THE SHAPE OF FOOD RETAILING IN THE NEW NORMAL 3:

WHAT U.S. CONVENIENCE RETAILERS CAN LEARN FROM THE UK AND IRELAND

Fuel and convenience retailers in the United States thrive on routine. Unfortunately, the COVID-19 pandemic disrupted those routines and altered consumer behavior in ways previously unimaginable. This has forced retailers to reconsider their offer and question how to best satisfy shopper needs.

The authors believe the time is right to take a close look at the convenience retail model in the UK and Ireland. Many companies in the US were already progressing away from a 'Smokes & Cokes' offer prior to the pandemic, and leading retailers across the pond offer a compelling picture of what the end result of that transformation may look like.

Thriving as neighborhood markets, these retailers are succeeding amidst C-19 with a foundation of convenient groceries and proprietary 'Fresh Food for Today' that is distinct from foodservice at US c-stores.

CONVENIENCE RETAIL

STORE PROPOSITION

FRESH FOOD FOR TODAY

VOICE OF THE CONSUMER

PERFORMANCE

SALES AND PROFIT

Moran's Retail (Go fuel), Derry, Northern Ireland

This paper is an attempt to start a conversation and share a perspective on a potential path forward.

David's Kitchen (no fuel), Kirkaldy, Scotland

A UK & IRELAND CONTEXT

The UK and Ireland convenience sector has experienced a continued period of growth in the last 15 years. Retailers have adapted their offers to 'Fresh Food for Today' driven propositions, benefitting from enhanced profit margins whilst creating a point of difference from big-box grocery multiples. A wide selection of 'homemade' proprietary ready-meals and sides are examples of how they have captured and retained customers.


Moran's Retail, Derry, Northern Ireland

Ennis Retail Spar (no fuel), Dublin, Ireland

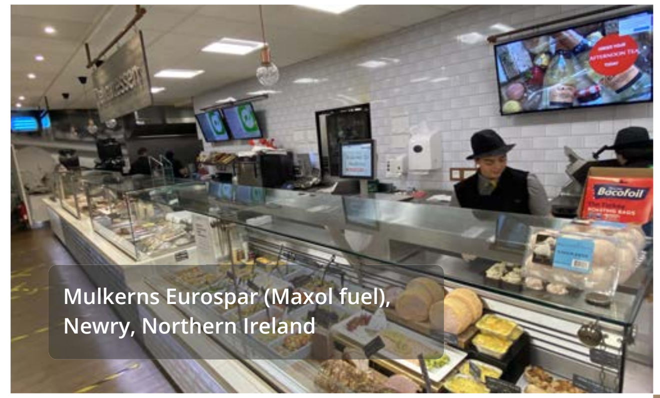
The C-19 pandemic had the immediate effect of pushing the convenience sector back to core grocery and critical purchases, but this has proven to be a short-term change and sales in Fresh Food for Today are rapidly returning to pre-COVID levels.

As we emerge into a world of flexible working and its associated impact on travel, it is clear that c-store retailers in UK & Ireland are well positioned to benefit from changes in customer behavior.

Milestone, Rathfriland (Maxol Fuel) Northern Ireland

PERFORMANCE

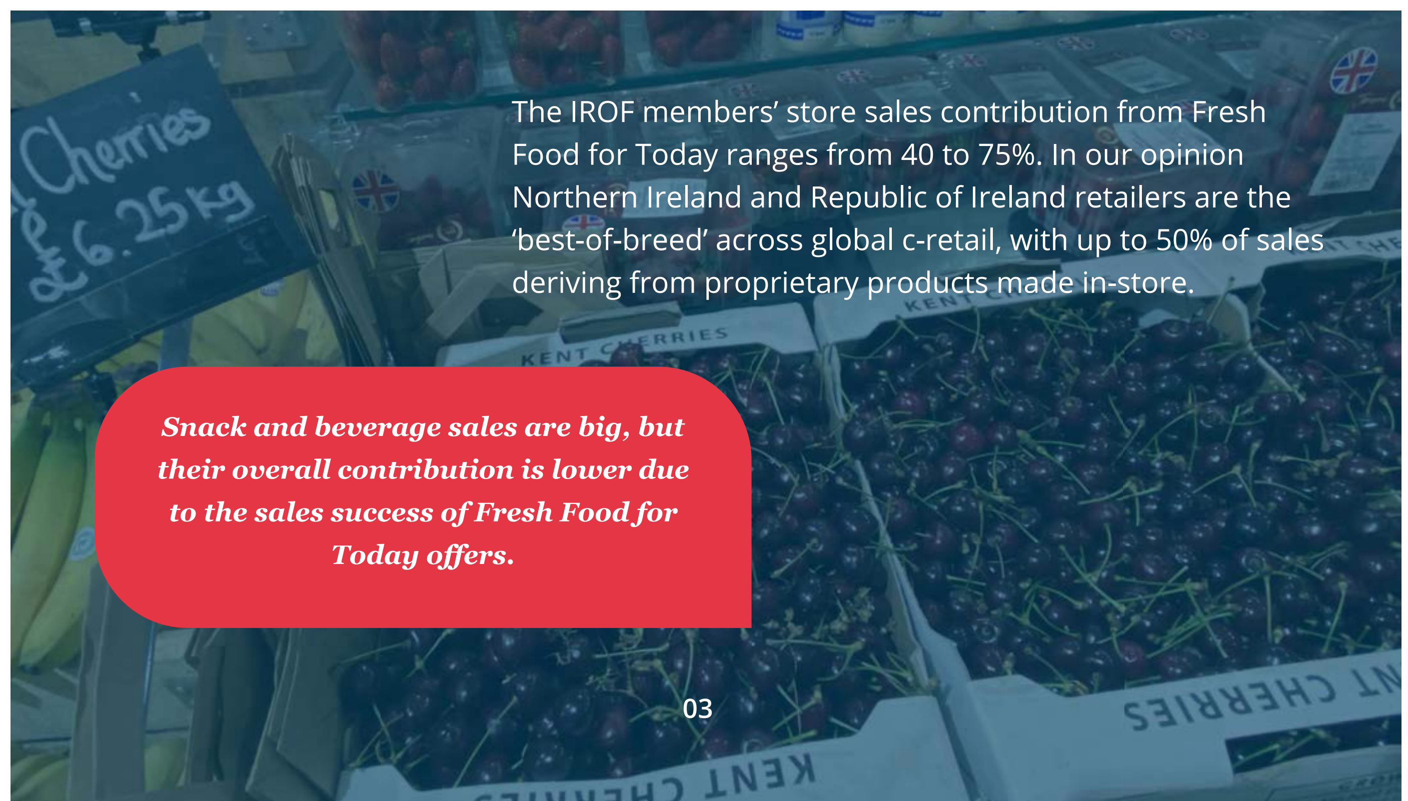
Sales data from the Independent Retailer Owners Forum (IROF), whose members are 20 of the UK and Ireland's leading independent convenience and food thought leaders, show in-store sales increases of 25% to 50% to 7/24/20 v YAGO.


Mulkerns Eurospar (Maxol fuel), Newry, Northern Ireland

These increases have largely come from sales of Fresh Food for Today, comprising made-to-order and wrapped deli sandwiches, homemade ready-meals and takeaway food, fresh produce and meats, and an increase in larder fill grocery items.

Alcohol sales have doubled, as hospitality outlets such as bars, pubs, restaurants and hotels were all closed until early July. Local craft ales and spirits are hugely popular as consumers seek experiences within the safety of their homes.

Jempson's, Rye (Jet fuel), England



The IROF members' store sales contribution from Fresh Food for Today ranges from 40 to 75%. In our opinion Northern Ireland and Republic of Ireland retailers are the 'best-of-breed' across global c-retail, with up to 50% of sales deriving from proprietary products made in-store.

Snack and beverage sales are big, but their overall contribution is lower due to the sales success of Fresh Food for Today offers.

Ancoats General Store (no fuel), Manchester, England

Consumers are turning to private vehicles rather than public transport. Nonetheless, fuel sales remain down at 50-65% of pre-lockdown volumes.

Unlike US retailers, all packaged categories are delivered from the contracted wholesaler or the retailer's own central distribution.

CONVENIENCE HERITAGE

UK and Ireland convenience retail heritage originated with neighborhood grocery and 'CTN' (confectionery, tobacco & news.) This is distinct from the dairy and gasoline heritage of US retailers. A lower dependence on tobacco is reflective of a powerful in-store offer that's attractive to all customers rather than a focus on the (18%) of adult smokers. 'All customers eat and drink' is the lead strategy!

Sewell-on-the-go (BP fuel), Hull, England

David's Kitchen, Kirkaldy, Scotland

SALES MIX & MARGINS

CPG branded products across Snacks, Beverages and Grocery contribute up to 30% of in-store sales. Tobacco share of sales for leading Fresh Food for Today retailers is less than 10%. Proprietary products are the customer destination and the driver of profitability. Locally made, unique flavors, and high quality resonate with the fresh food customers. Compelling offers for hot and cold beverages further enhance retailer margins.

Mulkerns Eurospar, Newry, Northern Ireland

The most profitable retailers deliver in-store margins of over 45%. Labor costs have decreased during C-19 as categories such as Deli and Butchery - which were manned pre C-19 - are now offered largely pre-packed in store kitchens. Sunday lunches have returned to 80% pre- C-19 sales.

US RETAILER INTEREST

To thrive in a post C-19 environment, many US retailers have stated their desire to lead with fresh food and become less reliant on gasoline, impulse, and 'Smokes and Cokes'.

The insight, knowledge, and processes to profitably change - together with IROF retailer interaction - is available.

We are offering five levels of paid for assistance:

1. Independent evaluation of performance in a 'new normal' context
2. Benchmarking versus local and international c-store competitors
3. Identifying strategic assumptions for the future
4. Development of future go-to-market propositions
5. Strategy implementation, on-going governance and challenge

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