



What's Next for Convenience Retail

*eCommerce, Electric Vehicles,
Urbanization and Fresh Food*



Change is here.

Millennials make 17% less retail trips per year than the general population.

GENERAL POPULATION



MILLENNIALS



- + Increasing basket size helps, but it can't make up for a full trip.



What changes are *driving* fewer shopping trips?

IN FUEL & CONVENIENCE RETAIL...

- Rise of eCommerce
- Electric vehicles & rising gas prices
- The new urban format
- Financial burdens for lower income households

eCommerce sales of physical goods are projected to increase from \$360B in 2016 to **\$604B** by 2021.

This doesn't mean physical retail becomes obsolete, but it must adapt.

Top 5 Retailers Driving eCommerce Boom:



The “threat”
of eCommerce

Building the bridge between digital | brick & mortar

35% *of US retailers plan to implement click-and-collect services in the coming years.*

CLICK-AND-COLLECT IN GROCERY



Target Drive Up

Enables customers to order in-app, drive up to the store, and have their order loaded into their vehicle.



Kroger ClickList

Customers complete order on the web, reserve a time for pick up at a participating Kroger.

“ As eCommerce continues to grow and more people convert to electric vehicles (particularly in urban areas), convenience retailers should find ways to make shopping experiences more digitally friendly and convenient for customers on the go. ”

Electric Vehicles (EVs): *What's the big deal?*

The Perks

- Convert more energy into power (3x more efficient than gas)
- Have fewer moving parts (less maintenance)
- Accelerate faster
- Reduced environmental impact



The growing fleet

Electric vehicles are only expected to make up 5% of new light-duty vehicles by 2025, but that number will rise to **65% by 2050.**

(This number could be even greater if gas prices continue to rise and there are strong declines in technology costs.)





WHAT HAPPENS NEXT?

- EVs will largely impact urban areas
- Rural areas will be slower to follow & have a hodgepodge of fuel options
- Convenience retailers will need to find other ways to address urban & EV customers

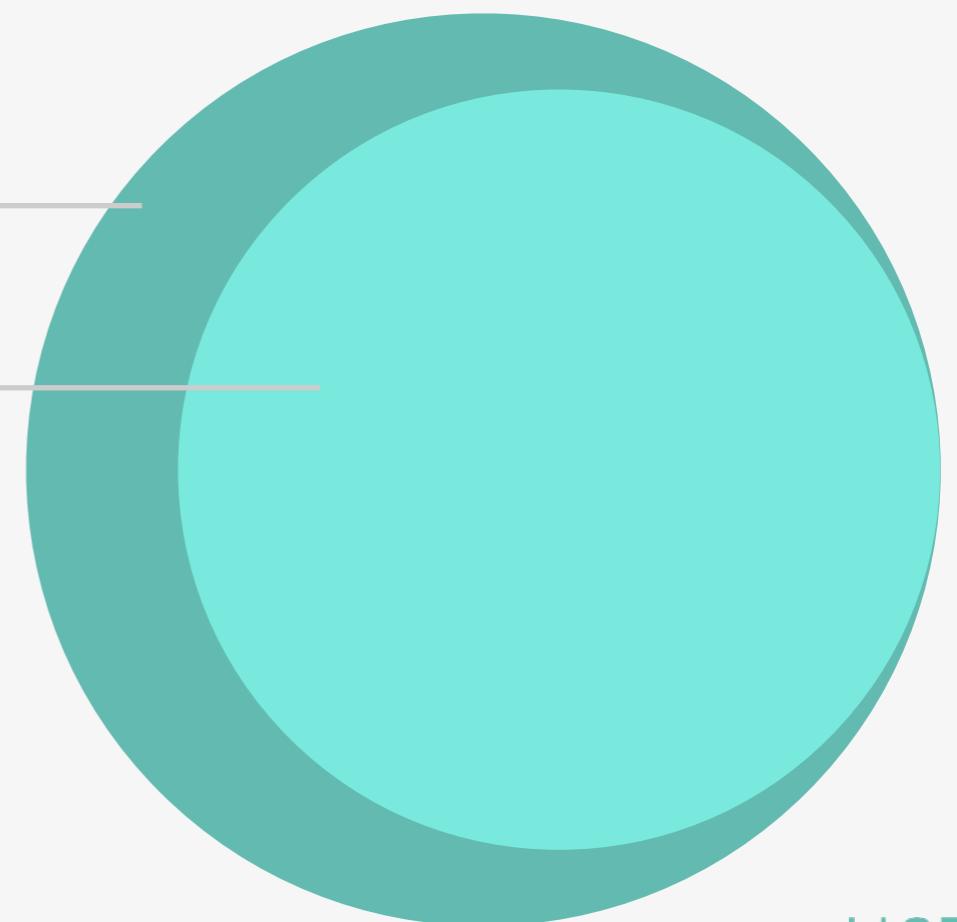


Where are c-store customers shopping?

72% of c-store customers visit a suburban location monthly

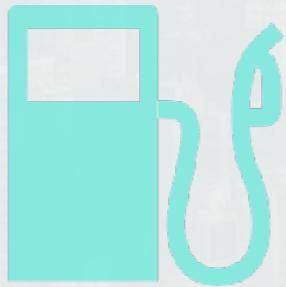
51% visit an urban or rural location monthly

While most c-store customers are visiting traditional format stores, more than half are visiting urban formats.



Urban convenience stores

The value of urban real estate has pushed many c-store owners to cash in & move out.



In 2014, there were only 39 gas stations in all of Manhattan.



Compare that to more than 240 Starbucks locations.

Urban dwellers + *Car Ownership*

Only 8.7% of US households are without a car, but major US cities have much higher rates of households with no vehicles:





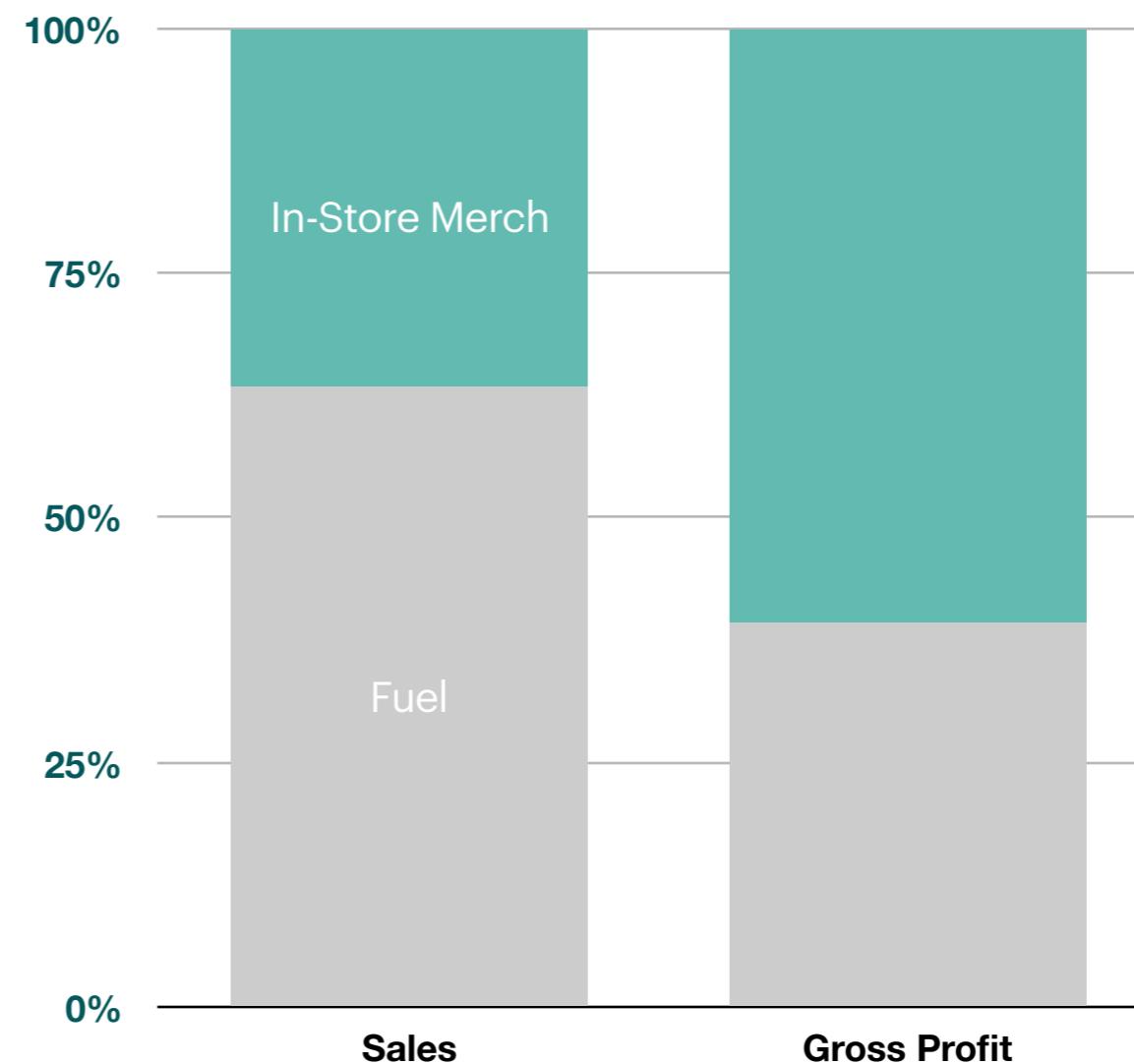
Re-Thinking *the Urban C-Store*

With less fuel sites & visits, urban c-stores should be focused on...

- 1 Increasing in-store sales
- 2 More fresh food options

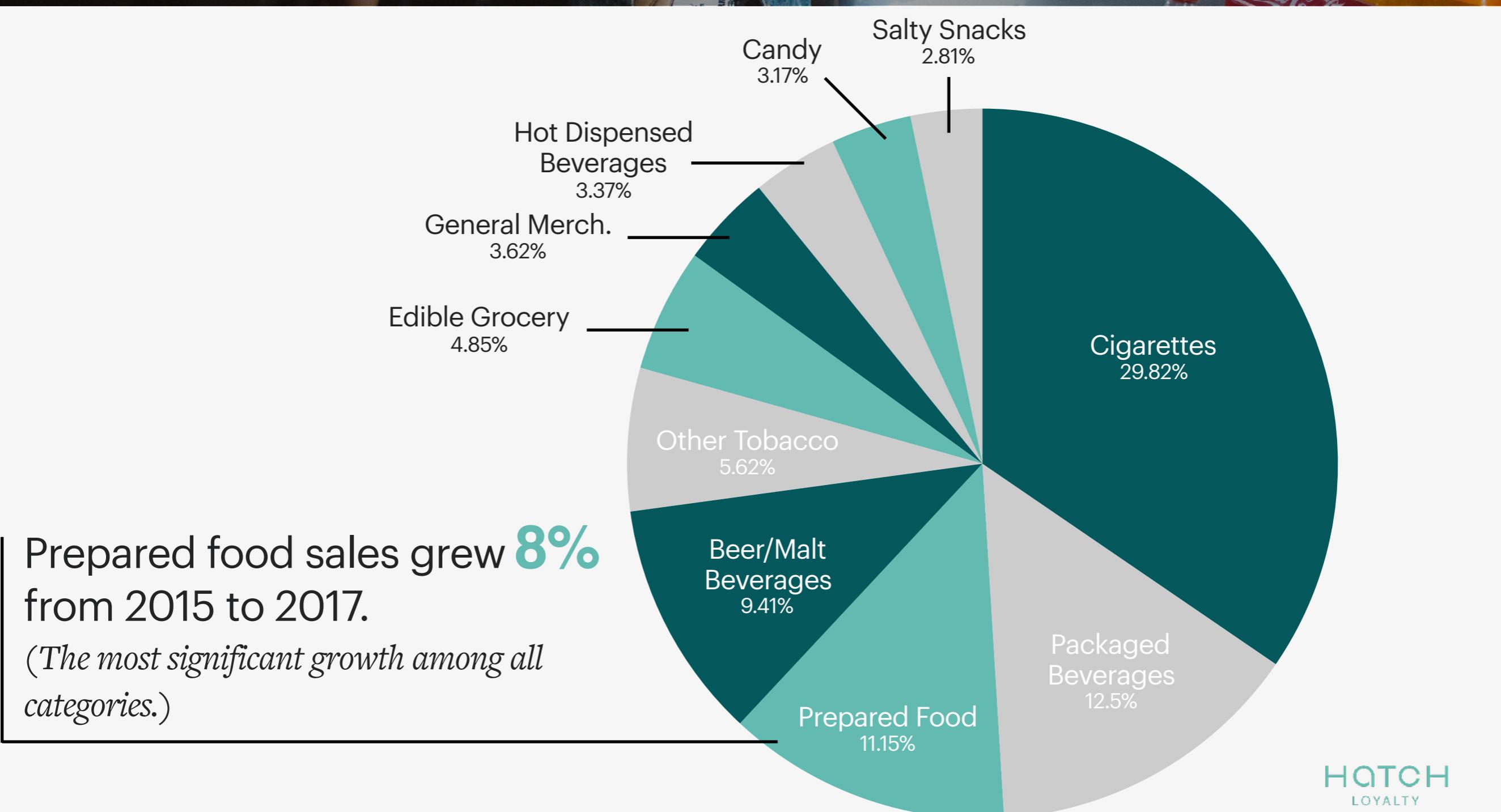


Why In-Store Sales Matter Everywhere



“ While in-store merchandise only accounts for 37% of overall sales, it drives 61% of profit. ”

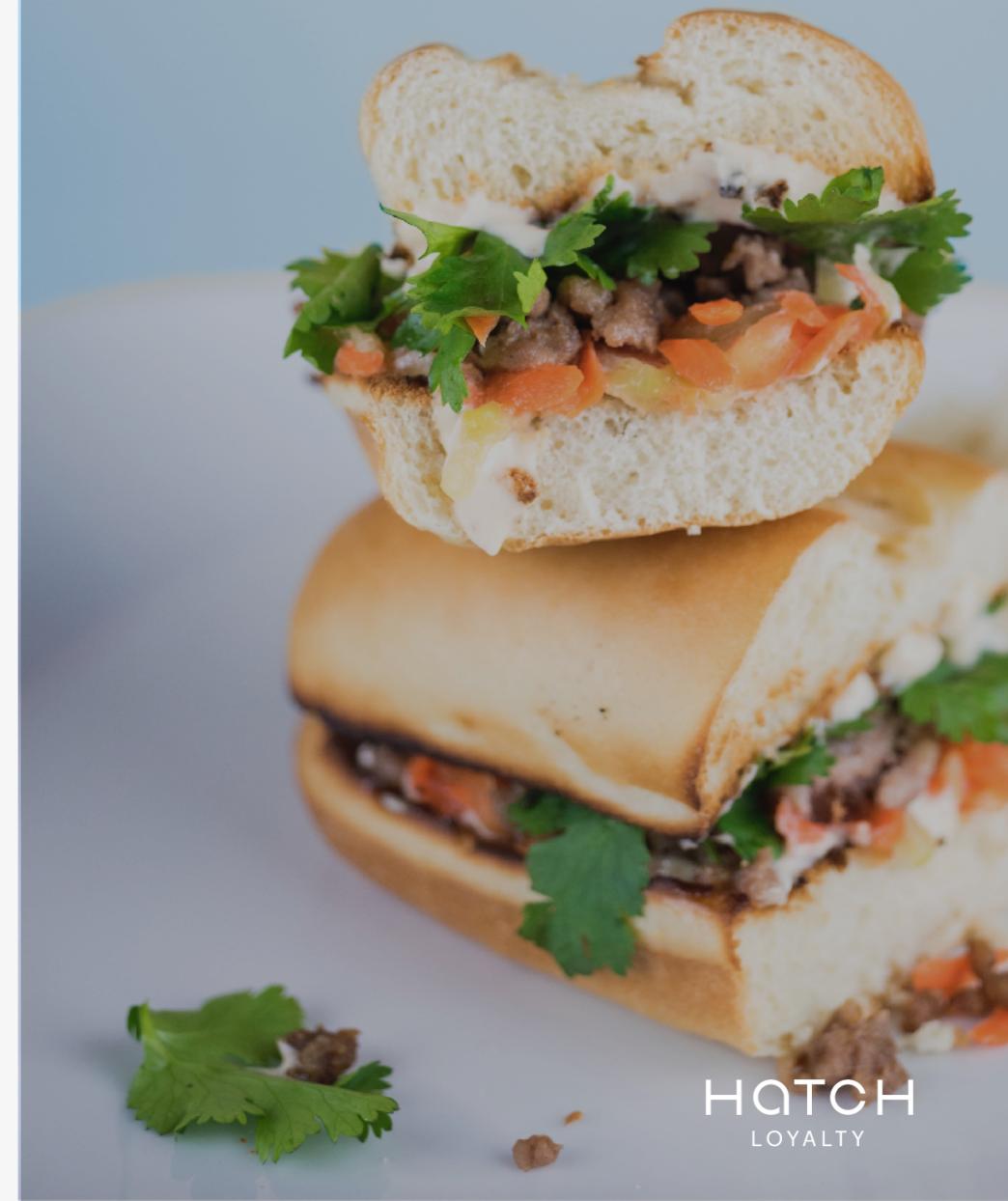
What are people BUYING?



Fresh Food *frenzy*

Fresh food options not only drive a c-store's bottom line, but also improve brand equity:

- Prepared foods help attract younger consumers with **89% of millennials** purchasing hot, on-the-go meals
- The last few years have seen a **26% increase** in the average price of a c-store meal (now \$4.63)



Snacks drive growth.

62% of prepared food purchases
are impulse buys

(A result of snacking in the mid afternoon & evening)

This presents a massive opportunity for c-stores to increase profitability with their own branded fresh food & snack options.



Looking into the future...

Whether it's electric cars, the urban c-store, eCommerce, or fresh food, the way convenience retail functions today will likely be different 5 years, 1 year, and even 6 months from now.

Hi, we're Hatch!

We help businesses build stronger relationships with their customers by powering highly personalized loyalty and customer engagement programs.

About Us:

Hatch is a simple, adaptable platform designed to help retailers and brands build stronger relationships with their customers. More than a loyalty program, Hatch makes insights actionable, enabling a more personalized and meaningful customer experience.

To learn more about Hatch visit: www.hatchloyalty.com.