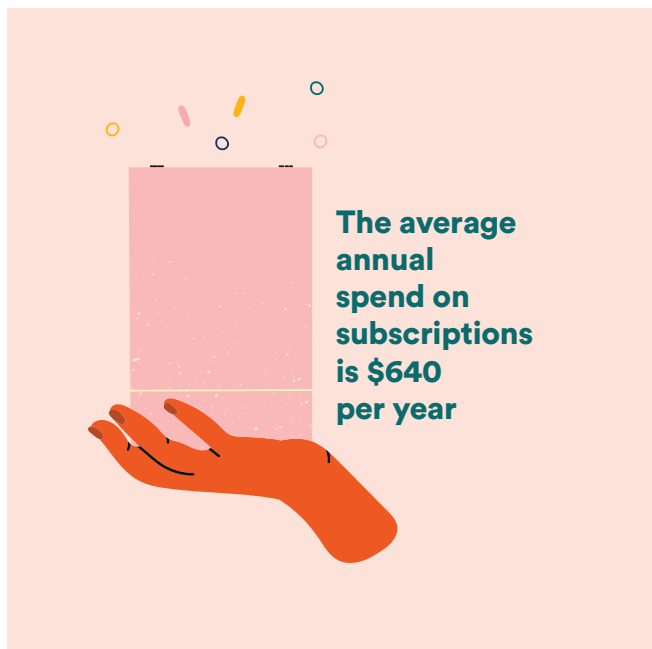


PIVOT AND PROFIT

BY WENDY HELFENBAUM

3 trends poised to shape convenience in 2021

In a world where consumers' constantly changing product preferences, sky-high expectations and buying behaviours rule, trends often push c-stores to pivot, innovate and aim higher. During the pandemic, consumer shopping habits are even more in flux. However, some tried-and-true ideas are likely to boost c-store profitability. Here are three key trends shaping the convenience landscape and how they can work for you.



SUBSCRIPTION BOXES

Driving loyalty and revenue

Move over, Netflix and Amazon Prime. C-stores are also offering subscription services, which help them stand out from the competition while building loyalty and profit.

"Subscriptions are emerging as part of everyone's life, whether that's through media, shopping sites or regular deliveries of razor blades, meal kits and socks," says Chuck Tanowitz, director of marketing communications at Paytronix, a Newton, Massachusetts-based loyalty program provider specializing in customer loyalty, acquisition and retention for multi-unit restaurants, retail stores and c-store chains.

In November, the company launched Paytronix Subscriptions, a new technology solution that enables brands to initiate and manage a data-driven subscription program designed to drive repeat visits.

"These are the ultimate in convenience, which clearly tracks with convenience stores," adds Tanowitz. "There's a great opportunity for c-stores to use subscriptions as a way to keep customers loyal and returning again and again."

Tanowitz reports that many Paytronix customers plan to launch coffee subscriptions, while other convenience store brands have created subscriptions around their food offerings, free delivery or fuel discounts.

"Those that use subscriptions have found an increase in attachment: Someone coming in to fill a coffee subscription will often make an additional purchase along the way," he says.

In the U.S., restaurant brands like Panera and Pret are successfully offering coffee subscriptions, while RaceTrac has a fuel subscription program, notes Tanowitz. DoorDash and Uber Eats

have subscription programs that charge a flat fee for unlimited delivery, while goPuff's subscription is a paid membership service with unlimited delivery.

"We've found that the average annual spend on subscriptions is \$640 per year, and 34% of Americans feel that number will increase over the next two years," reports Tanowitz.

"This is another powerful arrow in the quiver of the convenience store marketer. Not only does it work alongside the loyalty program as a way to keep customers coming back, but it also enables the marketer to collect valuable information about their customers and their purchasing habits."

That information can then be used to create targeted programs that can continue to drive additional value.

"Today's customers are starting to demand subscriptions because it's how they're used to consuming goods," explains Tanowitz. "The key question for convenience retailers involves understanding true brand promise and how to fulfill that to customers."

PRIVATE LABEL

Not just for grocers anymore

As consumer demand shifts away from 'generic' brands to private label, c-stores are developing innovative private label strategies to better position themselves in the competitive retail landscape. The Private Label Manufacturers Association estimates that private label brands represent close to \$180 billion in U.S. retail sales and it's a market that's rapidly expanding.

During the first wave of the pandemic (March 1 to July 11, 2020) private label's market share grew to 18.2% compared with 17.2% in 2019, according to Nielsen.



BUYING LOCAL

Consumers driving the need for transparency and choice

The COVID-19 crisis seems to have altered consumer behaviour in Canada, according to a recent Leger study, which revealed that people are seeking out local businesses and products for the first time. The research also showed that 74% of Canadians say they often purchase products or services originating in Canada, and 56% plan to buy Canadian goods and services more often in the future. C-stores are capitalizing on this trend, with organizations such as Ontario Made encouraging stores to stock locally-made products.

“Canadians are driven to buy local for economic reasons—in particular, to support the local economy and local jobs,” says Dennis Darby, president and CEO of Canadian Manufacturers & Exporters (CME). “Although Canadians have always been interested in supporting their neighbours and buying local, a rise in protectionism worldwide, as well as COVID-19, have accelerated the need and awareness for this. Our manufacturing members have been calling for several years for governments to promote local purchasing, both from consumers and in public procurement policies.”

Launching the Ontario Made program will allow Ontario manufacturers to increase their local market sales, meet consumers’ needs by making it easier to identify and buy Ontario-made products, and help grow the economy, adds Darby.

“In Ontario, polling suggests that nearly 75% of Ontarians are looking to purchase Canadian-made products over imported ones and 56% said they would try more often to purchase domestic goods,” he says.

Retailers have a vital role to play in the effort to support Canadians buying local, notes Darby.

“We’re encouraging retailers and convenience stores to use the Ontario Made logo in-store and on marketing materials, and when possible create in-store set-aside areas for Ontario-made products,” he explains, adding that the Ontario Convenience Store Association has championed the program, encouraging stores to increase consumer awareness of locally made products.

“Little Short Stop is an example of a convenience store chain that has always embraced buying local and has received positive feedback from consumers that they’re able to find locally produced goods at their stores,” says Darby.

Buying local is very on-trend, notes Chapman, but can be challenging for c-stores.

“It’s tough for convenience to do in terms of managing perishables and inventory,” he says. “I think convenience would be better served by supporting local entrepreneurs and local packaged goods that are less perishable and that they can differentiate themselves with.” ■

“Everyone is chasing it,” says Tony Chapman, a marketing and brand consultant in Toronto. “Where convenience can get into private label is with things like dairy, or savoury and sweet treats—the best milk, sausage rolls and cakes—areas where there is less brand loyalty.”

In Canada, Parkland, 7-Eleven and Couche-Tard all have private label offerings. Controlling the cost and quality of private label is key to help retailers meet increased consumer demand for store brand products, says Rodney Blanton, global VP of private brand for Couche-Tard: “Customers are looking for exclusivity and value, which accelerated the development of the private brand space in the last decades to offer not only a value alternative, but products that will delight and engage.”

Done correctly, private label can help c-stores maintain profit levels while offering consumers better retail pricing and value options, he adds. These products can’t be found anywhere else, creating loyalty and luring customers back for the flavours and items they like at attractive prices.

C-stores are improving the quality and packaging of their own brands to compete with established national products, notes Linda Capusa, Circle K’s global director of private brand execution: “Understanding what matters to customers and staying up to date with packaging and design trends are imperative to making sure PB products are both noticeable and speak on the brand look and feel. There’s more awareness now on the quality and reliability of PB, so brands are getting better at educating customers and driving engaging programs.”

Because customers seek quality at affordable price points, transparency about private label products can drive consumer engagement and trust, adds Capusa, especially since many are produced in the same factories as national brands.

“It’s a continuous journey to tell that story and open the doors behind the scenes to customers, so they’re aware of where the product originates from,” she says.