REBUILDING TRAFFIC, BUILDING BASKETS

Staffing and supply chain hurdles are still affecting store operations.

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After a COVID-fueled foot traffic decline, customers are returning to in-person shopping — a development especially positive for the convenience store industry.

"As consumers have returned to their busy lives and continue their cadence with e-commerce, the demand for convenience has gradually increased across channels," NielsenIQreports. "Convenience retailers have an added advantage here given the premise of their store formats."

But as c-store operators on the front lines know all too well, many obstacles remain.

"Staffing and supply chain are our biggest hurdles right now. It is very challenging to find enough folks willing to work; and with lower staffing levels, execution suffers," says Jonathan Polonsky, chairman and CEO of Beaverton, Ore.-based Plaid Pantry, a convenience store chain serving the Northwest. "We have struggled to maintain appearance consistent with our brand — our shelves are not always fronted and faced the way we would like them to be — and to maintain morale so that our associates can deliver the friendly service we have built our reputation on."

The fact that similar obstacles are hampering the industry's suppliers has only heightened the challenges.

"Our vendor partners are facing the same issues, resulting in an additional load on our associates to order and work freight, a responsibility that was not on their plate prior to the pandemic," Polonsky points out. "In general, supply chain reliability is still very low; the fill rates from our suppliers have not improved much over the last year, and we don't expect much relief until fall."

Derek Gaskins, chief marketing officer for Des Moines, Iowa-based Yesway Inc., which operates Yesway and Allsup's branded convenience stores in Texas, New Mexico, South Dakota, Iowa, Kansas, Missouri, Wyoming, Oklahoma and Nebraska, echoes Polonsky.

"Yesway, like other convenience retailers, faced labor challenges, supply chain disruptions, and rapidly changing consumer expectations [during the pandemic]," Gaskins says. "While COVID pressures have lessened in some areas, these are still the main obstacles faced by the channel. Also, the rapidly increasing inflationary environment the past year has emerged today as our biggest obstacle."

Michael Bloom, executive vice president and chief merchandising and marketing officer at Richmond, Va.-based ARKO Corp., acknowledges these same obstacles, but tries to view them in a positive light. “We think of obstacles as creating opportunities,” he says. “The pandemic made us think differently about how we serve our customers.”

ARKO is the parent company of GPM Investments LLC, one of the largest operators of convenience stores in the United States.

TACKLING THE CHALLENGES

Across the convenience channel, there are several ways operators are showing their ingenuity and tackling the challenges in their quest to boost foot traffic and sales.

Value Pricing & Rewards

“How much does it cost?” is the question on most everyone’s minds as they navigate prices that seem to keep soaring. Yesway’s Gaskins believes the way a c-store answers that question can give them a competitive advantage.

“As consumers trade down from other channels, Yesway and other convenience operators are well-positioned for growth. Consumers looking to save on gas will stay closer to home, which will serve us well as it did during COVID shutdowns,” he says. “We can capture more foodservice, grocery, tobacco, beverage and other category dollars by ensuring we are reasonably priced on core items.”

It is a pricing strategy Yesway has focused on, and continues to do so.

“We have worked hard to deliver compelling key value items (KVIs) across categories throughout our stores. We offer twofers on most own-brand products now that people are seeking value. And we have a robust array of Allsup’s and Yesway own-branded products at great everyday values that have been embraced by consumers,” Gaskins reports.

“Our Allsup’s bread, milk and eggs are competitively retailed with grocery stores and Walmart, and we have partnered with national brands for great values on staples like cereal, case pack water, condiments and HBA [health and beauty aid] products — for example, Kellogg’s cereal program,” he continued. “We have partnered to not have insult pricing. Our retails on full boxes of cereal are comparable to Walmart and grocery, as are our costs.”

Rewards programs also play an important role. Yesway has leveraged its award-winning Yesway and Allsup’s Rewards programs to drive traffic and excitement in the stores.

“We employ strategies such as stackable fuel rewards on destination category purchases that consumers make,” Gaskins says. “Partnering with our suppliers to deliver cents-off savings per gallon for products purchased through our rewards program has been well received, especially as the retail price of fuel has risen the past few months.”

Bloom says ARKO has seen positive results from its fas REWARDS loyalty program, too.

“Our enrolled loyalty program members visit us seven more times per month than non-loyal customers, spending approximately $90 more a month as well,” he reports.

Most recently, ARKO debuted a new “Buy More, Stack More, Save More” benefit as part of its annual “100 Days of Summer’” promotional program. “This allows enrolled loyalty members to save on fuel by ‘stacking’ savings of up to $1 off their next fuel purchase, for up to 20 gallons of fuel," Bloom explains. "Loyalty members in Connecticut, Missouri and Wisconsin can stack points, which turn into fas BUCKS at their local GPM stores."

More loyalty program features, such as a new app with additional benefits, are on tap for later this year. "We want to continue providing excellent value to these customers," says Bloom.

Enhanced Food & Beverage Options

Foodservice, including grab-and-go, has become an important component of convenience retailing — one ARKO embraced during the pandemic. The company installed freezers and expanded grab-and-go options whenthe shift to remote work began. The move is still paying off today.

"With a limited budget, a customer might opt to purchase a frozen dinner from their local c-store over dining out at a restaurant or paying a higher price for delivery," Bloom says. "Customers are shifting toward more cost-effective, readily available food options, and by offering frozen items such as pizza and chicken, along with pre-made options, we are seeing an increase in sales for those categories."

The company also is building out 50 new Sbarro pizza counters in its stores. "We believe that delicious, high-quality pizza at a reasonable price is a compelling value proposition for our customers, and we work to ensure they know when a Sbarro is open in their market through targeted communications campaigns," Bloom notes.

Automating foodservice processes to give associates more time to focus on customer service has been another plus for ARKO. The installation of bean-to-cup coffee machines in 525 stores is one example.

"That reduces waste and streamlines production of a very popular, low-cost essential item," Bloom says. "These coffee machines are simple to use, grind beans on demand, and give our customers delicious hot or iced coffee whenever they want it."

Leaning Into Technology

Technology now plays a key role in driving consumers into stores.

"We are leaning into social media more than we have in the past to reach new Plaid shoppers," says Polonsky. This outreach includes a summer campaign that he says offers customers "many compelling 'Plaid-Tastic' deals on Instagram and on our app." Recently, the retailer promoted an offer of buy two 20-ounce Dr Peppers, get one free.

"Once [they're] inside, we will have additional bundled offerings to encourage customers to build their basket," he explains. "The bundles are a combination of offers promoted on those platforms and some in-store-only deals that are more 'on the fly' promotions. These strategies are not new to retailing, but I think there is now a premium on offering the customer different and unique value propositions. The days of 'pile it high and let it fly' are not as effective as they once were."

It's the kind of move Sean Turner, cofounder and chief technology officer at Swiftly, says is essential for any retailer hoping to build traffic and sales. Swiftly is a digital ecosystem that harnesses the power of artificial intelligence (AI) to help retailers build strong digital relationships with customers, empowering them to grow sales and build loyalty.

"Without a comprehensive technology strategy that links the digital and in-store experience to deliver savings and customer engagement, convenience stores will continue to struggle building and retaining a loyal customer base," Turner cautions.

Mobile apps, which he calls "the primary lifeline connecting the customer with the in-store experience," should be a crucial part of the strategy.

"When tied to a loyalty program, mobile helps increase store visits through personalized offers and deals, while also enabling customers to track purchases and rewards quickly and conveniently from the palm of their hand," Turner says. "Mobile features such as fast-lane checkout or a cashless checkout system, would also be extremely appealing to today's modern convenience store customer."

Supply Chain Management

No matter the value or rewards offered or the outreach that convenience store operators do, they won't succeed if products aren't on-shelf when the customer arrives.

"To ensure their products are in stock, convenience store retailers will have to modernize their existing supply chain operations unless they want to be beat out by larger retailers," stresses Kevin Beasley, chief information officer at VAI, a provider of enterprise resource planning (ERP) software solutions. "Optimizing their ERP system by utilizing cloud-based technology and predictive analytics with AI is becoming necessary for these smaller convenience stores to gain clear visibility into supply chain, warehouse operations, and product lines."

Ultimately, keeping the shelves stocked is key to generating traffic, building baskets and engendering long-term loyalty, particularly in the current retail landscape.

"Sticking to the fundamentals of category management and focusing on keeping our shelves stocked has helped increase basket size," says Gaskins, who notes that Yesway works with multiple distributors including mainline wholesalers Affiliated, AMCON and Core-Mark, and supplements with many others "so we can pivot in case of supply chain disruptions."

"Remember, the No. 1 ability is availability, Gaskin concludes, "so ensuring consistent in-stock positions also leads to sales growth."