



THE LINE BETWEEN C-STORES & GROCERY STORES CONTINUES TO BLUR

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INTRODUCTION

Shoppers used to have clear choices. When they needed to fill the pantry, they visited a grocery store. When they were in a hurry, a convenience store. However, those lines are blurring, to the point that consumers may now make the opposite choice about where to shop.

Understanding their motivations helps grocery and c-stores adapt to the shifting marketplace.

Now is the time for each industry to look to the other for inspiration, seeking to mimic and maximize the

most successful services. This, while keeping an eye on trends within their own industries.

The global pandemic has ramped up customer demand for shopping speed and simplicity. These shifts affect grocery and c-store design, foodservice, and technology offerings.

Retail owners, executives, and procurement teams can benefit from understanding the trends in both industries and seizing those opportunities to maximize growth.

CONSUMERS CHOOSE WHERE TO SHOP BASED ON:



86%
ability to
one-stop shop



92%
location
convenience



90%
quick and easy
in-and-out

Source: "Channel Trends in CPG Today." IRI.

GROCERY STORES STREAMLINE SHOPPING

Grocery stores are becoming more convenience-oriented, out of necessity.

COVID-19 has pushed customers to speed up shopping trips and minimize human contact. Grocery shoppers want to move through a store swiftly, finding the products they need as deftly as possible and paying for them without any lines, waiting, or hassle.

Grocers meet this need by streamlining inventory, prioritizing popular brands, and placing high-demand merchandise in locations that make them easy for the consumer to find.

Checkout looks increasingly different, too. The trend is to reduce customer contact and speed up payment by adding new self-checkout stations and setting up mobile pay options.

Experts predict even more significant changes are coming. One proposed hybrid model combines online ordering with in-store shopping. Employees will collect the customer's pre-ordered packaged goods in the back of the store while the customer picks out their own fresh produce, meat, and bakery items in the front of the store. This would necessitate supermarket remodels into smaller, streamlined shopping areas up front and a larger fulfillment-based stock area in back.

“The supermarket in six to nine months from now is going to look totally different than it does now.”

PHIL LEMPert, FOOD INDUSTRY ANALYST ¹

AMONG GROCERY SHOPPERS:

83% want stores to make shopping faster ²

89% want stores to make checkout faster ²

49% of consumers choose cashierless and self-serve checkout because it's quicker ³

Sources: ¹ Rosenbloom, “Grocery trends: Fewer new products, but more changes in supermarkets and shopping.” *The Washington Post*. ² Redman, “Survey: Grocery stores need to ‘enter the modern age’.” *Supermarket News*. ³ “The Future Of Unattended Retail Report: Vending As The New Contextual Commerce.” *PYMNTS and USA Technologies*.

C-STORES GET FRESH AND FOODIE

During the pandemic, shoppers are treating c-stores more like grocery stores, necessitating changes across the industry.

Consumers go to c-stores for items they traditionally purchased at the supermarket. As a result, convenience retailers are making room to stock products they would have once considered “too big” for their footprints, like large packs of toilet paper and cases of beer. They’re offering more produce, too, beyond just bananas and apples, since more people are cooking at home.

For consumers who still want to buy prepared food, c-stores are replacing favorite restaurants that have

closed down during COVID-19. Retailers aren’t shying away from the role, but getting more creative. Wawa now offers secret menu items and boxed meal catering services. Food Fight sells limited-time special dishes created by employees. 7-Eleven delivers sandwiches and even beer in some markets.

This foodservice growth necessitates physical growth in the form of expansions and remodels to use store space more effectively. Stores may add an open kitchen, install ordering kiosks, and augment prepared food fixtures.

C-stores have also seen growing demand for healthy options, as the pandemic boosts awareness of overall

“C-store operators have had to adjust their inventory as they were selling product quantities that they would normally sell in one year in only one week.”

CONVENIENCE STORE NEWS

Sources:

¹ Logsdon, “Is the New C-Store Here to Stay?” *Convenience Store News*. ² Mannion, “Produce On the Go.” *Produce Bluebook*. ³ “Crafting Convenience.” *Foodservice Director*.



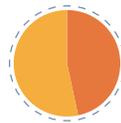
wellness. Retailers are increasing inventory of products that meet demand for organic, gluten-free, vegan, paleo, and similar dietary choices.

Don't forget checkout. Customers have high expectations here, just like at the grocery store. C-stores must look to payment options like contactless, self-checkout and order ahead for pickup.

“Today, healthier product offerings is not a nice to have, it’s a need to have,”

SHELLEY BALANKO,
CONVENIENCE STORE NEWS

U.S. C-STORE SALES ³



22.6% - Foodservice

25.7% - Snacks & packaged beverages

\$700 BILLION IN GROCERY SALES COULD MOVE TO C-STORES BY 2026 ²

AVERAGE SQUARE FOOTAGE OF C-STORES IS INCREASING ³



4,991 SF
New Rural



4,603 SF
New Urban



3,230 SF
Current

Sources:

¹ Logsdon, “Is the New C-Store Here to Stay?” Convenience Store News. ² Mannion, “Produce On the Go.” Produce Bluebook. ³ “Crafting Convenience.” Foodservice Director.

BLURRED LINES: WHOLE FOODS CROSSES OVER INTO CONVENIENCE

Whole Foods recently opened a store in New York City that blurs the lines between grocery and c-store. This 2,500-square-foot mini store is situated right next door to one of the chain's typical stores. Why would they do this?

The shop appears designed to meld the best offerings of freshness and convenience. Grab-and-go products include two aisles of packaged grocery staples and pet food. Another small section sells essentials like toothpaste, deodorant, and cough drops.

What's more, shoppers can snag a hot lunch or a healthy snack. The store also features build-your-own bowls and other hot prepared foods, as well as pre-made sandwiches and salads. A self-checkout option tops off the experience.

The store opened in 2019 and continues to serve the upscale Chelsea neighborhood alongside the larger Whole Foods store.

“The name of the game here is convenience, with self-checkout kiosks added to get people in and out faster than the full-service grocery store next door.”

EATER NEW YORK

Source: “Crafting Convenience.” *Foodservice Director*.

BORROWING THE BEST FROM EACH OTHER

C-stores and grocery stores have each found creative ways to meet shifting consumer demands. One can learn from the other in these rapidly changing times.

Here are some common issues currently facing each sector, and the solutions that can be gleaned from looking to the other industry's approach.

GROCERY STORE PROBLEM: EMPTY EYESORES

Grocery stores find themselves wondering how to repurpose unsightly, unused spaces like salad bars that have been closed down due to pandemic safety concerns.

C-STORE SOLUTION:

One option is to convert this area into grab-and-go

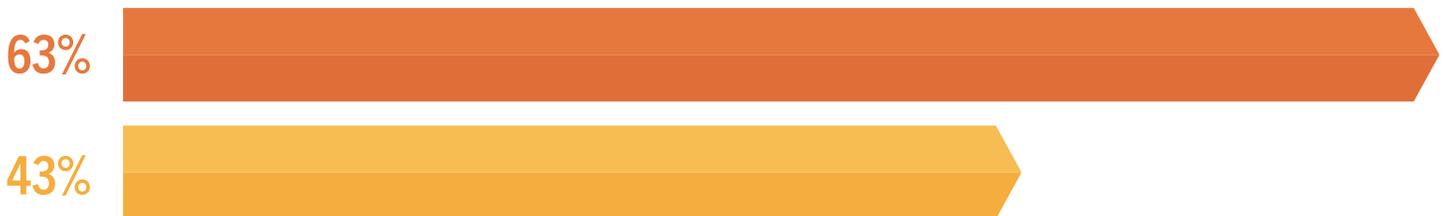
meal items that are common c-store staples, like prepared hot food, sandwiches or charcuterie lunch packs. These easy-access meals and snacks allow customers to meet their current need to get in and out of the store quickly.

Another option is to fill the area with healthy, local fare. Hydrating products like kombucha or bottled water can appeal to this need. Just as consumers like to see these foods in c-stores, they appreciate their accessibility at grocery stores, too.

C-STORE PROBLEM: GET PAST THE PUMP

Customers come to fuel up their vehicles, but it's difficult to get them into the store for additional purchases.

63% OF CONSUMERS SAID THEY BELONG TO A C-STORE LOYALTY PROGRAM. UP FROM 43% LAST YEAR ³



Sources:

¹ "Crafting Convenience." *Foodservice Director*. ² Mannion, "Produce On the Go." *Produce Bluebook*. ³ 2020 C-Store Shopper Report. *PDI*.

GROCERY STORE SOLUTION:

Encourage them to come inside with a good loyalty program, advertised at the pump. More than half of c-store shoppers say earning rewards motivates them to spend more than they originally planned.

Also, highlight items consumers need but may not consider readily available at c-stores. Products like hand sanitizer and home cleaning products, which have been difficult to find, showcased in a window display or signage.

Jeff Lenard with the National Association of Convenience Stores points out that people now shop based on what they need and where they can easily get it, not necessarily sticking with a specific store or brand. “Consumer preferences have changed, as well as the channels that used to be very clearly defined,” he said.



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