2022: BEYOND FUEL
An overview of the GasBuddy panel discussion with leading retailers.

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GasBuddy BUSINESS PAGES
Outlook Leadership is about big ideas. As one of the premier events for fuel and convenience retailers, it brings together leaders to discuss trends that will shape—and potentially redefine—the course of the industry.

The past few years have created uncertainty for many retailers. Not only has the growth of fuel efficient, electronic and autonomous vehicles raised serious concerns, but there’s a war for ownership of “convenience.” From food and fuel delivery to automated stores and mobile apps that claim to be replacements for the neighborhood convenience store, that marketplace is clearly changing. Yesterday’s playbook may not be relevant tomorrow.

To that end, we organized a panel of leading experts at Outlook Leadership 2018—each of whom brought diverse, unique, and relevant perspectives on these important matters. We wanted to better understand how brands will be affected by pressures both within and outside of the industry. Which trends could be most impactful? How are they evolving their businesses to adapt to, or even take advantage of, these competitive threats?

Key highlights are included in this report, and we’re confident that retailers, marketers, and suppliers will all find value in the next few pages.

Thank you each of the panelists for a successful event, and thank you once again to everyone who attended 2022: Beyond Fuel.
The convenience retailing industry has largely been insulated from disruptive trends and competitive threats in other retail sectors, but the next five years may be present real challenges. There’s a war for ownership of “convenience”. Food delivery continues to expand, retailers such as Dollar General are opening stores at a rapid pace, and services such as Cargo are turning ride shares into mobile convenience stores. An app called GoPuff—which promises delivery of thousands of SKUs in 30 minutes or less—describes itself as a replacement for c-stores.

Question 1: How can retailers avoid disruption and keep the ‘convenience’ proposition in convenience stores?

We need to maximize what the customers are seeking. The challenge is to **evolve with the customer’s definition of what convenience means.**

Ten years ago, everyone said the future of the channel is food, and many of us figured that out and are now outperforming QSRs.

At the end of the day, the customer has spoken and they want things to be convenient. **They want it to be customized. They want it to be personalized.** I think the way we can ensure we’re not disrupted is to make sure we’re meeting the needs that they have.

There’s a lot of variances across markets. Convenience stores appeal to different types of consumers, different types of demographics.

You really have to **be keyed into your particular brand identity and the type of consumer that you serve, and be led by that customer who is most often frequenting in your store.** That doesn’t mean that you turn a blind eye to all of the technological disruption that’s happening, but you really have to respond in a way that your consumer is going to find compelling.

The c-store of the future: is it just the store we have today, or are we going to adopt some of these new technologies? Are we going to license some of these technologies?

I think there’s **opportunities to take these new disruptors to take them into our business and make them part of our business**—as a brand of convenience, and not just as a c-store.

I think we have to be looking at other industries and how they they may change the consumers. **Consumers patterns may change, and they way they live their lives, and that could be just as big of a disruptor to us.** And so we have to be thinking about all those things and what is what is it be really provide at the end of the day?

Are we investing as much in technology as we are in our storefronts?
Many iconic retail brands have exited the marketplace in the past few years. Consumers have many choices today, and they don’t have to visit dirty, boring, or unexceptional retailers at a time when many of the same products can be shipped to their door in one or two days.

Convenience retailers face a similar challenge. Not only is their closest competitor sometimes across the street, but the expansion into foodservice puts them in competition with QSRs, coffee shops, and fast-casuals. According to GasBuddy data, something as simple as dirty store or outdated lighting can cause a drop in foot traffic of 25% or more.

**Question 2: How can companies take advantage of consumer preferences for high-quality retail experiences? Are the opportunities only in the store, or should they consider the forecourt as well?**

If you look at the forecourt, that is the first point of contact at your c-store. There’s some huge opportunities there. You can take a look at lighting, pump speed, and cleanliness.

If you came to a very nice restaurant and saw trash all over the place, you saw grease stains and gas spilled everywhere, what would you think of the quality of the food inside? As we move to foodservice in c-stores, you have to think about that. If I pulled up to a c-store and it was dirty, I would think the inside is probably also dirty.

When the female consumer talks about what is most important to her when it comes to foodservice, it doesn’t have anything really to do with taste or flavor. The first thing she’s going to mention is quality of ingredients, but beyond that, it’s all about cleanliness. And not just about the forecourt or the kitchen area, but the bathroom as well.

There’s this strong perception linked to quality, and whether or not I see value in foodservice at this particular location.

I think Maverik’s a little different in that we try to make our brand really unique, and cool, and fun for the customer. Figuring out a way to do that—in your own way—can make it where the store is about more than the products you sell.
Question 2: How can companies take advantage of consumer preferences for high-quality retail experiences? Are the opportunities only in the store, or should they consider the forecourt as well?

As we’ve grown our foodservice and as your food quality gets on par with QSRs or maybe fast casuals, we actually have a real advantage over them. Because all of a sudden those things on the core side of the store make us really different. I can’t go to a restaurant and get a burrito and any kind of energy drink that I want. Or any kind of candy bar I want. Or any kind of chips I want. So all of a sudden for the customer we really offer the ultimate in choice. And if our food is good enough that we're a destination they will start to choose us because of that whole meal that they can get.

You have to understand who the customer segments are, and what needs they have and what’s not being met. As customers in general have become used to experiences that are world-class, things we used to focus on are now table stakes. If you don’t have clean restrooms, they’re not even going to stop. If you don’t have quality foodservice, they may stop that one time, but you may lose them for any future subsequent trip.

Many of us are testing whether it’s better for you products, or maybe you’re looking at fill-in groceries. There’s no one silver bullet. I think each brand is going to be different, and you have to find what will resonate with your customer base—what you can own—and what you can get to first and put your flagpole down and say, “the experience that I choose to own is going to be X”, and “that is going to be the filter with how I go to market”. All of the “disruptive” brands or winners that we see out there, I think they’ve done an admirable job of getting that data, those insights, and using that to then drive what their strategy is.

Coming back to Aaron, if you look at Maverik’s stores, you know exactly who they are going after. It is the adventurer, and they have that targeted and honed-in. And Derek is making points that when we start becoming everything for everybody, then we become nothing for everybody. You want to be something for someone.
Some retailers have leveraged high-quality experiences to differentiate themselves. Sapp Bros, for example, uses “Mom Approved Restrooms” to appeal to consumers beyond truck drivers. Buc-ee’s and Kwik Trip have employed similar strategies to turn their locations into destination stores. But many retailers fail to differentiate themselves at a time when consumers have other choices. Fuel-delivery service Yoshi costs only $20/month, and it saves users the time and hassle of visiting the gas station. Yoshi has expanded from three to sixteen cities in 2018.

The market is also changing. Not only have electric vehicles raised questions about the future of fuel, but young Americans drive less than they used to. Eighty-seven percent of 18-year-olds had drivers licenses in 1983. Thirty years later, and that number has fallen to sixty-nine percent.

**Question 3: Low-quality customer experiences push customers away and into the hands of new services at a time when both the market and consumer behaviors are evolving. How concerned should retailers be about this?**

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**I think the short answer is we should be very concerned. Just to validate that, I have an 18-year-old daughter and I literally forced her to get her driver’s license. I said it’s a life skill. You have to know how to drive. She at least got her license reluctantly. Has no desire to own a car, is more than satisfied with ride sharing, delivery, UberEats, and all of this “bring it to me now” and “make it convenient”, and that’s what I mean: it’s a redefinition of what the customer means when they say ‘convenience’.

Last year, one of the speakers here said “how many of you have been in an Uber or a Lyft,” and all of us raised our hands. Then he said, “how many of you have stopped at a convenience store along the way to get something,” and no hands went up. That to me was very salient. **We’ve been marketing to drivers, and now we have to market to passengers or to empty vehicles.**

We have to think different. We have to be omni-channel. That’s the expectation, and it’s not a question of ‘if’. It’s more ‘when’.

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**I’m less concerned and more excited about the opportunity.** There’s two things that I think about. Derek’s daughter was reluctant to get her license, but she’s probably going as many places as she would if she did have one. So I look at mobility, and I look at impulse. I have seen data that we’re not less-impulsive than we were before. **I look at mobility, and we are now moving around back and forth more than we ever have been**—and that is going to continue to grow. So as a brand and not just as a convenience store, how do we cater to those two things?

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**We have to be looking at the opportunities. What’s the next thing consumers will want? It’s going to change whether it’s electric or autonomous. The Ford F150 getting almost double the fuel mileage that it used to get—that’s kind of scary whether that changes or not, like the biggest trucks on the road are getting double the gas mileage. So we’ve got to be figuring out other opportunities.**
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Industry data shows that many of today's customers are loyal to specific convenience stores and brands. Kantar Retail, for example, found that 49% of consumers tend to always go to a specific store they like. Amongst some brands, however, this percentage rose to as high as 72%—indicating that there is strong potential for growth.

Question 4: Have you looked at ways to boost loyalty within your brand? Where do you see opportunities to build a relationship with consumers in a way that price alone cannot?

People buy brands. That’s the point of having a brand, right? People have an affinity to your brand or it becomes a badge of honor. It generates loyalty.

The second thing for us has been food. We’ve gotten to the point where people crave our food and it becomes a destination. I’ll share a story. We were back in Hershey, Pennsylvania a couple of years ago, and my wife asked where I wanted to go for breakfast. I suggested Sheetz, and she said “I’m not eating breakfast at a gas station.” But she recently asked to eat at a Maverik store, and that’s a big change from where she was just four years ago. So I think as we can build that within our brands, consumers will make our stores a part of their stop.

The question is: how do we become a destination and a brand where people say, “I’ve just got to go there.”

We’ve tried a few things, and I’ll share two of them. Through our loyalty program, we’ve been able to reward more often. Our customers are actually looking to our app to see if they got a reward, and we’re finding new ways to reward them faster or surprise them more often. The other thing is that we’ve leaned into human interaction. If I can put a smile on your face or make your day better, I can sell that at a convenience store. I can make that human interaction something of a reversal of the trend of Amazon Go where you just take the product and walk away without interacting with anyone.

You look at the fast-casual and QSR space, and Chick-Fil-A build their brand on being nice. People welcome that. I think for us, we have to figure out what that is. I’m a huge advocate of being a destination, so what can we do? In the case of Wawa, they started years ago with coffee, and then they expanded to relevant things—whether it was hoagies or other things that were predicated off of that—and that’s how your brand becomes sticky.
Question 4: Have you looked at ways to boost loyalty within your brand? Where do you see opportunities to build a relationship with consumers in a way that price alone cannot?

Look at Domino’s, and how they were talking about their app being best-in-class. They’re using big data. They understand that this customer only orders twice a month, so how do I get him to go one more time. That one more trip. What is that worth to the bottom line? And that is what their loyalty is all about, and celebrating everyday things and knowing more about your customers. An anniversary, a birthday, the favorite team. Make that an excuse to market and have the license to have a dialogue and say “come in and get this again.”

It’s about creating that destination in a convenient format. We still have speed, you can still park close, we are on the corners, you can easily access us. So how can we leverage those strengths to still win while the world is changing around us?

A couple of words that stood out to me are destination, yes, but also value. Technomic recently talked to consumers about how they make the decision of where to go for foodservice, whether it’s a restaurant destination or a retail destination. 79% said it’s in the value of what they receive. So the question becomes what is value? Is it just price? Or is there value in higher-quality ingredients, for example?

How do you identify what the point of differentiation is in terms of your value equation — how do they identify value in your stores? It just the convenience? Is it the quality of the food? Is it the price what they get for the money? There’s a lot that goes into how they identify value, but it is a top driver in their decision of either to go here or to go there.
Amazon Go took something that’s been accepted as a given—the checkout line—and completely removed it from the equation. Customers are allowed to fill their pockets or backpacks with products and just walk out the door. A digital receipt arrives on their mobile phones a few minutes later.

As other companies continue to experiment with similar technologies, this raises a concern for convenience retailing since foodservice and expanded in-store offers can result in larger crowds and longer lines. It’s essential to retain the “convenience” in convenience store and not cede ground to other competitors.

**Question 5: Nobody wants to wait in line anymore, and new technologies are removing lines from the retail experience. What do convenience retailers need to do at the checkout process to make sure that they’re not making other companies look more attractive?**

I think a lot of what you touched upon is what we need to focus on. Many of us have tested some of these things in the past, and they failed, right? Fifteen-plus years ago, at GetGo, we tested curbside and thought it was a failure, because I think the consumer wasn’t ready. Something like that now is clearly something they’re ready for. Many of us have tried drive-thrus and though we failed at it, may be going back at it.

It may be time to revisit and look at those things. Maybe look at parking and segmenting the forecourt to say this area is or people who are going to pull in and they’ve ordered—the time savings is we’re going to bring it to them. Maybe some pumps go back to full service. That could be a differentiator to a mom with the carload of kids—a reason for them to go out of their way.

I think that segmentation piece is important. **Where am I going to focus and test, and try some things to redefine what convenience means?** Everyone is time-starved and we want to save, so if we can figure out a better way, then that’s a winning proposition.

I think sometimes in our industry it’s easy to lead out and be too early. We tried to put in some touchscreen menus like Wawa, but people out west didn’t know what they were. But people are used to self-checkout now, and QuickChek and Sheetz and others have done that really well. I think QuikTrip does a great job of the dueling checkout. And so there’s already things going on that customers are used to. Sam’s Club is getting people checking out on their own with an app. There are things that we can be reasonably early adopters on—but not leading out in the market—that can be really successful.

You need to look at the disruptors in the market—the experience of companies like Lyft, Airbnb, Casper mattresses. If we continue to look inside our own industry instead of outside our industry, I think we’re going to be in trouble. **Who is best in class on the outside?** Maybe we can bring some of that back into our c-stores.
Millennials are now the largest generation in the United States, and there’s no denying that their behaviors and preferences have caused many restaurants and retailers to rethink their playbooks.

A joint report between GasBuddy and PYMNTS.com found that 74% of high-income millennials use mobile apps to make their fuel purchases—using discounts, offers, and other information to influence their decisions. We also found that although only 4% of the general population uses mobile apps to pay for their fuel, nearly twice as many (7%) of high-income millennials do so.

As this generation continues to transition through life stages and exert influence on the marketplace, emerging technologies such as mobile payments will become an increasingly-important part of the “convenience” value proposition.

Question 6: Millennials are a poorly-understood generation. What do retailers need to know about them?

The most important thing to understand is that millennials are in life stages. It’s not just about their age—it’s about the stage of life that they’re in. The one that they’re rapidly moving into is parenthood, and being a parent changes the game completely. From a foodservice perspective, you’re looking for something easy, cheap, that fits into your lifestyle and your kids will eat.

You have 39% of millennials who say “I’d come into your convenience store more often for foodservice and make purchases if you gave me higher-quality ingredients.” A lot of that is tied to the fact that they’re not just making decisions for themselves anymore. They could be making more decisions for their children.

We should think not just about foodservice, but about food solutions. Not just thinking about what I quickly grab for myself, but what do you have on bundle that I can buy and feed four people at the same time? How can you make this a high-value offer not just for me, but something that my children are going to eat as well. This is the stage that more millennials are moving into. Yes, your core customer is a young, millennial male. But increasingly he has other mouths to feed besides his own.

That was great stuff. I think that’s the way—we have to be more focused on what are the problems that we solve as a retailer, as a merchant, as a marketer, as a brand—and deliver that with consistency each and every day.

The big seismic shift that’s really happened is that consumers are more knowledgeable than they’ve ever been.
Question 6: Millennials are a poorly-understood generation. What do retailers need to know about them?

People have the power of Google at their fingertips and can find out anything about anyone or any product—at any time—and that has become the expectation. Transparency has become mission critical. They want to know the backstory, the sourcing, the ingredients, how you’re making it. Having that story is something that’s always been part of how we go to market; it’s just now we have to share more and be more comfortable with a group of folks who are going to have the data and come to us with that knowledge. Just think about when you buy cars now, versus fifteen or twenty years ago. You know more than the person selling you the car, probably, and I think that’s how the shopper’s mindset has shifted.

The generation right behind millennials are even more formidable, because they’re digital natives—they grew up knowing nothing but technology, and knowing nothing but a world where there were iPhones.

I think one of the opportunities anytime you don’t understand an generation is to bring them in and talk to them.

The young women who are my son’s age—they aren’t adverse to c-store. They’ve grown up with them. The Maverik we know today is the Maverik they’ve known all their lives. They didn’t know that dusty old service station, right? This is a huge opportunity to expand our customer base and have people who are willing to shop with us that don’t have to get over that initial hump.

Gen Z is between the ages of around thirteen and twenty-four. They’re a very young consumer. They have no aversion to c-store foodservice whatsoever, and something like three out of four of them—when they come in—are leaving with something from the fountain or hot snack. Their behavior is very much about snacking. “I want what I want, whenever I want it.” But they have no qualms about going into a gas station to find that.
Question 6: Millennials are a poorly-understood generation. What do retailers need to know about them?

What we found is that millennials and Gen Z don’t have time for inconvenience. If you inconvenience them, they won’t give you another chance. The blocking and tackling of the pumps that work, or the inside menu that touches in a speed like your phone—it’s the inconvenience that they’re not willing to come back for.

Gen Z is a little older than we sometimes think they are, and their earning power will start going up. But they exist in a climate where they've only known hyper-choice. They are very well-connected. Something like 90% of them will interact with a smartphone every single day, so they have a lot of information and choices—and they know it.

Another thing that’s really important about Gen Z is that they are the most diverse generation in this country’s history. This is the last generation that will be majority caucasian. This is a very mixed-race generation, very ethnically diverse. It’s important to understand that from a demographic need-state—especially when it comes to foodservice. What does a younger, more diverse consumer really want to eat? Is it that different from what the majority wants to eat, or are there nuances? Are there opportunities to really appeal to that younger consumer through things a little bit more adventurous or flavor-forward?

There are different ways to think about communicating to this consumer. It all starts with having a mobile app in place. If they can't identify your brand first through that then you really don't exist to them. Gen Z are digital natives, and that’s how they communicate. That’s their reality.