

C-store INNOVATION NATION

The land of “cokes and smokes” is fast becoming the land of inventive new ideas

A Convenience Store News Staff Report

The convenience retail channel, long known as the place for “cokes and smokes” in years past, has not typically been lauded for its innovation. But that is changing, and never more so than now. As today’s consumers place an increasing premium on “convenience,” c-store retailers, wholesalers and suppliers are innovating to meet new and ever-evolving shopper needs.

“Experience” has become a buzzword in retailing, and convenience channel players on all sides of the supply chain are realizing experience really starts with innovation.

Over the last decade, the convenience channel has actually broken into two segments: the traditional convenience stores that most consumers are familiar with, and the convenience superstores (think Wawa Inc. and Sheetz Inc.) that are rolling out fresh experiences, observed Chelsea Gross, an analyst with RetailNet Group LLC.

“Many pieces of U.S. convenience need reinvention and, ultimately, we are seeing the expectations of the convenience trip being defined by certain innovative c-store retailers,” she said. “...These are experiences where the family goes to the gas station, but they also sit down and have a quick meal. It’s very easy to order because of automation in the store. They do things like have a separate counter for tobacco so there is a quicker checkout for those people who are looking for that quick trip. They are really reinventing the experience in convenience in so many different ways, and you see it

unfold from a sales and store growth perspective.”

Convenience superstores are outpacing sales growth not only for the total convenience industry, but also the total U.S. retail industry. And the same can be said for store growth, Gross explained. Notably, convenience superstores represent six of the top 10 convenience banners for sales added, and five of the top 10 convenience banners for stores added. “They are really starting to have a role in the growth platforms for convenience,” she said.

LEADING THE WAY

In addition to the increasing number of convenience superstores, Gross offered some other examples of innovation happening in the convenience channel:

- 7-Eleven Inc. has strengthened its private-label product offering and is giving its proprietary 7-Select brand prime shelf space in its stores.
- Sheetz is taking up residence on college campuses and in doing so, the chain is “capturing consumers while they are in that transitional period to peak [retail] consumption, which happens at about [ages] 25 to 34.”
- Casey’s General Stores Inc. is using mobile tactics to up its game. Notably, a popular pizza-themed game on its mobile app successfully engages customers.

While fellow c-store retailers should certainly draw inspiration from these innovative ideas, Gross cautioned that they should not just copy what a chain like Wawa is doing. Rather, they should look at what a competitor is doing well and then innovate further

around that premise.

C-store operators should look outside the convenience industry, too, to find inspiration (i.e., grocery channel initiatives, quick-service restaurant initiatives). Pointing to the channel-blurring environment for the convenience trip, Gross noted that c-store operators can learn from disruptors “because they are now, increasingly so, a direct competitor to traditional convenience retailers — we can apply a lot of the ideas they are implementing into our stores.”

COMPETITOR CUES

Channel blurring today is being driven by format diversification that targets ethnic, small-format and discounter trips. New small-format concepts are particularly ripe with innovation. Grocer H-E-B is starting to shift to urban, smaller-box stores but maintaining the same level of experience one would expect to find

in its larger-box stores.

Drugstore chain CVS, meanwhile, is rolling out a new ethnic shopping experience dubbed “CVS y mas” in the Miami, Fla., area.

“Thinking about some of the initiatives other channels have and implementing them into convenience retailers is certainly not a far stretch,” Gross encouraged. “I think we can have ethnic assortments and ethnic banners for certain convenience retailers, no question.”

Need even more inspiration? Well then, you’re in luck. Automation is yet another prime area of opportunity for future innovation in the convenience store industry.

“Using vending machines as a new point-of purchase can be really impactful,” the analyst explained.

Some competitive retail channels are already dipping their toes into the automation pool, but leveraging it for sampling. For example, Walmart is testing a beauty sampling machine in a small number of Texas locations, while Sam’s Club has a membership machine in almost all its stores where a consumer can swipe their membership card and get a new sample weekly.

Bottom line: Today’s fast-paced, ever-changing retail world is pushing convenience store operators — and all retailers — to keep their eyes always open and their minds always working to devise new, innovative ways to kick up the experiences they offer to consumers.

Over the next four or five years, Gross predicts that several key areas will be changing for convenience retailers: trip types; meal solutions and prepared food; the future of the front end; retail health; a desire to experience; pricing and promotion; and more.

Delivering on our brand promise to “Keep the Industry Ahead of What’s Next,” Convenience Store News devotes this month’s cover story to innovation. Turn the page to see the C-store Industry Inspiration Board we’ve compiled to help get your creative juices flowing. And then keep flipping to learn about how consumers define innovation, and to see the best in store design innovation and new product innovation as we present the winners of this year’s *CSNews* Store Design Contest and *CSNews* Best New Products Awards.



Chew on These Innovation Sound Bites

“I personally think that it [innovation] is an overused term. Most changes that I see, including at QT, are evolutionary more than they are innovative. By that I mean, getting better every day or constant improvement. Whatever you want to call that constant improvement process, I think it is critical to a company’s survival.”

— Chet Cadieux, president of QuikTrip Corp., *CSNews*’ 2015 Retailer Innovator of the Year

“Every day, we come to work with the vision of creating the Sheetz that will put the Sheetz as we know it today out of business. We’ve hired people who are creative and passionate about food, who embrace our fast pace and the pioneering mentality we have at Sheetz.”

— Joe Sheetz, CEO of Sheetz Inc., *CSNews*’ 2014 Retailer Innovator of the Year

“What Amazon.com has done to online retailing [in terms of speed of delivery and customizing offerings to customers] is going to happen to brick-and-mortar retailing. Mobile offers us the opportunity to do tailored marketing to customer-specific needs and to target offers to them that resonate better than anyone else’s.”

— Chris Gheysens, president and CEO of Wawa Inc., *CSNews*’ 2013 Retailer Innovator of the Year

“We wanted to break the mold, to be perceived as a neighborhood store that is beyond the typical convenience retailer and closer to a QSR [quick-service restaurant].”

— Allison Moran, CEO of RaceTrac Petroleum, *CSNews*’ 2012 Retailer Innovator of the Year