

Creating new shopping occasions demands innovative thinking and in-depth knowledge of consumer behavior.

By Jennifer Korolishin

Know Thy Customer

Every retailer dreams of a bustling store, full market baskets and a steady stream of customers. But, consumers have more choices than ever and the competition is fierce, leading convenience store retailers to consider an important question: How can I create new shopping occasions to keep existing customers coming back and to attract new customers?

In the view of Dr. Martha Russell, president of Clickin Research Inc., which conducts store surveys that provide customer feedback at the store level, it's not retailers who create new shopping occasions. Rather, consumers bring shopping occasions through the door with them, and it's up to retailers to provide an appropriate offer that will stimulate a purchase response.

"Successful retailers pay attention to the pain points, the pleasure points and the price points of the customers they have and the new customers they want to have. Successful retailers respond to their customers with purchase opportunities that correspond to the customers' needs and to the occasions that bring them through the door," says Russell.



Responding to customer desires poses two major challenges. First, consumer demand changes quickly and constantly. Second, convenience stores must be keenly aware of what's happening in other channels. Other retailers may be responding to consumers in a more targeted or nimble way, so while convenience stores may be better positioned to accommodate a particular occasion, awareness is paramount in order to respond faster than the competition.

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— MARTHA RUSSELL, CLICKIN RESEARCH INC.

Who Are Your Customers and What do They Want?

Step one, then, in creating new shopping occasions is to thoroughly understand the customer. Demographics and other forms of customer segmentation are a prominent piece of the puzzle as retailers vie for customers' attention, affection and affinity. At its most basic level, demographics groups consumers by what is most easily known about them, such as age or gender.

However, Russell points out, “Other ways of identifying consumers involve their motivations, which might be physical or psychological, are much more complex and require a lot more insight on the part of retailers to recognize and respond to consumers. Demographics are relatively easy to do, but demographics don't provide a retailer with everything they need to know in order to stay abreast or ahead of the competition.”

Digging deep into customers' visit motivation helps convenience stores to

build loyalty, which according to Russell, involves five steps: making consumers aware of the store itself; getting consumer consideration of the store's offer; the consumer's first visit to the store; the consumer's evaluation of whether it's an experience they wish to repeat; and making return visits to the store, even in the face of competing offers.

The retailer needs to understand which customers are in the store's traffic pattern, and then determine how best to communicate with them. It's not enough to simply give customers the facts about who you are and what your offer is — consumers need to feel that they are being spoken to personally, both in face-to-face communications and in how the brand is communicated inside and outside the store. Retailers must pay attention to the “tone of voice” that makes a consumer feel, “They're talking to me — that message is for me.” Then, once customers are in the store, retailers must deliver on the brand — the promise — they've created.

“The main goal for retailers in understanding their markets is to identify ways that they can differentiate themselves from the competition by responding to high-value, high-priority, important occasions that are part of consumers' everyday lives,” says Russell. “Successful retailers differentiate themselves by providing a unique and appreciated offer for the important occasions that customers bring into the store with them.”

Loyalty Keeps Customers Coming Back

Once you know your customers, rewarding them for their loyalty creates a strong incentive to return to your store, and prompts customers to choose the convenience store channel to satisfy specific shopping occasions. Because convenience store loyalty programs

are a relatively new phenomenon and tend to focus heavily on proprietary or co-branded fuel cards, their potential is largely untapped beyond the pump.

Loyalty marketing and other customer relationship campaigns offer hard and soft benefits to convenience store retailers. Hard benefits may take the form of cash rebates or sweepstakes offers that give consumers an economic benefit and reinforce the feeling of value they derive from the relationship with the retailer.

“Hard benefits can mean some kind of a points program where customers can earn points and redeem them for free coffee, carwashes, food or merchandise,” says Rick Ferguson, editorial director for the COLLOQUY Group, operated by Frequency Marketing Inc. “You can design bonus offers around this kind of currency that influences their behavior. You can say if you participate in our program because you see value in it, sign up and if you come in on Tuesdays, we’ll give you double points. That bonus offer will work for a certain percentage of your customer base and they’ll change their behavior in response.”

On the soft benefits side, loyalty programs may offer customers special privileges or treatment to make them feel like members of a select group which, again, influences them to choose your store over others.

“That can take the shape of access to a members-only Web site, where they can find special offers or access to a special in-store event,” says Ferguson. “The trick is that, in order to marshal your resources objectively, you typically don’t want to extend that offer to anyone and everyone. You want to be able to identify your customers, segment them according to their value and target those resources against customers that have the most value to the enterprise.”

Database marketing allows convenience store retailers to target loyal customers with specific benefits and to influence the behavior of potential customers with offers that may prompt them to choose the convenience store channel for certain shopping occasions. To achieve true ROI, Ferguson notes that retailers need to be able to capture customer behavior, track it, test it and repeat it. Long-term customer tracking makes customers members of a community and enhances communication between retailer and customer.

Collecting customer information also makes it more obvious to retailers when there’s a certain pattern or need developing so that they may create a shopping occasion to fulfill that need.

“Whenever you’re tracking behavior and giving a value exchange, then customers are developing a relationship with your brand, and they’re more willing to share information with you,” says Ferguson. “You might be able to drive them to your Web site to take a survey that might influence the type of products you stock or the amenities you have inside the store. What they expect in return is that you’ll use that information. You’re making a promise to the customer that if you share information with me, I will use it in a way that’s relevant to you, and I’ll give you value in exchange for collecting this information.”

Technology’s Dual Role

Implementing any loyalty program means employing the latest technology, another key to creating new shopping occasions. For loyalty programs to function optimally, convenience store retailers must put the technology in place to collect and analyze customer information.

“Today, you’ve got technology at the point of sale that can function as

a customer identification device,” says Ferguson. “It can function as a communications tool; Web-enabled cash registers can access databases and provide specific customer information. There are all kinds of technology tools available that enable customer identification, loyalty programs and dialogue. Obviously, they require an investment in infrastructure, but by making that investment, you’re able to provide very specific ROI measurements and fine-tune your marketing efforts.”

But technology’s role goes beyond the point of sale. It functions as a differentiator for many convenience store chains. Touch-screen ordering, pioneered by Altoona, Pennsylvania-based Sheetz Inc., is being implemented and refined by other convenience stores as foodservice becomes an increasingly prevalent offer. The popularity of Internet-enabled kiosks is growing in the channel, allowing operators to take time-consuming transactions like lottery, check-cashing and prepaid sales off-register, and expanding services for consumers, including financial services like online bill payment.

Using technological advances to enhance the consumer experience sends a powerful message; it indicates that the convenience store channel is working to make consumers’ lives easier and to offer an expanded menu of services upon which shopping occasions may be based.

While technology is enhancing existing store services, it also holds the promise of capturing a greater share of the wired consumer’s shopping occasions. The Carmi, Illinois-based Huck’s chain recently announced it will offer customers a high-speed wireless Internet connection hot-spot through Transnet Wireless Corp., in 40 of its 150 locations.

“It’s just really convenient for the mobile society,” says Huck’s Senior Vice



President of Operations Todd Jenney. "Quite possibly we'll see people in our stores who we wouldn't have seen before because we're offering that service."

Similarly, Info Touch Technologies Corp. and FatPort recently joined forces to offer high-speed wireless access across the ZapLink kiosk network at 34 Vancouver, British Columbia-area Mac's Convenience Stores. Customers with Wi-Fi-equipped laptops or PDAs can open their Web browser, enter credit card information and obtain wireless access over a secure SSL connection. All three parties will share transactional revenues from the program.

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"Mac's, Info Touch, and FatPort share a common vision in leveraging the most convenient retail space in the retail industry to act as destination points for quality wireless access," says Hamed Shahbazi, Info Touch chairman and CEO. "Even-

tually wireless will become as common place as ATMs for convenience stores."

New Occasions for the Future

It appears that in order to succeed in creating new convenience store shop-

New Service Offerings

Adding new and needed services is one of the easiest ways to create new shopping occasions. That takes a variety of forms in convenience stores, from full-service banking to pet washes to license plate renewal centers. The following examples illustrate how convenience store operators are fulfilling customer desires and enhancing their status as a shopping destination.

SERVING THE UNBANKED

The country's large unbanked population counts on convenience stores for financial services like check cashing or kiosk-based bill payment. This offers operators an opportunity to generate loyalty in an underserved market; while the shopping occasion already exists, expanding the product offering can attract new customers.

One such offer is the Purpose Advantage program, launched at the NACS Show 2004 by Purpose Solutions LLC. It is a proprietary store credit that can be structured as a closed-in installment loan or open-end revolving credit; as a credit line issued instantly at the point of sale, it allows customers to use

that proprietary store card at any store in a chain.

"There are 48 million people who bounce over 13 checks a year, and that costs them a lot of money," says Dennis James, Purpose Solutions president. "Typically when someone is going to write a \$25 check, it might cost them \$50 in bounced check fees. We can typically make that same loan for no more than a dollar or two. What we're seeing is that the program is driving loyalty to that storefront due to that savings and that is, in turn, resulting in an improvement of same-store sales by upwards of 5 percent."

Recently implemented in two South Carolina-based convenience store chains, Lil' Cricket Food Stores and The Spinx Company, Purpose Advantage plans to roll out to 5,000 locations by the end of the year. Thus far, retailer and customer reaction has been favorable. "The customer satisfaction surveys that we've done on consumers who use the product have been outstanding satisfaction ratings, 85 percent-plus," says James. "That is a very strong rating and it's driven almost directly by the cost savings."

REINVENTING THE FOODSERVICE OFFER

In the face of declining fuel and cigarette margins, foodservice is a growing convenience store profit center. But using foodservice to create new shopping occasions requires some outside-the-box thinking — like the new "convenience restaurant" concept from Sheetz, profiled in Ideas2Go at the NACS Show 2004.

While its M-T-O proprietary foodservice concept broke new ground in the channel, Sheetz sought a vehicle to expand its offer in a way that created a new experience for consumers. Fourteen teams worked to develop a new concept, studying consumer eating habits, food trends and store design. The result: a building with a typical convenience store on one side and a 62-seat restaurant on the other.

"One of the most frequently requested items I get when customers send e-mails is for seating, because there are occasions when I as a customer want to sit down," says Steve Sheetz, chairman of Sheetz Inc. "We feel that if we can satisfy that occasion, we have a better chance of holding onto you on a regular basis as a food customer."

The Sheetz convenience restaurant uses the touch-screen ordering it helped popu-

ping occasions, one rule applies: know thy customer.

“There’s no indication that the rate of change and the intensity of the competition is going to let up,” says Russell. “Convenience retailers who are getting serious about differentiating themselves in the face of competition are really looking at creating a whole new philosophy of the way they do business that says we’re going to pay close attention to the customer and the competition. We’re going to leverage our points of differentiation so that we capture the awareness, affinity and affection of customers that will keep them loyal and coming to us even in the face of competition.”

larize, but adds a twist — food is prepared “on stage,” where customers can see fresh salads being made or pizza dough being tossed. Thus far, the convenience restaurant concept has met an untapped customer need and the store side has profited from the flow of restaurant customers.

“At this convenience restaurant, we wanted to double what we do at a normal store. We tripled it in essence,” says Sheetz. “One thing about the food customer is that they are the largest spender and the largest gross profit basket that we have, so it is by far the most productive customer that we have.”

ROCKING THE VOTE

Tulsa, Oklahoma-based QuikTrip Corp. offers its customers a chance to take advantage of America’s greatest freedom — the right to vote. Each of its stores has what it calls a community center, which in many markets includes voter registration forms and absentee ballot applications. It’s a simple idea that provides a community service and an added convenience for customers.

“To us, it’s really a no-brainer,” says Mike Thornbrugh, director of public affairs for QuikTrip. “We encourage our folks to get involved in the

But, the onus doesn’t lie solely on retailers. In some ways, consumers need to be retrained to think differently about convenience stores. The days of convenience stores solely being a gasoline and cigarette stop are waning fast, if they’re not entirely over. They need to know what stores offer to make their lives easier, to get them back to their day faster and to surprise and delight them.

“Retraining customers can be done primarily through your communication stream,” says Ferguson. “Convenience store and fuel retailers typically have not done a lot of customer communication. Customers typically get what they need and leave, and you have no idea if you’ve seen that same customer one time in a

political process and if this is a way to get our customer involved and for them to vote their conscience, it’s just another great service.”

QuikTrip doesn’t publicize the forms’ availability in its advertising, but TV and radio PSAs in its main markets mention that the forms are available at QuikTrip stores, in addition to the usual outlets. “In this last election cycle, it was very well perceived and we gave out a lot of forms. Obviously, you had record voter turnout so there was a lot of interest,” says Thornbrugh.

WAIT A MINUTE, MR. POSTMAN

Stopping by the post office can be a tough task to squeeze into a busy day. Incorporating postal services into convenience stores offers the consumer an even more compelling case for stopping by, and it offers retailers a profit opportunity.

The U.S. Postal Service (USPS) is expanding its contract postal unit (CPU) program into the convenience store channel. Typically a 150-square-foot branded build-out, CPUs allow consumers to buy stamps and ship packages. The USPS offers retailers a performance-based contract that pays a percentage of sales. As USPS has lost

month or four times in a month. But when you put something on the table and say, if you will identify yourself and tell me who you are, then I will give you something of value in exchange for that. They will watch to see if you follow through on that promise, and then they’ll engage you in some kind of a dialogue. Through that communication stream, you’re naturally re-training that customer to think of you, not so much as just a commodity, but as a brand with which you have a relationship.” ◉

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market share to the Internet, it views CPUs as a way to reach more customers.

“The key to the whole success of the program for us to be viable is to be convenient. We have 33,000 retail locations, but we’re basically an 8-to-5 business trying to do business in a 24/7 world,” says Dennis Kelly, USPS manager of contract postal access channels. “We saw the opportunity in partnering in the convenience store industry because they stand for convenience. We want our customers to be able to get our products at post office prices at convenient locations where they live, work and shop.”

The CPU program has been well received among consumers; USPS customer intercepts indicate that customers view the convenience store as their post office. “The main benefit for the retailer is the lift it brings them in additional customers and foot traffic,” says Kelly. “The first convenience store we opened, a Mobil On The Run in Tampa, had a dramatic improvement in their in-store sales and foot traffic. Their door swings went from 125 to 525 a day and their in-store sales went up 38 percent. It was really phenomenal. What we’re seeing now that there are more convenience stores involved is that the lift is 3 to 13 percent on average.”