit users, often young, urban Millennials.

Ride-sharing: Ride-sharing services create an opportunity for C-stores to be a pick-up/drop-off location for riders who live in close proximity. Providing products and services for waiting drivers and their passengers can engender a stronger community bond and create more loyalty among both.

Currently:

33% of C-store trips are “en route” to/from work/daily activity or while shuttling kids

20% arrive at the C-store on foot or by bike or public transportation (similar to drugstore and dollar but higher than all other channels)



“When I had the car, I didn’t go to C-stores that often. [Now] the store I go to is determined by the mode of the transportation I take. I usually stop at the closest one [to the bus or train].”

—Noah, 38

Strategic opportunity

C-stores in urban areas or near transit centers can support customers with limited ability to carry out purchases with delivery services, small-format and single-serve meal and snack offerings. As EVs increase penetration in markets, C-stores will want to direct promotions and communications to draw in EV car owners with extra services to remain relevant.

Embracing Modern Convenience, December 2018. Q16: Which of the following best represents how this last visit to this convenience store fit within your overall activities that day? (Select one) P2D C-store users, N=703. Q17: How did you get to this [channel] store? (Select one) P2D C-store users, N=703.

CHAPTER SIX – Expand: Create New Relevance

Insight Activation Examples

Key Need: Emerging Transportation Needs

Shopping on the go is taken literally when snacks are sold in an Uber ride

Tapping into emerging transportation trends, Cargo partners with Uber and Venmo to seamlessly integrate into the lives of busy ride-share users by offering goods for sale inside Uber vehicles. Drivers are provided boxes at no cost to them that contain food, drink, personal care items and other modern essentials that they sell to riders at \$1/item commission. Many boxes also feature free samples, including new products being tested, which still pay a commission to the driver.



Takeaway: Companies like Cargo are taking advantage of an opportunity presented by ride-sharing services to create a new retail space: inside a shared car. C-stores could use their reputation for convenience to build similar partnerships inside a variety of public transit options.

Megan Rose Dickey, "Uber partners with Cargo to help drivers make money by selling stuff to riders," *Tech Crunch*, July 19, 2018, <https://techcrunch.com/2018/07/19/uber-partners-with-cargo-to-help-drivers-make-money-by-selling-stuff-to-riders/>.
Kate Krader, "Your Next Uber Ride May Have a Minifridge Stocked With Snacks," *Bloomberg*, November 15, 2018, <https://www.bloomberg.com/news/articles/2018-11-15/cargo-deal-with-venmo-puts-hangover-cures-in-uber>.

Digital and physical unite to create a better travel experience

Rather than just designing an app to connect consumers to their physical store, New Stand uses its digital space to **extend** its retail space in an effort to be mindful of traveling consumers. New Stand releases music and reading material on its app instead of selling newspapers, although you can also use it to check out in the physical store. The updated newsstand concept first opened in Union Square in Manhattan, and its upcoming expansion will bring it onto ferries across New York City.

Takeaway: New Stand is distinct in its ability to see digital as an opportunity to effectively address tension points between traditional convenience and modern consumer on-the-go needs.

New Stand, accessed December 28, 2018, <https://newstand.com>.
Tanya Klich, "A Startup Chain Of Millennial- And Commuter-Friendly Convenient Stores Expands On NYC Ferries," *Forbes*, May 11, 2017, <https://www.forbes.com/sites/tanyaklich/2017/05/11/a-startup-chain-of-millennial-and-commuter-friendly-convenient-stores-expands-on-nyc-ferries/#64d39e143b41>.
Sami Main, "New Stand, the Boutique Convenience Store Popping Up Across the U.S., Wants to Improve Your Day," *AdWeek*, December 12, 2017, <https://www.adweek.com/digital/new-stand-the-boutique-convenience-store-popping-up-across-the-u-s-wants-to-improve-your-day>.

Key Need: In-Store Entertainment

Providing entertaining experiences, along with basic convenience solutions, can create new reasons to stop

Offering entertaining experiences can appeal to both adults and kids while also supporting modern notions of convenience. Parents view such experiences as helping to appease impatient kids, making it easier and faster to complete their trip mission. Millennial consumers are naturally receptive to new experiences, especially app-based entertainment.



Both younger adults and kids are drawn to **gaming**, and some C-stores have begun to explore using these engaging moments of delight to draw in Gen Z, Millennials and parents with kids. Rewards programs that have games incorporated, or other mobile app-based entertainment, can be opportunities to engage customers in new ways to create more loyalty.

But in-store entertainment does not necessarily have to be digital. Adults will enjoy themed events that provide platforms for social interactions, such as happy hours or sports game viewings. Children can look forward to a play corner or a free healthy treat (e.g., local apple). Collecting passport stamps for healthy treats to earn a small prize can motivate asks for repeat visits.

“ A happy hour, mingle with beverages to meet people where both guys and gals will be comfortable.

–John, 61

“ If the C-store had that little touchscreen to play. They have them everywhere now; even at McDonald’s they have little touchpads that draw the kids. They sit down and play games. If it’s free and sanitary, I’d tell my kids, “yeah, go ahead.”

–Rafael, 42

Strategic opportunity

As C-stores expand into new retail territories, stores that make the shopping trip itself delightful and engaging by offering entertaining experiences and new discoveries will make it appealing to consumers to spend more time in the store and to return more often.

Insight Activation Examples

Key Need: In-Store Entertainment

Augmented Reality (AR) adds an element of fun and more reasons to stop

In May 2018, 7-Eleven partnered with 20th Century Fox and manufacturers in a collaborative marketing campaign for *Deadpool 2*. The convenience chain featured *Deadpool*-themed AR experiences in stores across the U.S, incentivized with loyalty points through 7Rewards, which consumers could “unlock” during store trips with the 7-Eleven app. Consumers were encouraged to share their experiences on social media and to make repeat trips to see new weekly activities. Later in the year, 7-Eleven released a similar football-themed promotion in select cities.



Takeaway: 7-Eleven’s creative promotion demonstrates how modern convenience can complement the traditional C-store experience and add incremental appeal to busy parents with kids in tow or on-the-go Millennials craving novel experiences.

Press Release, “(Anti) Super Hero Landing at 7-Eleven® Stores,” *7-Eleven*, May 07, 2018, <https://corp.7-eleven.com/corp-press-releases/05-07-2018-anti-super-hero-landing-at-7-eleven-stores>.

Press Release, “7-Eleven Fan Fare,” *7-Eleven*, September 06, 2018, <https://franchise.7-eleven.com/franchise-press-releases/09-06-2018-7-eleven-fan-fare>.

Tasting events are low-tech entertainment

Pennsylvania-based convenience chain Rutter’s is recognized for its comprehensive beverage selections, from handcrafted smoothies, espresso drinks and shakes to 15 varieties of iced tea. With a recent expansion of its alcoholic beverage program, Rutter’s partnered with a national wine company to begin holding food and wine pairing events.



Takeaway: Rutter’s wine and food events show how C-stores can leverage existing areas of expertise (e.g., beverage occasions) to engage customers in new ways for broader relevance across more occasions.

CSP Daily News, “15 Great C-store Beverage Programs,” accessed December 28, 2018, <https://www.cspdailynews.com/15-great-c-store-beverage-programs-2018/rutters>.

Steve Holtz, “Rutter’s to Host Wine and Food Pairings,” *CSP Daily News*, April 26, 2018, <https://www.cspdailynews.com/foodservice/rutters-host-wine-food-pairings>.

CHAPTER SIX – Expand: Create New Relevance

Key Need: Multifunctional Space

Providing solutions to more everyday needs will expand functionality and create more touchpoints for engagement

The proximity of C-stores to consumers' work/home and the high prevalence of "en-route" C-store visits combine to make the channel well suited to deliver on additional small, routine, non-grocery needs. Consumers are open to C-stores being able to serve more everyday needs.

Auxiliary services, such as package delivery, have been shown to increase the rate of quick trips in other channels.

C-stores that share space with **local businesses**, such as dry cleaning or pet grooming, gain additional benefits of localization and supporting local communities.

C-stores with **premium partnerships**, like shortened spa services, can tap into indulgence needs.

Other services, such as a CSA pick-up location, help to provide a halo of **fresh** and local.



64%

run at least one non-grocery errand weekly (e.g., post office, bank, doctor...)



Among those who make at least one non-grocery errand a week, C-store Loyalists make more, averaging 2.4 errands weekly (vs. 1.8 among others).



I wish I could pick up my dry cleaning here. Driver license renewal they have at the library. Why don't they have it here? People would be on Instagram like, check this out! I'm doing all these things in one spot.

—Cynthia, 53

TRADITIONAL C-store

fuel	car wash	package delivery	car registration services	cell phone repair
air for tires	bill pay and check cashing	driver license renewal	quick cell phone charging	dry cleaning services

MODERN Multifunctional Space

Strategic opportunity

Offering services beyond food, beverage and car needs will extend C-store as a solution for other daily, routine habits and strengthen ties to convenience. Auxiliary services that align with traditional convenience and prioritize speed and accessibility are given a modern twist when partnered with C-stores to create flexible and engaging modern convenience.

Embracing Modern Convenience, December 2018. D10. Which of these do you visit AT LEAST ONCE in a typical week? (Select all that apply) N=2,279. Information about auxiliary services based on: Lisa Baertlein, "Short visits rise at Whole Foods stores with Amazon lockers, Reuters, March 26, 2018, <https://www.reuters.com/article/us-amazon-com-wholefoods/short-visits-rise-at-whole-foods-stores-with-amazon-lockers-idUSKBN1H20NE>.

Insight Activation Examples

Key Need: Multifunctional Space

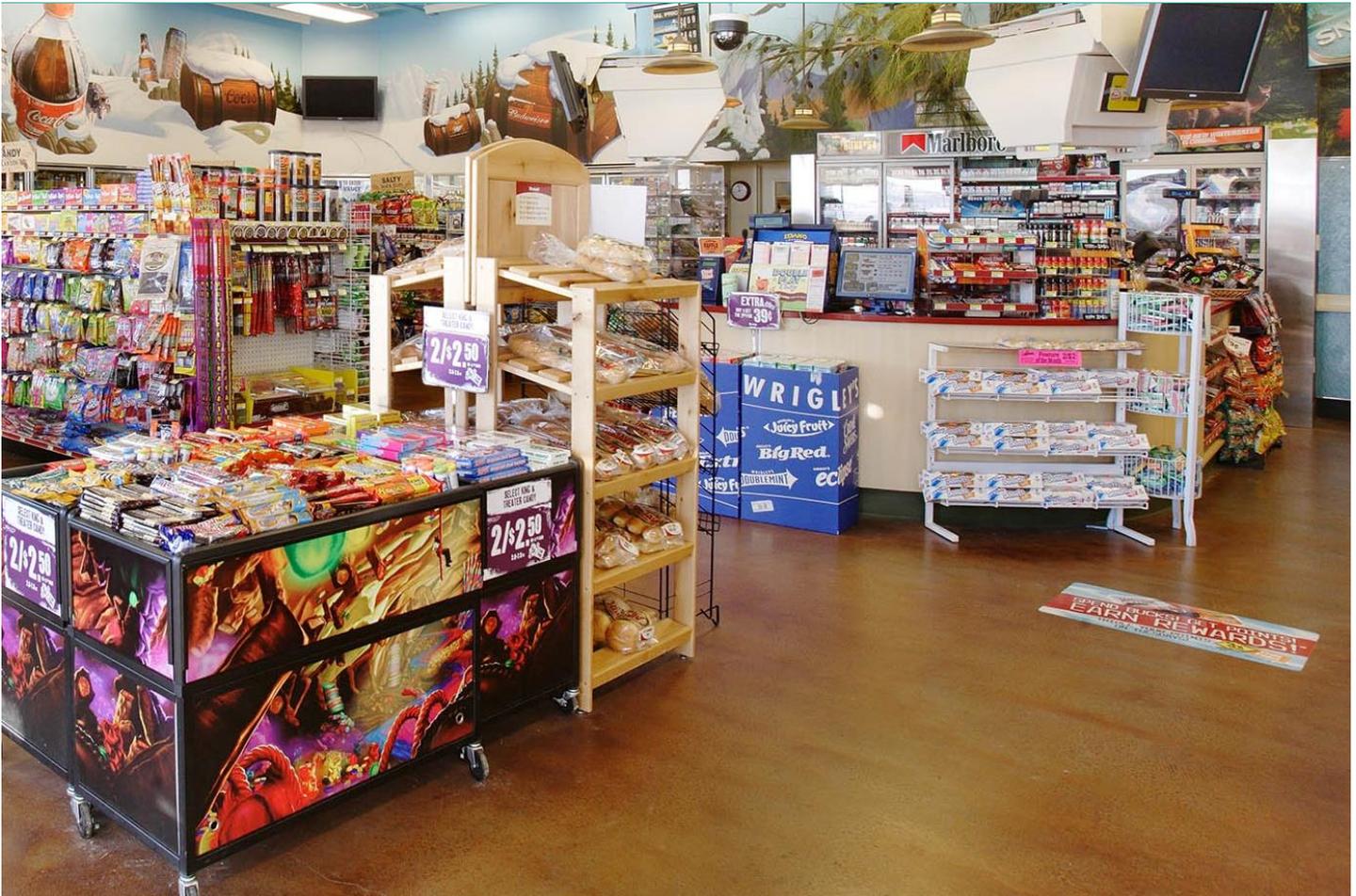
Regular errand stops are convenient partners for consumers' package holds

Over the last few years, the rise of online shopping has been paralleled with the increasing threat of “porch pirates.” United Supermarkets in Texas is now closing the gap between worry and convenience by offering a secure holding location for Fed-Ex packages to help ease the stress of package theft. Consumers select a location to hold their packages and provide ID and a signature at pick-up. By partnering directly with Fed-Ex, United Supermarkets is maintaining security and tracking.



Takeaway: Due to their supremely convenient locations and the ease of getting in and out, C-stores could provide a valuable service to busy, modern consumers who cannot be home to receive packages. Giving consumers new reasons to come into the store is an ideal way to introduce new items and services to keep them returning.

Russell Redman, “United Supermarkets takes aim at ‘porch pirates,’” *Supermarket News*, December 07, 2018, <https://www.supermarketnews.com/issues-trends/united-supermarkets-takes-aim-porch-pirates>.



Chapter Seven Implications For The Future Of C-store

There has never been a better time to envision new opportunities for growth in the convenience channel, in spite of an increasingly competitive retail landscape and evolving transportation dynamics. As other brick-and-mortar channels struggle to sustain growth, C-stores have a number of competitive strengths to continue to leverage:

- a clear identity of convenience
- a model built on speed and efficiency
- complete accessibility – close to home, work or both
- assortment that delivers on immediate and personal needs

These hallmarks of traditional convenience remain highly relevant to consumers, from loyalists to Millennials to busy parents. The fact is, all consumers are navigating busier and more complex lives and looking for help in balancing personal and household needs, health and indulgence desires, fun and practicality, all wrapped in budget and time realities.

Traditional notions of convenience are intersecting with additional modern values.

Busy consumers will continue to value traditional convenience in the form of quick and easy, and small-basket trips, but at the same time they are elevating food values and emotional benefits into their consideration sets. They seek healthy, high-quality, personalized and customizable options. Not every time, not everywhere. But innovative retailers, many C-stores included, have begun to offer solutions that take consumers closer to their ideal of convenience, quality, health and enjoyment. And they have raised the bar for those who have yet to do so.

An elevated, more experiential evolution of C-stores is on the radar of many C-store shoppers — but not at the expense of traditional convenience dimensions.

Integrating modern conveniences should occur at a pace that is right for each C-store and their customers. For some, these are uncharted waters that can be tested by improving upon traditional strengths to deepen satisfaction. For others who are farther along the continuum, there are opportunities to innovate and to improve, exceed or expand to keep pace with consumers' evolving needs.

How should C-stores move forward?

As a baseline, we suggest evaluating individual customer profiles and operational strengths against the many insights and strategic opportunities identified in this report. In addition, we offer the following as good places to focus—

- **Excel in retaining traditional convenience differentiators:** speed, ease and accessibility; organized layouts that support easy store access and navigation; well staffed for fast check-out; variety in conventional, snack-focused assortment. Pay extra attention to immediate-consumption-optimized product assortment – single-serve, portable foods and beverages and options that support the on-the-go consumer.
 - Curate products that give your customers both familiar and new **surprise and delight** opportunities. C-stores excel in meeting needs for beverages and snacks to “delight” but can close a gap vs. other channels for “discovery” and indulgence-oriented offerings.
 - Offer a strong selection of beverages to satisfy a range of adult and kid preferences that can also tap into discovery.
 - *Wide assortment of fresh, hot and cold beverages.*
 - *Single-serve beverages running the gamut from functional to fun and indulgent, and ranging from classics to trend-forward options, such as cold-brewed coffee and kombucha.*

- **Improve customer satisfaction with incremental upgrades across basic store features and offerings.**
 - Cultivate a culture of engaging employees
 - *More than any other channel, C-stores have a format that can facilitate customer interaction and ability to greet customers as they enter the store. Many C-store shoppers comment on their delight at being recognized and greeted by friendly staff. They cite a stronger community feel within their neighborhood C-stores. Leverage this greater opportunity for personal contact. Elevate the staff's importance by making them curators of items in the store, such as "staff picks." Profile awards or community service achievements among staff. Learn regular customer names as coffee shops do.*
 - Freshen up the assortment
 - *Even the strongest loyalists mention a desire for more selection of fresh daily and/or made-to-order sandwiches as well as better-for-you perishable options (e.g., yogurt, cut fruit). Pay attention to cues of freshness as well – staff interacting with the product is a key indicator to customers, whether rotating in new items, freshening up condiments or preparing sandwiches in view of customers.*
 - *Signs that highlight "made today" (for fresh pastries and sandwiches) or "made on site" can also support freshness aspirations.*
- **Exceed expectations and strengthen competitiveness through more substantial upgrades to keep C-stores in the consideration set against QSR and grocery.**
 - In-store and beyond, digital engagement can take many forms and enhance customization while also delivering fun experiences. C-stores should begin exploring how to tap into the convenience and attraction that digital solutions can add. However, if more advanced technology can't be supported or done well, save it for the future.
 - *Digital milkshake and smoothie machines have surprised and delighted many C-store customers as have espresso machines that allow customization.*
 - Ready-to-eat meals – some C-stores are beginning to offer touchscreen ordering kiosks to complement other fresh and ready options with much customer receptiveness.
 - *If freshly prepared on site is further down the road, consider an alliance with a local food truck on the premises to bring a halo of fresh, quality offerings.*
 - *If possible, include some comfortable and inviting seating to extend the relationship.*

The first step to move toward activating on modern convenience is for C-stores to assess where they currently stand.

To help with this process, we have provided a checklist on the following pages to identify actions currently being taken along the continuum of traditional to modern convenience. While not exhaustive, the steps listed can help inspire ways in which C-store operators can take the learnings from this report and implement changes in their stores as circumstances allow and as seems suitable for each locale. Though some steps can build on prior actions, the overall transition from traditional to modern convenience is not processual, and owners may find that some steps are more appropriate for their location(s) than others. However, as C-stores fulfill more needs along the continuum, we expect more success in the future of the channel overall.

Above all else, C-stores should be patient as they undertake their journeys. Some actions may be easier to take than others or may produce results more quickly. The larger the change (adding fresh assortment or food service where none currently exists, for example), the greater the time investment and time to see results. However, no matter where on the continuum of traditional to modern convenience they currently fall, or aspire to be in the future, operators should focus on making their stores the most inviting spaces they possibly can. This can be done in a myriad of ways – from a greeting by a friendly employee to new snack discoveries to premium coffee and fresh pastries to engaging digital experiences. The opportunities are many and success depends on the channel’s ability to understand and adapt to the forces of food culture and the shifts in the consumer’s purchasing patterns and evolving needs.

“C-stores have changed – they’ve become bigger, they have variety [healthier options/fruits]. Now they have something for me.”

–Papi, 48

Retailer Self-Assessment: Readiness for Modern Convenience

- Checklist -

	Retain Traditional Relevance	Deepen Satisfaction	Strengthen Competitiveness	Create New Relevance
Traditional Convenience: Quick, Easy, Accessible	<ul style="list-style-type: none"> <input type="checkbox"/> Prioritize speed of service across all transactions <input type="checkbox"/> Have an easily navigated store layout <input type="checkbox"/> Provide accessibility for drivers and pedestrians to get in and out easily 	<ul style="list-style-type: none"> <input type="checkbox"/> Have multiple locations around town, near shoppers’ homes and work locations <input type="checkbox"/> Provide adequate staff to maintain speed and efficiency during peaks in customer traffic 	<ul style="list-style-type: none"> <input type="checkbox"/> Provide cashless and mobile payment systems to increase speed and efficiency <input type="checkbox"/> Offer loyalty programs that reward customers with special services, savings on favorite items or advance notice on promotions 	<ul style="list-style-type: none"> <input type="checkbox"/> Offer mobile platforms and apps for ordering ahead, digital coupons and delivery options for a frictionless omnichannel experience <input type="checkbox"/> Provide accessibility to public transit users and relevance for ride-sharing drivers/riders
Traditional and Modern Convenience: Emerging Needs & Occasions to Empower, Engage, and Provide Flexibility	<ul style="list-style-type: none"> <input type="checkbox"/> Offer a wide variety of classic and contemporary/premium beverages in both fresh and packaged formats, healthy and indulgent choices <input type="checkbox"/> Offer a wide variety of favorite snacks and single-serve, grab-and-go items for immediate consumption <input type="checkbox"/> Offer both classic and elevated adult-centered categories with a wide selection of types and brands <input type="checkbox"/> Offer permissible indulgences and treats in small and single-serve portion sizes <input type="checkbox"/> Have offerings that provide discovery, unique flavors and right-sized formats <input type="checkbox"/> Ensure that employees are trained and empowered to give fast and personalized customer service <input type="checkbox"/> Maintain a clean and welcoming ambiance 	<ul style="list-style-type: none"> <input type="checkbox"/> Offer a wide selection of healthier items for adults and kids – refrigerated and fresh items, including fruit, dairy, packaged salads, sandwiches/wraps and clean ingredient/less processed items <input type="checkbox"/> Build trust with cues of quality and freshness for perishable items – time or date stamps, at-shelf signs, local sourcing, clean store and visible staff interacting with items <input type="checkbox"/> Curate discoveries of new, indulgent or specialty offerings in sweets, salty snacks and beverages for elevated taste experiences <input type="checkbox"/> Recognize local demographics and community interests through localized products/services and community support <input type="checkbox"/> Emphasize efficiency coupled with friendly and customized service. Staff should be motivated to greet customers personally and be visibly engaged with customers and the store’s merchandise 	<ul style="list-style-type: none"> <input type="checkbox"/> Offer merchandise/incentivize purchases of “for-later” snacks and meals during morning stops for IC coffee/tea/breakfast items <input type="checkbox"/> Offer fresh, customized made-to-order sandwiches, salads and or other options prepared on site by dedicated staff <input type="checkbox"/> Offer self-serve fresh, customized made-to-order options through premium vending or technology <input type="checkbox"/> Partner with a local company, such as a food truck or food service operator to offer on-site fresh prepared ready-to-eat meals and snacks <input type="checkbox"/> Understand customer preferences by engaging customers for feedback, offering samples, listening to their ideas about freshness and quality <input type="checkbox"/> Offer in-store digital solutions for improved customer experience, but not at the expense of in-person customer engagement from staff 	<ul style="list-style-type: none"> <input type="checkbox"/> Provide a welcoming environment for customers to linger or meet up with others, with comfortable, well-placed and WiFi-connected seating <input type="checkbox"/> Offer services that support urban and transit customers who have limited ability to carry out purchases – delivery services and small-format/single-serve offerings <input type="checkbox"/> Create entertaining touchpoints, such as games, media streaming and activities for kids to draw in a wider variety of customers <input type="checkbox"/> Promotions and services to draw in EV owners with extra services, like car charging <input type="checkbox"/> Offer other services that align with car needs <input type="checkbox"/> Offer auxiliary services for additional reasons to stop in – Amazon lockers, CSA produce pick-up, Redbox video rentals, etc.

checked _____

checked _____

checked _____

checked _____

Retailer Self-Assessment: Readiness for Modern Convenience

- Scoring -

	(1) To retain traditional relevance, we...	(2) To deepen satisfaction, we...	(3) To strengthen competitiveness, we...	(4) To create new relevance we...
# Boxes checked from prior page				
Weighting: multiply # boxes by:	X 1 = _____	X 1.5 = _____	X 2.0 = _____	X 2.5 = _____
Total score: add numbers across columns 1-4	Score: _____			

If you scored:

1-20	Your organization is probably delivering on Traditional Convenience but needs to activate on more Modern Convenience needs to be competitively prepared for the future
21-35	You have made progress toward activating on both Traditional and Modern Convenience needs
36-56.5	You are innovating and delivering your customers Modern Convenience needs



Appendix

THE NACS/COCA-COLA RETAILING RESEARCH COUNCIL

Hal Adams, CST

Chris Gheysens, Wawa

Varish Goyal, Vintners Dist.

Deborah Gullaher, Suncor Energy

Terry Handley, Casey's

Kevin Hess, Kroger/Kwikshop

Tom LeFevers, Speedway

Steve Loehr, Kwik Trip

Crystal Maggelet, Maverik

Billy Milam, Racetrac

Chuck O'Dell, QuikTrip

Quinn Ricker, Ricker's

Debbie Robinson, SPAR (UK)

Joe Sheetz, Sheetz

Peter Tedeschi, Tedeschi Food Shops

Matt Thornton, Thornton's

Henry Armour, NACS

Dae Kim, NACS

*Michael Sansolo, research director for the
North America NACS Council*

WHO WE ARE

The NACS/Coca-Cola Retailing Research Council (www.ccrcc.org) is composed of convenience industry leaders from around the world. It conducts studies on issues that help retailers respond to the changing marketplace. The unique value of these studies rests with the fact that retailers define the objective and scope of each project and “own” the process through the release of the study and its dissemination to the broader retail community.

OUR MISSION

To identify big issues facing convenience retailers, do research that uncovers ways to deal with them, and then to encourage retailers to use these new ideas to improve their business.

THE HARTMAN GROUP, INC.

The Hartman Group, located in Bellevue, Washington, blends leading-edge customized research and consulting to understand the subtle complexities of consumer and shopper behavior. Since 1989, The Hartman Group has been listening loudly to the underlying motivations and behaviors that move the needle for our clients. To learn more about how The Hartman Group stays sharply focused on how consumers live, shop and use brands and products, visit:

www.hartman-group.com

RESEARCH METHODOLOGY

The *Embracing Modern Convenience* study was conducted by The Hartman Group during the spring and summer of 2018 to provide a comprehensive understanding of consumers' perceptions, understanding and expectations of the convenience channels with the goal of identifying ways for the channel to evolve in order to stay relevant to consumers as their values, needs and habits change.

The research included both qualitative and quantitative components.

QUALITATIVE RESEARCH

Qualitative research consisted of:

- Stakeholder interviews: Seven 30-minute, semi-structured interviews with leaders in the convenience channel and food & beverage industry to understand their perspective on the unique opportunities and challenges at hand. Conducted in March 2018.
- Store audits: A total of 12 store audits in Dallas, TX, and Orlando, FL, to assess current retail elements, trends and offerings across mainstream and emerging C-stores in urban, suburban and rural areas. Conducted in April 2018.
- Virtual consumer interviews: A total of 14 consumer interviews with heavy and frequent convenience store shoppers across the nation. Engagements consisted of weeklong assignments, using a virtual platform to capture eating and shopping through consumer photographs and written responses, and cumulating in 60-minute one-on-one, in-depth Skype interviews, to more thoroughly understand consumer perceptions and shopping behaviors. Conducted in April and August 2018.
- Consumer shop-alongs: In-depth, one-on-one interviews with 10 weekly and monthly convenience store shoppers in Dallas, TX, and Des Moines, IA. These 90-minute interviews consisted of a discussion of consumer eating and food shopping habits as well as shop-along interviews in a variety of convenience stores. Photographs were taken whenever possible to capture evidence of the modern food culture landscape and shopping behavior. Conducted in September 2018.

QUANTITATIVE RESEARCH

Quantitative surveying consisted of a 25-minute online questionnaire fielded in July-August 2018 to a nationally representative sample of n=2,279 U.S. adult consumers.

The respondents surveyed had to meet the following criteria to qualify for the survey: U.S. residency, age 18-72 years, having shopped for food, beverages, groceries or other personal items within the past 30 days, any channel. Post-stratification weights were applied to the incoming, pre-screened sample to match U.S. Census January 2018 estimates for age-nested-in gender, race, Hispanic origin, income and geographic division.

Reported findings pertaining to a specific convenience store trip are based on a sample of 704 consumers who have purchased food, beverages, groceries or other personal items at a convenience store in the past two days (cited as "P2D users").

According to the conventions of probability sampling, the complete sample of n=2,279 enables estimates with a sampling error of no more than $\pm 2.1\%$ at the 95% confidence level, and a sample of 704 carries a margin of error of $\pm 3.7\%$.

Datamining analysis was conducted of previous Hartman Group research, including *Food Shopping in America 2017* syndicated study and *The Hartman Group Occasions Compass 2017* proprietary database.



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Chapter 2 Citations for Data on Segment Spotlight Pages

Embracing Modern Convenience, December 2018.

Questions based among P2D (past 2 day) users of the C-store:

Q4: Which of the following best represent what you were feeling at this time when you decided to use this convenience store? *(Select all that apply)*

Q6. What was the main reason you stopped at this gas station and store location? *(Select one)*

Q7: Did you also get gas for your vehicle during this particular visit to the convenience store? *(Select one)* P2D C-store users who came primarily for the store.

Q9A: On this occasion, why did you choose this convenience store over other options? *(Select all that apply)*

Q10: Regardless of why you visited this convenience store on this occasion, what did you actually do while there? *(Select all that apply)*

Q11: How many total items did you buy at this convenience store on this occasion? Your best recollection is fine. *(Select one)*

Q16: Which of the following best represents how this last visit to this convenience store fit within your overall activities that day? *(Select one)*

Q18: Who accompanied you on this convenience store trip, whether or not they actually went inside with you? *(Select all that apply)*

Q19: Who came inside this convenience store with you (as opposed to waiting outside or running a separate errand elsewhere)? *(Select all that apply)* P2D C-store users not alone on trip.

Q22: You said you first consumed at least part of your purchase [time from purchase]. Did you also consume any part of the purchase later? *(Select one)* P2D C-store users who purchased consumable items.

Q24: Which of the following best represents why you consumed part of your purchase immediately and part later? *(Select one)* P2D C-store users who also consumed part of their purchase later.

Q25: Do you have a “primary” convenience store that is a convenience store that you use more often than any other convenience store?

Q26. Why do you go to this convenience store more often than to other similar stores? *(Select all that apply)* P2D C-store users who have a primary C-store.

Questions based among All respondents:

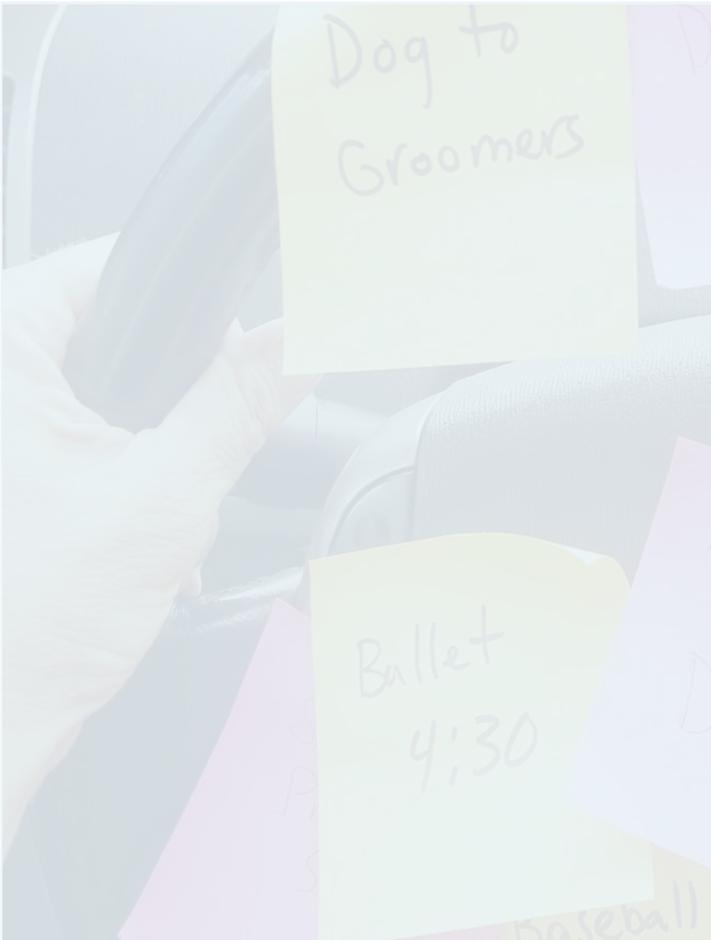
Q34: How frequently do you buy each of the following types of ready-to-consume foods or beverages, as opposed to making them at home or dining out at a café or restaurant? *(Select one per row)*

Q40: How likely would you be to make use of this idea when in the convenience store? *(Select one)*

Sample sizes:

P2D users: Millennial N=394, Loyalists N=429, Parents N=299.

All: Millennial N=855, Loyalists 429, Parent N=679.



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GROUP 

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