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Five trends to help retailers compete on convenience

Tags: Consumer Behavior, Marketing, Merchandising, Retail - Convenience Stores 5/20/10

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By Britt Peterson, Cole & Weber United

Everybody wants convenience. We're a culture that's time starved. We demand immediate gratification (thanks, Google). And we'd rather not compromise selection.

Because of that cultural tidal wave, convenience stores are the most likely format of the future. Yes, yes — some doth protest because sales slowed due to gas prices. But look at the facts:

- Grocery stores are building smaller format stores like Tesco's Fresh & Easy and Giant's Giant To Go because they recognize people's desire to get in and out quickly. Drugstores like Walgreens and Duane Reade are designing drive-up windows and adding more breadth to their offering to better compete with both grocery and c-stores. QSRs are realizing the potential of aligning themselves with the channel. In fact, Quiznos recently set a goal to be the premier partner for c-stores.

In 2009, c-store sales made up 3.5 percent of our GDP (or \$1 of every \$28) according to NACS. For context, that's the equivalent to the percent of our GDP President Obama has suggested we invest in science and innovation research as a country.

Given this information, brands can't ignore the c-store, and must learn to succeed within it.

But how do we go beyond being in the channel to capitalizing on the channel?

Think about these five trends as tools for success. We've already seen some stores and chains start to adapt. But these trends are also platforms for marketers to tap into in order to really leverage this increasingly critical channel across customer types.

Community Matters. The convenience store is somewhat of a makeshift community center. And brands that are able to effectively capture an element of local pride are leveraging that truth to create momentum. Budweiser has special edition packs that reflect local college team pride. Casey's General Store chain has a community donation program that allows people to post their name in the store when they contribute money towards a cause. And, at the extreme end of the spectrum, there's BP Connect: c-stores outfitted with wifi and full cafés designed to embody "your neighborhood hangout."

Fresh Desire. It's no secret that health is at the forefront of people's minds. And let's face it: convenience stores don't have a great track record of offering health-conscious foods, so it's no surprise that brands are looking for ways to adapt to these needs. And they are getting better. We're seeing products like teas surge in popularity within the channel, which is reflective of a current health trend. Perception is reality in this channel when it comes to health. Light beer? Healthy. It's fewer calories. No trans fats? Then I'm buying that bag of chips — it's healthy. Leveraging even the smallest health aspects of your products goes a long way in this channel.

Merchandise the way people shop. This applies heavily to the stores themselves, but I challenge brands (especially those with broad product portfolios) to also think through how they combine and merchandise their products. People shop by product category — not manufacturer. So we're seeing more "beer vaults" or "hydra zones" (the beverage section of Chevron's Extra Mile stores) created to draw people to one area of the store for a particular need. But people are also looking for products that go together. Think about what a "movie night in" display might look like: Redbox, surrounded by candy, beverages and popcorn. You just might end up with a 6-item basket vs. one movie rental.

Borrowed Brand Equity is a Trial Instigator. People are drawn more and more to new products that combine some of their favorite brands. Sure, Thrillseekers love the new, but even Mr. Jones is curious about where else "their brand" may end up. Whether it's Burger King chips or Cheerio cereal bars, borrowed brand equity is allowing brands to introduce and differentiate new products, and expand their presence by gaining access to the c-store space. And people love it.

Frequency Rules, so Fun Matters. Convenience stores thrive based on consistent foot traffic and frequency. Consequently, the most successful c-stores are design an experience that's not just convenient — but fun enough to bring people back. 7-11 is adding movie and game purchases as a hook. Doritos Late Night packaging is adding value to the experience of buying a bag of chips by providing content through augmented reality. DIY machines that tap into people's passion for individuality are making the trip more experiential — whether that's make your own milkshake stations, or Cokes' new Freestyle machines. Foursquare is making going to the c-store social and viral. Brands that can add value and enjoyment to a customer's experience in the c-store will find success. Surprise and delight customers — they'll thank you for it, and so will your retail partners.

Britt Peterson is Partner and Director of Business Development for Cole & Weber United. (Photo by Brymo)

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