



# ONE SIZE DOES NOT FIT ALL



Has your store evolved with its customer-base, or are you stuck in the stone ages?



## REFINING PRODUCTS AND SERVICES TO MAXIMIZE SALES

There's an early Seinfeld episode, "The Café," where Jerry befriends Babu, the owner of an eclectic neighbouring restaurant.

How eclectic?

Upon entering the restaurant for the first time, Babu introduces Jerry to the concept: "Our specials are tacos, moussaka, and franks and beans," Babu says. (Jerry opts for turkey.)

Wanting Babu to succeed, Jerry convinces him to renovate the space and feature authentic Pakistani food, the cuisine of Babu's homeland.

"I'm not a restaurateur by any means, but it occurred to me that perhaps you might serve some dishes from your native Pakistan? As

opposed to franks and beans for example," Jerry says.

"But there are no Pakistani people here," Babu answers.

"Doesn't matter," Jerry says. "You would have the only authentic Pakistani restaurant in the whole neighborhood."

Seinfeld fans know the rest of the story. Babu transforms his space, per Jerry's advice, into a Pakistani restaurant. And soon thereafter, unable to attract customers, Babu is out of business.

While Babu had indeed retrofitted the space to represent an authentic Pakistani dining experience, his lone failing: Not catering to

the tastes of New York's Upper West side residents (to be sure, I'm not sure franks and beans would have cut it either).

Convenience store retailers can gain insights (if not a few laughs) at Babu's expense. Are you pushing what's familiar and convenient for you, or have you been adapting to a changing customer-base, delivering goods and services that drive traffic to your store? After all, tobacco and alcohol restrictions have placed a stranglehold on products that used to provide the lifeblood of your industry.

Selling soda, chips, and lottery tickets may provide break-even returns that sustain operations for the short-term, but with the proliferation of national foodservice and

drug store chains across the country, the competition has never been greater, with the need to adapt never more profound.

It's a pursuit that both manufacturers and retailers are adopting as they seek to strengthen their bottom lines and better engage their core demographics, increasingly important as the economy continues to struggle.

### **MANUFACTURER FOCUS: A SPORTS DRINK COMES FULL CIRCLE**

For more than 45 years, the ubiquitous Gatorade sports beverage has been hydrating consumers with a range of products marketed for use during physical activity.

Created in 1965 by medical researchers at the University of Florida at the request of the school's football coach, Ray Graves, Gatorade's rehydrating ingredients – water, sodium, sugar, and potassium, among others – combined to form one of the first true functional beverages, one intended to sustain the Florida Gators football players during practices under the unrelenting Florida sun.

Over the past decades, the product line has

expanded to more than a dozen varieties, with a marketing strategy that sought to position the drink as one appropriate for any occasion, with flavour a driving selling point. Indeed, one could find young children lapping up the fruit punch variety from a sippy cup, a worthy competitor to Hawaiian Punch and Hi-C. Not exactly the parched athlete that its creators envisioned when crafting the drink.

But a downward spiral in sales, led by a dismal 2009 performance that saw volume sales drop nearly 14 percent in the first quarter alone, prompted PepsiCo, owner of the Gatorade brand, to rethink its marketing strategy, eschewing the one-size-fits-all branding.

Enter the "G Series," a 2010 rebranding that PepsiCo chief executive Indra Nooyi said returned the brand's focus back to athletes and away from the everyday consumer.

"[Before the G Series, Gatorade was] an example of how not to run a functional nutrition business," Nooyi said at a December 2010 trade conference. "We had to remake it ... We had some hiccups, but the brand is now on sustained growth. We're going to stay the course. This is the way to do it."

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## **TAKE A JOURNEY THROUGH THE AGES AND SEE HOW THE C-STORE HAS SERVED ITS CUSTOMERS THROUGH TIME.**



### **500s B.C.**

Ancient Egyptians gather at their local market to shop, socialize and sell their wares. Every retailer has their own special products to sell or barter with, for other in-demand goods. In an open-bazaar layout, each vendor sets up tents where customers come and try to get a bargain.

## MAJOR RETAILER FOCUS: A GIANT FINESSES THE MARKETPLACE

The world's largest retailer, Walmart, has a reputation for bulldozing its way into new communities, with its hypermarket sell-everything approach, coupled with rock bottom pricing, challenging an area's smaller retailers to keep pace.

And though it certainly has the retailing and marketing muscle to succeed in Hispanic neighborhoods in Houston and Phoenix with its traditional Neighborhood Market and Sam's Club format, it created completely new concept stores in those markets in mid-2009, an effort to fully leverage consumers' shopping preferences.

And so it launched Supermercado de Walmart, neighborhood stores that average nearly 40,000 square feet and feature Spanish-language signage and products specifically for Hispanics, as well as Mas Club, a warehouse concept similar to Sam's Club that also focuses on products for Hispanic consumers.

"The demographics certainly point to that (Hispanics) being a market that you have to appeal to," said Lorrie Griffith of the Shelby report, a grocery trade publication, in a

Houston Chronicle interview.

And the new concepts made sense, according to Griffith, because market share for the existing Walmart stores in Houston had previously been on the decline.

"It seems like a good idea given the fact that those stores don't seem to be soaring in the market," she said. "If those stores aren't doing quite what they want them to do, this could revitalize those units."

For Walmart's executives, the rationale was not one of revitalization, but of refocusing.

"We have very diverse communities in the U.S. and we are working to ensure that our stores are reflective of that diversity," said Amy Wyatt-Moore, a Walmart spokesperson.

The "hyper"targeting strategy is one that the retailer will continue to pursue in 2011 and beyond. In an announcement this past December, Walmart said it is developing a 10,000-square foot Walmart on Campus store at the University of Arkansas, a small store format that caters to the preferences of the college-aged.

And while the campus concept appeals to a distinct demographic, on a broader level, the smaller format enables the retailer to gain access to a marketplace when zoning

restrictions prevent it from building its traditional supercenters, which average nearly 200,000 square feet. As such, look for dozens of these smaller format stores to break ground in the coming year.

"[W]e will be building these [small format] stores to learn from them," said Walmart U.S. CEO Bill Simon at an October 2010 investor conference. "There are hundreds and hundreds if not thousands of opportunities ... for small formats."

## SMALL RETAILER FOCUS: A NATURAL FIT

Sure, you might be thinking, a multinational retailer like Walmart could test whatever concepts it wants, as its deep pockets, in the long run, will always ensure success.

But far smaller retailers are also taking a more nimble, targeted approach to the traditional convenience store model.

In 2007, Vanderbilt University in Nashville, Tennessee, sought a better product alignment at its campus convenience store for its health-conscious students.

The solution: nectar (lower-case "n"), a comprehensive health-oriented branding concept whose minimalist, lowercased



## 1700s

In more remote villages, the trading post retailer offers everything a person living or travelling through the area, needs to survive – a one-stop shop, the only shop. Money is accepted but so is the trade of similar valued goods (how about a barely used rabbit pelt for some delicious smoked grizzly meat – yum!)

signage reinforces the simplicity and basics behind the store's natural products mix.

The store offers a wide range of natural, organic, gluten-free, dairy-free, and locally sourced products, along with all-natural beauty aids and detergents. Typically, they're products that don't make it onto the shelves of Whole Foods due to a limited distribution, yet contain all of the same healthful benefits.

"The whole organic and natural movement has been picking up speed on campuses, and we have in the past offered a variety of these items in our stores," explained Camp Howard, Vanderbilt's executive chef and associate director of dining services who created nectar. "But I felt there was a need for us to do more. We really wanted to channel what students were asking for ..."

Aggressive sampling and promotional giveaways, along with special events like yoga demonstrations, drives traffic to the store and boosts revenues, which from its inception averaged roughly \$2,000 a day, not bad for an 800-square foot space. And for the retailer, the transaction average of \$7.40 is \$2 over the previous store's take, which has resulted in a 108 percent increase in sales.

Its success has not gone overlooked.

Indeed, Food Management Magazine awarded nectar the winner in its Best Convenience Retailing category for 2007.

## THE LONG ROAD AHEAD

While targeted adaptation can help you maximize your store's success, the challenge is quite formidable, a reflection of marketplace dynamics that in many instances are beyond the retailer's control, says Dave Bryans, President of the Ontario Convenience Stores Association (OCSA).

"The c-store community is under siege in Ontario," Bryans said, ticking off a long list of obstacles facing convenience store retailers.

"The drug chain is competing now with food offerings, ... there are over 3,000 Tim Hortons in Canada where you can buy soup, bagels, doughnuts, and coffee ...we don't have alcohol ... 75-percent of c-stores don't sell gasoline ... the tobacco industry is [a mess], there are no promotional or display allowances ... and because there's no minister of small business in Ontario, it's hard for them to understand the family-run c-store." (And all that in just the first five minutes of the interview.)

Despite the dreary news and circumstances, though, there are retailers who are breaking

through, leveraging available strengths while seizing on marketplace opportunities.

## HARLEY CRUSHES CREDIT CARD FEES

"One of the problems facing retailers is the difficulty in getting capital," says Mike Hammoud, President of the Atlantic Convenience Stores Association (ACSA). "But there are social networking and promotional things that smaller retailers are doing that cost almost nothing, but are finding success."

He refers me to the Magnetic Hill Esso in Moncton, New Brunswick, a store that had seen rising credit card fees erode its bottom line and decided to fight back – by giving away a Harley Davison motorcycle.

"Every year, we give away a Harley Davison and a four-wheeler," said Tim Steeves, the Magnetic Hills Esso manager. "If you buy at least \$20 in fuel and pay by cash or debit, you get a ballot to enter [for a chance to win either the Harley or four-wheeler]. But if you pay by credit card, you get a chance to win the Harley only."

The opportunity to double your chances of winning is enough incentive to drive traffic – that's substantial traffic – to Steeves' store and



## 1800s

Technology is changing the world – the 19th century brings us the first battery, steam-powered locomotives and the telegraph.

Towns are popping up everywhere. In most of these towns the general store provides folks, most often settlers, with food and necessities like produce, medicine, tobacco and alcohol. In some places, the general store also serves as a post office.



When  
 life  
 gives  
 you  
 turkeys,  
 make  
 turkey  
 sandwiches.



to eschew plastic (at least the credit variety) for cash or debit.

The store receives no sponsorship promotional assistance, realizing that the increased traffic that the promotion creates more than compensates for the price of the sweepstakes prizes, which Steeves estimates at more than \$25,000. And the appeal of the promotion has produced a viral marketing effect, extending far beyond Moncton and its surrounding towns.

“We get people who stop here from Ontario to get ballots,” Steeves said. “We get tens of thousands of ballots each year.”

The store conducts its annual drawing on August 31, and on September 1, new ballots for the following year’s drawing begin to circulate, an ongoing, 365/24/7 campaign that keeps customers loyal to the store.

“I know I used to drive special to fill up at the store before I worked here,” Steeves said.

As a result, the station has established a brand for itself far more durable than Esso could ever provide.

“We’re known as the Harley store,” Steeves said.

## WHEN LIFE GIVES YOU TURKEYS, MAKE TURKEY SANDWICHES

Last issue, we profiled a store along the Cabot Trail in Nova Scotia, the Wreck Cove General Store, whose owner sells handcrafted lobster sandwiches. The foodservice favorites have received editorial mentions from as far away as Germany, and they helped establish the store as a destination for tourists as well as locals.

Seems the Atlantic provinces are not just fish-focused. Breen’s Deli and Convenience, based out of St. John’s, Newfoundland, has carved out a niche for itself and its handful of stores selling turkey sandwiches.

“He’s the turkey king of St. John’s,” exclaimed Hammoud. “He makes fresh turkey sandwiches every day, he cuts them up and has turkey vegetable soup, sandwiches. And with that success, he’s expanded his c-store offerings. He now makes his own bread, too, with his mom’s old recipe.”

In recognition of Breen’s success, he was named the ACSA C-Store Operator of the Year for Newfoundland and Labrador



## 20th Century

Cities are expanding rapidly and the mass-production of goods is in full-swing – products and services are everywhere. The good ol’ fashioned general store is replaced by large grocery stores and department stores. The Convenience store is born to provide the masses with gas for their “automobiles,” cigarettes and quick snacks on the go.

last September.

But it's not turkey alone that has led to Breen's success. In support of Breen's nomination for the c-store award, Pat Hearn, director of sales for Scotsburn Dairy Group, credits his retailing fundamentals.

"John Breen is a hands-on businessman who makes time for everyone [who] enters his establishments, which has given him daily insight into meeting and exceeding the needs of all his customers, in an ever-changing and very competitive marketplace which has certainly contributed to his continued success."

### **WHITE HAT + SQUEEGEE = INCREASED GAS SALES**

While the economic downturn has led to a drop in gas sales at many service stations in Oregon over the past two years (like in many parts of North America), fuel sales at Kent Couch's Stop and Go Shell station in Bend, Oregon have actually been thriving. The reason?

It's what Couch calls the "wow factor," a collective staff effort of exceeding customers' expectations with extraordinary customer service.

"When I bought the gas station in 1997, I

didn't know anything about the fuel business, but I knew from my prior experience managing grocery stores that customer service is the key to success, so the first thing I did was reinstate windshield washing," Couch said in a recent Associated Press report.

The gesture became an immediate hit with his customers, prompting Couch to enhance the effort by requiring his gas station attendants to wear white uniforms with folded hats, reminiscent of the ones attendants wore from the 1930s to early 1960s.

"I figured if we are going to do the old-fashioned service, we ought to dress the look," Couch said. "We tell our employees the uniform represents good customer service, so you wouldn't want to wear the uniform and not provide good customer service."

The effort has reaped dividends, as fuel sales at Couch's station have increased steadily every year since 1997, sustained growth fueled by neither capital investment nor infrastructure improvement, but by a genuine responsiveness for customers' needs, and a work ethic that went above-and-beyond those of his competitors.

### **AN INDUSTRY WISH LIST**

Of course there are winning strategies that

individual retailers can adopt, but Bryans is more concerned about industry challenges that must be addressed to ensure sustained growth by the masses.

"First, we need the government to sit down and talk about the issues," Bryans said. "Government has lost its focus on small businesses and how to help them."

"Second, we need to look at soft alcohol. The president of NACS (the National Association of Convenience Stores) at the association's 2010 convention said, 'Thank goodness that soft alcohol is sold in the U.S. at c-stores.' It's OK in some provinces but not all," Bryans said.

"We also need to work on the handling of tobacco products, which means accepting promotions and using that money to help the c-stores. You want to fight contraband, put ads in every c-store. We're a partner in the fight," he said.

"Fourth, we need help developing food programs...The government could help finance or guarantee loans for small businesses, otherwise, just getting a coffee program going is difficult.

Bryans also advocates for tax breaks to stimulate investment as well as establishing



## **21st Century**

The millennium has arrived and with it a number of different c-store chains, making it harder for the independent mom and pop shop to compete. Customers are changing too. Though many still come to shop for the classic c-store offerings, a growing number want fresh, healthy alternatives to snack on. Picking up on immersing customer demands, c-store owners make plans to accommodate their needs.



...kick your customer service focus into over-drive, listen carefully to your customer base and craft strategies that best connect with and engage their preferences.



curbs on the fees that credit card companies charge merchants. He's speaking quickly, a passion that comes from his affection for the small business owners he's come to know, sharing in their frustrations at finding an empathetic government ear.

"The government isn't really working to the future, they're damaging our industry instead of helping us. We're bigger than the auto industry, and they don't recognize that. If you want people in rural markets to be serviced by c-stores, we need help."

And until that day comes (Bryans said he isn't holding his breath), the success stories from those retailers who have taken matters into their own hands, crafting strategies that in many cases come at little or no cost, should serve as an example that indeed, positive change is still possible, that one can move far beyond the chips and soda corner store model.

Whether its capitalizing on the functional needs of health-conscious consumers, beefing up a foodservice program, offering promotions that encourage payment by cash or debit, or just kicking your customer service focus into over-drive, listen carefully to your customer base and craft strategies that best connect with and engage their preferences.

It's advice Babu would have been wise to follow.

"You make me change restaurant, but nobody comes!" Babu screams to Jerry a short time after his restaurant transformation when it is evident the concept has failed. "You say, 'Make Pakistani, Babu Bhatt, have only Pakistani restaurant.' But where are people? You see people? Show me people. There are no people!"

And as the restaurant closes its door for the last time a short time later, Jerry, George, and Elaine voice their dining preferences.

"How about Mexican?" Jerry asks.

"Italian," says George.

"No, Chinese," says Elaine.

Are you listening?



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