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How to Win Over Customers in Inflationary Times. *Hint: It's Not Just About Price.*

Page 10

U.S. Refiners Scale Back Crude Intake as Fuel Stocks Swell

Page 08

Stocking the Shelves: *It's the Little Things*

Page 12

Why Breakfast LTOs Are Important For Convenience Stores

Page 09





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U.S. Refiners Scale Back Crude Intake as Fuel Stocks Swell

U.S. petroleum refiners have trimmed crude processing rates in response to a rise in fuel inventories and a decline in refining margins since the start of 2Q 2024.

By Home News US

Refiners' gross inputs of crude and unfinished oils slowed to 16.6 MMbpd over the seven days ending on Aug. 2, according to data from the U.S. Energy Information Administration (EIA).

Gross inputs were the slowest for the time of year since the first wave of the coronavirus pandemic in 2020 and before that 2014.

Refiners utilized just 90.5% of their operable capacity, down from 93.6% at the same time last year and the lowest rate since the pandemic's first wave.

Top refiners Marathon, Valero and Phillips 66 have all announced reductions in processing rates during recent earnings calls with investors.

Mini boom. Processing rates have slowed sharply since the first few months of the year, when refiners accelerated them to the highest for almost five years. Gross inputs climbed to an average of 19.2 MMbpd in May, which was the highest for the time of year since 2019.

Refiners were reacting to a persistent depletion of gasoline, distillate fuel oil and jet fuel inventories and a rise in gross refining margins.

The run down in stocks was partly driven by the unplanned shutdown of bp's refinery at Whiting in Indiana in February and March following a site-wide electricity failure.

Combined stocks of the big three fuels had fallen 18 MMbbl (-4% or -0.76 standard deviations) below the prior 10-yr seasonal average by March.

In response, gross refining margins for producing two barrels of gasoline and one barrel of distillate fuel oil from three barrels of U.S. crude climbed to more than \$31.

Gross margins or "crack spreads" were in the 75th percentile

for all months since 2010, after adjusting for inflation.

Retreat. Since April, however, fuel inventories have been climbing and spreads narrowing in response to the increased amount of refining activity.

By July, combined fuel stocks were just 7 MMbbl (-2% or -0.26 standard deviations) below the 10-yr average. Inventories have continued trending upward. Stocks of both gasoline and distillate fuel oil had climbed to the highest for three years in the first week of August.

Unsurprisingly, gross refining margins have retreated to around \$24/bbl, exactly in line with the long-term inflation-adjusted average.

Refiners have been forced to dial down processing rates to forestall any further accumulation of inventories and erosion in margins.

Softer prices. The unusual slowdown in crude intake since the start of July, a time when it would normally be rising to meet peak summer driving demand, has contributed to the softness in crude prices and spreads over the same period.

U.S. crude futures prices for deliveries in September have retreated from almost \$83/bbl near the start of July to a low of just \$73/bbl in early August before recovering to just under \$80/bbl.

Some of this has been driven by broader concerns about the outlook for the global economy, which have hit multiple commodities and asset classes. But the sudden slowdown in refinery crude consumption at a time of year when it is normally strongest has been an additional headwind for oil prices.

It also underscores the risks if OPEC+ proceeds with its previously announced but provisional plan to increase crude production from the start of October. ■



Why Breakfast LTOs Are Important For Convenience Stores

Convenience stores are known to be a place where consumers can stop in for a quick and satisfying meal or snack. According to Technomic's *2023 Retail Foodservice Consumer Trend Report*, 53% of consumers purchase prepared foods for breakfast from a retail location at least once a month. For these shoppers, the top purchase driver of these goods is how good or appetizing the food looks, but convenience and flavor also play a role.

By CSP Daily News

C-store shoppers are looking to get in and out quickly and be on their way. In fact, according to Technomic's recent *Breakfast Consumer Trend Report*, the No. 1 reason for choosing a place to get breakfast is whether it is a convenient location near home. Beyond proximity, foods that are portable and handheld without being messy are big sellers, as are foods that offer unique or different flavors, or foods that offer familiar flavors in new or unique formats (think a breakfast roll-up vs. a breakfast sandwich).

For retailers wanting to boost breakfast traffic, limited time offerings (LTOs) can be a great way to attract more customers. Whether the LTO is featuring a new and exciting product or offers a combo deal such as "food and a beverage" for a lower price than when purchased individually, the offer itself entices consumers. By offering something that may not be around forever, retailers can harness the interest of shoppers who want to take advantage.

Breakfast LTOs need not be complicated, either. For instance, options from Ruiz Foods provide just what consumers are looking for—convenient, handheld choices that feature flavors and ingredients they know and love in unique and

fun formats. The brand's popular roller grill Tornados® are available in Egg, Bacon, Cheese & Salsa, as well as Egg, Sausage and Cheese flavors for traditional breakfast enthusiasts. For shoppers who want something a little different, French Toast & Sausage Tornados® and Supreme Omelet Tornados® fit the bill. The brand also offers breakfast burrito options, as well as an array of both savory and sweet breakfast empanadas—perfect for meeting the needs of virtually any consumer.

By showcasing these products—handheld, craveable and convenient—as breakfast LTOs, retailers can not only appeal to consumers who want a quick snack or meal, but also those who don't want just another fast-food breakfast sandwich. And when offered as a combo deal LTO, there's even more opportunity. For instance, retailers can pair two Tornados® or two empanadas with a coffee beverage or soft drink to give their customers a full meal deal at a great price.

By increasing the value of breakfast offerings—through unique formats and ingredients, as well as through meal deals—retailers can capture more of the on-the-go breakfast crowd with ease. ■



How to Win Over Customers in Inflationary Times. *Hint: It's Not Just About Price.*

Quality and other considerations are in play as shoppers mull whether or not to spend their money on discretionary items.

By C-Store Dive

Earnings reports and retail sales figures this year reveal that consumers remain cautious about spending, continuing a two-year trend. Companies like dollar stores and off-price retailers have profited from that, while department stores and others striving to sell full-price discretionary goods have been challenged.

The situation has led many retailers toward markdowns, sales events and the development of private labels. But research shows that in these inflationary times, shoppers aren't focused solely on price.

"There's a million articles out there that 75% of consumers are downgrading, but there's a flip side of that," Matt Pavich,

senior director of strategy & innovation at Revionics, who specializes in pricing and retail strategy, said by video call. “People are looking for value.”

Here’s what that means:

Consumers Care About Quality

Inflation hits retailers, too, but it’s often a mistake to lower the quality of a product in order to maintain its selling price, according to Deidre Popovich, a professor of marketing and supply chain management at Texas Tech University. In fact, research shows that as prices rise many shoppers actually expect to get more.

This also means that loyal consumers may be motivated to consider switching if the quality of their favorite brand or item seems to have declined, she said by phone.

“Product packages are getting smaller, and people are getting less for their money. And consumers are aware of this — they’re not blind to the fact that they’re paying the same price for less,” she said. “Some firms are trying to cut quality in that way, but I think others are aware that, as consumers are spending more money, they’re expecting higher quality. There’s a price-quality heuristic, which basically means a rule of thumb: As price goes up, we expect quality to go up.”

“People are making really informed choices. They’re not always going to the bottom.” - Matt Pavich, *Senior Director of Retail Innovation, Revionics*.

Consumers, especially younger ones, are paying attention to the quality of goods and services when it comes to spending their money, Popovich also said.

“Gen Z and millennials in particular are more focused on product reviews and influencers and getting information from online social media sources about whether this purchase would be worth it,” she said. “They would be very focused on, ‘Has somebody else bought this product? What did they think about it? Did they think it was worth the money?’ And that’s going to really drive their purchase decisions, more so than older consumers.”

Retailers like Abercrombie & Fitch with strong merchandising are likely to win over such customers, according to GlobalData Managing Director Neil Saunders.

“The small things Abercrombie & Fitch has changed, like better buttons, softer fabrics and little design embellishments, all make its proposition more defensible in a crowded and competitive marketplace,” he said by email. “They also represent added value which gives people a reason to spend a bit more on the products rather than trade down to cheaper alternatives — of which there are many.”

Even trading down can mean a search for a higher quality, according to Pavich. For example, Starbucks last week

said a “cautious consumer environment” contributed to worse-than-expected Q3 sales and traffic. But some of their customers may be switching to premium coffee and expensive brewing equipment for use at home in order to save money in the long run, Pavich said.

“People are making really informed choices. They’re not always going to the bottom,” he said. “We’ve seen some great growth at the discounters, but I do think if you’re offering a really good value proposition, you’re seeing those retailers do well as well.”

What Is ‘Quality’?

For some, quality may found in some combination of meaningful details, durability, design or brand name. For others, it could be that employees are paid well or manufacturing is sustainable. Still others may prize convenience, excellent customer service or liberal return policies.

“It varies by customer and by retail segment. But I do think value is the major story right now. And the goal is to offer value to consumers even more so than price,” Pavich said. “There are certain categories — like you really can’t afford to wear cheap shoes, because they’ll fall apart, right? You’re better off paying more to get a pair that will last longer. That’s definitely happening in the market.”

The Calculations for Retailers

Determining pricing is a multilayered consideration in an environment where consumers are conscious of both price and quality — and define quality in often idiosyncratic ways.

“There’s always art and science. At a very basic level, you as a retailer have to understand your business and how your consumers shop,” Pavich said.

Customers tend to expect higher prices on brand names and organic ingredients, and lower prices on private labels or volume purchases. Yet there are many permutations, as when private labels are made with premium materials. Demographics, geographies and points in time are also often factors in consumer preferences and expectations, according to Revionics data. A retailer may be wise to cut the price of a particular item if a competitor down the road is having a sale, for example.

Loyalty programs can help retailers glean data about what their customers are interested in and how they respond to marketing and promotions.

“It’s really about knowing the market, knowing what’s competitive for that market, knowing why it’s competitive,” Pavich said. “Consumers vote with their wallet, and then you have a data point and you understand what is worth it to them. Is it that slightly higher-quality product, is that organic product, is that local product, is it a women-owned business, is it gluten-free? Whatever is making them care more about that product.” ■



Stocking the Shelves: *It's the Little Things*

To build the best experience possible for your customers, you want to make sure everything in your store is as good as it can be. You have great employees, a great store layout, and an amazing selection of products – but are those same products being displayed as well as they should be? Stocking your shelves well can be deceptively difficult, and very easy to overlook if you're not checking them often. Many employees think that it's “just” stocking shelves, so how hard can it be? Unfortunately, that leads them to miss a lot of the nuances involved in the process.

By Ready Training Online

Why Is Stocking So Important?

On the most basic level, stocking the shelves is how you can make your product available for customers to buy. However, it has some less obvious benefits as well:

- 1. Inventory Control:** If your employees stock the shelves in your store often, then your inventory in the back is more stable. You won't have big drops from someone needing to restock an entire shelf all at once, since they'll just be “topping off” the shelves. This can help you keep a better eye on the inventory and better know when you need to order more product just from taking a glance in the back.
- 2. Expiration Dates:** Your employees should be trained to check the expiration dates on your products while stocking the shelves. This can give you a better idea of how fast you're selling product, and your employees can take expired products off the shelves while they're stocking, preventing an unlucky customer from buying an expired item. Your store can greatly benefit from employees showing this level of care while doing something as routine as stocking shelves.
- 3. Improving Customer Experience:** Your customers are in your store for a reason: they want to buy something you have, or hope you have. Having full shelves not only makes it easier for them to buy what they want, but they'll notice that you're well-stocked. This can inspire confidence that you'll have what they need next time as well, and they'll be much more likely to return.

Get Your Employees on Board!

Anyone can take a product and put it on a shelf, but you'll want your employees trained in the proper way to stock the shelves, and make sure they're checking the dates on the products. You can use a learning management system (LMS) to train them on this method, as well as other duties important to convenience stores. Shelf-stocking in particular is an excellent opportunity to use blended learning in the training – you can use role-play to make sure your employees know how to help any customers that need it while the employee is stocking shelves. Plus, roleplaying about helping customers gives an opportunity to practice suggestive selling as well! When your store's merchandising goes well, it can improve your store's image and how smoothly inventory goes as well, but your employees must be ready to help you get there.

Keeping Up Appearances

Shelves are only one part of your store – to truly impress your guests, don't neglect the rest! Ensure your employees know the proper way to clean other parts of your store that customers see during every visit, like your doors and windows, the floor, and the restroom! ■



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