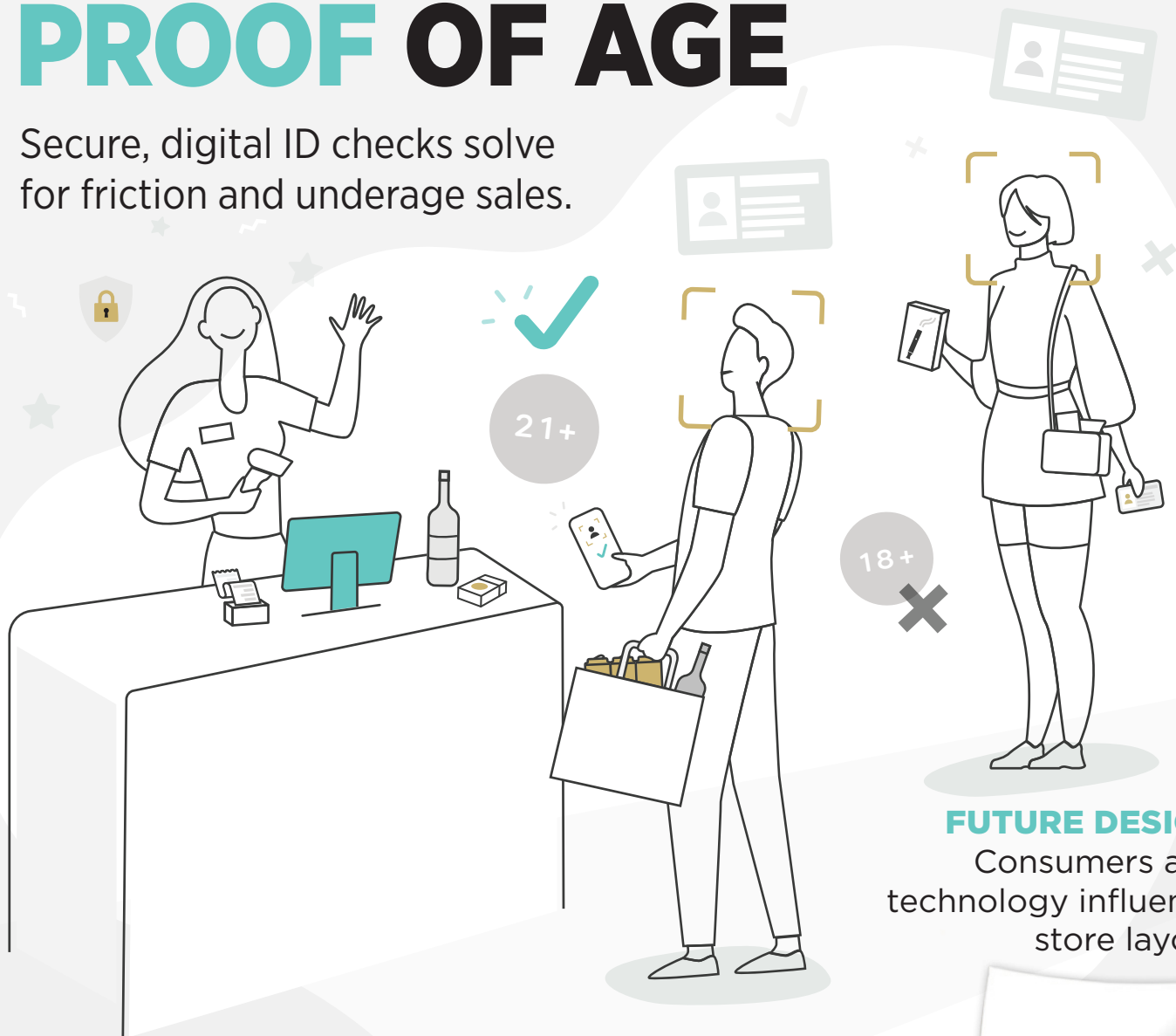


NACS[®]

PROOF OF AGE

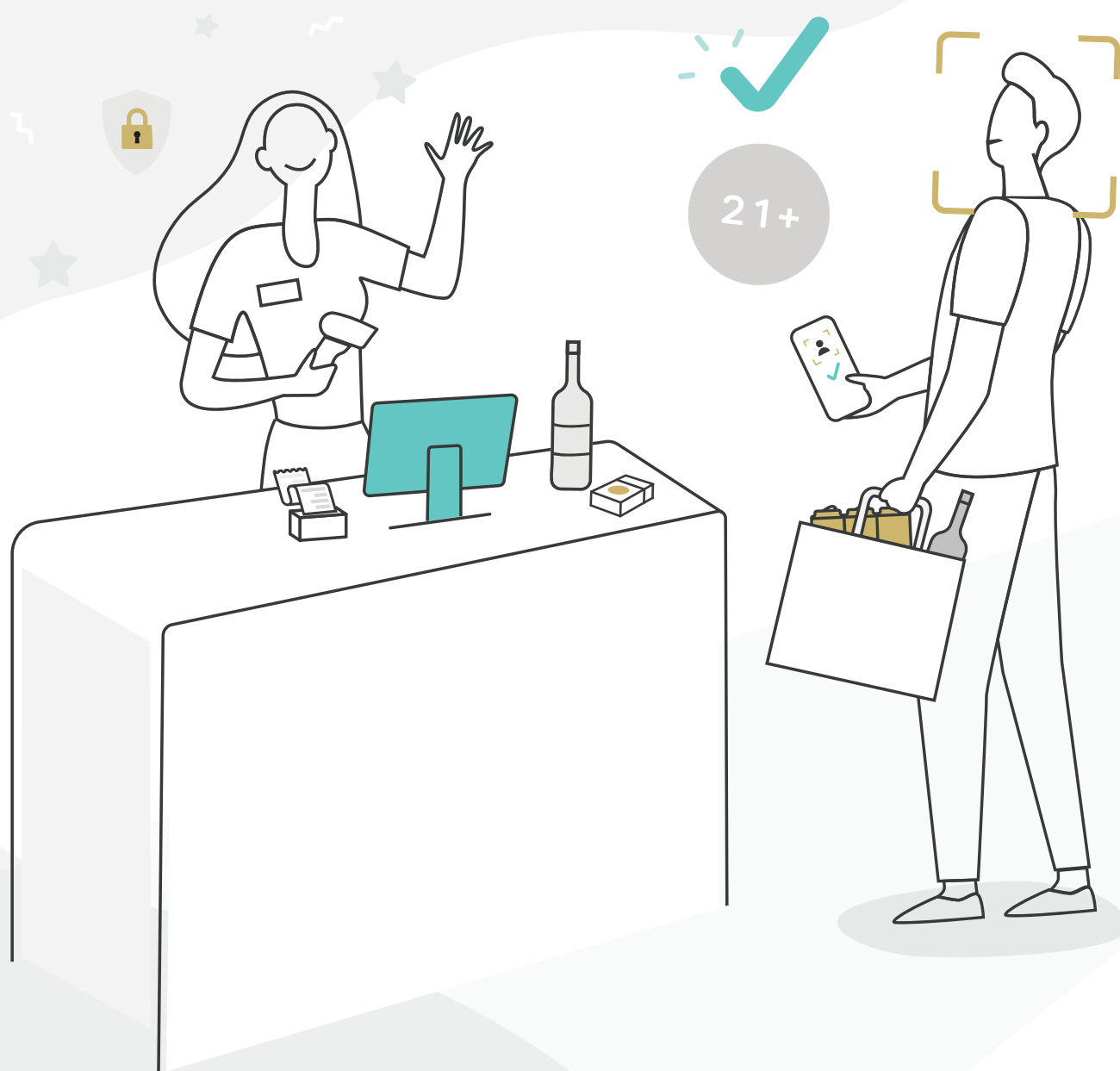
Secure, digital ID checks solve for friction and underage sales.



FUTURE DESIGN

Consumers and technology influence store layout

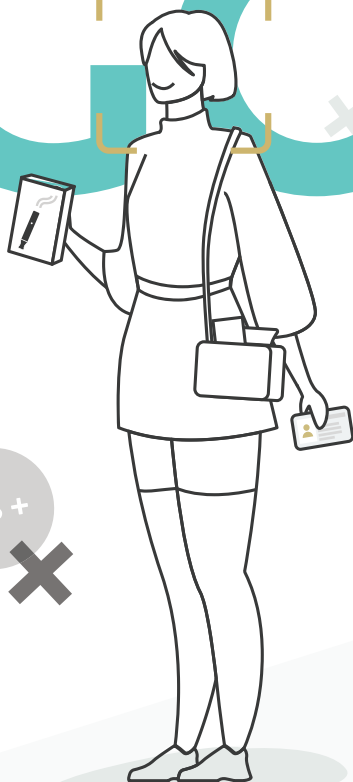
TECH FOR





TruAge™

GOOD



The new NACS TruAge™ digital age-verification system is frictionless, secure and reliable.

BY JERRY SOVERINSKY

There are any number of perennial watchouts that threaten retailers' bottom lines, from rising swipe fees and labor costs to shrinking tobacco and gasoline sales. Apart from a pandemic, one of the most disruptive threats to operations comes from within—selling age-restricted products to a minor.

Last year, two convenience store cashiers in Clarence, New York, were caught in a state police compliance sting and charged with selling alcohol to people under 21 years of age in violation of the New York Alcoholic Beverage Control Law. Such arrests jeopardize a store's alcohol license, not to mention the risk of heavy fines and other consequences.

The long-standing problem is not a matter of retailer complicity. The internet is replete with offers for near flawless reproductions of personal identification documents, and their use is a persistent problem in college towns. In an industry where those tasked with age verification have consistently high turnover rates, add in an operational mandate for brisk transaction processing, and it's understandable how certifying age has its vulnerabilities.

Of course, sales can penetrate the most conscientious store protocols, too: That's where minors hand \$5 or \$10 to an age 21-plus adult, who purchases the restricted products on their behalf. When the underage consumer is caught, the regulatory presumption and minor's alibi invariably is, "I bought it at my convenience store."

The ease of accessibility has led to the proliferated usage of restricted products by minors, which in turn has prompted states to pass outright bans on certain items—flavored tobacco, e-cigarettes and vaping products, among others. California, for example, banned the sale of flavored tobacco products, including flavored e-cigarettes and menthol cigarettes, in August 2020, with underage use a key focus of the legislation. Eliminating sales of age-restricted products to minors is a universal aim of convenience store retailers. The solution, they argue, is not to ban the products; rather, it's to bulletproof age verification for purchasing them.

The distinction is an important bottom-line concern for retailers. Age-restricted products drive trips and basket size:



"NACS and Conexus are trying to be the great example for how society should prove identity values down the road."

- Transactions with age-restricted products average a \$2.85 higher ring than those without such products, according to SwiftIQ data for 2019.
- Sales of age-restricted products in the convenience channel topped \$95.58 billion in 2020, up 7.5% from 2019, according to NACS and NielsenIQ data.
- More than 20% of all age-restricted items are sold during the afternoon daypart from 3 to 5 p.m., according to SwiftIQ data for 2019.

As a result, when California banned the sale of flavored tobacco products, the commercial impact was significant. "When they took the sales away from the market, we did a back-of-the-envelope assessment of the impact, and it was huge," said Gray

Taylor, executive director of Conexus. "For just the convenience store industry, the sales loss was about a billion dollars a year. Very serious business."

Moreover, piecemeal state legislation did little to reduce access of restricted products by minors. Massachusetts was the first state to pass a ban on the sale of flavored tobacco products, and while the law had its intended effect within the Bay State, purchases simply bled across state lines to Massachusetts' neighbors. "I challenge anyone to demonstrate how this ban has been effective," said Jonathan Schaer, executive director of the New England Convenience Store and Energy Marketers Association, earlier this year. "New Hampshire and Rhode Island imports have replaced sales once made in Massachusetts by licensed retailers."

As a result, the industry, led by NACS and Conexus, got to work, eager to find a solution. The goal was to build a more reliable and consistent age-verification process, reducing the need to ban products for all consumers and instead focus on keeping them out of the hands of minors. "We recognize that it's impossible to completely eradicate the problem of youth getting access [to age-restricted products]," Taylor said. "We are fighting for a stronger age-verification process that will get us much closer to this goal and are seeking to work with state ID issuers in the future to further reduce availability." TruAge™ also positions convenience retailers to more seamlessly sell CBD and cannabis and opens up new channels to sell these products:

The Evolution of Age Verification

NACS has led efforts to restrict youth access to age-restricted products for the past half-century:

1971



First age-verification training video is released.

1985



"I.D. Please: It's the Law" program to prevent illegal sales of alcohol to minors launches.

1990s



NACS is a founding member of the We Card program to provide employee training and educational programs to prevent age-restricted product sales to minors and promote responsible retailing, consistently driving down youth availability in retail. The We Card program has provided retailers with over 1.1 million in-store educational kits and has trained more than 350,000 retail employees nationwide. We Card is supporting NACS in its effort to bring TruAge™ to market.

2010



NACS supports the Prevent All Cigarette Trafficking (PACT) Act, which regulates the online sale and delivery of tobacco products and closed loopholes for minors to acquire tobacco products.

2020



NACS supports the Preventing Online Sales of E-Cigarettes to Children Act. The law requires online e-cigarette sellers to ensure that delivery carriers verify the age of recipients upon delivery.



VERIFY TODAY

NACS TruAge™ is supported by more than 133 retail companies that represent 22,000-plus convenience store locations in the United States, plus four industry POS providers. But the technology isn't just for convenience stores. Any retailer of age-restricted products can use TruAge™ to securely verify a customer's age at all points of sale. It is free to retailers, consumers and POS providers, and its relevant intellectual property will be placed in the public domain—removing significant barriers to adoption.

Learn more about the TruAge™ program and opportunities to participate at www.convenience.org/TruAge.



18+

in-store purchases, online orders, curbside pickups and home deliveries.

To be effective and accepted by retailers and consumers at all points of sale, the TruAge™ development process had to incorporate numerous value benefits: It had to be more reliable than existing age-verification procedures; integrate with existing retailer technology stacks and loyalty programs; easy to use and deploy; protect customers' personal data; and deliver a faster, frictionless retail experience. And it had to be free for all retailers to adopt and operate.

No easy task.

Yet on May 11, 2021, the work was complete: NACS formally announced its TruAge™ digital age-verification initiative. The open standard solution includes a digital TruAge™ app that makes the traditional carding experience more convenient and accurate, applying to in-store ordering, home delivery and curbside pickup.

"TruAge™ provides the least expensive method to reliably verify the age of our customers through the numerous face-to-face authentications already conducted in our stores. It does not expose sensitive personal information and is an important step toward eliminating youth access to adult products. No stand-alone POS system can do this today," said 2020-21 NACS Chairman Kevin Smartt, in announcing TruAge™. Smartt is CEO of the Texas Born (TXB) convenience chain, based in Spicewood, Texas.

TruAge™ makes it easier and more accurate to verify a customer's age when purchasing age-restricted products, while minimizing the risk of identity theft. A user's date of birth and photo verify his or her identity. Once the consumer's age is confirmed, TruAge™ provides a unique identifier to the POS (not simply an age value) to prove age was checked and to enable forensic proof should civil or regulatory sanctions be lodged against the store.

TruAge™ also lifts store age verification to another important level, by providing a means—through its industry standards approach—to verify age online and in remote delivery situations. Once consumers elect to board the TruAge™ digital program, they never need to show their license to a TruAge™ retailer, and they can even purchase age-restricted products online for curbside or delivery. When retailers incorporate TruAge™ into their loyalty apps, age verification becomes frictionless, eliminating both personal data and the extra effort required to manually verify customer age.

TOP-DOWN DEVELOPMENT, GROUND-UP SUPPORT

The best description of what TruAge™ represents is a description of what it is not: a self-serving industry program. Indeed, TruAge™ aligns with consumer sentiment that has specifically appealed for this type of ubiquitous solution.

A national consumer survey conducted by NACS in 2020 revealed the following:

- 90% of Americans surveyed support a nationwide standard for age verification
- 52% "strongly support" such an initiative
- 78% of consumers favor a mandatory "We Card"-style approach
- 76% of Americans would support an age-verification program developed by major retailers
- Most consumers ages 21 to 30 would download the TruAge™ app and use it when purchasing age-restricted products

"Our industry conducts 165 million transactions a day, and 50 million of them involve age-restricted products. Consumers tell us that age verification is essential to restrict access and sales to minors, and it is even more important today as

new forms of last-mile delivery add challenges to making sure all online orders and deliveries of age-restricted products are legal,” said NACS President and CEO Henry Armour.

22,000 STORES AND COUNTING

TruAge™ was developed in concert with retailer feedback from across the country, ensuring it delivered not just robust age-verification capabilities but also a frictionless retail experience for consumers. At its launch, the program had already garnered the support of 130 retail companies representing more than 22,000 convenience stores in the United States. Major vendors are also onboard, including 14 POS providers, and Molson Coors Beverage Co. is the first major global beer company to support TruAge™. Anheuser-Busch, Altria Group and Juul Labs have also been prominent supporters of the program.

To encourage adoption, the digital age-verification solution is free to all retailers, consumers and POS providers, and its back-end intellectual property has

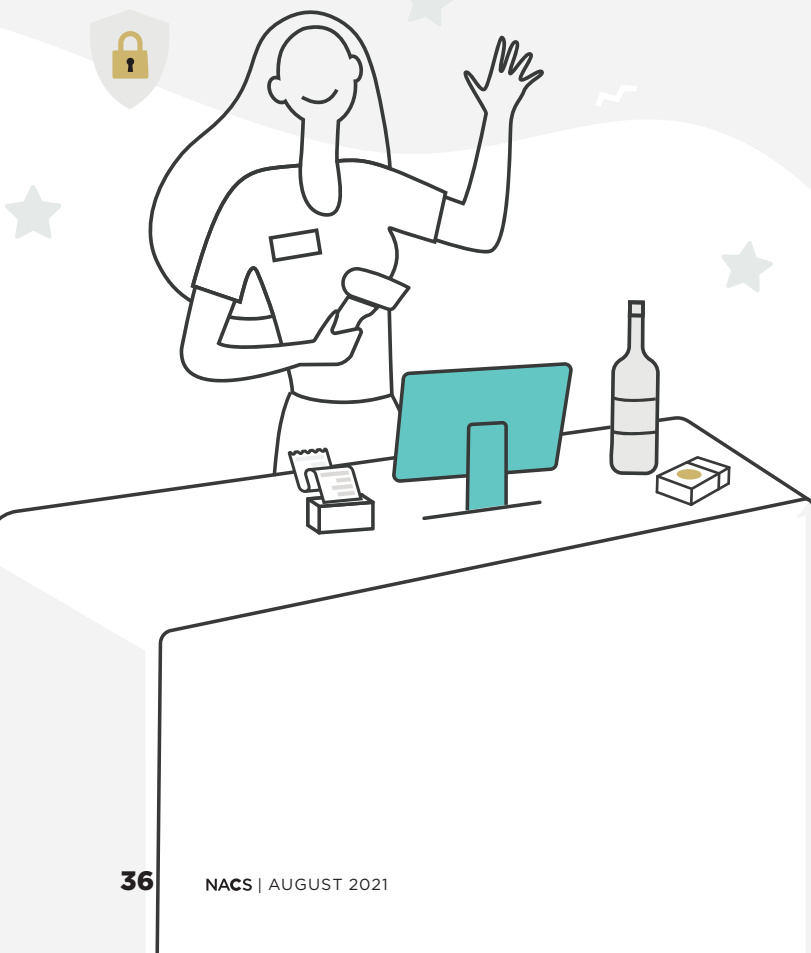
TruAge™ only shares the user's date of birth and photo to verify identity—the leading-edge method of reducing identity theft and preserving consumer privacy.

been placed in the public domain. “We believe that consumer preferences for fast, safe and accurate digital age verification are important as channels blur and more age-restricted products are sold through nontraditional formats,” added Armour, noting that TruAge™ will expand beyond the convenience retail channel and become “the de facto standard for age verification across all businesses that sell age-restricted products, such as restaurants and bars, as well as online providers.”

SAFE AND SECURE

A major benefit of TruAge™ for retailers of age-restricted products and their employees is that it takes the guesswork out of the age-verification process. Manual ID checks leave room for error. They aren't foolproof or future-proof. Automating the process helps retailers stay ahead of ever-changing legal requirements and things like manufacturer-set limits on certain purchases.

Privacy is another selling point. The solution incorporates emerging industry standards on identity championed by the World Wide Web Consortium (W3C), federal agencies and other standards-setting bodies to assure privacy while increasing the reliability of age verification. TruAge™ is the first solution to embrace the best practices of our digital ID and commerce future, Taylor notes.





Convenience stores sell
90%
of the nicotine products
purchased in the U.S.



Convenience stores sell
more than
35%
of the beer
purchased in the U.S.
(including on-premise sales)



51%
of all dollar sales
are from age-
restricted products



27%
of all unit sales are
generated from
age-restricted products



37%
of all transactions include
age-restricted products

TruAge™ includes ID-validation and age-calculation procedures that are not available when a paper identity is used. During a customer transaction, the app provides single-use digital tokens that eliminate all personal information needed to verify age—a capability that satisfies emerging privacy regulation and reduces the risk of identity theft.

While standard driver's licenses contain over 30 separate lines of information that can be accessed in current age-verification practices, TruAge™ only shares the user's date of birth and photo to verify identity. This process of "data minimization" is the leading-edge method of reducing identity theft and preserving consumer privacy.

TruAge™ operates on a standardized, verifiable credential "wallet" that houses and maintains verifiable credentials compliant with emerging Department of Homeland Security/W3C standards. "It contains only the identity credentials necessary to prove the document and prove the customer's age but no payment or commerce functions, which is critical for maintaining security," Taylor said. However, TruAge™—by design—can still integrate with a store's mobile or loyalty app, with those targeted credentials conveyed without friction in a normal transaction.

Once consumers download the TruAge™ app, the boarding process is simple: "They go back to their favorite convenience store to get validated," Taylor said. "And now they have a digital token on their mobile device, which is a token capability online, too. So, if they go up to a gated manufacturer, they can issue a token to prove they are of legal age."

That token now facilitates future transactions, eliminating the need for driver's license scans, which reduces friction at checkout. "We're creating this crowdsourced and trusted database of people and their age identity through the anonymous token, and we're allowing the consumer to use this anywhere they want," Taylor


said. "It provides them with a ubiquitous way of proving how old they are without telling you anything more about them."

A PHASED APPROACH

To encourage adoption and minimize disruptions, NACS and Conexus are deploying a three-phase approach for TruAge™:

- Phase 1, Retail-Focused (2020-21): Adopt new retail processes, access scalable and secure hosting systems that tokenize, trace, track, limit and report.
- Phase 2, Consumer-Focused (2021): Eliminate personal data at POS; begin piloting the smartphone application to replace the need for a driver's license scan.
- Phase 3, Capability Expansion (2021+): Add retailer- and supplier-desired capabilities, including loyalty programs and 1:1 couponing; add consumer-desired capabilities elites, such as payments tied to ID wallet.

LEADING CHANGE

The ultimate success of TruAge™ will depend on how well it is able to prevent sales of age-restricted products to minors, while preserving the safety and security of consumer identities. And for that, NACS and Conexus are headed in the right direction. "This is a very deep subject; it touches a lot of philosophical things like digital identity and the right of the individual to transact online without needlessly giving up their identity," Taylor said. "NACS and Conexus are trying to be the great example for how society should prove identity values down the road." 



Jerry Soverinsky is a freelance writer and NACS contributor. See his work at www.jerrysoverinsky.com.