Mobile Movement

C-store chains shift technology focus to apps and EMV

By Brian Berk

Considering smartphones are quickly becoming the No. 1 form of communication for many consumers, convenience store retailers are going "all in" in regards to launching mobile apps for their brands, which often incorporate loyalty programs and mobile payment, according to the 2015 *Convenience Store News* Technology Study.

Convenience giant 7-Eleven Inc.'s debut of 7Rewards was one of the highest-profile industry apps to debut in the past year. In addition, the power of c-store retailer apps was proven when Cumberland Farms Inc. announced on Oct. 1 of this year that its SmartPay app reached $1 billion in sales volume just two years after its release.

Nearly 39 percent of c-store chains responding to this year's *CSNews* Technology Study reported they now offer an app to their customers, more than a 10-percentage-point rise compared to the 2014 study. More than 62 percent of chains also offer a loyalty program, a solid 4-percentage-point increase year over year.

Adoption of mobile payment saw an even larger jump on a percentage basis. Nearly one in four c-store chains (23.5 percent) are offering some form of mobile

Spending on Technology/Automation

Convenience store chains are increasingly realizing the importance of technology. Ninety-six percent of chains said they spent on technology/automation in full-year 2014, a 4-percentage-point increase vs. the previous year. More than $1.8 million was spent per chain, on average, with a median spent per company of $325,500. These figures massively outpace the prior year.
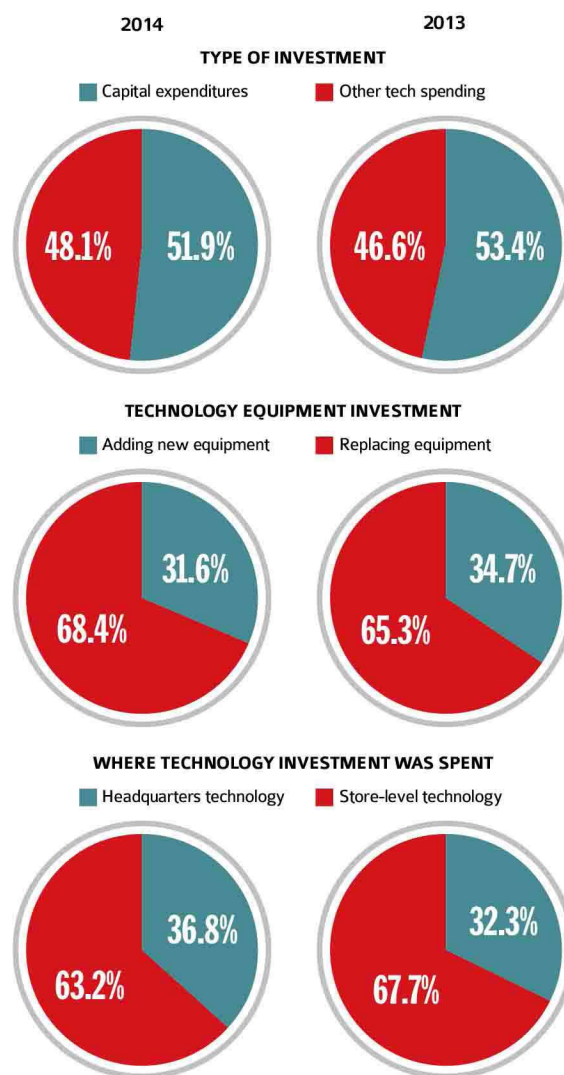
	2014	2013
Spent	96%	91%
Did not spend	4%	9%
Average spent per company	$1,876,380	$1,425,000
Median spent per company	$325,500	$100,000

Source: *Convenience Store News* Market Research, 2015

Technology Investments

More than two-thirds of chains spent their technology budgets in 2014 on replacing equipment, with the remainder buying new equipment. More dollars were spent on store-level technology vs. headquarters technology.

2014   **2013**

TYPE OF INVESTMENT

■ Capital expenditures   ■ Other tech spending

48.1% 51.9%   46.6% 53.4%

TECHNOLOGY EQUIPMENT INVESTMENT

■ Adding new equipment   ■ Replacing equipment

31.6% 68.4%   34.7% 65.3%

WHERE TECHNOLOGY INVESTMENT WAS SPENT

■ Headquarters technology   ■ Store-level technology

36.8% 63.2%   32.3% 67.7%

Source: *Convenience Store News* Market Research, 2015

payment in-store — such as those available from Apple, Google and PayPal — compared to just 7.8 percent of chains in 2014 and 2.1 percent in 2013.
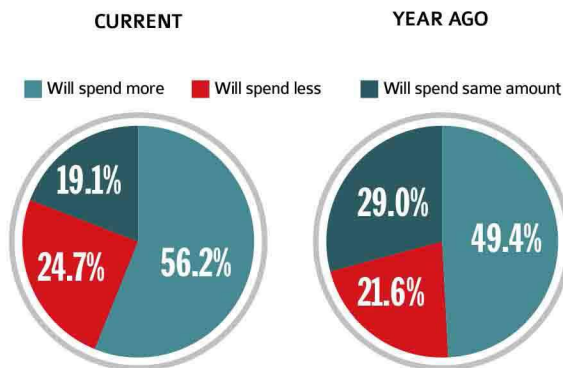
Advancement of mobile payment adoption at the pump is equally impressive, with 21.1 percent of chains stating they currently employ the technology, vs. 6.5 percent in 2014 and 2.3 percent in 2013. Hence, although several media reports have alleged mobile payment growth has been slow with the exception of Starbucks Corp., this data refutes that claim.

UPS & DOWNS IN EMV
Another interesting takeaway from this year's Technology Study relates to the Oct. 1 EMV (Europay,

Expected 2015 Technology Spending vs. 2014

More than 56 percent of c-store chains expected to spend more on technology for 2015, compared to 49 percent last year who made the same comment. EMV (Europay, MasterCard and Visa) upgrades are likely high on the list of what these dollars were earmarked for.

CURRENT   **YEAR AGO**

■ Will spend more   ■ Will spend less   ■ Will spend same amount

CURRENT: 19.1%, 24.7%, 56.2%
YEAR AGO: 29.0%, 21.6%, 49.4%

Source: *Convenience Store News* Market Research, 2015

Planned Technology Investments for 2015

time to UPGRADE

Nearly 43 percent of chain retailers expected to spend on replacing aging POS technology, ranking third on the list, proving in-store EMV upgrades are top of mind. This category ranked eighth last year. Conversely, only 35 percent of chains planned to spend on social media in 2015, plummeting 16 percentage points year over year.

Reduce theft/shrink	45.8%
Better management of store-level inventory/revenue	45.4
Replace aging POS technology	42.9
Increase customer payment options	38.3
Better management of store labor expense	37.6
Increase reliability/capacity of bandwidth for data communications	37.5
Social media	35.2
Employee training	33.4
Provide store manager with decision tools	25.3
Speed customer checkout process	25.0
Implement business intelligence reporting	17.7
Integration of systems	16.8
Improve HQ accounting systems	15.2

Source: *Convenience Store News* Market Research, 2015

Payment Systems
(percent of chains using each)

Mobile payment saw a massive leap in usage at c-store chains in just one year. Slightly less than one-quarter of chains report now using this form of payment, compared to just 7.8 percent last year. Mobile payment is also growing exponentially at the pump, with 21 percent of chains stating this technology is now available at their forecourts, vs. 6.5 percent last year.

	CURRENT	YEAR AGO
IN-STORE:		
Credit/debit	100.0%	100.0%
Prepaid/stored value card	70.6	48.6
Electronic benefits transfer (EBT)	58.8	46.8
Electronic check verification	52.9	50.2
Mobile payment (Apple Pay, CurrentC, Google, PayPal, etc.)	23.5	7.8
RFID	17.6	9.4
Self-checkout	1.2	1.8
AT PUMP:		
Credit	95.0%	96.2%
Partial debit authorization	31.6	58.6
Prepaid/stored value card	31.6	45.3
Mobile payment (Apple Pay, CurrentC, Google, PayPal, etc.)	21.1	6.5
RFID	10.5	12.4
Cash acceptors	5.3	6.2

Source: *Convenience Store News* Market Research, 2015

Enterprise + POS + Digital + Payment Systems + Business Intelligence

MasterCard and Visa) in-store point-of-sale (POS) liability shift deadline. For the first time, *CSNews* asked c-store chain operators if they are EMV compliant at the POS. The results from the study, fielded shortly before Oct. 1, yielded both good and bad news.

First, the good news. All c-store chain retailers responding indicated they have at least begun the process of upgrading their in-store POS devices to be EMV compliant.

On the negative side, however, only 35 percent of chains said they were EMV compliant at the time *CSNews* fielded the survey. It is certainly possible more retailers have upgraded to EMV in the time since. In addition, fraud may not be massive at some c-store chains, leading them to decide they can afford to wait before making EMV upgrades.

EMV aside, c-store chain retailers are certainly placing an emphasis on overall technology upgrades. Ninety-six percent of chains responded they made a technology/automation upgrade in full-year 2014, compared to 91 percent the prior year. Chains spent an average of more than $1.8 million on upgrades, with a median of $325,000 spent per company. Both these figures easily trump the amounts spent the prior year. Nearly two-thirds of this money was spent on store-level technology, with the remainder remitted to boosting headquarters technology.

For full-year 2015, the majority of c-store chains said they expect to invest more in technology compared to 2014. More than 56 percent of respondents expect to spend more this year, compared to 46 percent who made the same assertion last year. **CSN**

Mobile Apps

Nearly 39 percent of c-store chains offer a mobile app to their customers, a massive 10-percentage-point increase compared to last year. This year's research shows all c-store chain mobile apps feature a store locator, with many also offering mobile coupons, customer feedback, loyalty program tie-ins and limited-time specials.

ARE MOBILE APPS AVAILABLE TO CONSUMERS?

38.9% YES　　**61.1% NO**

FEATURES OF MOBILE APP

Store locator	100.0%
Coupons	71.4
Customer feedback	64.5
Loyalty program tie-in	60.2
Limited-time specials	58.8
Fuel prices	46.2

Source: *Convenience Store News* Market Research, 2015

EMV Compliance

More than 35 percent of c-store chains were fully EMV compliant at the time *CSNews* fielded the study, just prior to the Oct. 1 liability shift date. The remaining 64.7 percent said they were not compliant but had already started the process.

IS COMPANY EMV COMPLIANT AT THE POS?

- Yes, we have met the specifications for our level
- No, but we have started the process

35.3%
64.7%

Source: *Convenience Store News* Market Research, 2015