

The Next Frontiers for Convenience

C-stores are taking on mobile ordering, delivery and drive-thru to stay competitive

By Tammy Mastroberte

The retail industry is rapidly evolving to meet the needs of consumers, particularly around foodservice and the way food gets ordered and picked up. Carving out an increasing presence in today's landscape are mobile ordering, delivery and drive-thru — where it's all about convenience, a specialty of the convenience channel.

“Online and mobile ordering has become popular because of the convenience of it,” said Heidi Chapnick, founder and CEO of Channalysis and retail consultant at FreshXperts, an advisory team for growth in fresh foods. “I want to sit on the beach, order a coffee and go pick it up without waiting on line. I want to know what is on the menu before I go to a store. People are mobile today, and they are taking their mobile phones with them.”

Convenience store chains including Wawa Inc., QuikTrip Corp., QuickChek Corp. and Casey's General Stores Inc. all offer mobile ordering for their locations. Meanwhile, Casey's, Sheetz Inc. and 7-Eleven Inc. also offer delivery options.

Casey's launched its mobile app for ordering in January 2016, and out of its 1,950 locations, 550 offer pizza delivery, according to Bill Walljasper, senior vice president and chief financial officer at Casey's, based in Ankeny, Iowa.

“...Right now, roughly 13 percent of our pizza pie orders are running through that type of service,” Walljasper said of Casey's online and mobile ordering. “We have over 700,000 downloads of the mobile app and growing. And typically, we see an increased basket ring when someone orders that way — about

20 percent more, including more toppings or adding on complimentary items like breadsticks, wings or a soda.”

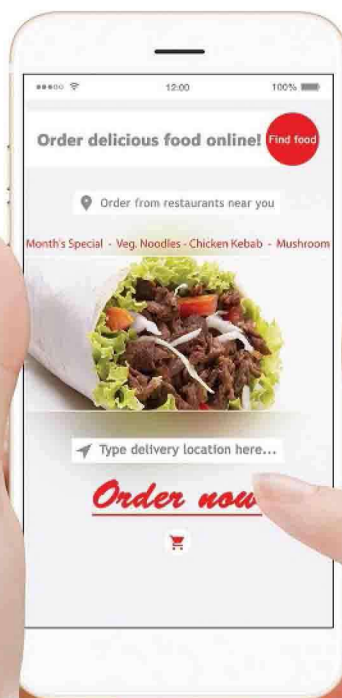
Traditionally, the biggest segment for restaurant delivery has been pizza. This has been tracked by The NPD Group for years. But with third-party delivery companies cropping up, NPD began tracking other areas, too. Outside of pizza, food delivery has been growing by double-digit rates since 2012, cited Bonnie Riggs, NPD's restaurant industry analyst.

Still, the biggest opportunity for growth is online and mobile ordering, she said.

“Digital ordering is still only 3 percent of the industry, but it represents 2 billion visits and \$17 billion, and the growth is coming from mobile apps,” Riggs shared. “If you are going to play in the space, you have to go there.”

Ordering from mobile apps has been growing for several years at a rate of 50 percent or more, according to Riggs. In December 2014, mobile app ordering was up 51 percent; in 2015, it rose 61 percent; and in 2016, it was up another 52 percent. Internet ordering for the same time period was up 12 percent, 10 percent and 2 percent, respectively. Additionally, internet ordering for pickup currently makes up 1 percent of the restaurant industry, and mobile app ordering for delivery accounts for another 1 percent.

New Jersey-based convenience store chain QuickChek rolled out mobile ordering in March 2016, allowing customers to order breakfast items, subs and salads. It added the option as a result of



consumer demand. So far this year, Oklahoma-based QuikTrip also responded to consumer demand with the addition of mobile ordering through its app in January, and Pennsylvania-based Wawa rolled out mobile ordering in February.

“Our customers were asking for mobile ordering in the app, and it helped us to speed up the customer checkout process, so it was a win-win,” said Mike Thornbrugh, spokesman for QuikTrip, based in Tulsa, and operating just under 1,000 locations. “Customers can order, pay and pickup when they arrive at the store. They can even order in the morning for an afternoon or evening pickup.”

At Casey’s, the addition of mobile ordering was an opportunity to reach a broader audience. The chain already recognized that some customers like to interact face-to-face; others prefer to interact online. Mobile provides yet another type of interaction.

“Mobile ordering allows us to connect with customers we didn’t reach before, and we are very vertically integrated so it was a natural extension for us,” Walljasper said.

DIVING INTO DELIVERY

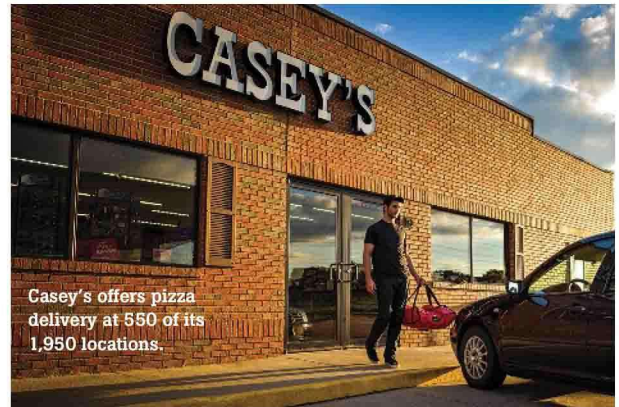
With the rise of third-party delivery companies like Postmates, DoorDash, Grubhub and Eat24, more restaurant and c-store chains are looking at the option of delivery.

While pizza still remains the most popular delivery item, consumers today are looking for more food options to be delivered, according to NPD’s Riggs. “If it’s priced right, the food can travel well, and it doesn’t

reflect poorly on the brand, the delivery option will continue to grow outside of major metropolitan areas,” she said. “The forecast is for delivery to grow by 20 percent between 2016 and 2020.”

In late 2016, Sheetz announced a partnership with OrderUp from Groupon to deliver in two college towns where a Sheetz store is located. Items include the store’s MTO made-to-order sandwiches, breakfasts, salads, burritos and snacks, including fries, gourmet pretzels, chicken stripz, tater totz, pizza and subs.

7-Eleven has also been



providing delivery options in select states since 2015, working with DoorDash in New York, Los Angeles, Chicago, Washington, D.C., and Boston; and with Tapigo in five states, focused on college campuses.

“With c-stores, you are usually going local, so delivery options are more tailored,” said Chapnick. “You don’t have to open up everything to everybody at once because then you can’t fulfill what you promise and the customer won’t come back. It’s better to start smaller and then branch out. Start with 10 zip codes and grow from there.”

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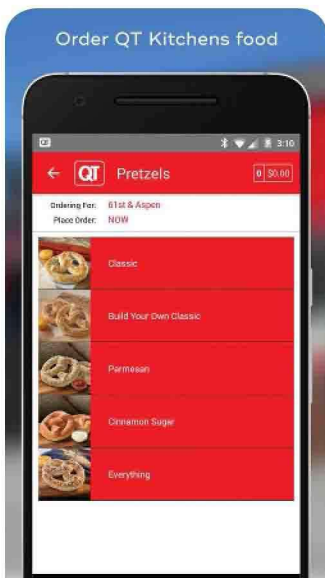
— Bill Walljasper, Casey’s General Stores Inc., discussing delivery

Whether using a third-party service or handling delivery in-house, it is important that the food travels well, so operators must ensure good packaging, according to Riggs. Cold food must stay cold and hot food must stay hot.

“There have been people who tried going with third-party companies, but then took the delivery portion in-house because of the potential loss of brand image if things are not delivered the way they are consumed in the store,” Riggs cautioned.

Casey’s offers delivery through an in-house team and recently accelerated the rollout of this amenity in the last quarter, including in smaller communities than the chain originally targeted as a test, explained Walljasper.

“The initial tests have gone well, and we will continue to test. We potentially have the opportunity to expand to a wider base than we initially thought when targeting only larger communities that are over 5,000 in population,” he said.



QuikTrip responded to customer demand by adding mobile ordering to its app.

Casey's hires its own delivery drivers, with the hours of delivery fluctuating depending on the community. At new stores, delivery hours run from 4:30 p.m. to 9:30 p.m. or 10:30 p.m. The days of the week for delivery also fluctuate.

Customers can place their order through the mobile app and select delivery or carryout. In addition to pizza, the c-store chain delivers complimentary items including breadsticks, chicken wings, and 2-liter sodas.

DRIVE-THRU DOLLARS

In the quick-service restaurant (QSR) industry, drive-thru is an important part of the business. Tom Cook, principal at King-Casey, a retail consulting and design firm based in Westport, Conn., points to Starbucks. The coffeehouse chain added drive-thru awnings to shelter cars from the rain and sun, as well as a digital barista, where customers can see the barista on a screen and the barista can also see the customer.

Drive-thru, however, is no longer the sole domain of QSRs. The option is becoming increasingly prevalent in the convenience channel, for one. In February 2016, Savannah, Ga.-based Parker's Convenience Stores opened its first Parker's store with drive-thru foodservice for its hot deli serving breakfast, lunch and dinner daily.

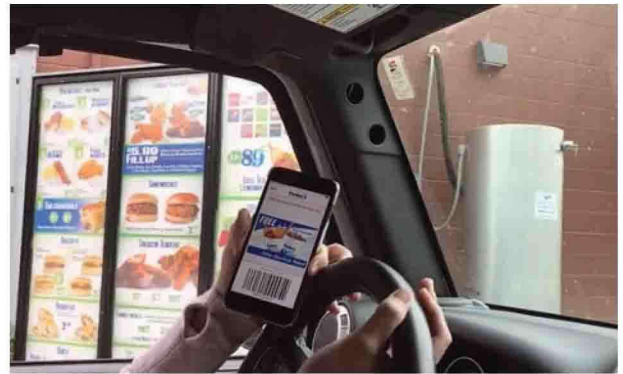
"It's no different than taking care of the customer inside the store. We want to offer them the quickest and easiest checkout experience possible."

— Mike Thornbrugh, QuikTrip Corp., discussing drive-thru

QuikTrip also announced plans in 2016 to test its first drive-thru location for its QT Kitchens program, in Tulsa, Okla., after the store lease held by Wendy's ran out. This location is still in a test phase, as the chain "continues to get operational learnings and customer feedback on how best to run a drive-thru," Thornbrugh reported.

"It's no different than taking care of the customer inside the store," he said. "We want to offer them the quickest and easiest checkout experience possible. Since we limit our drive-thru offer to only made-to-order food from our onsite kitchen, it does not currently take care of the needs for our other convenience store customers."

Overall, drive-thru service was up 4 percent in 2016, and it accounts for 21 percent of restaurant



Customers care most about accuracy and speed when using drive-thrus.

industry visits, according to NPD tracking data. "It's small, but that is where the opportunity and the growth is right now," Riggs noted.

During a drive-thru experience, customers look for order accuracy and speed, Cook said, so it's important to get the operations right — including the order, putting it together and getting it out to the customer. When first getting into the drive-thru business, it is often necessary to change the layout of the store in the backend and in the kitchen for the right process and flow, according to the King-Casey executive. This includes where the equipment will be, the employee process, and packaging.

There's also "an art to communication" with the customer at the drive-thru, according to Cook. "It's more than just a menuboard and a drive-up window. There is a whole art and science to menuboard optimization, and QSRs often spend an inordinate amount of time on this, from where you put the items, to how much space to give, and how many pictures relative to words," he explained.

The same is true for merchandising at the drive-thru. Cook recommends staged zone merchandising, where customers can see messages about menu items and specials from the time they enter the drive-thru area to the point where they reach the menuboard.

"There should also be wayfinding in terms of aiding the customer in finding the drive-thru, and visible signage that says drive-thru," he said. "If you didn't have one and then you open one, nobody will know unless there is clear signage."

King-Casey worked with Starbucks on wayfinding at its drive-thrus. The partners decided to do a green stripe throughout the drive-thru that customers can see on the ground and along the curb. Not only is this helpful with navigation, but it's also a subliminal brand message because it's the same green used by Starbucks, Cook noted.

"The overall customer experience is where the rubber meets the road," he said. "If you have a good customer experience, you will have a satisfied, loyal customer." **CSN**