

Convenience Retail: Forging a New Future

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THIS IS A BRAND NEW RESEARCH REPORT COVERING CONSUMER AND RETAILER BEHAVIOURS AND OPINIONS ON THE SHORT TO MEDIUM TERM FUTURE OF THE UK CONVENIENCE CHANNEL

This report has been commissioned by TWC, is sponsored by Cirkle PR and includes exclusive research conducted by KAM Media. Our collective aim is to provide valuable information and insight to help retailers and brands prepare for the 'new normal' as the UK exits lockdown.

The research is based upon 427 interviews with UK adults (+18) who visited a convenience store at least once in the last 6 weeks. Nationally representative of the UK. Alongside 150 interviews with symbol and unaffiliated independent convenience retailers in the UK. Both pieces of research were conducted in May 2020.



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Tom Fender

Development Director, TWC

In the face of the Coronavirus pandemic, the UK convenience sector is on the cusp of forging a new future... The sector has responded in an extraordinary way to the situation and become a literal lifeline for many customers who are vulnerable or need help. Operators and staff have selflessly risked their lives to support communities – and consumers have recognised this and are looking at their local c-store in a new light, recognising the spirit and values that this embodies.

TWC is an expert in data management and digital solutions. The team has a wealth of knowledge about what ‘sells’. We want to complement that knowledge with softer qualitative insights – the whys. It is clear to see that convenience stores have thousands of new customers and the sector has successfully taken market share off other grocery channels. Retailers now need to understand how to retain these new customers and that’s where consumer qualitative data helps.... and is why TWC is delighted to commission this highly relevant study.

Many retailers will have seen sales surge in recent months....and they have been rewarded for their efforts in keeping stores open, products stocked on shelves, and deliveries to vulnerable people close by. But who are these new shoppers? And how have existing shoppers’ shopping habits changed?

‘Forging a New Future in Convenience Retailing’ explores what is important for the future. How consumers will want to shop as their preferred methodology, the growing importance of home deliveries and how this may evolve with strategic partnerships alongside an increasing focus on e-commerce. Within the report are valued insights and pointers for the future. The opportunities are there in front of us – those retailers who grasp it with both hands will be ideally placed for continued success....

Now is the time for retailers – of all sizes – to use data better to spot opportunities to grow sales. Data complements retailers’ wonderful entrepreneurial spirit and local knowledge. Convenience retailers can react to new opportunities quickly. Data will help you spot them...



Part 1.

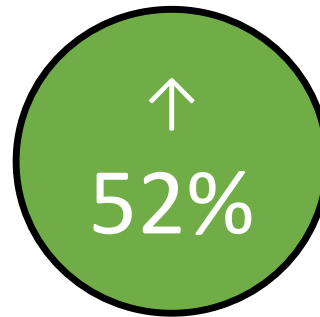
The customer perspective



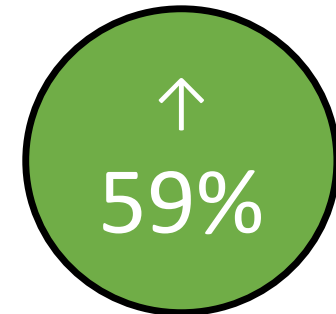
1.

The importance
of convenience
to consumers
and the
community

The importance of convenience stores has increased for customers on both a personal level and the wider community



Increase in
importance
personally



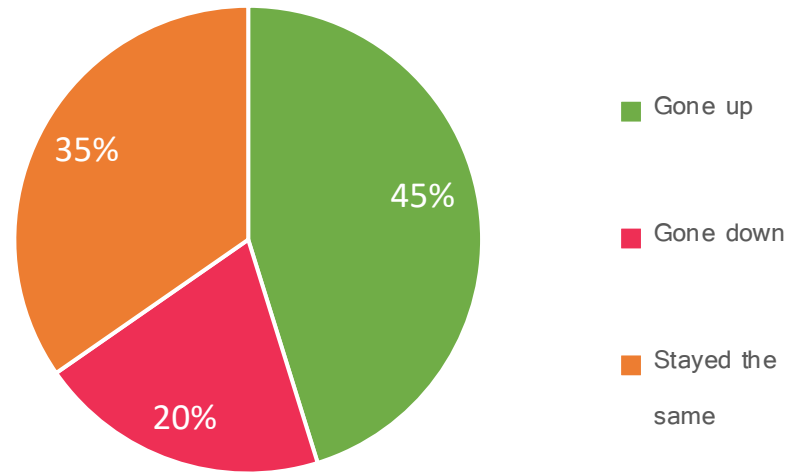
Increase in
importance
to community

This is positive news for the convenience industry and testament to the work and commitment being shown by convenience retailers up and down the country during this tumultuous time. Many have introduced home delivery when supermarket online delivery slots were non-existent. Alongside numerous retailers who have worked hard to support their local community, including finding ways to help the vulnerable. This work has not gone unnoticed by customers and more than 1 in 2 now see convenience stores as more important to them personally as well as to their wider local community. Put simply, this is convenience stores doing what they do best.

Q. Has the importance of convenience stores gone up, down or stayed the same since the lockdown measures were implemented for your personally / for your community?

Source: TWC, Cirkle and KAM Media 'Forging a New Future' Report 2020

Shoppers have been using convenience stores more – a lot more – during lockdown.

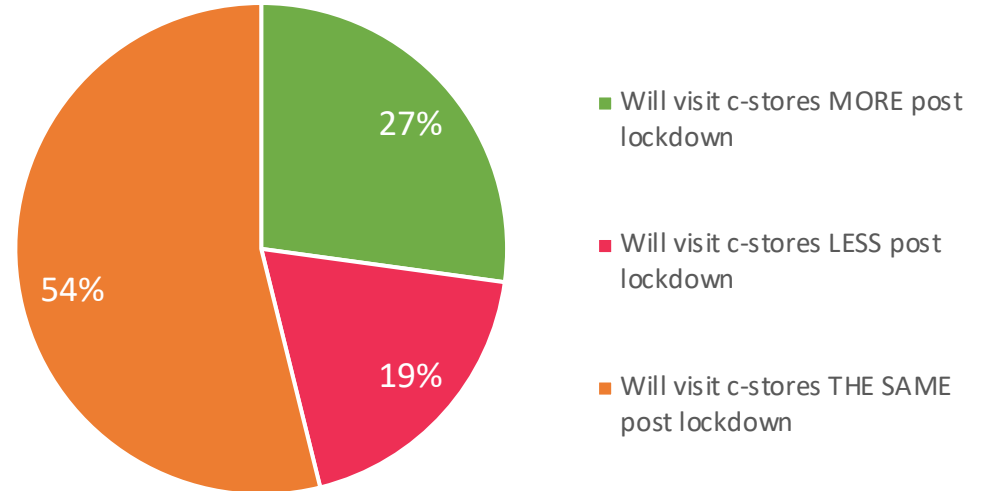


Almost 50% of UK shoppers have used c-stores more during 'lockdown'. Sentiment towards convenience is positive, but how can convenience retailers retain these new customers post lockdown? Read on...

Q. Has your usage of convenience stores gone up, down or stayed the same since the lockdown measures were implemented?

Source: TWC, Cirkle and KAM Media 'Forging a New Future' Report 2020

....with the upward trend (of using c-stores more) continuing after the lockdown has finished too



With new shoppers comes new expectations and with the easing of the lockdown measures, the world of options is about to become bigger once again. Convenience stores have been given a kickstart, and some, who may have been struggling to survive coming into lockdown, have just received a much-needed boost. The key now, for all of them, is to grab the opportunity and ensure that they don't waste this gift that they've been given. Where shoppers may have accepted dips in standards, they won't for very long. What elements of 'old convenience retailing' need to be retained and what elements of 'new convenience retailing' need to be introduced? Convenience needs to pivot from survive mode into thrive mode quickly and seamlessly.

Q. Do you think you will shop at your local convenience store (s) more, less or the same amount after the lockdown measures have been relaxed compared to before the lockdown measures were implemented?

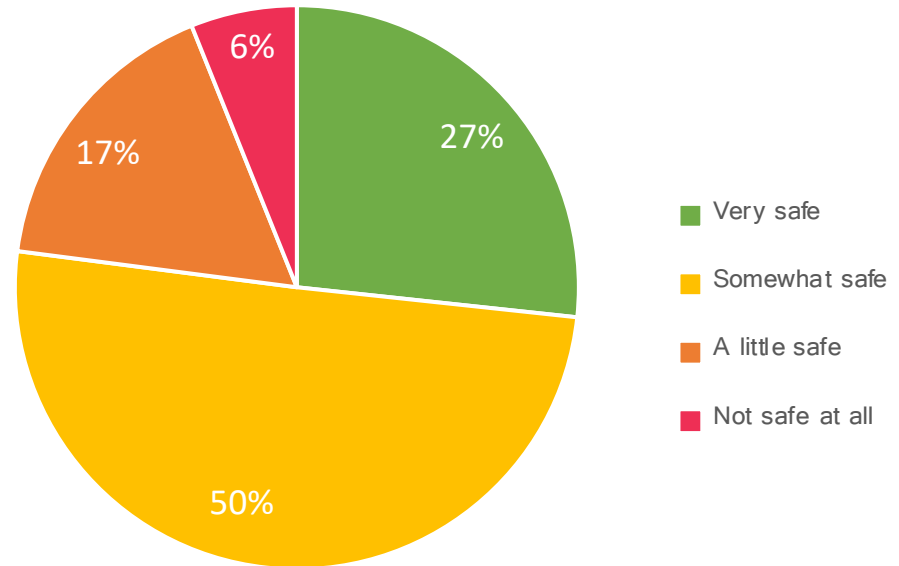
Source: TWC, Cirkle and KAM Media 'Forging a New Future' Report 2020



2.

Consumer opinions
on convenience
safety measures in
the future

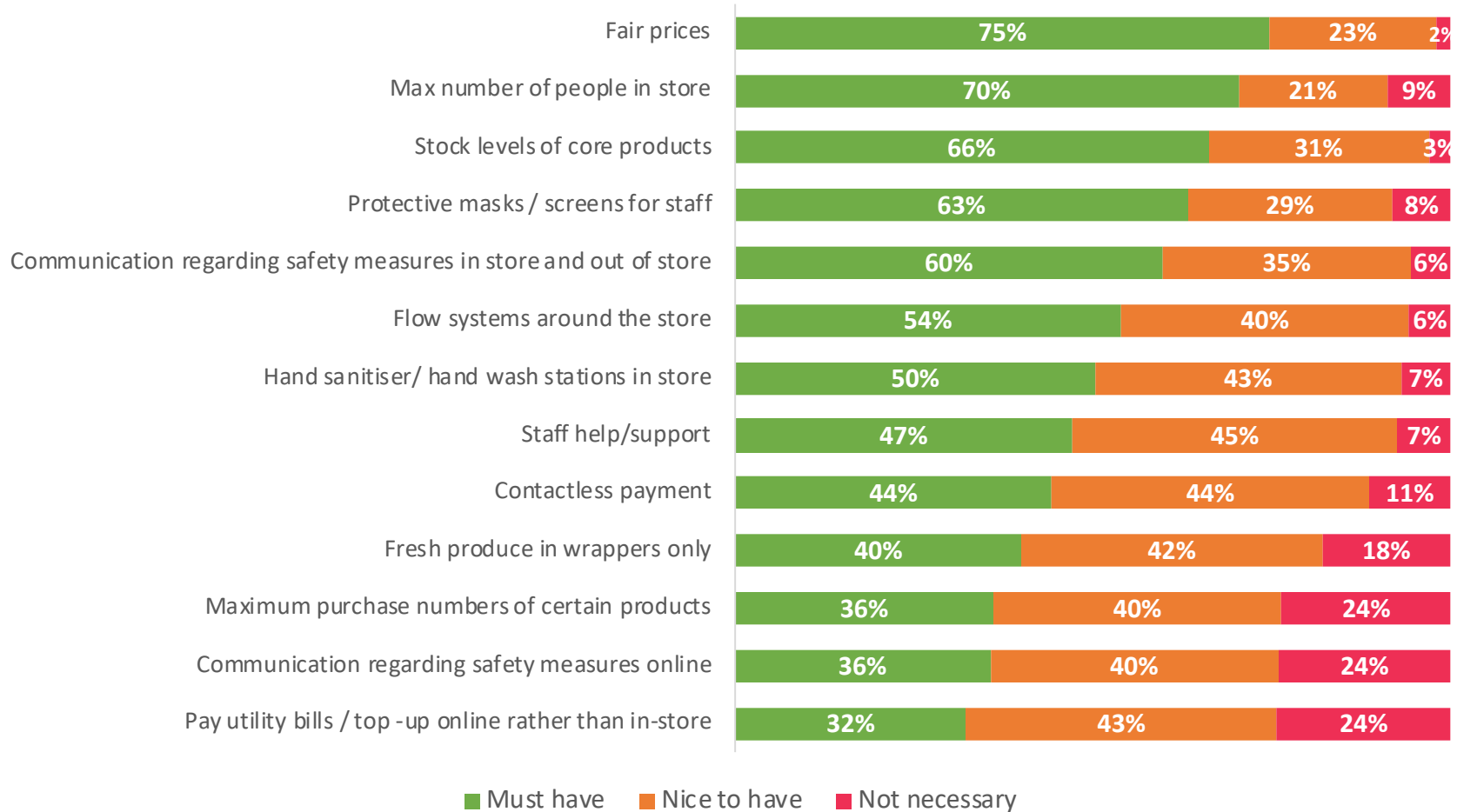
How safe do customers feel when shopping in convenience stores?



Is this on par with expectations? The speed of the shopping trip (in and out quickly) is likely to be a factor, alongside proximity to home, which is also likely to be a plus point. Many convenience retailers have also done a fantastic job communicating the different safety measures which they have implemented in-store.

In part, these results are likely to be influenced by consumers' general attitudes and fears towards shopping generally rather than specifically aimed at c-stores, as we will see on the next page, however it should be comforting to the industry that only 6% do not feel safe at all inside their local convenience store currently.

This is what is important to c-shoppers post-lockdown:



Q. Of these Covid-19 prevention measures, which do you believe are a MUST HAVE / NICE TO HAVE / NOT NECESSARY in convenience stores post-lockdown?

Source: TWC, Cirkle and KAM Media 'Forging a New Future' Report 2020



7 in 10 customers would like to see maximum shopper numbers continue post lockdown and 6 in 10 would like to see staff continue to wear protective masks

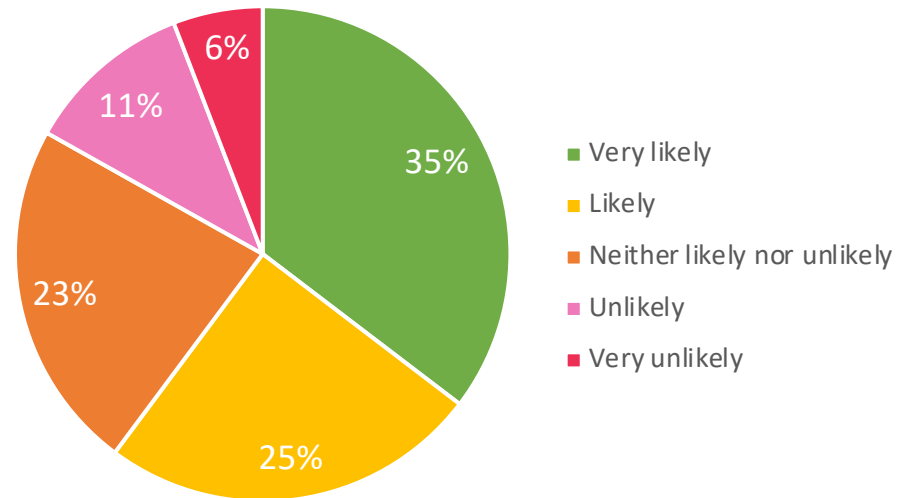
Rather like Maslow's hierarchy of human needs, there is a new hierarchy of shopper needs in a post Covid-19 retail landscape. Fair prices, maximum numbers of people in store, guaranteed availability of core products and PPE for staff members and clear communication of safety measures implemented, are seen as the most critical for shoppers to visit convenience stores. These would be seen as the 'top tier' when it comes to what they demand from any convenience store that they would visit now and in the immediate future.

On the mid-tier you will find flow systems around the store, hand sanitiser stations, staff support and contactless payment solutions.

On the lower-tier you will see fresh produce in plastic wrappers, maximum numbers of product purchases, online communication of safety measures and top-up payments online.

Once a shopper has decided to trust a convenience store, they trust it to do the best they can in the circumstances. Delivering the core requirements (i.e. top tier) therefore is key in establishing this trust.

Convenience stores must retain protective measures post lockdown or risk losing customers.



Whilst we have seen brilliant efforts from the industry to remain open, accessible and safe during the height of the Coronavirus pandemic, we can't afford to rest on our laurels. As much as we may want it to, we can't flick a switch and return to the way it used to be. Consumers will expect and demand protective measures to continue and to remain at the standard currently set, even as we move into the next phase as lockdown measures ease. 6 in 10 shoppers would choose to shop elsewhere if a store's safety standards slip.

Q. If a specific store, removed their current protective measures, but other stores still had them – how likely would you be to stop shopping at that specific store and shop elsewhere?



3.

Attitudes towards
pricing
and promotions

57% of shoppers think c-store prices have remained the same (or decreased)....



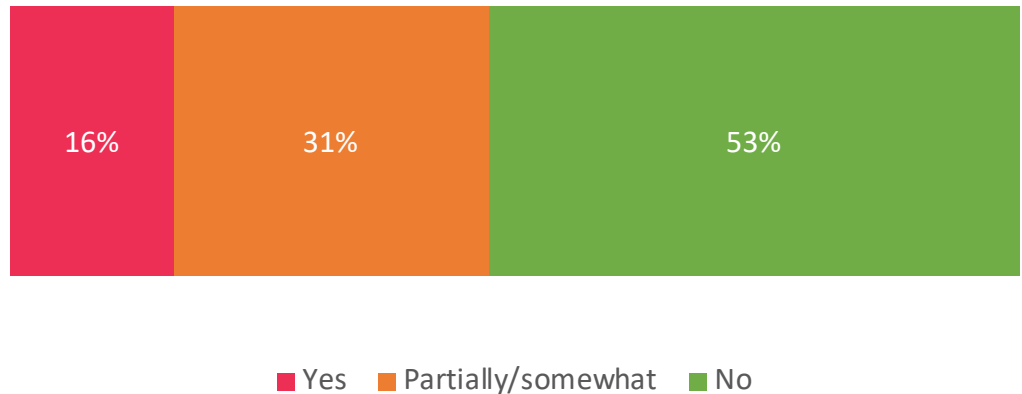
There's been a bit of media talk about some retailers exploiting consumers by putting prices up, but 51% of consumers think prices have stayed the same. However, 44% think prices have gone up. This might be because of the media influence or it may be based upon reality. The question is what is the truth and what is reality? The answer may well just be that it doesn't matter.

In reality, prices will have risen due to a number of factors – for example, cost of deliveries has increased, there has been a significant decrease in the number of PMP products on sale in convenience stores and ranges have changed from week to week due to supply issues meaning direct comparisons are difficult. One of the great lessons of consumer behaviour is that perception is king. Regardless of the reality if consumers believe something to be true then it will impact their behaviour, even if their assumptions prove to be incorrect. For a channel that has battled long and hard to debunk their 'price-premium' perceptions, this feels like a step backwards. However, a quick and impactful focus on value can help to correct the course before the issues of price becomes too big to be able to turn around.

Q. Do you think that convenience stores have increased or decreased their prices, since lockdown measures began, or have they stayed broadly similar?

Source: TWC, Cirkle and KAM Media 'Forging a New Future' Report 2020

Do customers think that it's *acceptable* for convenience stores to increase their prices during this period?



There are significant levels of acceptance from UK shoppers for price increases incurred during the lockdown, but maybe some communication is required to the 53% who might not consider or understand the higher costs incurred in recent months.

Often, retailers need to change their price image, or price perception through better communication, rather than their actual prices. Whilst certain price increases are unavoidable, the fundamental principles of retail remain – that it's about demonstrating overall *value for money*. More than ever, retailers and brands need to focus on delivering solutions and experiences to shoppers – dialling this up to the max is critical during this period when prices are unstable and unpredictable.



Scott Annan

Blue Ananta and founder of the
Independent Retailer Owners Forum

“There is a massive price war coming. The nationals have built war chests to keep their market share and their new customers”

So, what will this mean for convenience? As an industry we've gained many new customers, visiting regularly and buying into a wider range of categories. We've developed relationships with new suppliers and embraced new technologies to keep our staff and customers safe and happy. Focussing on offering the cheapest prices obviously isn't the answer for convenience retail. Industry commentator Scott Annan thinks the way to retain our new customers is to offer even better service, wherever the customers wants it. As always, with convenience, service is king, but never more so than now.

“Service remains the key with convenience. Home delivery and click & collect are now established in independent convenience alongside our national retailers.”

The supermarkets may well engage in an almighty price war, but the biggest opportunity for convenience retail is retaining the new customer base that they've gained during lockdown, and retaining these customers is certainly not about offering the very cheapest prices.

In order to grow their spend and loyalty, we need to deliver against their specific and changing needs. We need to learn about them, gain their trust and react fast to their demands by delivering outstanding service wherever and whenever they require it. Events like this happen once in a lifetime and it's unlikely that we will ever get this kind of opportunity again to test our weaknesses, experiment with our business and adapt. Staying close to what our customers want, need and feel is going to be even more instrumental than ever in helping prepare for the next phase.



Majority of customers are aware that promotional activity has reduced during the Covid-19 pandemic



■ Noticed more promos ■ Noticed no change ■ Noticed less promos

Due to the unpredicted and unprecedented surge in demand for FMCG products, many of the the leading UK supermarkets have drastically reduced the number of promotions available through both their physical and online stores. For example, Ocado, during a seven-day period ending 10 March 2020, ran 4,000 fewer promotions than during the previous seven-day period (Source: Assosia). Fewer promotions will also lead the consumer to believe that prices have increased. Is this necessarily a bad thing? Many believe the sector has been 'addicted' to promotions for too long, and this could be just the re-set the channel needs. Maybe the future holds fewer promotions.....which could be good for everyone?

Q. Have you noticed more, less or the same amount of promotions in convenience stores since lockdown measures began?

Source: TWC, Cirkle and KAM Media 'Forging a New Future' Report 2020

Has the decrease in promotions impacted what customers have been purchasing in convenience stores?



The decrease in promotional activity could possibly impact impulse purchasing (during lockdown many are shopping from a strict list and getting in and out as quick as they could.) Impulse purchases could be won back with careful, more balanced re-introduction of promotions and particularly PMPs. But PMP pricing needs to be considered. How much below RRP does the pricing actually have to be? One to watch.

If consumers are moving to cheaper brands, then this gives the sector the opportunity to re-engage and demonstrate value through other methods. A lot of the brand messages being advertised through the various media channels, at present, are about supporting each other and the NHS. Which is a positive message at present, but the focus might now need to move back to consumers – and specifically about offering them value.

Q. How has this impacted what you have bought? (select all that apply)

Source: TWC, Cirkle and KAM Media 'Forging a New Future' Report 2020

“Maybe one of the big learnings to come out of the current situation, will be that we are probably doing too many promotions and actually our customers are not that interested”



David Sands

Owner, David's Kitchen

We should be very clear that there is a difference between responding to current market conditions and a need for genuine price increases, against 'predatory pricing', which has been reported but actually only occurs in very few cases.

Right now, the cost of deliveries is greater than it was on the 23rd March, plus there is no more 'open food' so the price of packaging has increased. Normal SKUs such as price-marked-packs (PMPs) are no longer available, so retailers have had to switch to non-PMP packs. Whilst products are widely available to the consumer, there are still major supply issues which means the introduction of different lines. Take for example alcohol, where we are presently getting about 50% availability.

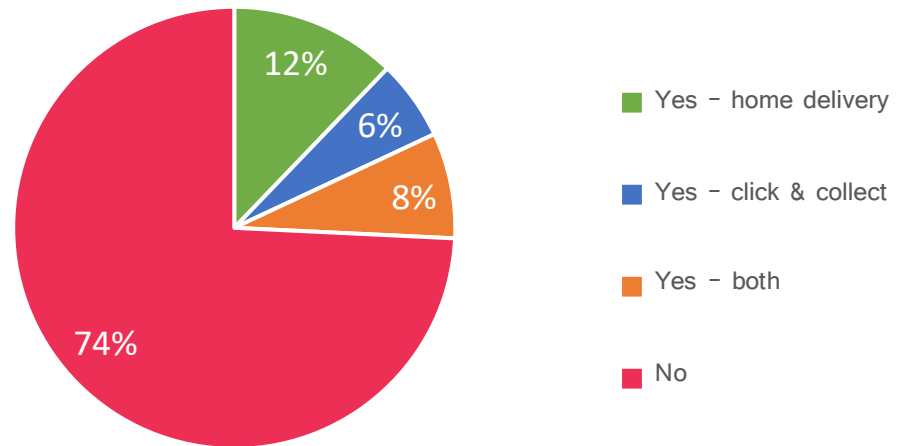
Understandably, many retailers are probably ignoring promotions currently. Maybe one of the big learnings to come out of the current situation will be that we are probably doing too many promotions and actually our customers are not that interested. If retailers spent their time on customer service rather than setting up promotions, I would question 'would they fare better?'



4.

Home delivery
is a big part of
the future for the
convenience
channel

1 in 4 customers have used home delivery and/or click & collect from a convenience store since lockdown began



According to recent data from the Association of Convenience Stores, local shops in the UK are now making more than 600,000 grocery deliveries a week. ACS chief executive James Lowman said: “The way that local shops have responded to the coronavirus crisis to support people in their communities has been nothing short of incredible.”

25% have used home delivery and/or click and collect from a convenience store during lockdown. This equates to approximately 13m UK adults. Surely there is no turning back now for home delivery in convenience. ‘Convenience’ is ultimately about making life easier for shoppers, and home delivery is the natural extension of that. Now is the time for convenience stores to ensure they have the right digital solutions to ‘scale up’ in their communities, with data being used to power the digital infrastructure.

Q. Have you used home delivery or click & collect from a convenience store (for groceries food to go/ready meals, not just news and mags) since the lockdown measures began?

Source: TWC, Cirkle and KAM Media ‘Forging a New Future’ Report 2020

What do customers want from a convenience store delivery service?

71% say they want free delivery



People say they want free delivery, but if the service is useful, easy to use and they can trust it, they are likely to pay for the convenience of a delivery service. The absolute key is to make the process really really easy/convenient (no surprise!) – this is likely to mean providing a fully integrated digital solution. We know home delivery/click and collect order sizes are larger than in-store transaction sizes. Think about solutions and meal occasions – bundle up existing products into mission/occasion led solutions. Or could there an opportunity for whole new categories/brands, possibly using a WIGIG promotional strategy?

Q. Which of the following, if any, would make it more desirable to get a grocery delivery from your local convenience store? (select all that apply)

Source: TWC, Cirkle and KAM Media 'Forging a New Future' Report 2020



Matt Goddard

Wholesale Trading Director
PepsiCo

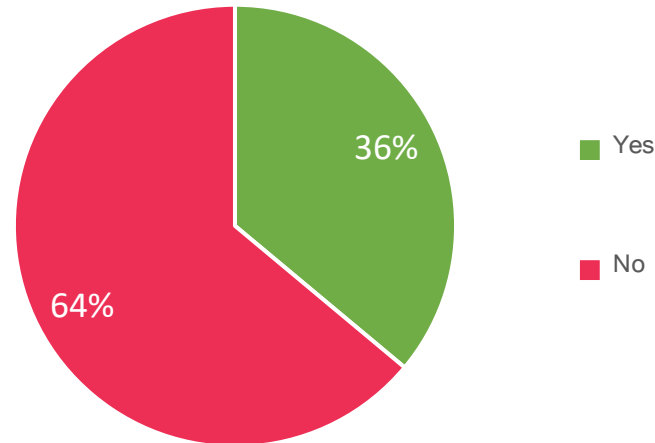
“Some form of delivery or click and collect is just what every convenience retailer now needs to do.”

The research shows that 1-in-4 customers have already used click and collect or delivery during lockdown. It's just going to continue to grow, delivery is going to become a staple part of convenience retailing. Whether or not it's linking in with one of the well known apps.

Shopper behaviours changed during lockdown out of necessity for many. As things stabilise, the actions of the retailers will determine whether or not the shoppers will continue to return. Retailers are now in charge!



Do convenience stores need to team up with a brand such as Uber Eats or Deliveroo in order to succeed with delivery?



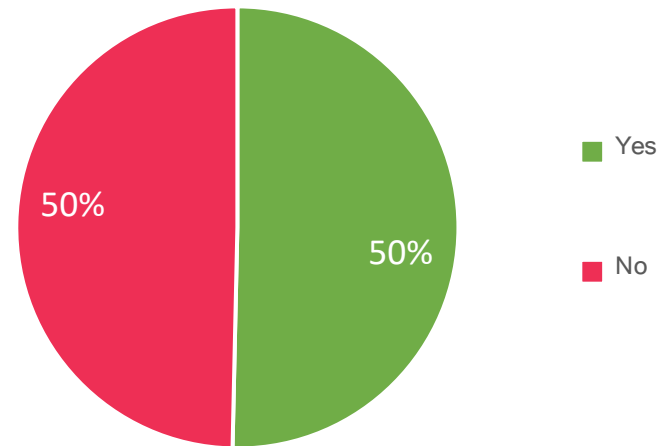
We know that 65% of c-store spend comes from shoppers living 400 metres away or less, so do you need a 3rd party partner? Unless your aim is to extend your reach, possibly not. Doing delivery yourself enables you to retain control of your brand and customer experience AND customer data.

However, these branded apps are particularly popular with GenZ and Millennials, where they have already been using them quite happily for a while.

Q. Would you be more likely to get home delivery from a convenience store if it was through a tie-in with an app such as Uber Eats or Deliveroo?

Source: TWC, Cirkle and KAM Media 'Forging a New Future' Report 2020

Would there be value in convenience stores 'teaming' up with local pubs and restaurants to deliver meals?



Many pubs and restaurants have pivoted into delivery as they have adapted to venue closures as a result of the Covid-19 pandemic. We know that consumers are increasingly looking to support local suppliers and local businesses in the current climate and there is a clear appetite from consumers to see local foodservice venues team up with retailers to offer a more credible takeaway meal solution.

Most convenience stores don't have pub or restaurant quality food service, so they're not on the radar for certain 'eat in' occasions. Many pubs / restaurants are likely to be functioning on lower capacity for a while. Could there be an opportunity for a partnership? Could a local pub or restaurant become your 'dark kitchen'? Can you package up solutions with your products and local restaurant/pub favourites. Even if it's just certain nights of the week i.e. Friday night curry from local Indian, + 6 pack, plus ingredients for a fry-up in morning!

Q. If local pubs/restaurants did a tie up with convenience stores (e.g. pubs/restaurants make meals, sell them through c-stores) would you consider buying them?

Source: TWC, Cirkle and KAM Media 'Forging a New Future' Report 2020

“Collaboration is a key trend to emerge in the world of new normal’



Blake Gladman

Strategy & Insight Director
KAM Media

Many consumers are connecting more with neighbours, old friends, their children and their partners, because they have more time to do so. There's an increased acceptance and ability to video chat, through the likes of Zoom, which means some people are actually speaking MORE regularly.

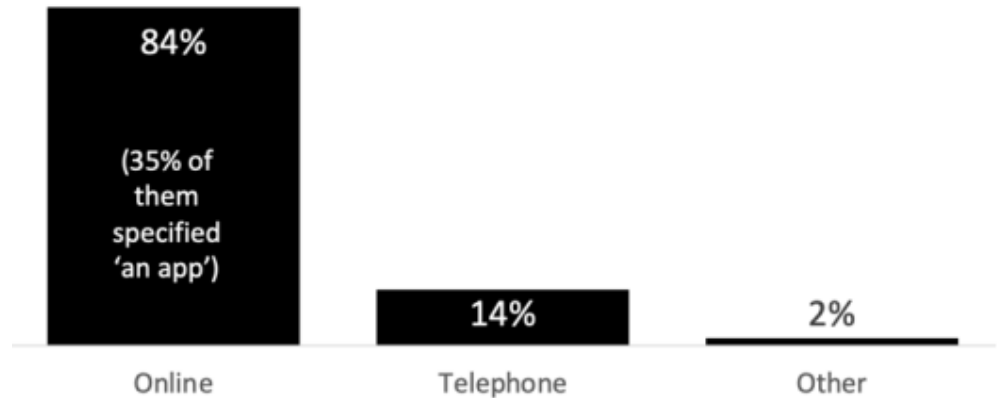
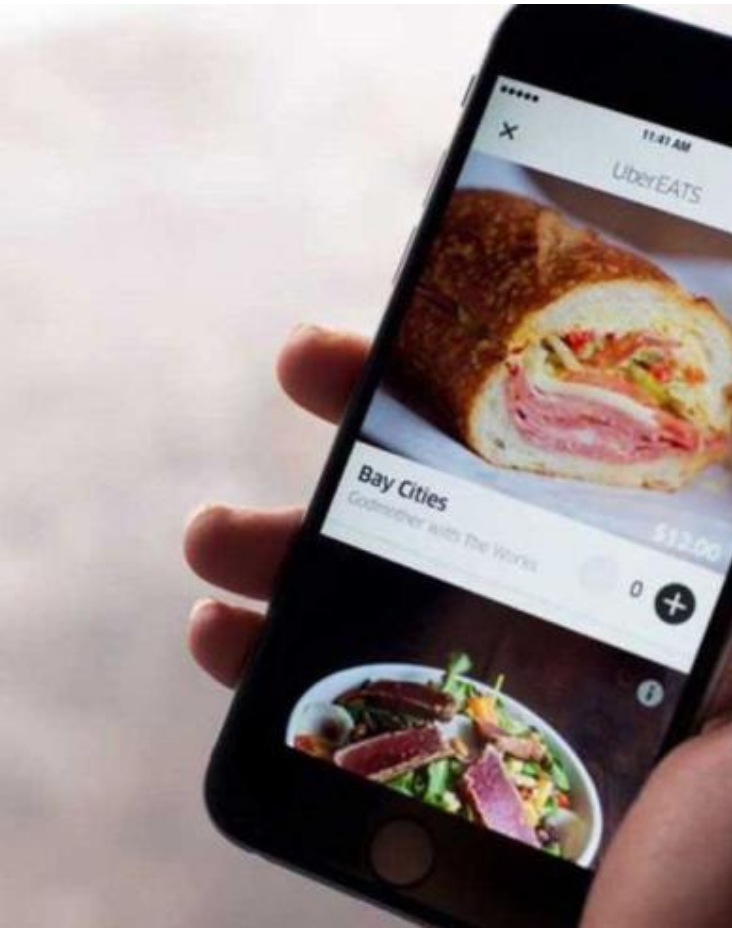
Many businesses are at it too. Connecting and collaborating with new partners and even direct competitors. The Corona virus is one of the most urgent transnational, cross-demographic problems in recent history, and as such it has reminded people that the best organisations are those that collaborate generously with others. Many suppliers are offering free access to their products, Key rivals such as Brakes & Bidfood – foodservice wholesalers – are working together, sharing information and processes, to ensure their joint supply chain is stronger in order to get the necessary foods to their customers and local communities.

What moves can you make now to serve your customers, your employees, and your partners better for the longer term? Which growth avenues could you pursue? What new partnerships could you develop now that were more difficult before? This really could be one of the most impactful trends to come out of this crisis. In 1959, Volvo invented the three-point seat belt and made the patent available to everyone in the interests of public safety. It's estimated that since then the invention has saved over 1 million lives. The brand still (rightly!) celebrates this decision.

What could we do in 2020 that people will still be talking about in 50 years time?



How would customers want to be able to place their delivery orders with a convenience store?



Convenience stores must have a digital solution for taking delivery orders direct from customers (either through a website or via an app). A website should also be mobile-enabled. Customers are creatures of habit and are used to a digital path-to-purchase journey for ordering deliveries, so if convenience stores want to be on their radar they must offer this solution. This is where a tie-in with an established player such as Deliveroo, will suit many retailers who don't have or are not willing to invest in their own solution.

However, accepting telephone orders could provide a nice point of difference compared with the supermarkets, particularly given many convenience stores attract a slightly older customer base.

Q. How would you prefer to place an order for delivery / click & collect with your local convenience store, if you had the choice?

Source: TWC, Cirkle and KAM Media 'Forging a New Future' Report 2020

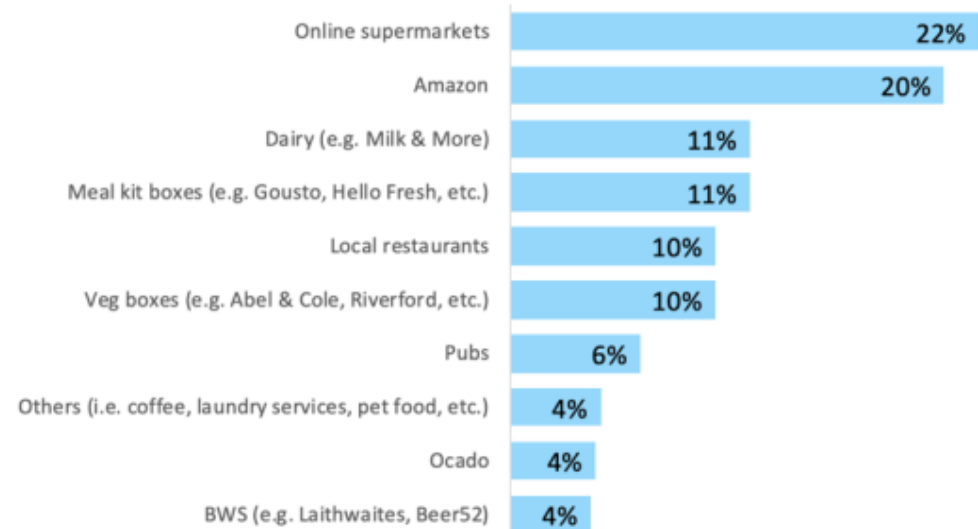
CASE STUDY

Co-op expands robot delivery as part of online push

Initially from just one store, its autonomous robot delivery, in conjunction with Starship Technologies, has now been extended to eight stores in the Milton Keynes area. Shoppers can select from up to 1,000 lines, with a delivery fee of between £1.49 and £2.49 depending on distance travelled. This is the latest in a number of moves from the Co-op to expand its online and delivery capability, which include its tie-ups with Buymie in Bristol, Deliveroo and the development of its own click & collect and delivery service from selected stores.



Have customers increased their usage of other online delivery services during the lockdown period?



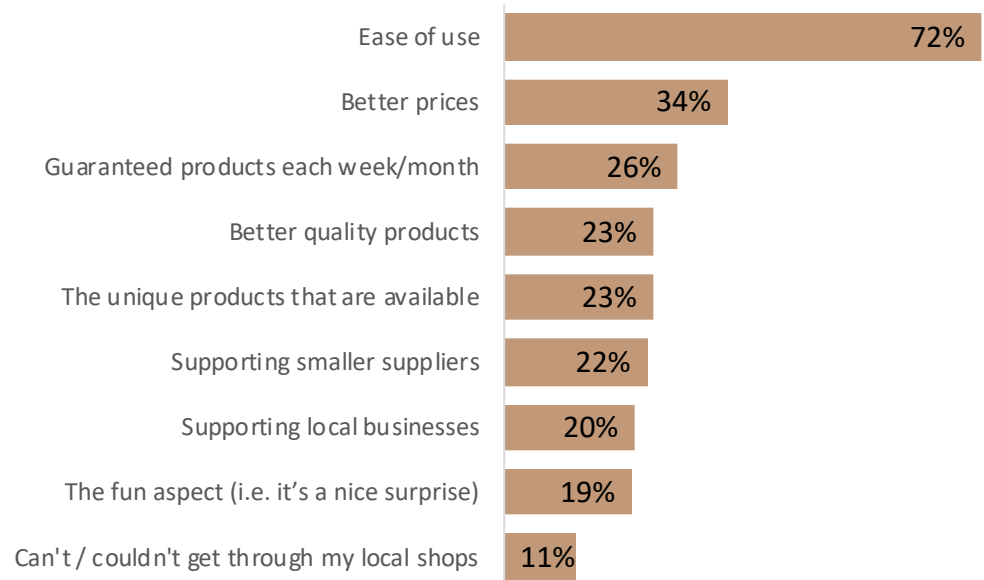
82% will continue to use these delivery services after the lockdown has lifted

Online delivery is here to stay. People have experimented during lockdown, they will have apps on their phone that they didn't have before. It may not grow at the same rate but it certainly isn't going to disappear. Could there be an opportunity for meal kit boxes & local veg boxes for Convenience stores?

Q. Have you started using any of the following home delivery services for grocery products, since the lockdown has been in force? (select all that apply)

Source: TWC, Cirkle and KAM Media 'Forging a New Future' Report 2020

What is it about home delivery and subscription services that appeal to customers?



Convenience stores should take note of these factors that appeal to consumers regarding delivery services. If they want to succeed in this increasingly competitive space, it HAS to be easy and convenient, or there's simply no point. Simple, easy, frictionless, no hassle, 'two click' solutions are needed. What does 'easy' mean? Think about images, previous orders, favourites, etc. Secondary to that is upselling - suggestions, specific collection times, suggested pairing, what other people normally buy with product X. There is definitely an opportunity to showcase local suppliers and offer something 'different'.

Q. What appeals to you about these types of delivery services?

Source: TWC, Cirkle and KAM Media 'Forging a New Future' Report 2020

“Getting the range right and keeping it stocked is critical to a successful home delivery solution”



Jonathan James

Company Director
The James Graven Group

Home delivery is a way convenience can set themselves apart going forward, with many stores offering a tech-free solution for their more elderly customers, who do not want to download apps or order online. We can deliver more frequently, with less hassle. We're providing customers with what they want, at the point they need it.

During lockdown, a lot of people have seen convenience stores in a light they hadn't before. Many had never even been in before, but the data shows that they're coming back.

The 'new normal' will come in different phases and the lockdown has gone on long enough to change habits. It's not until people feel safe that they're going to shop anywhere near how they were prior to the virus. We're seeing lots of people come to us because they feel safer in smaller shops. One thing we're brilliant at in the independent sector is adapting quickly. Some of the ideas which have come forward are astounding. There's been so many wonderful stories.

Is there a future for wholesaler 'direct to consumer' deliveries?



43% of UK adults said they would consider using a foodservice wholesaler for direct to consumer delivery

The opportunity is significant. We've already seen a number of the leading UK wholesalers pivot into this space, and with little surprise, when you consider their credentials in terms of logistics and the clear demand we're seeing from consumers. The challenge will be to maintain demand as lockdown eases. It will become even more critical for wholesalers to understand the end consumer as much as they currently understand the behaviours and needs of retail and foodservice businesses. Consumer-ready pack sizes and a clear USP compared with the supermarkets will be key.

Q. Are you aware that some foodservice wholesalers (wholesalers who deliver products to restaurants and hotels) have started serving consumers with home delivery?

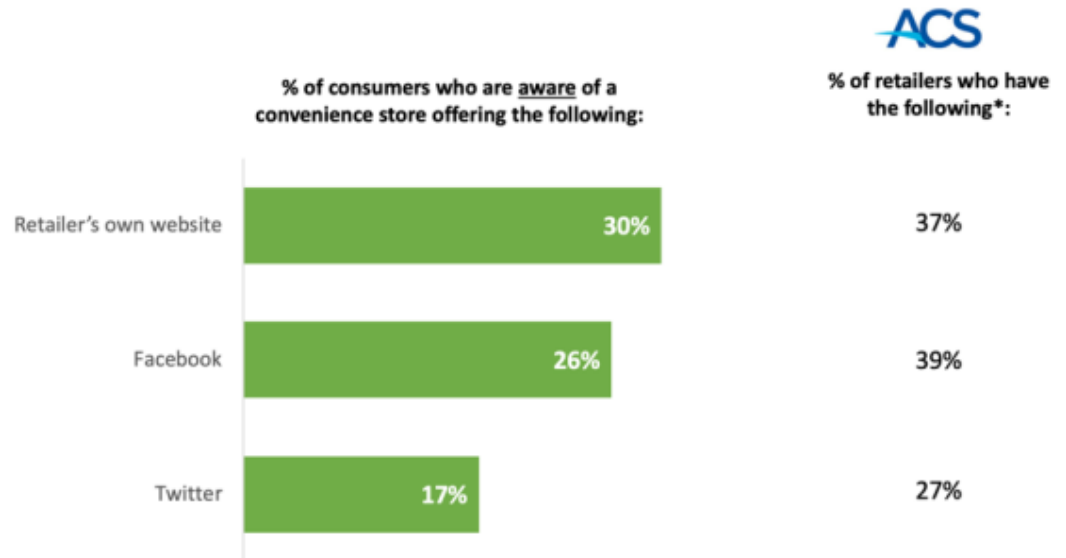
Source: TWC, Cirkle and KAM Media 'Forging a New Future' Report 2020



5.

What digital solutions are customers looking for from their local convenience stores

What convenience digital platforms are consumers aware of?

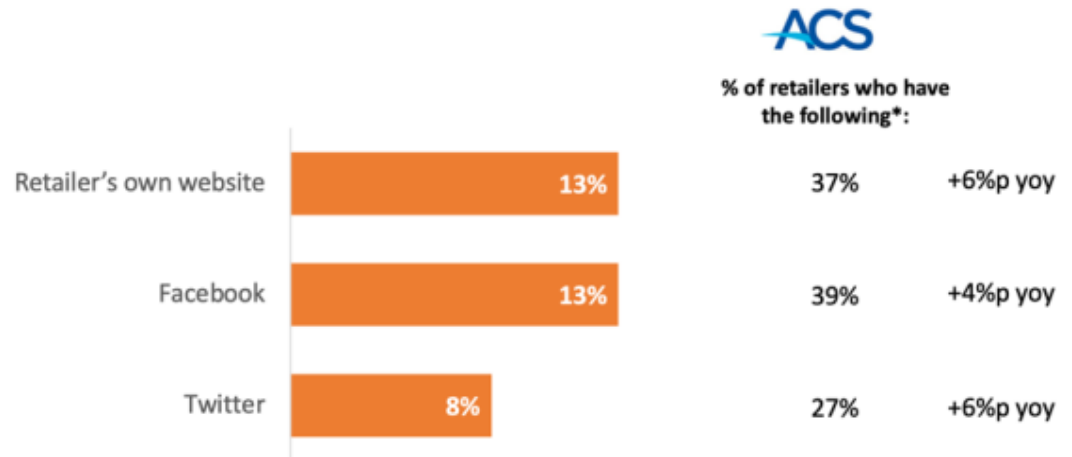


A significant number of consumers are already aware that convenience stores are engaging with their customer base online. But of course, there's always room for increased awareness, especially now. Shouldn't more retailers be embracing digital communication?

Q. For the following digital platforms, can you tell me whether you are aware of any local convenience store accounts and whether you follow any on them?

Source: TWC, Cirkle and KAM Media 'Forging a New Future' Report 2020
*ACS Local Shop Report 2019

What convenience digital platforms do consumers interact with?



13% of consumers have visited a convenience store's website – that's c6.7m UK adults. Interestingly the same number follow a convenience store on Facebook or at least have seen their posts. That is an impressive amount!

Convenience stores' Facebook and Twitter followers are most likely to be in the 25-34 age range (22% and 21%) - worth keeping in mind when thinking of the type of messages you communicate. Social media can also be useful when trying to *attract* this younger age group. It's often forgotten that younger consumers are under represented in convenience store shopper demographics.

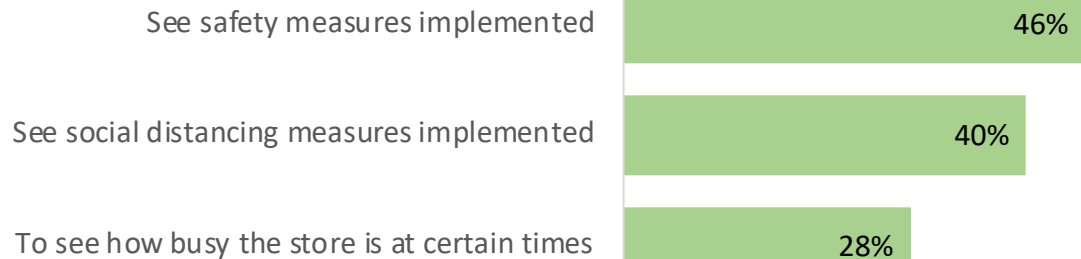
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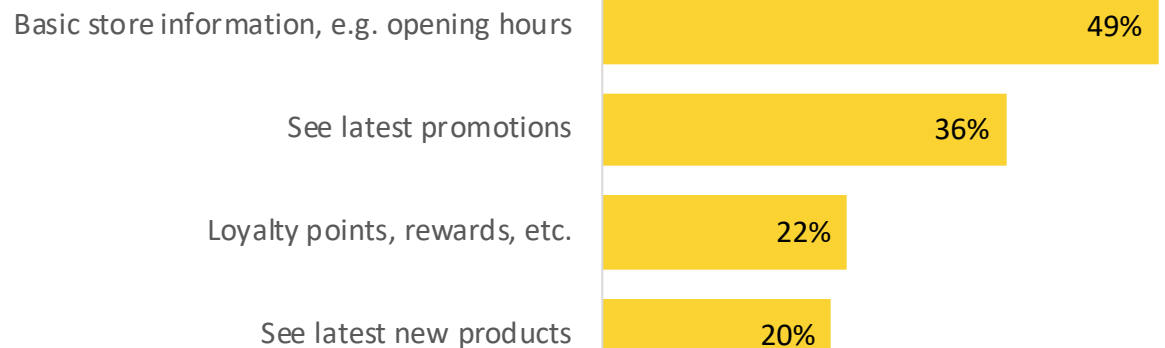
What type of information and functionality would consumers want from a convenience retailer's digital solution?



They want information to **help them stay safe**:



They want information about **the store and its products**:



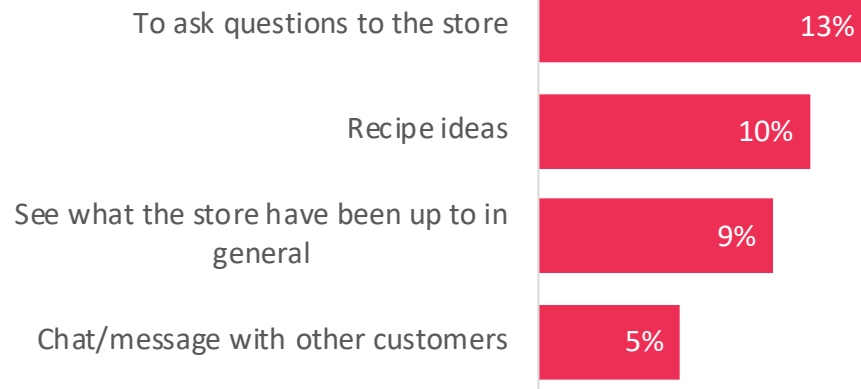
Q. What information are you looking for from your local convenience retailer now, i.e. what encourages / would encourage you to follow/interact with them through social media, visit their website, etc.?

Source: TWC, Cirkle and KAM Media 'Forging a New Future' Report 2020

What type of information and functionality would consumers want from a convenience retailer's digital solution?



Some want online platforms to be a **two-way conversation**:



Many want to be able to **order for home delivery** (see chapter 4!):

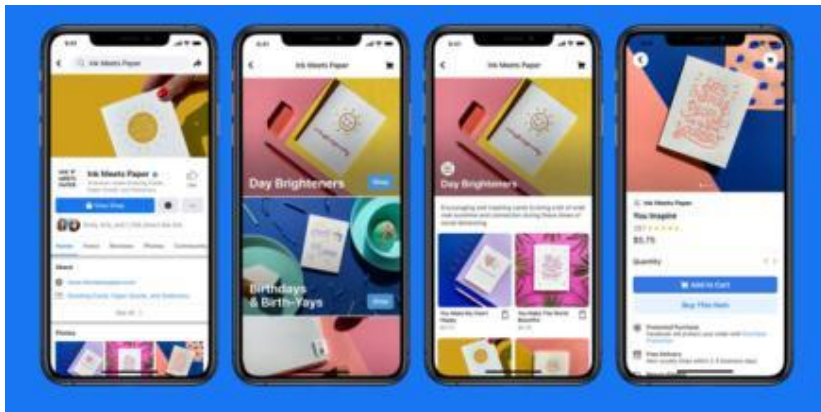


Q. What information are you looking for from your local convenience retailer now, i.e. what encourages / would encourage you to follow/interact with them through social media, visit their website, etc.?

Source: TWC, Cirkle and KAM Media 'Forging a New Future' Report 2020

Innovation in digital strategies and activations is one of the key emerging trends as a direct result of the Covid-19 pandemic.

Brands are re-evaluating their retail strategies to meet the new needs of customers, in turn shaping a new retail landscape. By continuing to embrace the role of digital, brands and retailers are able to bridge the gap between online and offline experiences.



Instagram and Facebook enables local businesses to create online shopfronts.

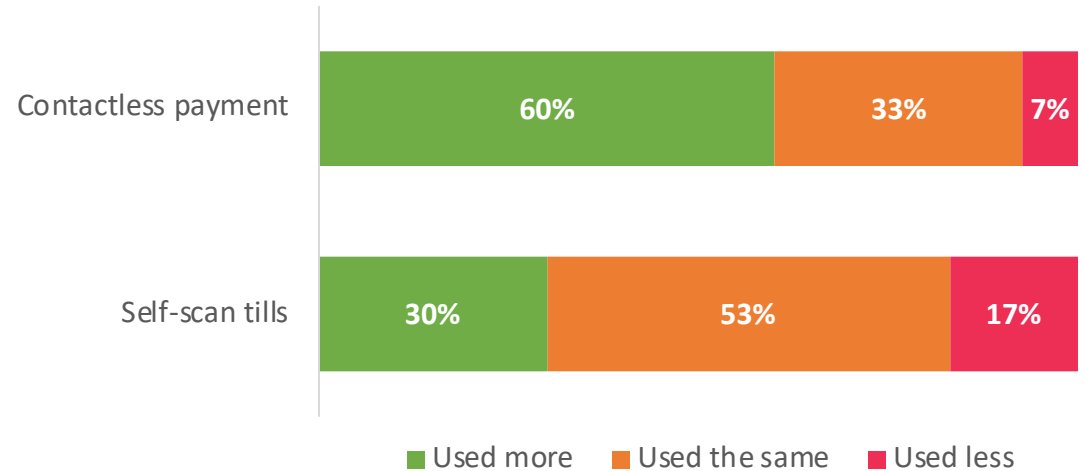
The new concept lets businesses upload a catalogue of merchandise to a new “Facebook Shop,” accessible through the company’s Facebook page and Instagram profile. Shoppers can then browse merchandise directly within the social media apps and quickly either navigate to the business’s website to make a purchase or check out within the Facebook apps, depending on the merchant’s preference.



Asda launched a virtual queue system to enter its stores.

The grocer’s new virtual system, the first of its kind in the UK, will allow users to book a place and log into a virtual queue with their phones. They will then be able to wait in their car, avoiding the extended queues which have become commonplace across UK supermarket car parks, and be alerted when when they are allowed to enter the store.

Has the Covid-19 pandemic created an increase demand for self-scan tills and/or contactless payment when grocery shopping?



31 million convenience customers say that they are using contactless payment MORE due to the Covid-19 pandemic. Yet, the ACS Local Shop report states that more than 1-in-10 convenience stores didn't accept contactless payment as of Nov 2019. Contactless payment is here to stay. Self scan tills have risen in popularity too overall. Only 3% of convenience stores offered self service tills in Nov 2019*. This current situation has certainly fast-tracked any existing technologies forward 2 or 3 years and self serve scanners/apps is no exception.

Q. Have you been using any of the following when shopping in supermarkets or convenience stores more, less or the same amount since the Covid-19 pandemic?

Source: TWC, Cirkle and KAM Media 'Forging a New Future' Report 2020,
*ACS Local Shop report 2019

CASE STUDY

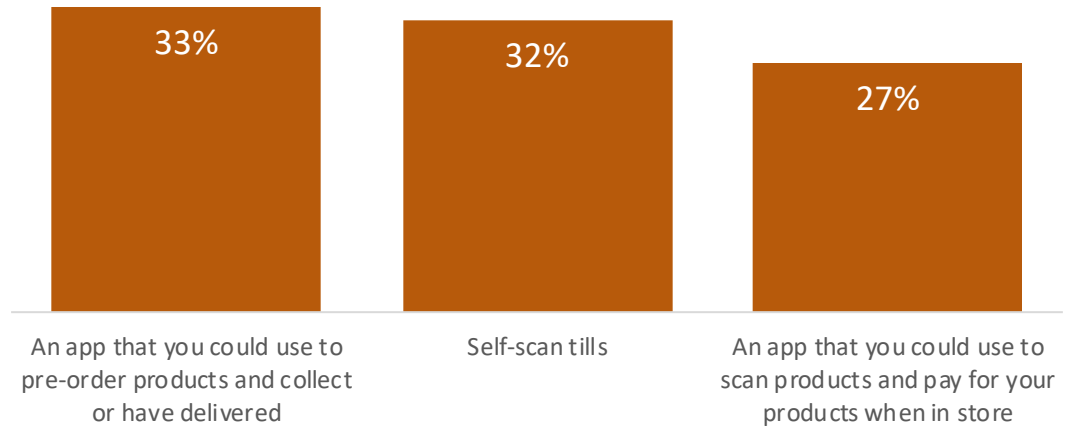
Contactless payment transactions on the increase since 1st April 2020.

Barclaycard Payments, who handles half of all contactless transactions in the UK, has processed more than 25 million contactless payments up to the new limit of £45 in the UK since the limit was raised on 1 April 2020.

The total value of these 25 million contactless payments is more than £900m, with an average transaction value of £36.29. Overall, more than 90% of face-to-face transactions are now made using contactless. In addition, 57% of in-store transactions at small businesses are between £30 and £45 and are now made using contactless



Would shoppers like to see any of these payment/scanning solutions in their local convenience store?



Nearly two-thirds of convenience shoppers would like to see some type of digital payment/scanning solution in store. There is undoubtedly going to be a surge in demand for these technologies as consumers look to limit the contact points when they shop for their groceries. With a greater prevalence for these solutions in the supermarkets it's only natural for this to filter down to the convenience channel. The danger is that if convenience retailers are slow on the uptake with solutions such as these then they risk losing footfall to those stores that are catering for the changing shopper demand and needs. Again, the key age who these appeal to is 25-34 year olds - old enough to have household responsibility for grocery shopping and also to fear for their health, but not too old to openly embrace new technologies.

Q. Would you like to see more of the following in your local convenience store(s)?

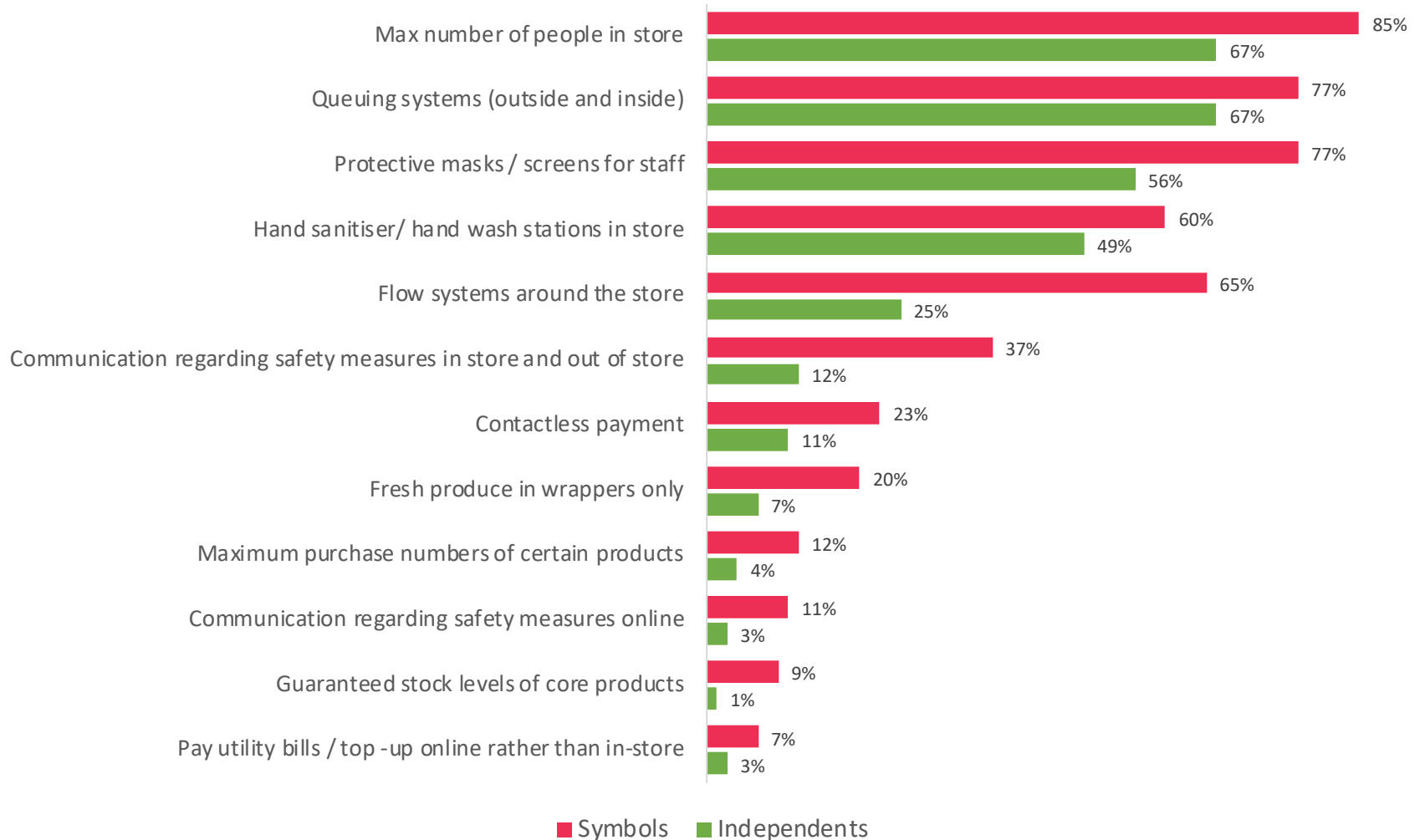
Source: TWC, Cirkle and KAM Media 'Forging a New Future' Report 2020



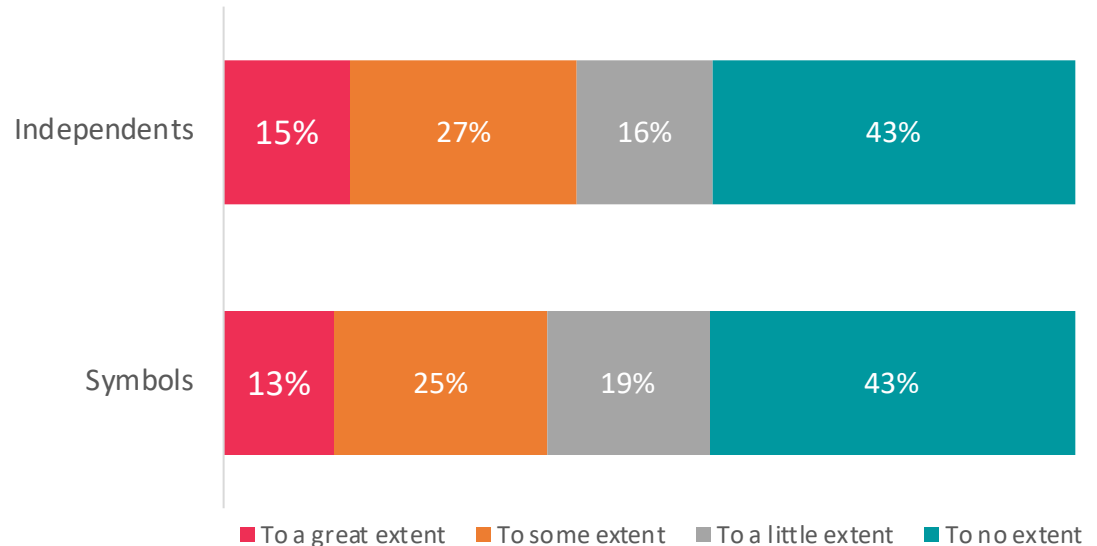
Part 2.

The retailer perspective

Which protective measures have convenience retailers put in place as a direct result of the Covid-19 pandemic?



To what extent have convenience retailers planned for what their business will look like in the immediate future?

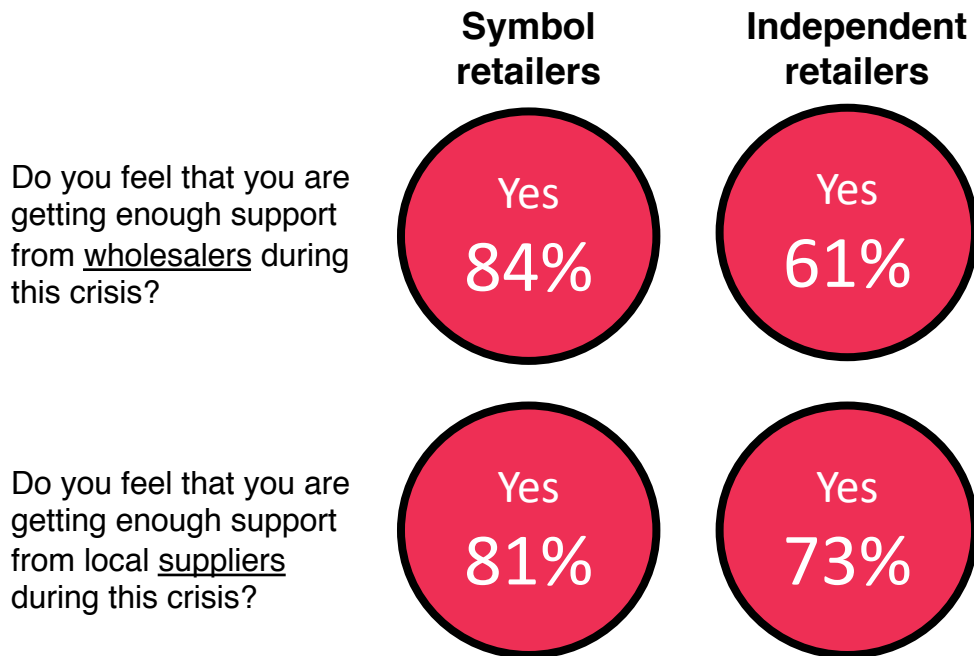


There is a clear division between those retailers who have begun planning for what the future make look like once the lockdown is over and their competitor businesses begin to re-open, and their customer base attempts to re-adjust to the 'new normal' and those retailers who are still in 'fire-fighting mode' and have yet to consider the next stage. Interestingly, this division is not seen between symbols and independents, with both groups having 57% of retailers who have begun planning for the future.

Q. To what extent have you planned for what your business is going to look like once the lockdown measures have been relaxed?

Source: TWC, Cirkle and KAM Media 'Forging a New Future' Report 2020

Do convenience retailers feel like they are getting the support they need during this time?



The majority of retailers, both symbol and independent, feel like wholesalers and local suppliers have been supporting them as well as they could during the Covid-19 pandemic. This is a great endorsement of the effort that these businesses have been putting in, during these unprecedented times, to ensure convenience stores remain stocked and serving their communities.

There has to be an increased opportunity with local suppliers. Will convenience retailers list more lines from local suppliers in the future? Will wholesalers develop better relationships with smaller suppliers in the future, and help their customers list more products from local suppliers....or leave this to their retailers to manage?

It will be interesting to see how the supplier / relationship evolves as a result of Covid-19.

Q. Other than availability of stock, do you feel that you are getting enough support from wholesalers during this crisis?

Q. Do you feel that you are getting enough support from local suppliers during this crisis?

A NEW DAWN FOR BRAND COMMUNICATIONS



Amy Searle

Head of Trade
Cirkle

2020 so far has been a year of dramatic flux. Shopping habits changed practically overnight as lockdown measures were introduced, with the role of convenience stores becoming pivotal for keeping communities stocked with essentials. It's clear from the research that many retailers are already planning how best to retain the loyalty fostered with their customers, both old and new, and are hungry for innovation. From the expansion of their product offering – with fresh, bakery and frozen featuring in the top three – through to the services that they offer and technology that they're utilising in their store, there is significant appetite to be met.

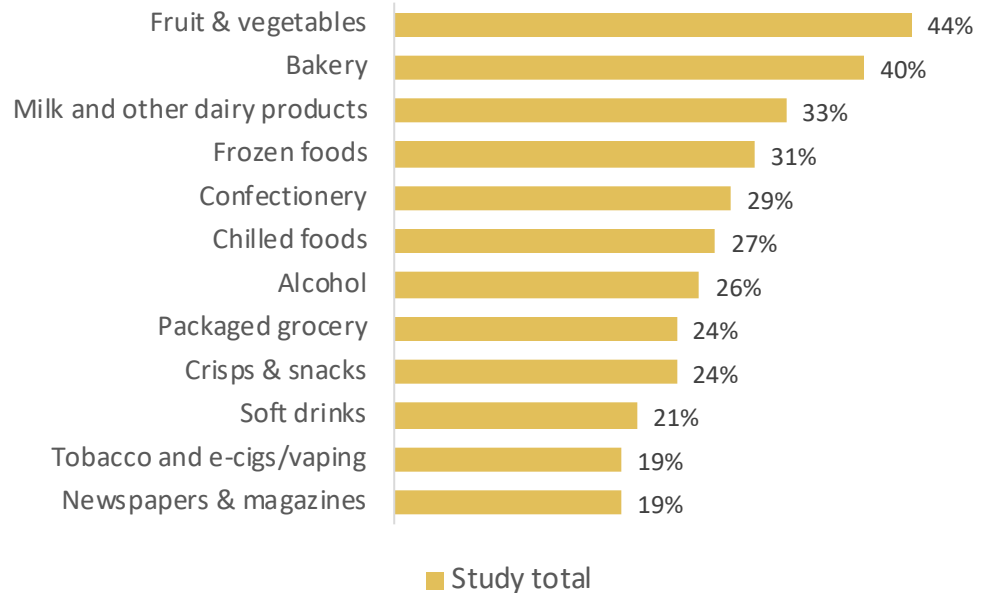
It's important now, as we progress into the next phase, that brands maintain an open dialogue with wholesalers and retailers. During the crisis, retailers have been without their usual access to advice and support via reps, making the trade media an essential lifeline to these frontline workers. As a consequence, trust in the media is riding high, with our own media audit (May 2020) finding that, across the board, titles feel more trusted now than ever before. What is more, digital content is booming, with 90% of readers spending more time engaging with online content than before. And whilst almost all agree there is still a place for physical events in the future when restrictions are lifted, the age of virtual interactions has dawned; the convenience of virtual events and catch ups has come home to roost and is set to be part of the communications landscape for the foreseeable future.

Adding to this, those brands that remained visible and vocal during the lockdown impressed the industry the most; brands will be remembered for how they made the nation feel during this time. Filling the gap left by the lack of face to face visits, it has never been more important for trade communications to form a central pillar of sales strategies – sharing news, offering advice and providing much needed support and guidance during these rapidly changing, and extraordinary, times.

Our advice? Develop innovative and engaging ways to showcase your brands, products and expertise – physically, digitally and virtually – keeping channels of communication firmly open through the trade media.



Which categories will convenience retailers be focusing MORE on as they look to the immediate future?

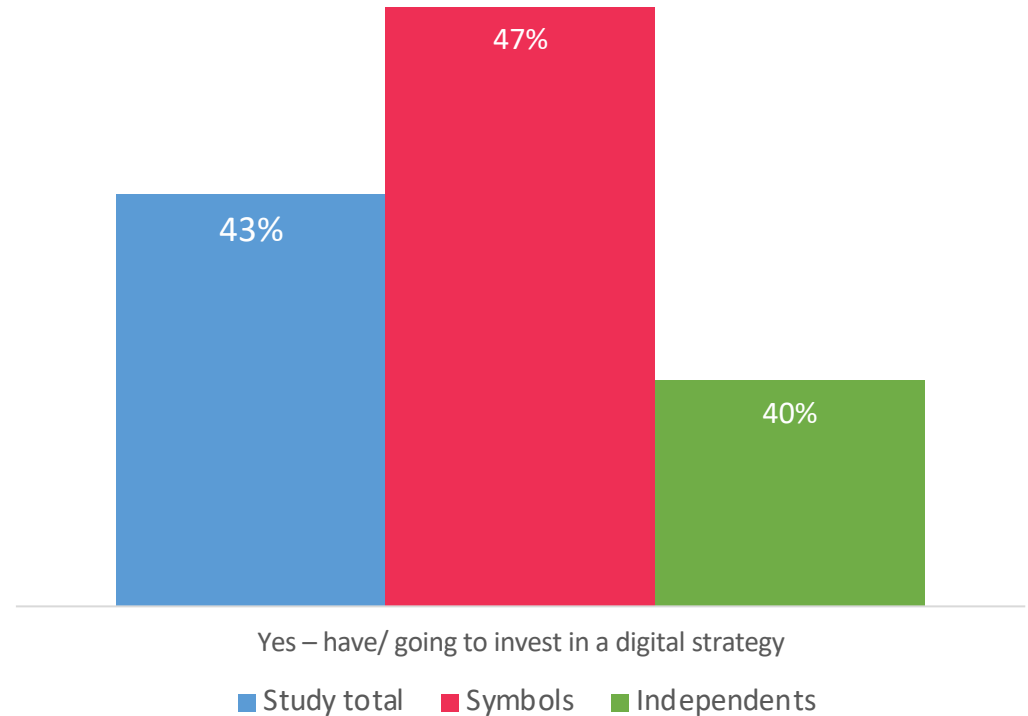


Fresh produce appears to be the priority for convenience retailers (both symbols and independents had the same priorities here) as they look to ensure they remain relevant and competitive as the retail space begins to reopen following the Covid-19 pandemic. Wholesalers and suppliers should be aware of these focus areas and ensure their support and communication reflects the new needs of convenience retailers as we move into the future.

Q. Which categories, if any, will you now place more focus on following the recent Covid-19 pandemic as we look at the new future? (Select all that apply)

Source: TWC, Cirkle and KAM Media 'Forging a New Future' Report 2020

Will convenience retailers be investing in a new digital strategy?



The UK has some of the most tech savvy consumer populations in the world – far more than the USA, most of Europe, much of Asia etc. Technology has come of age during CV19, allowing retailers to deliver safer, faster solutions for their customers. Those retailers who are not investing digitally might be located very close to retailers (and foodservice operators) who are...

Q. Have you or are you going to invest in your digital strategy – i.e. website, social media platforms, apps?

Source: TWC, Cirkle and KAM Media 'Forging a New Future' Report 2020

What do convenience retailers think they will have to change in store once lockdown is over?



Price and promotions will be top of mind for retailers once lockdown is over. It's an area which they have been happy to let ride out during the current crisis, however once we begin to return to the 'new normal' it will be important that retailers have the right support and the confidence to move forward with the correct strategy that will ensure they remain competitive.

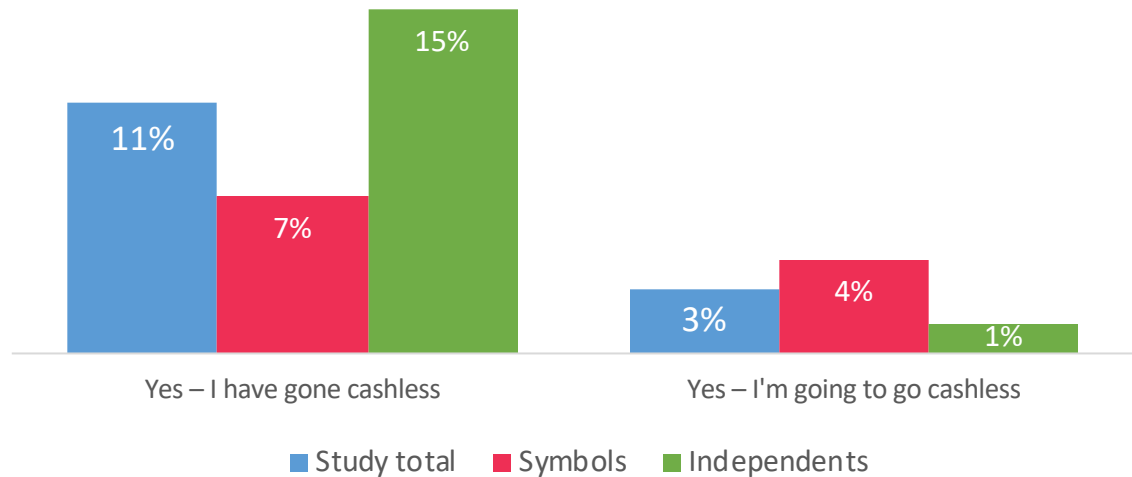
There are a number of questions which retailers will need to ask themselves (and, more to the point, their customers)...

- Promotions – will we go back to offering so many of them? What role do PMPs play?
- Range – more local, less national?
- Staff numbers – greater automation = lower staff numbers? Or improving sales = higher staff numbers?
- Marketing – time for digital to take over?
- Training – out with the old, in with the new.....online learning/training....?

Q. Do you think you're going to have to change any of the following regarding your store(s) once the lockdown measures are over?

Source: TWC, Cirkle and KAM Media 'Forging a New Future' Report 2020

Will convenience retailers be looking to go cashless as a result of Covid-19?

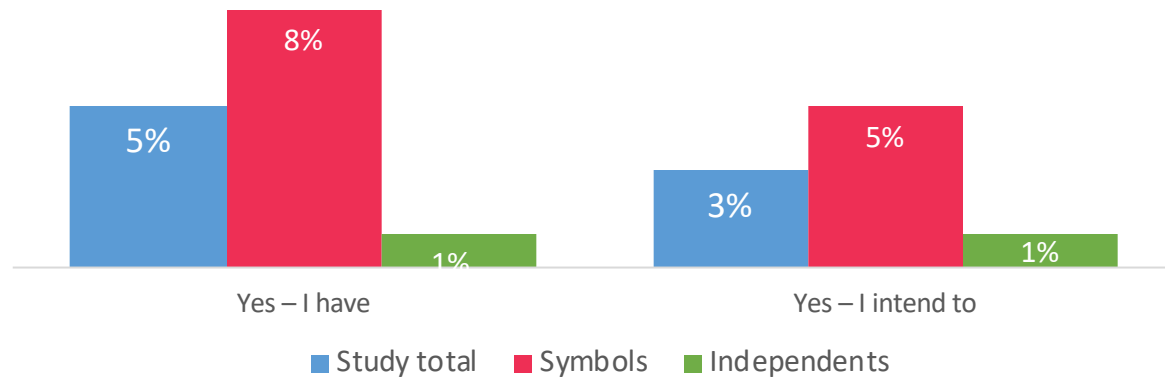


1-in-8 c-retailers want to go fully cashless in the future.

It appears that retailers are happy with contactless payments, particularly as the limit has been increased to £45. Will that be a permanent move now?

Cash is dirty (literally) and eliminating it from a store means one less health risk, but is there a solution for the shoppers who only have cash?

Will convenience retailers be looking to install self-serve checkouts as a result of Covid-19?



Symbol stores are far more likely to be installing self-serve checkouts (mainly in part due to store sizes one would expect). Clearly, retailers are fast tracking these technologies that they may have already been considering, as a direct response to reducing human contact points in stores.

Q. Have you or are you going to make your store(s) cashless?

Q. Have you or are you going to install self-serve checkouts in you store(s)?

Source: TWC, Cirkle and KAM Media 'Forging a New Future' Report 2020

TWC Digital Expert, Salih Sheikh reveals his top tips for building your digital strategy



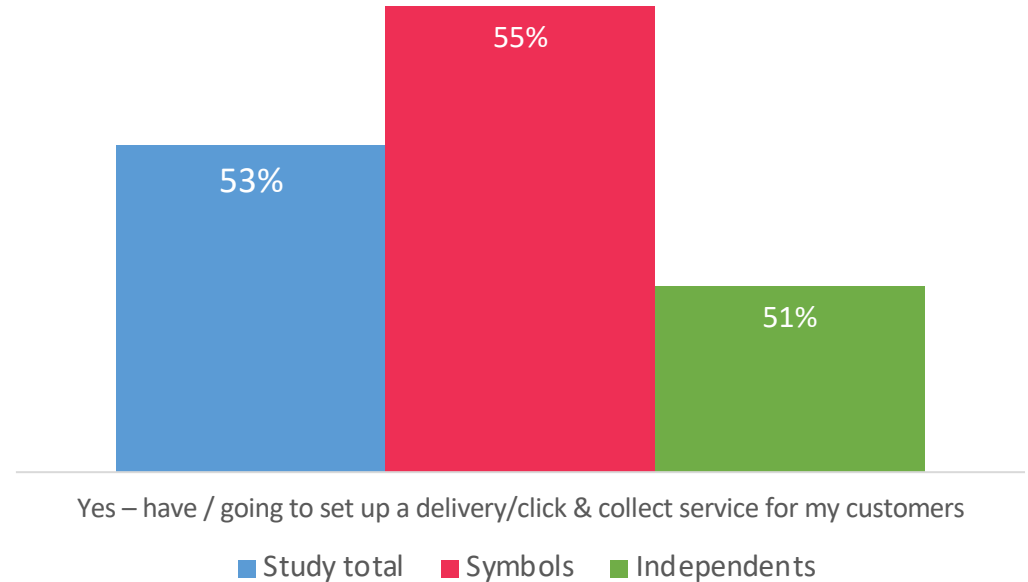
Salih Sheikh

TWC Digital Expert
MD, Future Food Brands

Don't build a house on shaky foundations. Start with the customer and put them at the heart of your thinking - what do they want?

- Don't just decide you want an app. Have a clear vision. The tech is an enabler, what do you want it to enable?
- Choose the best tech for each function - one size does not fit all
- Build a team of experts, listen to them and trust them
- Be business led rather than IT driven
- Build so that the systems do the heavy lifting, remove the manual updates
- Test and learn, build iteratively

Will convenience retailers be setting up their own delivery / click & collect services for their customers?



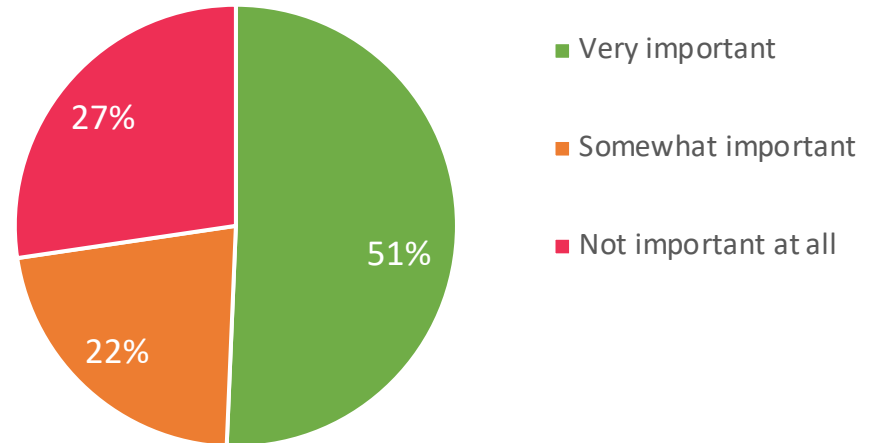
86% of retailers will continue these services when lockdown is over

Delivery and click & collect is here to stay. Customers want it and retailers see the benefits that offering these types of service can bring. For those retailers who can get the offer and the service right it could be akin to opening up a new store, in terms of the additional revenue that it could drive. The key though is to ensure the standards you set in store are replicated throughout the delivery process, all the way to the customers front door.

Q. Have you or are you going to be setting up a delivery / click & collect service to your customers as a result of the current situation?

Source: TWC, Cirkle and KAM Media 'Forging a New Future' Report 2020

How important is customer data to the future success of convenience stores?



53% of retailers are capturing AND using the customer data they are collecting from their home delivery service

Technology is data. The world is full of data. Every action that you do is data. Every word you speak is a data. You walk, you dance, you speak, you sleep, you study, everything is data. Relying on traditions and historical USPs will only ever get us so far. Retailers must consider technology which makes internal processes more efficient, technology which improves the customer experience and customer data should be the key basis for driving any future business decisions.

Q. How important do you believe customer data will be to the future success of your store(s)?

Source: TWC, Cirkle and KAM Media 'Forging a New Future' Report 2020



Top Takeaways



Many convenience retailers have done a fantastic job communicating the different safety measures which they have implemented in-store. It should be comforting to the industry that only 6% do not feel safe at all inside their local convenience store currently.

Whilst we have seen brilliant efforts from the industry to remain open, accessible and safe during the height of the Coronavirus pandemic, we can't afford to rest on our laurels. Consumers will expect and demand protective measures to continue and to remain at the standard currently set, even as we move into the next phase and lockdown measures ease. 6 in 10 shoppers would choose to shop elsewhere if a store's safety standards slip.

Almost 50% of UK shoppers have used c-stores more during 'lockdown'. The key now, for all of them, is to grab the opportunity and ensure that they don't waste this gift that they've been given. Where shoppers may have accepted dips in standards, they won't for very long. Convenience needs to pivot from survive mode into thrive mode quickly and seamlessly.

There are significant levels of acceptance from UK shoppers for price increases incurred during the lockdown, but maybe some communication is required to the 53% who might not understand the higher costs incurred. Often, retailers need to change their price image, or price perception through better communication, rather than their actual prices. Whilst certain price increases are unavoidable, the fundamental principles of retail remain – that it's about demonstrating value for money.

1 in 4 have used home delivery and/or click and collect from a convenience store (approx. 13m UK adults). There is no turning back now for home delivery in convenience. Now is the time for convenience stores to ensure they have the right digital solutions to 'scale up' in their communities, with data being used to power the digital infrastructure.

73% of convenience retailers believe that customer data is important to the future success of the convenience industry. Of those offering a delivery service, 53% are capturing and using the customer data they collect. Customer data should be the key basis for driving any future business decisions.



cirkle





Most UK convenience retailers will have seen customer numbers and revenues increase since mid March. Some will have enjoyed significant increases. They fully deserve this. But now is the time to think further afield.

We know that demand for online shopping has exploded. We know that – for many weeks – convenience stores took market share off supermarkets. Supermarkets are going to want their customers back. Add to the mix that some foodservice wholesalers have launched DTC services. And that even before CV19 hit us, there were a host of DTC businesses growing nicely thank you very much on their own accord: IAB research shows that 39% of Brits have shopped from a DTC firm in the previous year.

So let's take a step back and review the competitive landscape:

- Supermarkets are scaling up their online offer. (supermarkets will probably close quite a few stores)
- Online supermarkets (Ocado) are doing great (check out their share price) and will try to capture more share.
- Might a new online supermarket be launched (or launch in the UK) to take advantage of the fact that the UK has amongst the most tech savvy consumers in the world (far more than USA shoppers).
- Trade only wholesalers are going direct to consumers. You order products online with them.
- Existing DTC online companies will continue to grow.
- And then there is Amazon.

Surely, if there is ever a time for convenience stores to recognise that they need to have a digital strategy, it's now, because all of your competitors will. And as convenience moves more into foodservice or 'foodvenience', the competitive set becomes fierce with even more digitally advanced firms (Greggs, coffee chains etc). And then you have 'dark kitchens' being launched too.

Digital isn't something convenience retailers might want to embrace – like NPD or a new line – it's increasingly how business is done in the UK.

Who is driving this 'revolution'? Answer: consumers. So if the consumer really is king, we all need to embrace the power of digital....and quickly.





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