

The iConvenience Store

Where customization yields a powerful consumer experience



Car Wash

A carwash service will broaden your customer base.

INSTALL



Coffee

Offer coffee to your customers. You can even get fancy and serve lattes or cappuccinos.

INSTALL



Custom Food

Why not try making your favourite easy-to-serve sandwich or meal to sell?

INSTALL



ATM

Why not offer banking services in-store and at the pump.

INSTALL



Drive-Thru

Speed up the customer experience by offering drive-thru services.

INSTALL

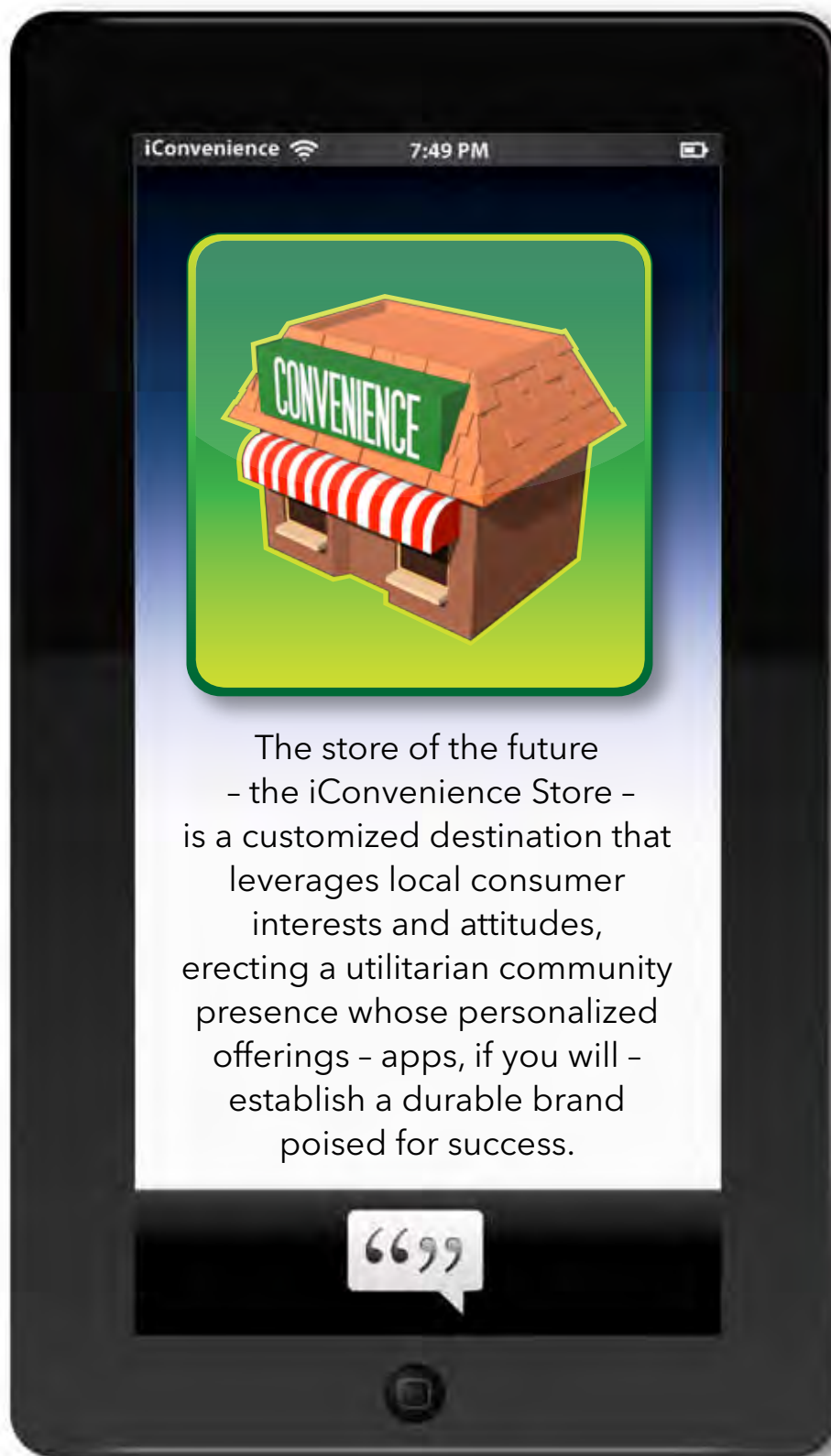


Dry Cleaning

Dry cleaning is a unique service that can be added in any store.

INSTALL

It's a rare product or service that my 16-year-old nose-pierced nephew and his fifty-something, cuff-link-adorned fund manager father can both enjoy. Witness All Bran vs. Cap'n Crunch; Dancing With the Stars versus Jersey Shore; and a 2010 Lexus versus a second-hand BMX bike. Enter the iPhone.



Enter the iPhone

The revolutionary iPhone is a remarkable smartphone device that has incited interest among a diverse demographic, one that includes retirees, soccer moms, college students, teenagers, and even toddlers (mention "Angry Birds" to any three-year-old, you're sure to generate a smile). Relying on a flexible design that incorporates customized software applications (apps) that offer a personalized user experience, the iPhone is truly unique in its appeal to nearly all age groups.

To date, more than three hundred thousand apps have generated more than six billion downloads, a staggering phenomenon that attests to the breadth and depth of consumer passions that have embraced this do-everything device. For whether it's accessorizing the phone with decorative skins, downloading games, and accessing social networking sites or following news stories from Switzerland, browsing the latest issue of Rolling Stone, or documenting travel expenses during a business trip, the iPhone is appropriate and relevant because it's useful in so many different ways. (Did I mention it makes phone calls, too?).

So, too, is today's progressive convenience store, which leaves behind the monotonous chips and sodas-only store fronts, those ubiquitous (and inconspicuous) urban relics whose nickel and dime focus have left them facing considerable financial hurdles, especially during the current downturn. The store of the future – the iConvenience Store – is a customized destination that leverages local consumer interests and attitudes, erecting a utilitarian community presence whose personalized offerings – apps, if you will – establish a durable brand poised for success.

A quick service restaurant, full-service bank, dry cleaners, car wash, general merchandise outlet, and upscale espresso bar are all options – apps – that will help define and establish your brand, and choosing the right mix and components for your audience will determine your store's short- and long-term success.

C-store gastronomy and fashion

The Wreck Cove General Store (WCGS) in Wreck Cove, Nova Scotia, along the eastern stretch of the famed Cabot Trail on Cape Breton Island, is an anomaly in the Nova Scotia convenience store industry, where conformity seems to be the standard. Of Nova Scotia's approximately 1,035 Atlantic Convenience Store Association (ACSA) member stores, most resemble the cookie-cutter, chain variety. However, when WCGS's owner, Marcelle Lavoie, opened the store in 1976, she was tired of the generic and decided to risk the untested.

"When I opened the store, I wanted to do it my way," Lavoie explained, who seamlessly integrated granite floors, wood walls and ceilings, a generous assortment of plants, and even a rocking chair into her store, the result of which is a fresh, architecturally pleasing space that's at once inviting and comfortable.

"The interior of the store [feels] comfortable due to the wood walls and stone floor," Lavoie said. "People exhale when they come in and tend to stay a while."

Once inside, visitors are met by an assortment of foods that move well beyond c-store staples like gum and candy. Indeed, not long after opening WCGS, Lavoie decided to sell premium lobster sandwiches, an indulgent treat that incorporates fresh-caught lobster and locally baked bread. They've become a cult favorite there and in other parts of the world, with editorial mentions coming from as far away as Germany.

In addition to lobster, Lavoie sells an impressive selection of organic foods, fair trade products, fishing and hunting licenses, and \$300 oilcloth raincoats from Newfoundland. And lest you think the coats are aesthetic props, think again: During my visit last year mid-summer, Lavoie had nearly run through her second shipment for the season.

"We sold out quickly of our beginning order [of eight \$300 raincoats]," said Lavoie, proud that

customers who sought little more than a bottle of water left with a handsome Newfoundland coat – a true by-product of an atmosphere that's confident and reassuring.

While gasoline accounts for roughly 50 percent of Lavoie's sales, it's a loss leader, as far as she's concerned.

"There's hardly any profit in gasoline sales in Nova Scotia," Lavoie explained, "And for the few pennies that I do make [on a gallon of gasoline], nearly all of that is lost to credit card fees.

During the low season, WCGS morphs into an intimate gathering place of locals, a relative designation that seems to expand each year. Many come by snowmobile and most tend to linger at one of her store's welcoming tables, sipping espresso or cappuccino. It's a much more intimate

season for her and her customers and one that creates a strong sense of community.

Leveraging the interests of both locals and passersby is no easy feat, but Lavoie accomplishes it with an unassuming grace, with a strategic, customized approach that affords her store nearly universal appeal.

Banking at the pump

While banks at convenience stores are not new, the ability to make actual deposits while at the fuel dispenser, communicating via intercom with an onsite bank teller, was a unique approach that convenience store veteran Ali Sharaf of Waxahachie, Texas-based Victron Energy decided to pursue when he broke ground on a Shell gasoline station and mini mart as part of a travel





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plaza in Kilgore, Texas. "We have a local bank we work with, [the manager] said he'd be interested in a presence inside one of our stores," Sharaf said. "That's when the idea first came about."

As construction began, in addition to a dedicated bank drive-thru, Sharaf added banking capabilities directly from four of the station's 10 multi-fuel dispensers, a move that he knew would clearly separate him from his competitors while affording truly time-pressed motorists the opportunity to multi-task while dispensing fuel.

And this was no low-risk marketing gimmick. Installing pneumatic tubes next to fuel dispensers came at considerable cost to Sharaf, an investment he willingly assumed as he sought to tap into a perceived marketplace need.

"[We installed] a separate vacuum pipe nest next to [four pumps] that can carry [bank] deposits, and each one of these costs close to \$10,000 installed," Sharaf explained, for a total incremental cost of \$40,000.

Since it opened in late 2008, Sharaf has been pleased with his store's performance, which he says is a win-win for the station and bank.

"The bank is happy, they have a [built-in] traffic generator, and it's the same for us," Sharaf said, who estimated 25 percent of the bank's deposits are made at the pump versus the drive-thru. "We're driving traffic to the store because everybody is looking for a one-stop shop."

As for bottom-line figures, Sharaf said it's too early to quantify the business lift, though he estimates the bank adds "at least 10 percent more traffic to the site," a return that has him looking beyond Kilgore.

"Because of the success, we plan to do the same in other areas when we line-up with banks,"

Sharaf said. "In fact, we're [currently] looking at other areas."

Featured destination

Success for retailers like Lavoie and Sharaf is perhaps best explained by Mike Hinshaw, Executive Vice President of Retail for CEFCO, a company that operates more than 100 convenience stores in Texas, Mississippi, and Alabama. Like Lavoie and Sharaf, Hinshaw customizes his stores' offerings according to local tastes, characterizing his company's success in two words: featured destination. And while there are a number of service-related elements that help build that "featured destination" status (among them, Hinshaw lists "clean restroom and excellent customer service"), offering a carefully crafted merchandise selection is a notable contributor. For many of Hinshaw's stores, that means Texas gifts and souvenirs, including Western hats, wrought iron items, [and] rustic ice chests.

The key here is understanding local demographics and responding with appropriate merchandise, products and services – or apps, in the case of your iConvenience Store.

One size does not fit all

For Lavoie, Sharaf, and Hinshaw, customizing their stores with signature offerings – lobster sandwiches, \$300 raincoats, banking at the pump capabilities, Western hats – distinctively branded their operations while appealing to their demographics.

But these offerings are hardly one-size-fits-all solutions that guarantee success. A bank, for example (and one with banking at the pump capabilities in particular), might be a losing proposition in an area saturated with financial

institutions; \$300 raincoats sold at a convenience store might not find the same following in an urban area overrun with shopping options; and certainly Texas cowboy hats might not be strong sellers in downtown Toronto.

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Selective branding

Branding your store is more than just affiliating yourself with a recognizable name though. Just ask any of the BP franchisees in the Gulf Coast region (or throughout North America, for that matter), who suffered tangible sales drops after the Deepwater Horizon oil spill in April of last year.

For several months as the oil spill made headlines, "the BP brand was toxic," wrote the Columbus Dispatch in an October 2010 report, as environmental groups staged protests outside

POPULAR APPS



Banking

While your customers are filling up wouldn't it be great if they could do their banking too! Offer this unique service and watch the customers roll in.



Drive-Thru

If your customers are in a rush, why not give them a drive-thru option.



Specialized Merchandise

Selling specialized merchandise such as raincoats in the maritimes or authentic cowboy hats in the South has its benefits. Choose items that will peak interest and enjoy rising profits.



Building the
brand
– the fuel
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BP-branded stations, leading to sales that dipped as much as 10 percent at BP stations in Florida.

But aside from BP, the other major oil brands don't seem to be steering business like they did in the 1970s or 1980s. And the reason, according to one branding expert, is neglect.

"Brands only get built by the companies, and if you don't build your brand, you have a commodity," said Al Ries, chairman of Ries & Ries, a marketing consultancy in Atlanta. "And if I were a [branded] station owner, I would be screaming at [my oil brand] for not doing anything about their brand.

The difference, Ries said, is perception, and what consumers are willing to pay for the product.

"If people will pay three times as much for Evian water versus Poland Springs, that shows you the value of the Evian brand," Ries said. "But if there's no difference in price, that means the brand isn't very valuable...And in fuel, there's almost no [price] difference, which tells you the brand isn't worth very much."

Building the brand – the fuel or store brand – requires positive associations that engage people's positive alliances, a form of advertising that in many instances aligns with geographic and cultural relevance. For instance, in the United States for Sunoco, that means partnering with NASCAR as a means for tapping into motor racing fans' passions.

"There is still some cache that comes with putting Sunoco stations where you have a lot of NASCAR people," said Tom Kloza, chief oil analyst at Oil Price Information Service (OPIS).

Those sponsorship opportunities are high-profile branding efforts that help generate awareness while engaging consumers. Just ask CPG company Kraft, whose Kraft Hockeyville reality television series, now in its sixth season, is sponsored by the NHL and the NHL Players' Association.

"Kraft has been aligned with hockey for a number of years, but with Kraft Hockeyville, we've taken it to the next level," said Julian Franklin, Kraft's Senior Consumer Promotions Manager, Corporate Scale. "We've been successful in forging a link with a community... It drives volume in sales for Kraft during the in-store period, it drives awareness for Kraft, and it drives community pride."

It's a strategic, purposeful effort that taps into Canadians' hockey consumer passions and in the process generating awareness (and bottom line sales) for Kraft.

"We see specific brands during this period with lifts and we have started to become more focused on how the awareness and equity of Kraft Hockeyville is being perceived by Canadians," Franklin said. "[W]e've seen a year-over-year lift increase, and we'll continue to monitor and quantify the benefits." This year, it is expanding its POS supermarket program into the c-store channel, creating a pre-pack display that includes its Nabisco snacking items.

"We're going to kick-start the Kraft brands in that channel [using our Hockeyville brand]," said Mark Berish, Director of Customer Development for Kraft who works directly with Canada's convenience store channel.

"The towns that participate in Hockeyville, they're very small towns, and they may have just one local grocery store, but they might have 5-10 convenience stores," he said. "So it's an opportunity to broaden the message [while hopefully stimulating sales]."

Operational considerations

In addition to sponsorship associations and standalone apps, there are fundamental operational considerations that can also help distinguish your brand and build your iConvenience Store. For instance, in France, responding to consumer frustrations over delivery fees charged by online retailers and local stores, Chronodrive, backed by Groupe Auchan, opened its first drive-thru/pickup

grocery store in Lille in 2004. That's dedicated drive-thru/pickup: no cashiers, no shopping carts, no opportunity for customers to browse physical aisles. A long list of seemingly retail vulnerabilities, yet the concept is resonating among French consumers, and today Chronodrive boasts more than two dozen stores throughout the country.

"The buying power of French consumers is a top-of-mind issue at the moment," explained Isabel Cavill, Senior Retail Analyst at Planet Retail in London. "The success of the model is largely due to the fact that in France, as consumers are so price aware, they are often unwilling to pay delivery costs...In addition, it is often the case that drive-thru concepts offer the same prices as in stores while regular e-commerce sites are often higher priced than bricks and mortar counterparts."

However, merely adding a pickup option will not guarantee success. It has worked for Chronodrive because it understands its demographic and fills a marketplace need.

"It is not the service itself that wins, it is the fulfillment of a genuine consumer need," said Richard Lewis, Sector Analyst for The Consumer Goods Forum in Paris. "What customers ideally want is to get their shopping as cheaply as possible while losing as little time as possible. The successful retailers will fulfill this need, regardless of whether they are operating a store, an online store, a drive-up, or a full delivery service."

But it's not enough to just roll out relevant offerings, you need to generate marketplace awareness and a perception among consumers that they need that product or service, a concentrated promotional effort to spark interest and ensure durability.

"See, brands live-and-die in the

minds of the consumer and that's where your power is. It's people who have a good impression of Apple that makes Apple powerful," Ries said. That and making sure that the product or service you sell delivers on every one of its performance promises. (And both my nephew and his father, along with more than 50 million other iPhone owners, can attest that the device certainly succeeds in that respect.)

Don't neglect the bigger picture

Building your brand with customized apps that connect with and engage your target demographic is essential in assuring that your fate will transcend that of the old school soda and chips convenience store. Think of it as the difference

between today's iPhone and yesterday's eight-track player, cassette player, or Walkman. While the latter were capable and functional devices, their usefulness today is dated, with the former far more efficient and effective at delivering music, as well as three hundred thousand (and counting) other tasks and services.

However, whatever apps you choose to build your brand – car wash, dry cleaners, foodservice program, drive-thru capability, bank – your bottom-line success is still rooted in retailing fundamentals, especially within competitive markets.

"Consumers today are more aware, more informed, and more demanding," explained Greg Parker, president and CEO of The Parker

Companies, which owns and operates a chain of convenience stores in Georgia and South Carolina. "When people come to a Parker's, [the] experience is unique. We have great stores with lots of pumps and landscaping and beautiful bathrooms and lots of glass, the consumer becomes used to an experience and they begin to demand it."

It's a process that comes from an investment in a community, where relationships are formed and carefully managed, leading to positive consumer experiences.

"What we've done is educate the consumer that they have a right to demand more and to expect the fastest transaction and friendliest service. Ultimately, the consumer decides, and the consumer will go to the place that does the best job of meeting their needs," Parker said.

"What we hear from our consumers, they want products in stock, they want a fast transaction, and they want a safe, friendly, and clean environment."

So ask yourself: Does your iConvenience Store have an app for that?

