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OUR MEMBERS ARE OUR MISSION! VOL. 10 | MARCH 2023

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A NOTE FROM THE CEO

BRIAN TROUT, CEO

Greetings Members, and welcome to March!

As we prepare for the spring season and continue with our store cooler resets, which are going very well, and the sales increases members are seeing are very encouraging, we are also preparing to engage with our state legislators. Asif Sayani, our legal counsel and the leader of our lobbying efforts, will be joining me at the Texas Food & Fuel legislative in early March, as well as the NACS Day on the Hill. These visits with our lawmakers and representatives are a very important step to ensure our collective interests are understood and being acted on by congress.

We continue to focus on and develop our Information Technology infrastructure that will propel GHRA's growth and ability to help members grow their store sales, get the products members want from the warehouse, and increase traffic to the member's stores. We have started using Door Dash for order delivery with our Big Madre platform, and members are able to order unbranded gasoline from GHRA and save money versus other fuel provider options. More and more members are signing up for the SKUPOS program as well. All of these efforts are great advances in service of our members to help our members operate stores more efficiently, get better costs of goods, and sell more products in their stores.

The GHRA team is also planning for the annual golf tournament in April, and we look forward to this opportunity to raise funds for the families of fallen police officers that serve and protect the communities in which we operate. There is no greater sacrifice one can give than to lose their lives in service of another person. I am truly proud of the work GHRA does to support our police and first responders.

Thank you for your trust and your continued support, and as always, continued blessings!

Sincerely,

Brian Trout

OUR MEMBERS ARE OUR MISSION!

Small Operators View 2023 With Mixed Feelings

The convenience store industry's small operators are keeping an eye on cross-channel competition, but are prepared to boost their bottom lines.

By Convenience Store News

NATIONAL REPORT — The last few years have been a mixed bag of expectations for the convenience store industry's small operators. After heading into 2019 with a glass-half-empty headspace, they beamed positivity heading into 2020 as they planned to implement several new initiatives to boost their bottom lines. That momentum continued heading into 2021, despite facing one of the most unique years in history with the outbreak of the coronavirus pandemic, and industry consolidation that saw some of the channel's biggest chains get even bigger by picking up small operators.

The small operators surveyed for the *2023 Convenience Store NewsForecast Study* don't feel much different than those who participated in last year's study. Sixty-seven percent of this year's respondents view the U.S. economy in a negative light, which remains unchanged from those surveyed for the 2022 forecast. Nineteen percent say they are neutral.

There is one bright spot, however. Fourteen percent report a sunny disposition on the economy, which is an 8-point increase compared to those surveyed for the 2022 forecast.

On a scale of one to five — where 1 represents "Terrible, wake me when it's over" and 5 represents "It's going to be our best year ever!" — the majority of small operators (72 percent) rate their optimism for 2023 at a 3 or 4. Only 7 percent put their optimism rating for the new year at a 5, while 5 percent put it at a 1.

About a quarter of small operators (26 percent) plan to increase their store count in 2023 vs. 78 percent of large operators. Sixty-seven percent of small operators anticipate their store count will remain unchanged, while 2 percent expect a decrease in store count. Five percent of small operators expect to exit the c-store industry during the year.

Keeping an Eye Out

On a positive note, 43 percent of this year's small-operator respondents expect that foot traffic to their stores will increase in 2023 — the highest level seen since the 2020 Forecast Study when 70 percent predicted foot traffic would improve. Forty-one percent expect the status quo. The other 16 percent are bracing for a year of decreased foot traffic.

When it comes to the factors that will impact their sales and profitability in 2023, the convenience store industry's small and large operators share some common concerns. Not surprisingly, inflation and economic issues rank No. 1 among both groups, followed by labor turnover and hiring, and supply chain issues. Other issues that both small and large operators are weary of are fuel prices, tobacco/e-cigarette regulations, and declining foot traffic.

Turning Negatives Into Positives

Despite their trepidations, small operators are determined to make their stores more attractive to consumers in 2023. To keep pace with the larger c-store chains when it comes to offering "enhanced convenience" services, slightly more than three-quarters of small operators (76 percent) currently offer mobile pay in-store, with 16 percent planning to add this offering in 2023. More than half of small operators (53 percent) currently offer mobile payment at the pump, with 16 percent saying this feature will be added in the coming year.

The top three initiatives planned by small operators for the new year are contactless payment using a mobile app, at-the-pump ordering for in-store items and implementing a drive-thru. Comparatively, large operators' top plans for 2023 call for the implementation of third-party delivery and contactless payment via either a mobile app or AI/sensors. ■

Everyday Multiples Drive Value for Consumers

By The Hershey Company

The current economic environment is magnifying the importance of value for consumers. Last year, convenience store customers faced high gasoline prices as well as inflation concerns that have continued into 2023, limiting consumers' spend inside the store. Consumer insights can help retailers understand how inflation is changing the deals shoppers are seeking and interacting with on the shelf. A key strategy is offering everyday multiples—bundle deals for everyday, low-cost items—and understanding how consumer attitudes toward these deals shift amid behavior trends.

With the help of Eversight, Hershey built and tested multiple bundle deals and language shifts to understand what appeals most to shoppers and how best to communicate value. Small language changes—specifically leading with the value statement, in particular—resulted in higher engagement. For example, consumers responded more favorably to an offer of "Get 1 free when you buy 2" compared to "Buy 2 get 1 free."

Post-pandemic consumer behavior has favored multiple pricing as shoppers are making fewer store trips and have become more interested in value and bundle deals to counter inflation. Research demonstrated that standard bar deals with the highest engagement included three items with a rounded price point, such as 3 bars for $5 or 3 bars for $5.50. C-store partners that utilize everyday multiples as part of their promotional strategy see above-standard conversion rates for promotions featuring the standard and larger-sized bars that deploy these insights.

Additional promotional strategies retailers can consider:

- When using a promotional structure with three or more product deals, include a variety of brands
- When offering deep discounts, avoid promoting standard bar and larger-sized bar at the same time to avoid cannibalization
- Implement hi-lo promotions over shorter, targeted periods

Another opportunity lies in cross-category promotion with food service items. Proven offers with a standard bar are $3, $4 and $5 combo deals that include a beverage, a specific food item such as a hot dog or sandwich and a candy item.

Everyday multiples combined with optimized pricing strategies give consumers different options to save money on their favorite items while providing growth opportunities for retailers. Retailers can engage consumers more frequently with bundle deals to drive lift without having to continuously heavily discount items with promotional language that doesn't sway consumers. ■

National Gas Prices Rise as Demand Grows

The national average of $3.42 is 33 cents more than a month ago.

By Convenience Store News

WASHINGTON, D.C. — As drivers in milder areas across the country take advantage of the weather by fueling up and hitting the road, the rise in gas demand and slightly more expensive oil are pushing the price of gas upward.

The national average for a gallon of gas increased by 12 cents since the week of Jan. 16 to reach $3.42 on Jan. 23. This week's national average is 33 cents more than a month ago and 10 cents more than a year ago, reported AAA.

"The recent rising temperatures led to rising pump prices," said Andrew Gross, AAA spokesperson. "And with the cost of oil hitting $80 a barrel, there is a lot of upward pressure on gas prices at the moment."

According to data from the Energy Information Administration, gas demand rose from 7.56 million to 8.05 million barrels per day last week as total domestic gasoline stocks increased by 3.5 million barrels to 230.3 million barrels. If demand remains robust, drivers will likely see pump prices rise through the week, according to AAA.

The nation's top 10 largest weekly increases are Colorado (31 cents), Delaware (28 cents), West Virginia (22 cents), Ohio (22 cents), Maryland (19 cents), Missouri (19 cents), Georgia (18 cents), Virginia (18 cents), Tennessee (18 cents) and Louisiana (18 cents).

The nation's top 10 most expensive markets include Hawaii ($4.94), California ($4.44), Washington ($4.06), Nevada ($3.95), Alaska ($3.72), Oregon ($3.71), Pennsylvania ($3.70), Colorado ($3.65), Washington, D.C. ($3.62) and Illinois ($3.56).

At the close of the formal trading session on Jan. 20, West Texas Intermediate increased by 98 cents to settle at $81.31. Crude prices rose at the end of last week due to increased market optimism that crude demand may be more robust than expected this year. Particularly, the re-opening of China's economy, despite high coronavirus infection rates, will help to bolster global crude demand, while supporting elevated prices. For this week, crude prices could continue to climb if ongoing market optimism persists, AAA reported. ■

The 2023 Foodservice Report

With foodservice innovation in demand and inflation surging c-stores must balance competing priorities as they look to grow their food programs in the year ahead.

By Erin Del Conte

Foodservice evolution sits at the top of the docket for many convenience stores in 2023 as retailers brace against declining fuel volumes, volatile gas prices and a shift toward electric vehicle (EV) charging, all of which make foodservice crucial for driving traffic and creating new revenue streams.

Meanwhile, retailers and industry experts agree that inflation represents the top trend expected to impact c-store food programs in the year ahead, with labor shortages, the overall economy and supply chain issues close behind.

Research by Datassential concurred, revealing 87% of operators are worried about high prices and inflation in 2023, far more than any other concern.

"At the same time, consumers are at this unique moment where they want new food experiences again, and they want to see more innovation," said Mike Kostyo, trendologist and associate director of content for Datassential.

That means c-store operators face the challenge of balancing inflationary concerns with a need for innovation to meet customer expectations for new, interesting menu items.

That's no small feat, considering higher prices are known to impact customers' disposable incomes.

As a result, Tim Powell, managing principal for Foodservice IP, warned that high prices from the fuel pump to the food counter could detrimentally impact in-store traffic at c-stores this year.

M. David May, director of foodservices at Kwik Stop convenience stores, is already feeling the effects of inflation. As costs have gone up, he's had to increase menu prices. In 2023 he'll be watching fuel's trajectory to predict foodservice sales performance. As gas prices go down, foodservice sales go up at the chain's 27 stores in Nebraska and Colorado. As gas prices rise, foodservice sales decline because customers have less discretionary money to spend on food after filling up their tanks.

"I want to tell all foodservice executives — this is at the top of my lungs — that you can have sales growth, but that doesn't mean you're really growing, especially at this point in time with inflationary pressures," May said.

Through Dec. 5, 2022, units sold in the foodservice category at Kwik Stop were down 9%, but because prices have increased, dollar sales show 5% growth.

"So yes, my sales look like, 'Oh, I've grown it,' but I really haven't because my item count that I'm actually selling is lower. We actually lost business because we've had to increase our prices (due to inflation) so much," May said.

As c-stores look to combat inflation, innovation will be key because retailers will need to differentiate their offering from quick-service restaurants (QSRs), Powell noted. He expects c-stores to expand their breakfast programs and introduce more promotions via bundling and loyalty programs.

"We're going to see a lot of innovative options and limited-time offers (LTOs) that utilize lower-cost ingredients, or cross-utilize options already on the menu," predicted Kostyo, adding that foodservice operators will have to create these within pricing parameters.

As customers cope with rising prices, they're looking to smaller-sized portions, allowing them to purchase innovative or even premium options at a lower price point.

"Small is big," said Joy Almekies, senior director of food services, Global Partners LP, which operates 386 corporately owned c-stores in the Northeast and Mid-Atlantic regions under banners including Alltown, Alltown Fresh, Xtramart and Jiffy Mart. Almekies pointed to examples, such as finger-sized sandwiches from refrigerated merchandisers, slider options through heated merchandisers and decadent small-bite options of quality desserts.

Meanwhile, c-store customer demographics are also evolving. Dash In is focusing on the emergence of a new customer profile, mainly consisting of young millennials and Gen Z.

"This group shops differently and sees c-store foodservice in a whole new light, opening new opportunities for growth," said Barbara Nova, senior director of food and beverage, The Wills Group, which operates 57 Dash In convenience stores in Maryland, Delaware and Virginia. "With this rise in this new customer profile, we're also seeing new trends in foodservice technology usage, such as app usage, digital loyalty programs, third-party delivery partnerships, touchless payments, order ahead options, kiosks and even subscription services."

A number of trends that saw hyper-growth during the peak of the COVID-19 pandemic, such as plant-based foods and ghost kitchens, are expected to begin leveling out, Kostyo said.

"These categories aren't dead," Kostyo said. "In fact, 40% of consumers plan to buy plant-based meats (in 2023). But the bad ideas, concepts and brands will slowly die off, and the good, useful ideas and companies will stick around."

"More than ever, to stay relevant in food for convenience, the offering needs to be on trend and somewhat unexpected to gain traction within the consumers' consideration set and then to retain them as a loyal customer in food," said Jac Moskalik, vice president of food innovation for Kum & Go, which operates over 400 stores in 13 states.

To become a foodservice destination in 2023, Moskalik's advice is to focus on fresh ingredients, local assortment and food theatre with a component of speed. ■


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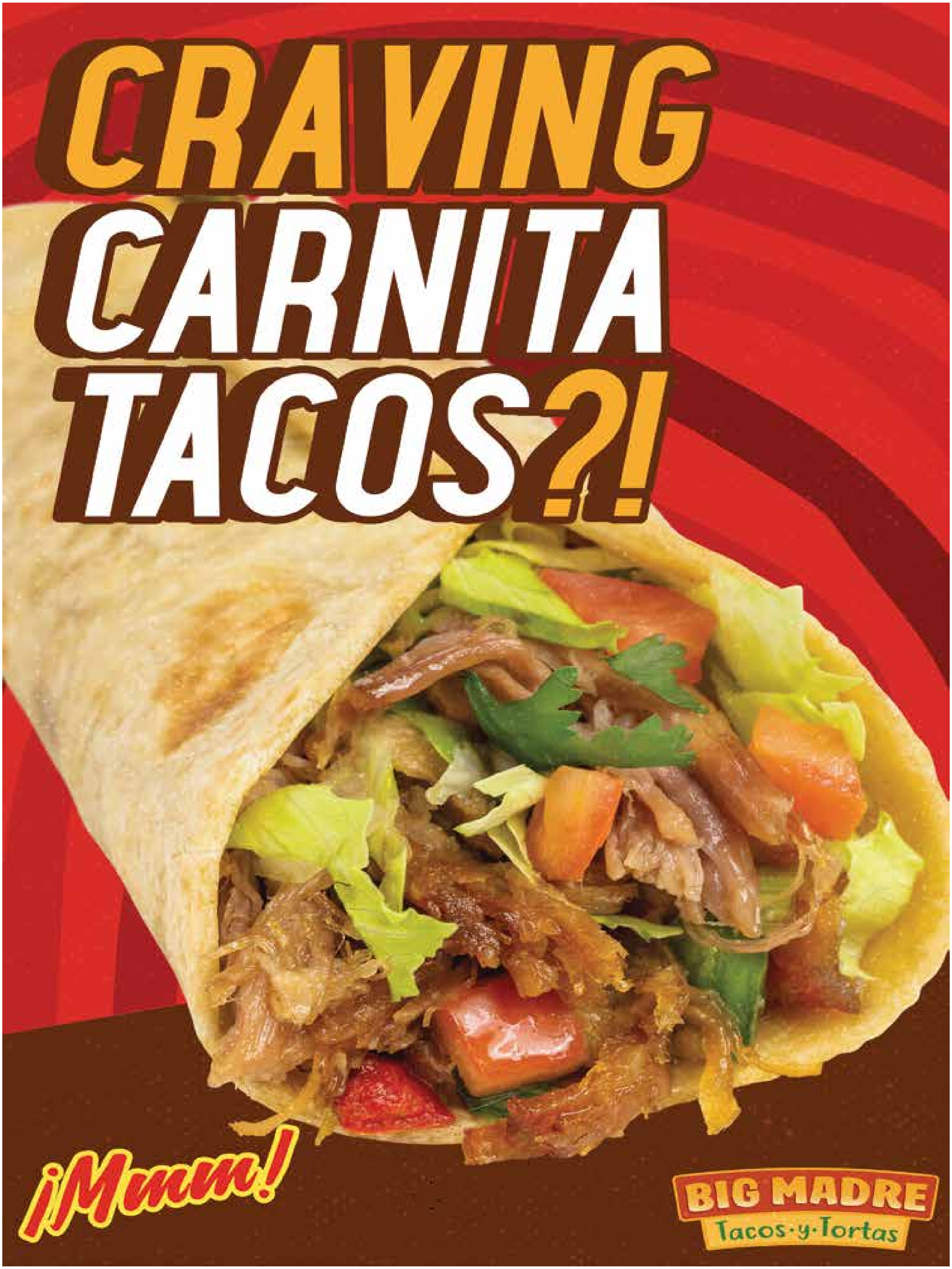
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We are ready to launch the 3rd party delivery program through Doordash for Big Madre members. Below are the details for the program.

WHAT'S IN IT FOR YOU

- Member will get a $200 credit for marketing for the first 30 days after signing up.
- We will roll 10% commission into the retail of the Big Madre Menu.
- GHRA Food services team will build the menu for all locations. You will get a Free Setup and a Free Tablet for your location.

WHAT'S IN IT FOR YOUR CUSTOMER

When a customer goes to the Big Madre website and places an order online for delivery or pickup they will enjoy saving the 10% doordash direct fee. As a store owner, you only have to incur 2.9% credit card processing fee + $.30 transaction fee.

ALL YOU HAVE TO DO IS FILL THE ORDER AND COLLECT THE MONEY!

For more information contact: Doug Boone - dboone@ghraonline.com | 281-295-5363

All information in this document is subject to change with notice.