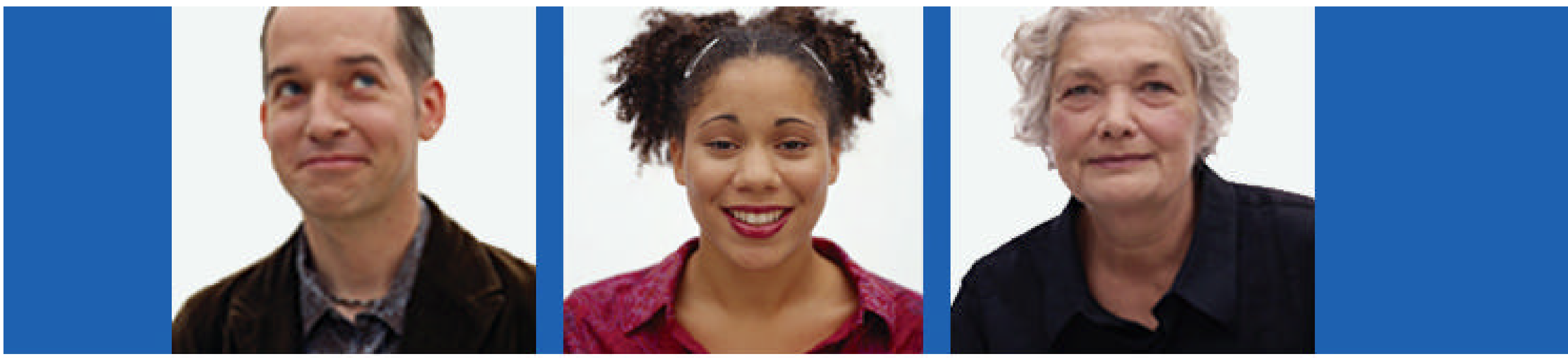

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What Does Convenience Mean to Customers?

What Does Convenience Mean to Customers?[i]

Lila Valencia[ii] and Martha Russell, Ph.D.[iii]

For decades convenience has been the core value proposition for the convenience store industry. After all, it's in the name. But naming the industry is not the same as capturing the channel or owning the market. Almost suddenly, numerous retailers seem to have embarked on a quest for convenience that has resulted in many new options at normally unexpected places. Customers can now find grocery stores with gasoline, drug stores with groceries, convenience stores with delis, and coffee houses with drive throughs.

"Big box" retailers have begun to mimic the convenience store offer. They are finding ways to sell gas *and* other products, conveniently.

Traditionally, convenience retailers have defined convenience by speed and good location. But does this definition mirror how consumers perceive convenience or your c-stores? Understanding how customers perceive your stores in the context of all of their convenience options is key in remaining competitive.

Clickin Research initiated a group of studies in the fall of 2002 that assessed what convenience means to consumers, as well as their perceptions of different retail channels. This work was conducted in Dallas, TX in an area with a high concentration of other retail channel options, specifically hypermarkets,[iv] in order to offer specific recommendations for retailers to deal with competitors.

This study investigated customer perceptions of:

- Distinct retail channels
- Benefits provided by each retail channel in relation to specific product categories – gas, packaged beverages, tobacco products, quick snacks
- Core propositions – price, value, convenience – by distinct retail channels
- The definition of convenience.

Grocery Stores are Gaining on Convenience

Analysis of consumer retail channel perceptions reveal the high ground of speed, location, and convenience - once held by c-stores - is being seriously eroded by grocery and discount stores. As can be seen in the chart below, consumers gave grocery stores as well as discount stores similar ratings of location, speed, and convenience as they did for c-stores.

Channel Perception Varies by Product Category

In terms of specific product categories, consumers still perceive c-stores to offer the greatest purchase benefits for gas and tobacco products. This is somewhat reassuring in light of this past year's gas price wars and new legislation on tobacco products. The quick snacks and packaged beverage categories, however, are receiving significant competition from the grocery channel.

	Price	Value	Convenience
Gas	C-store Buying Club	C-store Buying Club	C-store
Tobacco	C-store Discount	Discount C-store Buying Club	C-store
Quick Snacks	Discount Grocery Buying Club	Grocery Discount	C-store Grocery
Packaged Beverages	Buying Club Grocery	Buying Club Grocery Discount	C-store Grocery
Groceries	Grocery Discount	Grocery Discount	Grocery
Fill-ins	Grocery Discount	Grocery	Grocery C-store
Party Supplies	Discount	Discount	Discount
Fast Meals	Grocery C-store	Grocery C-store	Grocery C-store

Note: Retail channel options are listed in order of consumer preference.

Customer Expectations Vary by Product Category

C-stores no longer corner the market on convenience in consumers' minds. Grocery stores are seen just as convenient as c-stores by many consumers and are seen as more convenient for some specific product purchases. However, fast meals show promise for c-stores to compete against other retail channels. The MCSO Customer Satisfaction Benchmark[v] studies supports these results in showing that across all areas of customer satisfaction improvements in food quality are likely to have the greatest impact on increased satisfaction and loyalty. These impacts translate directly to greater visit frequency and ring size.

Findings also show that consumers' definitions of convenience go beyond the traditional definition of speed and location. In addition to these, customers also define convenience in terms of price, product range and availability, shopping environment, and good service. Frequent c-store shoppers are likely to think of good location when they think of c-stores. However, other shoppers living in these same neighborhoods are not as likely to think of c-stores as offering any unique benefits.

Recommendations

C-store operators cannot rely on the location of the store to advertise itself to the local market. Competitors with convenience offers are quickly invading these spaces and investing in marketing communications to promote awareness and preference of their stores. Previous research shows that these other channels also have a wider geographical reach - consumers normally drive longer distances to visit hypermarkets than they do to visit c-stores.[vi] Other shoppers need both awareness and motivation to become c-store shoppers. Traffic pattern is not enough to create awareness. C-stores need to communicate with their markets.

Consumers are expecting speed from c-stores as well as other retail channels. C-stores should not expect speed of service to differentiate their c-store from other channels. Speed is now a threshold, not a differentiating benefit. To deliver convenience, c-stores must differentiate their offer in a way that is meaningful and valued by their markets. C-stores must now deliver on the customer's definition of convenience – beyond speed, beyond location. It is time to understand these additional dimensions, build differentiation into strategy and stake a distinctive claim for how customers think of c-stores.

Moreover, the "convenience experience" being delivered at many grocery stores reflects a staff and service offer that goes beyond simply adding gas pumps in the parking lot. The frequently repeated phrase, "Did you find everything you needed," the offer to get the dog food that the shopper failed to put in the basket, the addition of satellite banking facilities, the ready-to-eat meal options – all contribute to delivering "convenience" to customers and diminishing the equity of the c-store sector. To compete and to continue to "own" the real meaning of convenience, increased emphasis on staff training will need to accompany innovative marketing.

It's time for the c-store industry to invest collaboratively in image development to reclaim and revitalize the benefits of convenience that are unique to c-stores.

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[i] A version of this report appeared in the Q4 2003 issue of Texas Petroleum and C-Store Journal. www.tpca.org. Results from this analysis were presented at the NACS Show, October 2003 in Chicago, IL.
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[iii] Martha Russell is President and Founder of Clickin Research, Inc.
[iv] For the purposes of this study, the term hypermarket refers to "big box" retailers, such as grocery stores, discount stores, and buying clubs that have recently begun to offer convenience items and gas on their large lots. Furthermore, gas is usually offered at discounted or wholesale prices.
[v] For further details see NACS State of the Industry 2003, "The State of Customer Satisfaction," by Anne Kearns and Martha Russell or go to www.mycstores.com.
[vi] For further details see NACS Study on Motor Fuel Retailing at Hypermarkets.