

Convenience Store Decisions

Getting (and Keeping) Customers Inside

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In a challenging economy, outstanding service, quality foods and loyalty programs are retailers' top picks for maintaining in-store traffic.

Looking for ways to keep your customers coming into your store? You're not alone. Consumers may understand that convenience retailers need to raise prices, but that doesn't stop them from buying elsewhere, especially when it comes to buying prepared food.

"Food is certainly a good draw, but it's one of several important factors," said Sandy Arrasmith, vice president of Wyoming, Mich.-based J&H Oil Co., which operates stores under the Exxon, Mobil and Marathon brands. "I think the standard principles apply, even in this weakened economy. You've got to have clean, well-lighted stores. Your people have got to offer great service, and you've got to have some brand recognition."

Arrasmith expanded into foodservice heavily about a year ago with the addition of Piccadilly Circus Pizza. Since then, the company's hot food sales rose by 15%.

Industry observers point out that higher gas prices are a doubled-edged sword: Many consumers may subconsciously blame c-stores for increased fuel costs, but they have become much more interested in reducing their driving than they used to be, making it more likely they will buy inside the store if they know that the merchandise they want is there.

"Right now, given the economy, I would say that things are pretty flat throughout the chain," Arrasmith said. "However, those stores serving our pizza program still show a slight increase in sales over last year. I even put Piccadilly in some of the locations with Subway and those stores still saw an increase without even putting a dent in the Subway sales."

Whatever the brand draw, Arrasmith strongly believes convenience retailers need loyalty and reward programs, one reason she works hard to create programs with a core

selection of items in each store. "Each store will pick a selection that fits its location," she said. "We're doing a different special for every day of the week, and our customers know they can get a certain combo meal for less on a certain day of the week."

MAKE CONVENIENCE SHOPPING AN "OCCASION"

Right now, most c-store operators solve a low-level problem by providing a certain set of items in a convenient format, according to David A. Fields, managing director of Ridgefield, Conn.-based Ascendant Consulting LLC. However, in a weak economy, Fields said the tradeoff between convenience and price swings away from c-stores, making it imperative that c-store operators ramp up the value side of the equation.

To prosper, Fields advised retailers to find and focus on solving what he described as "occasion-based problems" such as customers' need to buy lunch, all the ingredients to put dinner on the table or everything needed to do an oil change themselves.

"The good news and bad news about the economy and gas now is that in an economy that's pushing people to be more price-conscious, c-stores are a little bit vulnerable," Fields said. "But where gas prices are high, when a c-store is more convenient than the local grocery store, that helps."

Field's research found that merchandising around occasions—specifically meal and snack occasions, as opposed to "here's our big assortment of stuff"—has a positive effect on sales. "For example," Fields said, "if the problem is, 'how do I get a good lunch at a decent price close to where I work,' and you can provide that lunch solution in a space that lets the customers buy gas as well, you're making it easy for them to make your store a destination."

All things being equal, Fields believes the No. 1 reason people choose a particular store is location. "It's about convenience first," he

said. "Customers are already at your store for gas, so focus on converting them to buy inside by helping them to solve their problems."

Arrasmith concurred completely. "For the food buyer, if they're at one of our stores at lunchtime getting gas, we want them to come in and pick up a pizza, hot dog or sandwich rather than driving to the fast food place in the next block," she said.

Loyalty Becomes its Own Reward

"In order to be successful in today's environment, I think we have to become the preferred destination for our main demographic segment," says Gene Tish, vice president and chief operating officer of Portland, Ore.-based Wesco Petroleum, which operates 48 stores in Oregon and California.

"I remember in the old days that major oil companies talked about how they wanted a certain percentage of their gas customers to buy something inside the store," Tish said. "Today, we want to see our customers in our stores three times a day. We're hopeful they'll buy gas twice a week."

The loyalty and rewards program his company is implementing in stages has provided excellent tools for identifying and retaining the company's core demographic. "It's easy to identify our top 100 customers," Tish said. "We make sure our people know their names, interact better with them and then they refer more customers who become even more loyal."

While c-stores can't out-price their competitors by a big margin, price points are less of a concern for customers who feel welcome and whose needs are met by what the store has to offer. "Paying a nickel more for a cup of coffee doesn't matter if, when you walk in, people know your name and ask how you are," Tish said. "That's what we see as the true value of the loyalty system. Getting our loyalty system fully installed hasn't been easy, but the data show that it's helping us to significantly increase our margins and retain our volume even with higher margins."

Focus On Core Demographic

Many of Wesco's stores are in rural areas, and many of the company's customers buy food there several times a day. "Our focus isn't so much that we've got customers buying gas and we'd like them to come inside and buy a bottle of water," Tish said. "We want them coming to the store to buy the lion's share of their food."

People who make good purchasing decisions go to the grocery store and buy groceries for a week, Tish noted, and while they may buy a cup of c-store coffee occasionally, they won't become regular customers. Interestingly, Wesco's core customer demographic are people with a history of poor purchasing decisions who make even worse decisions when the economy gets tough because they're

depressed, consuming more alcohol and coffee.

Everyone talks about how they're going to attract a "higher level of customer," Tish said. But while commuters and soccer moms may occasionally stop and buy a bucket of chicken from us on their way home from work, for Wesco's regular customers, the decision is between buying chicken boiled in oil or a double cheese pizza.

"That's not the cheery side of our industry, but that's the way it is," Tish observed, adding that many of the company's most frequent customers are singles who buy prepared food by the meal. "Those are the customers the loyalty card seems to bring back every time."

The fact that the loyalty card bar code brings up the customer's name goes a long way toward building a customer relationship. "These are people who are not used to be recognized or respected," Tish said. "They get their butts chewed at home and go to work where the boss chews their butts. We want to make sure when they come into our stores that they are respected and greeted warmly because that may be the highlight of their day."

service IS still paramount

"As always, customers have a choice of where they go, so customer service is still very, very key," Arrasmith said, "In fact, it's still the number-one edge over the competition."

Most of the customer service training J&H Oil does is on-the-job, but Arrasmith recently developed training classes for employees. "Sometimes people don't know what good service is, and as a company we want to cover all the bases," she said.

Tish agreed that nothing works better than great service. "Loyalty programs can be part of that, but we've really got to keep the pressure on our people to make sure we're providing drop-dead great customer service," he said.

Wesco's training program is described as a "trickle-down" process beginning with managers, assistants, shift leaders and employees in training; the first of those three titles undergo a program called New Vision for Supervision, which is held one day a week for 10 weeks to give employees 10 hours of interactive training in transformational leadership. It focuses on improving communication and creating more productive interactions between supervisors, employees and customers.

A loyalty program is a great tool, but that's all it is, Tish and Arrasmith confirmed. It won't make a dirty, dimly lit or unfriendly store successful. "You've still got to make sure your people provide great 'knock your socks off' customer service," Tish said. "You may be selling chicken boiled in oil, but it's got to be good, quality chicken boiled in good, quality oil." CSD