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WHAT'S IN STORE FOR 2019? THE VIEW FROM EUROPE

With 2018 more than halfway through, savvy retailers are already looking ahead to 2019. The good news is that, despite the doom and gloom that's often predicted, the future is bright.

"This is potentially the most exciting time for convenience retail," said Scott Annan, a small format retailing expert and founder of the industry group Independent Retailer Owners Forum. "There are so many opportunities for retailers who truly understand what their customers want, rather than what their supply chains, wholesalers and manufacturers demand."

We asked him and other top retailers and industry experts about the trends that will define the year ahead.

FOODSERVICE IS THE WAY FORWARD

If there's one trend that defines the future of convenience, it's foodservice. "It's the biggest opportunity out there," said Mr Annan. "People have to eat and drink three times a day, so there's a thousand opportunities to sell food and drink to a person." But while Subway and other international foodservice outlets have been a fixture of c-stores for a while, increasingly retailers are taking matters into their own hands, producing their own range of hot and cold food using in-store kitchens or offering up store space to other local foodservice providers.

One retailer doing just that is the independent convenience group, Simply Fresh, which operates more than twenty stores across England and Scotland focusing on fresh food and food-to-go.

Many Simply Fresh stores include foodservice options, such as smoothie counters, choose-your-own salad bars or seasonal hot

meals, while Simply Fresh PopUps offer a space for local street food outlets to sell their products. Plans are also in place for restaurant-style eat-in areas.

"The past few years have shown that consumers are shopping little and often, and the large trolley shop is not as prevalent," said brand director Davinder Jheeta. "Advanced meal planning becomes less and stores need to capitalize on this by offering multiple solutions. Meal kits, in-store inspiration, live demos and in-store kitchens are some of the ways we can inspire."

MORE CHANGE IS ON THE WAY

The UK convenience scene in 2018 has been marked by several big events: the collapse of groceries wholesaler Palmer & Harvey in late 2017, and the consolidation of several industry players, including the takeover of groceries wholesaler Booker by supermarket giant Tesco.

Such changes are a sign of what is to come, as retailers consolidate their businesses to remain competitive, and customers and retailers opt to cut out the middleman and work directly with suppliers, leading to pressure on independent retailers to lower their prices to match.

"These consolidation deals give the groups greater buying power and the opportunity to pass any savings on to the consumer, but lower prices across the channel will put pressure on independent retailers to follow suit in order to compete, and threaten their margins," said Val Kirillovs, research and insights director at shopper research and insights company HIM.

In the case of Palmer & Harvey, which went into administration in November 2017 with debts of more than £700 million,

WANT TO LEARN MORE?

Scott Annan and members of the Independent Retailer Owners Forum will be visiting Sydney and Singapore in March 2019. See aacs.org.au for details of any events.

it collapsed because it became a redundant service, said Mr Annan. "They were simply adding a margin to a service other people can do more efficiently."

Supermarket giant Morrisons recently teamed up with Amazon to deliver its products, and while Amazon's arrival in Australia has been underwhelming so far, something similar could happen here – and not just from Amazon. "Alibaba is only just getting started," said Mr Annan.

...BUT ALSO PROVIDES OPPORTUNITIES

It's not all bad news however. "The one thing Amazon hasn't been able to do is to create an experience, so it's more important than ever to invest in your staff and in the customer experience," said Mr Annan. "Shopping is essentially a functional, boring routine, so retailers that can offer an experience, whether through foodservice, coffee or in-store theatre will differentiate themselves from Amazon and Aldi." At Milestone Supermarket and Service Station in Rathfriland, Northern Ireland, 70 per cent of sales are in fresh food and drink, made in house by the store's busy deli, bakery and butchery counters. "That's unique, that's the way forward," he said. "They're not selling what everyone else is selling, or doing what everyone else is doing."

Nowhere is this more important than for petrol retailers, who have seen the number of forecourts across the UK and Ireland drop by more than a third in the last four years.

"It's a very good opportunity for them and retailers have taken it with both hands," said Brian Madderson, chairman of the Petrol Retailers Association. At Parkfoot Garage in West Malling in Kent, you can pick up meat and fresh bread from its in-store bakery and butchery counters. Other retailers sell theatre tickets and fresh juices. "So many independent stores have tried working with the big retailers and it hasn't worked, so they're doing their own thing," he said.

PUT CUSTOMERS IN CONTROL

Technology has already changed the retail experience beyond recognition and it's continuing to revolutionise everything from in-store navigation to payment processes. Last month, retail giant Sainsbury's opened its first checkout-less store in South London, with customers scanning goods via their iPhone and paying for them through ApplePay and the Sainsbury's SmartShop app.

For independent stores, the Ubamarket app is making waves, plugging in to the store's existing operating system to allow customers to create a shopping list, navigate the store and pay for goods via their phone. "Tesco can afford to make their own app, but this isn't the case for smaller stores, and that's where Ubamarket comes in," Scott Annan explained. "It's Amazon technology but not costing £10 million and by the end of next year, it will be pretty universal." Whether you opt to go completely checkout-free or still include a few human operators, there are other advantages too. With fewer checkout assistants needed, employees can be retrained for foodservice or the retailer can take the saving. "It's win-win for everyone," Annan said.

AUTHENTICITY IS IMPORTANT

The days of wilted lettuce and frozen ready meals are over. When it comes to c-stores, customers expect product quality

and freshness similar to the big supermarkets, but with the feeling of shopping at a neighbourhood store. "Whether they have some narrative about how they are produced or are served in environments that are reflective of the food, people are looking for foods that showcase authenticity," said Davinder Jheeta. At Simply Fresh, that means fruit and vegetables are as local as possible, and ideally supplied to the store within a couple of days of harvest. The group also prides itself on championing British produce and local, small-scale producers, many of which aren't stocked anywhere else. Products, particularly fruit and vegetables, are tasted regularly and older items marked down, while bread and meat are prepared daily at the in-store bakery and butcher. "Convenience needs to offer elevated standards of fresh food, but also add a charm and service that customers can buy into," he said.

CURATING IS KEY

With the convenience and low prices of online and discount retailers making it difficult for independent retailers to compete for the ambient product market, savvy retailers are increasingly realising the importance of curating their ranges of household and laundry goods.

"Ambient sales account for around 10 per cent of sales, yet for too many retailers, especially symbol groups, they give that 10 per cent of sales 70 per cent of space," said Scott Annan.

But this is set to change as retailers recognize that it's not in their best interests to devote the majority of space to a category that doesn't sell. "The best independent stores realise you don't need multiple options," Annan said. "I call it the "one bleach" approach: no one has ever left a c-store simply because they don't stock Domestos Blue (the UK's most popular brand of bleach)."

HEALTH IS A HIGH PRIORITY

Think health isn't an issue for your customers? Think again. Recent statistics from HIM show that shoppers are crying out for healthy options - but don't believe their local store will stock them.

But offering healthy alternatives isn't as simple as ordering in some gluten-free snacks. Every expert agreed that what is considered "healthy" differs according to location, and knowing what health and wellbeing means for your customers and stocking accordingly is the key to success.

"We know that health means different things to different people, so it's not just calorie counting or eating fruit and vegetables, but it can also be portion control or protein packed or maybe dietary specific," said Davinder Jheeta. At Simply Fresh's University of Surrey store for example, a wide range of main meal food-to-options make it easy for students to eat properly round the clock, while low fat and low-sugar snacks dominate the till queues. Not surprisingly, the store recently picked up the Innovation Award at the 2018 Convenience Retail Awards.

"When we can add the accessibility of products that people want, when they need it – the essence of convenience stores – that's when we can start to promote wellbeing," he said. **C&I**

