

DIVING INTO DELIVERY

Thanks to third-party companies, getting into the delivery game is easier than ever — and quickly becoming an expectation of consumers By Tammy Mastroberte

A FEW YEARS AGO, delivery from quick-service restaurants (QSRs) such as McDonald's or Kentucky Fried Chicken didn't exist, and same-day delivery of any online item didn't either. But times are changing, and they are changing fast.

With Amazon pioneering same-day delivery on a variety of items, and third-party delivery services partnering with restaurants and other retailers, consumer expectation of delivery is making its way into every market. And retailers — including convenience stores — are responding.

In the past year, the number of retailers offering same-day delivery tripled, according to the *2017 Digital Marketing Survey* from retail management consulting firm BRP, based in Boston. The survey included the top 500 American retailers, with 14 percent representing grocery, food and beverage. When asked about same-day delivery in 2016, only 16 percent of retailers were offering some type of it. In 2017, that number rose to 51 percent — with 65 percent planning to add the option in the next two years.

"Third-party services like Uber Eats and Grubhub or Instacart for groceries, are making it easier for retailers to adopt delivery," Jeff Neville, vice president at BRP told *Convenience Store News*, adding that third-party delivery services increased from 20 percent in 2016 to 32 percent in 2017.

Convenience store chain Wawa Inc. began a pilot with Grubhub in September 2017, and then announced it was expanding the service to more locations in January 2018. Participating stores offer delivery through Grubhub for most of the chain's foodservice items, along with a limited number of beverages, chips, candy and desserts.

Another c-store player, QuikTrip Corp., began testing delivery in February 2017 through Uber Eats at 10 of its stores across Tulsa, Okla. Mike Thornbrugh, manager of public affairs at QuikTrip, said this is a way to test "the concept of delivery."

"It's something we have never done before, and we didn't really understand it, so working with Uber Eats gives us an opportunity to try it and see if it's something we want to pursue," Thornbrugh told *CSNews*, explaining that QuikTrip chose Uber Eats because of its accessibility in the area. "We are going to measure the growth and how it's being accepted by customers. It's brand-new so we are being patient."

The largest convenience store chain in the United States, 7-Eleven Inc., is testing proprietary delivery. It recently announced testing of on-demand ordering for both delivery and in-store pickup with its new 7NOW app at 20 stores in Dallas.



Snacks, cosmetics, gift cards, home goods, beverages and more are available for purchase through the app.

Retail consultancy King-Casey predicts that by 2023, more than half of c-store brands will offer digital ordering and delivery options. In fact, King-Casey principal and co-owner Howland Blackiston, said he doesn't recall anything evolving this fast in the last 20 years.

"It's like a tidal wave, and I think if we have this conversation in even two years, we will be hard-pressed to find anyone who isn't doing it," he said. "With c-stores competing with QSRs, and both of them competing with grocery stores, everybody is trying to hop on the bandwagon. I don't think it will take very long for it to become commonplace."

Key Considerations

The convenience store industry is built on convenience and immediate gratification, but competitors in grocery, big-box and QSRs continue to encroach on this space.

With everyone hopping on the delivery train, industry experts believe it's not a matter of "if" a c-store should offer delivery, but rather a matter of "when" it should.

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"C-stores have to do something like this because how in the world are they going to compete when this train is roaring down the track? Unless they jump on it, they are going to get lost," Blackiston said, advising that it would be wise for some chains to start by offering foodservice delivery before expanding to other items.

"With foodservice, they can look at McDonald's to see what they are doing and then shamelessly copy it," he said. Uber Eats now delivers from nearly 7,000 McDonald's locations in 20 different countries, according to media reports.

"Third-party services make it so much easier. If a company has to sort it out on its own and



Wawa began a pilot with third-party delivery service Grubhub in September 2017 and has since expanded its number of participating stores.

justify hiring people, that would put the brakes on delivery for many," Blackiston continued. "But third-party is a no-brainer."

At QuikTrip, the chain watched as consumer interest in delivery increased. That's why it decided to do the test with Uber Eats. Although the partnership is still new, the feedback so far shows customers like the option, Thornbrugh reported.

"If the test is successful, then it's another option for us and for the consumer," he said.

To get started, Blackiston suggests c-store operators research what delivery services are available in their area, and then compare the services in regards to pricing and what other companies they already work with. If a chain decides to offer delivery in-house, like Casey's General Stores Inc. does with its pizza delivery, there also needs to be technology in place to handle ordering and logistics, and staff for delivery, he noted.

Another key consideration before diving into delivery is packaging. Retailers must look at their current packaging for food and beverages and verify that the current options are appropriate for home delivery, Blackiston explained.

"Will the food stay hot or cold? Will it spill or leak? Companies may have to source out different [delivery] packaging for their products that they might not otherwise have to do when people come into the store to purchase it," he said.

BRP advises retailers who are looking to offer delivery at their stores to also factor in where the food will get "staged, stored and picked up." And if they are doing same-day delivery, they will need a queue and prioritization of space if doing it without a third-party, according to Neville. Labor is another issue — in cost, capability and understanding how the whole process of taking and filling orders will be executed.

"Does the company have skilled resources to do delivery or will they be stealing resources from the front-of-house cashier?" Neville posed.

Attention to Technology a Must

Technology is a big component in making delivery feasible — and successful.

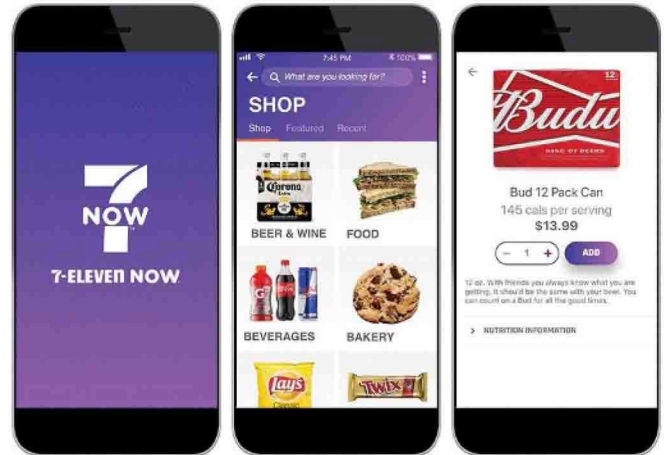
“Technology is evolving so fast now, and it’s making all of this possible,” said Blackiston.

Technology for taking orders, navigating delivery and inventory management (depending on whether delivery will be in-house or not) are all pieces of the puzzle that need to fit together, Neville echoed.

“Inventory management becomes important, [as does] having the insight into what is in stock and available, which is hard if it’s not in real time,” Neville noted. “There needs to be attention and focus on inventory management being accurate.”

If delivery is happening at more than one store, the company needs to stay on top of processes and procedures at each location. Knowing how to measure service levels is an important component. For example, is the company responding to customer orders in a timely manner? Are customer service issues repeatedly popping up?

Despite its many moving parts, delivery — especially same-



7-Eleven is testing on-demand delivery at 20 stores in Dallas. Customers use the new 7NOW app to place their orders.

day and on-demand — is becoming a necessity for retailers, and it continues to evolve with the introduction of new apps, third-party services and advanced technologies.

There are already some pizza companies experimenting with robotic delivery and, in other countries, there are entire stores that are mobile.

“There is Moby Mart in Shanghai and Robomart, along with others coming out of secret launch,” Neville noted. “Imagine an app where you can click on a vehicle and have it come to you, and a bus-size store like Amazon Go pulls up. It’s already here.” **CSN**