Challenges of the Convenience Store

CONVENIENCE FUEL RETAILERS CAN OVERCOME TECHNOLOGY HURDLES TO INNOVATE, EXPAND, AND SUCCEED

$648.8 Billion
U.S. Convenience Store Industry Sales in 2019 [1]

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▲13.4% June per store/per month in-store merchandise sales (excluding cigarettes) increased year over year [3]

Top Obstacles for Retailers for the Next 3 Years [2]

- **43%** Retiring legacy systems
- **34%** Application integration
- **32%** Store bandwidth and infrastructure issues
- **28%** Volatile labor market

96% C-store directors and IT managers agreed they would implement **new applications and services** more often if it was easier, yet only **49%** said their current store IT infrastructure was an engine for **innovation** and **delivering new in-store customer experiences** [4]

10% Small operators

29% Large operators

C-Store operators named lack of alternative shopping options, such as curbside pickup, mobile ordering, or delivery, an obstacle to foodservice success [5]

▲7% Employee wages increased 7% and reached a record-high **$354,271** per convenience store in 2019, while turnover increased to **136%** [6]

27% C-Store retailers found **mobile app promotion** and **loyalty programs** factors that were most influential in getting shoppers to make an in-store purchase during a recent c-store trip to buy fuel [7]

Foodservice Ordering Tech Convenience Stores Plan to Add [5]

- **24%** Order ahead via app
- **16%** Curbside pickup
- **14%** Pumpside pickup
- **14%** Contactless payment in-store
- **12%** At-pump touchscreen ordering
- **11%** In-store touchscreen ordering

▲5.5% **Enterprise tech spending** is forecast to climb 4.2% in 2020, led by the **convenience store segment**, which is expected to rise 5.5% over 2019 [8]

Retailers Top Last-Mile Fulfillment Investment Areas in the Next Two Years [8]

- **33%** Click and collect management
- **33%** Local delivery from a store
- **32%** Curbside pickup

Sources: 1-*Convenience Store News*, "Industry Report 2020;" 2-*RIS*, "30th Annual Retail Technology Study;" 3-NACS CSX data for June; 4-Zynstra, "Convenience Store Technology: Insight Report;" 5-*Convenience Store News*, "Foodservice Study;" 6-*Convenience Store News*, "Forever Changed?" 7-*Convenience Store News*, "Inside the Consumer Mind: A Loyal Bunch;" 8-*RIS*, "2020 Store Experience Study"

Technology to Transform Convenience Store Retail

DAVID WILKINSON
**President and
General Manager
for Retail
NCR**

Q **What new experiences do convenience fuel retailers want to provide their customers, but may face challenges in doing so?**

It's all about convenience. Eighty-three percent of customers say convenience while shopping is more important now than it was five years ago. And, during the pandemic, we've seen rapid changes in consumer buying habits due to social distancing — such as curbside collection, full-service fueling, click & collect, home delivery and more.

The key challenge is that legacy infrastructure is holding convenience retailers back from making these changes. Indeed, 63% of IT decision makers in the convenience and fuel retail sector admit that legacy infrastructure kept them from making changes, responding that an inflexible infrastructure delayed the speed at which they would have liked to adapt their store operations.

Q **How can breaking the one-to-one relationship between hardware and software help retailers innovate faster?**

The majority of retail store technology is device-based, meaning there's a software application and operating system (OS) installed on every individual terminal or touchpoint throughout the store. Any time an update is needed, or a new store system is added, an entirely new installation of both the application and OS is required on every single device. This is expensive and unsuitable for today's disruptive environment, where speed to market is critical and travel is restricted.

But with virtualization, you break the connection between hardware and software, moving software and operating systems scattered across multiple touchpoints, like the POS, to a virtualized edge server inside the store. A centralized control console runs in the cloud to manage the in-store virtualized servers, so entire stores can be remotely monitored and maintained as a single touchpoint and new stores can be deployed faster than ever before.

This is huge: By virtualizing all these store touchpoints, retailers are free to upgrade hardware and software independently, transform at their own pace and add new technologies easier, with less cost and risk.

Q **As labor and store operation costs are rising, how can retailers save money and expand their business quickly?**

Transitioning to a software-defined edge strategy by virtualizing retail store systems reduces the cost associated with maintaining store systems and gives retailers much greater control. They can run the latest software on old hardware, extending the life of their existing hardware. And when they do want to upgrade, they can deploy thin client hardware, saving massive costs, as the software and OS will already be running on the virtualized edge server.

Devices can be also made multi-purpose. For example, a store associate could toggle from inventory to POS and back again on one tablet to reduce lines during busy periods. Even systems already centralized at the store, such as kitchen production, fuel controllers and back office systems, can be virtualized to provide a single point of control to realize maximum cost savings and business flexibility.

Q **What is the future of convenience fuel retail and how can store virtualization help businesses get there?**

Sixty-two percent of retailers report that IT spending will increase this year. Convenience stores must find a way to evolve their cost structure and minimize touchpoints through technology, to make the buying process more seamless. Virtualizing applications in the store makes this possible with automation high on the agenda.

The "new normal" of retail will be about having the flexibility to adapt quickly to an unpredictable future. This is where retailers with software-defined stores will be leapfrogging the competition. Whether automating store operations, launching curbside pickup and other new fulfilment options or adding new ways to shop in-store, speed to market is essential.