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On Our Minds

After hearing that 500 Ontario convenience stores closed last year, we couldn't help but wonder how the remaining 9,000+ stores were performing in light of competition from, it seems, everyone.

We began looking at other retailing transformations to give thought to what needs to change in the convenience channel. It is difficult to imagine, but Starbucks was once losing relevance in its neighbourhoods. The retailing staff's attitude of indifference was destroying the premium experience customers expected and would pay for. Its leadership went "back to the basics" to deliver an in-store experience customers loved and expected. The Starbucks transformation is described in this issue to expand your thoughts on one very important question: What is your story in your neighbourhood?

Change is not easy, but in this day and age it is constant. If you are not changing, you are losing ground. Recent books by popular writers on this subject describe "new" thinking about change management using the analogy, for instance, of the human mind being comprised of a rider and an elephant. Read our review of the constructive and engaging *Switch* in this issue.

New to this issue is a feature from a leading logistics company and its approach to innovation with its customers to essentially move products faster, more accurately, less expensively—all aligned with the goal of helping grow its customers' business.

Enjoy the spring weather, and think about the spring cleaning you could do that would provide your business with a fresh approach.



CStore Life Inc.

466 Speers Road, 3rd floor
Oakville, ON L6K 3W9
Telephone: (905) 845-8189
www.cstorerlife.com

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FOR ADVERTISING
SPACE CONTACT:
SANDY KARRYS
Telephone: (905) 845-8189
Email: sandy@cstorerlife.com

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WHAT'S NEW WITH THE CCSA



Alex Scholten ~ PRESIDENT

The 2014 federal budget, announced February 11, hit the industry hard with a huge tobacco excise tax increase of nearly 24%.

Federal excise tax increase

"We are disappointed to say the least," CCSA president Alex Scholten tells CStore Life. "Unlike the provincial governments, the federal government had held the line on taxes for over 10 years, which sent a strong message to the provinces and to our industry that it was very concerned about how taxes impact contraband tobacco. Now we are worried that this new tax increase will signal to the provinces 'you can go ahead and keep taxing like you have been doing and we are going to start taxing as well' and any gains that have been made over the last 10 years will be lost."

He notes the main problem with that federal decision: "We are anticipating a

very significant increase in contraband tobacco activity. We already saw increases in Atlantic Canada and Western Canada before these taxes were introduced, but this tax increase will likely result in an increase in contraband activity in Ontario and Quebec, where contraband rates have been going down. Ontario and Quebec

had been ground zero from the start."

In better news, the government announced increased spending on enforcement efforts to fight contraband. \$92 million will be spent over the next five years to increase surveillance and

monitoring efforts with technology including radar, sonar, heat and unmanned ground sensor devices, drones and motion-detect surveillance from the Quebec/Maine border to Oakville, Ontario. That corridor is where enforcement believes the majority of contraband activity takes place. "But what is missing in this," Mr. Scholten tells us, "is that they have put no additional monies toward enforcement in Eastern or Western Canada, outside of that corridor, and what is likely going to happen is they are going to be pulling boots-on-pavement enforcement inland. So our concern is the trade is going to see resistance along the border, but inland, in the villages, towns and cities, there will be less effort."

The tax increase is justified by the federal government as necessary to address health concerns, but the CCSA has totalled the figures and determined that where the government is projecting over \$3.5 billion in extra tax revenue over the next five years from just this tax increase, it is spending only \$92 million to fight the issue of contraband activity that this additional tax will

create. "We see it as nothing more than a tax grab couched as a health concern."

The CCSA has no plans to sit back. Mr. Scholten scheduled meetings with Finance, the RCMP, the Ministry of Public Safety, Public Safety Canada, Canadian Border Services Agency, "and anyone else who will listen to discuss our concerns about how this will impact contraband" over a two-week

period in early March.

"Our retailers pay a heavy price to be responsible," he says. "We have display bans, the cost of training staff to make sure they are doing age testing properly, we cannot advertise, the products now have graphic warning labels. It costs retailers a great deal of money to comply with these measures. We know from Health Canada's surveys

that consumption of legal tobacco has actually been decreasing and in 2012 reached its lowest level ever. And all these additional taxes do is increase incentives for the illegal trade to increase. At the end of the day increased taxes like these simply provide incentive for contraband and punish retailers who sell legal tobacco products."

Contact Alex
email: ascholten@nb.aibn.com
Telephone: 506.455.1081

Canadian Convenience Stores Association
Unit 103 - 220 Wyecroft Road
Oakville, ON L6K 3V1
Telephone: 1.877.934.3968

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Coast to Coast



Credit card fees

The federal budget did have a bit of welcome news on the credit card file. The finance minister stated his ministry recognizes that Canada has some of the highest merchant fees in the world and that he wants to work with stakeholders to address the issue. Mr. Scholten is troubled by that latter wording. "Saying they want to work with stakeholders as opposed to having something concrete in the budget is of great concern. They have been working with stakeholders for years. They know what the issues are. Why can't they do something?"

Many retailers do not have the ability to sit back and wait for additional consultations to happen. If action is not taken immediately, many retailers will continue to go out of business. In order to ramp up the pressure, the CCSA has begun working with other trade associations and created a coalition called "Small Business Matters". The coalition will represent the interests and voices of small and medium-sized businesses across Canada.

"Our ask," says Mr. Scholten, "is for the finance ministry and the FinPay

committee to hear our voices and to review why costs in Canada are so high." He is clear that this consultation is different than the "working with stakeholders" announcement the government made. "We want them to look at the root cause of why credit card fees are so high and to address this issue."

Based on what the Canadian Competition Tribunal said last summer, rates in Canada are artificially high because of the monopolistic practices of the credit card companies. Mr. Scholten is optimistic about the results of such a root-cause consultation: "When governments have conducted such reviews in Australia, Spain, the European Union, they have determined that capping credit card fees is the only solution. We want the finance ministry and the Canadian government to do the same and to determine what is reasonable, and the reason we are taking that approach is because we recognize that credit card usage is very important to our industry. We are not saying it should be regulated into oblivion. We need this service. The

Upcoming

The CCSA plans to undertake some major consumer perception surveys this year. The goal is to determine consumer perceptions of our industry across Canada that will help c-store retailers identify best practices in order to better serve current customers and attract new customers. From these survey results, the CCSA will develop a playbook that will give c-store retailers specific recommendations on how to grow sales and be more competitive with other retail channels presently encroaching on our territory. Mr. Scholten is confident this study of how consumers look at c-stores will have a significant and positive industry impact.

WHAT'S NEW WITH THE OCSA



Dave Bryans ~ CHIEF EXECUTIVE OFFICER

OCSA CEO Dave Bryans has launched a postcard campaign (Act Now) that would go a long way toward holding the line on tobacco

Postcard campaign

taxes. "We now have retailers helping us to try to minimize the chance of a tobacco tax increase at the end of March/early



April in Ontario." He anticipated 150,000 c-store customers sending the postcards to the premier over the month of March. "We are getting lots of support from Mac's, Daisy Marts, Winks, Hasty Markets, Avondale Stores,

Big Bee, 7-11, Quickie Convenience and many independents in Ontario so far. This is a big initiative to hold governments accountable for contraband growth and potential tobacco taxes!"

Mr. Bryans was pragmatic about the outcomes. "Whether we win or lose, whether the government of Ontario raises taxes or not, retailers will have weighed in heavily." Retailers were part of the pre-budget

consultations and then made a point of weighing in on the federal tax because it was hurting the industry and sending its customers to the underground economy. Then with the rumour of an Ontario tax coming, the OCSA, as retailers in Ontario, decided to fight even harder. "The only way this industry is going to continue to be stronger than health advocates and government is by standing up together, and we have to have every retailer on side." Mr. Bryans points to the great deal of help the association is receiving, but notes there are still holes in what could be a truly united front. "A lot of little guys are saying 'don't raise taxes' but they are not all helping. They have to engage the tobacco users and the customers in their stores to make a difference."

The Beer Stores have continued attacks upon the convenience store sector in Ontario, but Mr. Bryans observes it has turned against them in the media every time. The OCSA, in that battle, issued a Myths and Facts factsheet to clear the record "so that everyone understands our objective is to do exactly what 70% of Ontario voters are asking for, and that is to open the channel to have beer and wine on a hot summer day or when company stops in for dinner in a more local environment."

Mr. Bryans is clear about the OCSA's intentions not to harm other channels. "We are not here to replicate the LCBO or replace it. The Beer Store can continue to

operate as it has, but let's be clear, the Beer Stores are a foreign-owned cartel and this is unacceptable to voters. All Ontarians are asking for is more access and convenience in our stores. We will continue down that road even though the government of today has said no. That does not mean we are going to change the course." He needs help in doing that. "We need everybody to engage every voter leading into the election as to why this is right."

One of the myths illuminated in that factsheet is that The Beer Store is Ontario-owned. "We finally got everyone to understand," says Mr. Bryans, "that The Beer Store monopoly, or as we call it, The Beer

Store cartel, is owned by three foreign multinational companies and all of the monies leave the province. We have to continue to tell that story to every customer in the province of Ontario if we want beer and wine. We can no longer, in 2014, tolerate monopolies controlling the shelf, the price, the marketing and the listings of beer products in the province of Ontario. The market has to open up as we have seen in jurisdictions throughout North America."

As to the 30% shelf-space commitment made to craft beers and Ontario VQA wines in October, Mr. Bryans tells us the OCSA continues to stand by that. "It is on the record that convenience stores (should the market open up), will set aside 30% of the shelf for Ontario craft beer and Ontario-made wines. It will take the political will of government to say 'we agree and let's go forward.' It is a leap of faith by convenience retailers in Ontario to give 30% of the shelf and help craft beer develop their business in every community."

Coast to Coast



Contact Dave

Suite 217 - 466 Speers Rd.,
Oakville, ON L6K 3W9
Telephone: 905.845.9152
Fax: 905.849.9947
email: bryans@conveniencesstores.ca

Follow the OCSA on [twitter](#)
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Tobacco flavour bans

Bill 131 is hanging over the heads of convenience store owners at present. In it, the government would ban all tobacco flavourings except menthol. Currently before the legislature, its enactment would take away from the convenience sector another approximately 7% of all adult customers who buy cigars that have been in existence for up to five decades. "We are going to

continually weigh in on defending our right to sell legal products that adults consume," says Mr. Bryans. Although health groups are pushing the government, at press time he did not anticipate the bill would make it through the house, but he noted the association needs to be aware it will come back in the fall. "We are seeing that movement in Alberta, Nova Scotia and Ontario, where health

WHAT'S NEW WITH THE QCSA



Michel Gadbois ~ PRESIDENT

In an effort to have the Quebec c-store industry heard and able to generate stronger recognition, the QCSA organized a first-ever lobby day in Quebec City on February 19.

Branded "Convenience Store Day" in the National Assembly, the event was aimed at raising awareness for the c-store industry as well as its need for better, lighter and more intelligent regulation.

it offered to table a motion instead of simply reading a declaration. A motion is by far more potent support since it requires an agreement from everyone to be heard and a majority of MNAs to be accepted, and so the QCSA was very happy with this development.

Once the date had been set, the PQ and Liberals allowed the QCSA 20 seats each for retailers to attend the morning question period in the House, during which the motion and declarations were read. Over a few weeks only, the association was able to secure the participation of about 45 retailers from strategic ridings.

The large group met at the restaurant, Le Parlementaire, located inside the parliament building, and invited MNAs to join them. Promised to those MNAs was a personalized kit of c-store information in their ridings, including a map and a list of owners with their phone numbers, perfect for election planning.

To add a final contraband twist to the event, the QCSA chose to pay tribute to the three former MNAs who helped the QCSA in the past in securing a contraband commission. Those men, Jacques Côté, former PQ MNA, Raymond Bernier, former Liberal MNA, and Jean-François Roux, former ADQ MNA, were named "C-store Friends for Life" by QCSA president Michel Gadbois during a photo-op ceremony at the National Assembly. Their presence added a good degree of visibility, and the QCSA took the opportunity to distribute a second press release that day.

C-store day in the National Assembly

From the beginning, the QCSA was careful to ensure that all activity remained non-partisan. Despite the challenge it represented as it needed to deal separately with three different parties, the association was successful in this.

To ensure overall success, the QCSA first obtained the collaboration of the governing party, the Parti Québécois (PQ). The PQ accepted that an MNA would read a declaration highlighting the c-store industry's importance and its need for better regulation. The association then got the same commitment from the opposition party, the Parti Libéral du Québec (PLQ), and as for the second opposition party, the Coalition Avenir Québec (CAQ),

The declarations and motion that came out of lobby day

The Parti Québécois' declaration was read by Irvin Pelletier, Rimouski MNA and went like this:

"We have among us about fifty convenience store owners from various regions of Quebec who came here to participate in the first convenience store day in the National Assembly. I warmly greet and welcome them on behalf of the government. Convenience stores represent an important industry that provides a vital local service. We currently have 6,000 convenience stores in Quebec and they are employing over 50,000 Quebecers in most towns and villages. Most store owners are independent and a growing portion

is formed by newcomers from diverse backgrounds who rely on this industry to make a living and become part of our society.

Convenience store owners want to be heard and hope their point of view is taken into account with regard to the regulations affecting the product categories they sell. I would like to assure them that we want them to succeed and that we remain and will remain open to their demands. Madam President, I would like to highlight the presence, within the House, of these convenience store owners."

The Liberal Party's declaration was read by Marc Chapleau, Chapleau MNA:

"I am happy today to highlight the first convenience store day here, in the National Assembly of Quebec. I would like to emphasize as well the presence of several members of the Quebec Convenience Stores Association within the House. This day is a unique opportunity that will allow these entrepreneurs from all regions of Quebec parliamentary to raise awareness on the challenges and issues that they go through every day."



A gathering of the store owners who attended Lobby Day.



Coast to Coast

QCSA
QUEBEC CONVENIENCE STORES
ASSOCIATION

framework that would foster job growth and wealth creation all across Quebec."

All in all, as the QCSA organizers hoped, the day was a resounding success!

Election Strategy

On March 5, Premier Pauline Marois called an April 7 election for Quebec. The QCSA sprang into action and arranged to do what it has done at past election calls: to select 20 electoral ridings out of the 125 that show potential either because they are the ridings of party leaders or key ministers of portfolios that relate to our industry in general or because the past electoral results were very close. The QCSA has found this generates greater press coverage giving it a chance to put its issues forward, and this year it looks to be especially effective, coming immediately after Lobby Day. Mr. Gadbois explains: "We go into one of the towns or cities in the riding. We call a press conference usually in or outside a fairly central or well-known c-store. We invite all candidates, the incumbent and the others, to support changes in regulations affecting our industry." The present motion that came out of Lobby Day is already unanimous, but, says Mr. Gadbois, "We want to score 100%." All the candidates need to be made aware of the motion and they are: "They cannot afford not to be there because it is all based on local news and local news is big news during elections."

Retailers are invited as well, "and it becomes crazy because we have to do 20 ridings in about three weeks."

The kit given to the parliamentarians at Lobby Day is something for which they have expressed gratitude. "They have the names of their c-stores and

the locations so basically what they start doing as of today is canvassing those c-stores because now they know that within 3 days the whole riding will have gone through the door of the c-store." Mr. Gadbois finds this concentrated, well-timed strategy very effective. "Become very focused on making noise when there is political fallout because that is when you get attention as much from the incumbent premier as the opposition leader. They all need to win in their ridings."

Contact Michel

1 Holiday Ave., East Tower,
Suite 501,
Pt-Claire, QC H9R 5N3
Telephone: 514.695.8284
Fax: 514.630.6989
email:
gadbois@conveniencesstores.ca

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WHAT'S NEW WITH THE WCSA



Andrew Klukas ~ PRESIDENT

The recommendations that were made in BC's Liquor Policy Review Final Report for a new retail model for beer and wine "certainly do not give the impression that it is targeted toward

Liquor policy review



convenience stores," Andrew Klukas, president of the WCSA told CStore Life shortly after that report was made public. There is wording that includes "grocery stores" but nothing specific to convenience. He is not discouraged, however, telling us that those close to the government with whom he spoke say the process of getting beer and wine in c-stores is a marathon, not a horse race. "We have to wait until the regulations are in development and then it will be a matter of adapting to accommodate within the regulatory framework that is put in place."

"We would have liked to see something a bit more open. It appears they are not open to expanding the number of retail outlets in BC, but that means no more retailers will get access and conflicts with the recommendation to sell liquor in grocery stores and farmers markets." It is important to remember, he tells us, that these are just recommendations. They are not legislation. It was consultation

with many different groups, and represents only what the parliamentary secretary put forward.

In all, 73 separate recommendations were made in that report. Subsequent announcements in the media specifically excluded "convenience stores" from consideration. "However, where exactly is the line between a convenience store and a grocery store?" asks Klukas. "If anything, comments like that suggest that perhaps the one thing standing in the way is public misperceptions of the industry, resulting in an image problem."

Contraband tobacco

The concern in the West with contraband tobacco is with the increase in taxes at the federal level and what comes of that. "What does it do when you raise taxes in all the provinces and a week later BC raises its taxes as well?" asks Mr. Klukas. "It's monkey see, monkey do and they are not

thinking about the implications." The federal government hopes to generate billions in revenue but has allocated only millions to preventing the spread of contraband, and all of it will be spent at the Ontario border with the US. There is nothing specifically to protect the West.

Flavour bans

Mr. Klukas provided for us a colourful picture of what will happen with a tobacco flavouring ban. He chose Alberta as the example. "If you ban the sale of a product in the province without banning possession—if you have all those hard working, honest ranchers who have been buying cherry chew responsibly for years unable to buy it in Alberta—they will go to Lloydminster [a city that straddles the Alberta-Saskatchewan border] and they will buy it there. So you will drive business out of the province, and they will buy it and bring it back. Stores that have had their favourite customers who have been coming in for 30 years will no longer see those customers because they are going elsewhere."

He explains that adults like these are the flavoured tobacco buyers. "It is not the kids who are using that stuff, it is primarily adults, and the way to control youth exposure is by controlling access. The industry achieves that through age testing. Some may be getting it from friends and family but it is certainly a tiny minority and if they ban all these products that adults are using, they will just get them elsewhere unless the government bans possession as well,

which it won't, so it is just inviting a whole new set of problems."

He adds, regarding both taxes and flavour bans, "If government does end up generating a new contraband problem, well then what? Then they will have undermined all our efforts to control access, which is really the issue. When you have products being sold out of the trunk of a car behind the school, they are not there to do age testing."

Planning

The WCSA will undergo its first formal strategic planning session under the new affiliation on April 7 and 8, and, says Mr. Klukas, "we are looking forward to that. It will actually be getting the board to sit down and do some long-term long-range planning, looking at where we as an association and an industry want to be in five years and beyond." He thinks that will be a good step for the board to take, clarifying the vision and asking the big questions: What are the threats and opportunities facing the industry? What are we trying to achieve as an organization? How are we going to go about doing that? "It is a milestone for the organization."

Mr. Klukas has written to all the MLAs in the Western provinces to warn of the dangers of additional tobacco tax increases. "We have done a lot of work on that front," he says, "just trying to get people and government not to view tax increases as a competition for the highest tax rate." The first instinct of every level of government seems to be a jump to get their share of tax revenue. "The problem," says Mr. Klukas, "is that is not how things work. You actually lose share if you end up creating a larger contraband problem." Mr.

Coast to Coast



Klukas has spoken with stakeholders in BC who suggest contraband could be over 10%, which would represent over \$70 million in lost provincial excise tax revenues alone. He notes the WCSA is implementing a butt study in that province in April/May.

Contact Andrew
Western Convenience Stores Association
#5 – 1146 Pacific Blvd
Vancouver BC V6Z 2Z7
Telephone: 778.987.4440
email:
andrew@conveniencesstores.ca

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Small Retail
Chuck Arcand -
Non-voting Director
Core-Mark
Andrew Klukas - President
andrew@conveniencesstores.ca

WHAT'S NEW WITH THE ACSA



Michael Hammoud ~ PRESIDENT



NEW BRUNSWICK

New Brunswick retailers received some good news in February when the New Brunswick Energy and Utilities Board granted a half-cent-per-litre increase in gasoline margins for retailers. Retailers were happy, but the ACSA has plans to continue lobbying government hard on introducing a minimum margin to ensure all areas of the province and all independent retailers have a protection mechanism in place.

On that note, Mike Hammoud, ACSA president, had visited New Brunswick four times before the end of February working on the province's First Nations taxation file. NB reserves have revenue-sharing agreements with the provincial government on gasoline, lottery and tobacco where 95% of provincial taxes stay with the reserve and the remaining 5% goes to the provincial government.

According to Public Account records, more than \$30 million a year in taxes is being kept by the reserves.

"Until this past year," says Mr. Hammoud, "it hasn't been that serious an issue. But things have gotten out of hand and it clearly states in those agreements that they cannot use those tax advantages to control markets or drive pricing down."

And that is just what has been happening. According to Mr. Hammoud, reserves have clearly been the leaders in driving prices down and the last to put prices up.

"Not only that," adds Mr. Hammoud, "they are doing things like selling full-serve at self-serve prices. They are making it very difficult for our retailers and practices like this are clearly in violation of their agreements."

He explains, "Unfortunately, what it does is make our retailers look bad in the public eye because it makes it seem as if we are overcharging and making all this money when in essence we are not."

In most cases, off-reserve retailers have to price-match to remain competitive and that means they're actually losing money. For some, the price they're selling gas at doesn't even cover the cost of the gas itself. And then there are things like credit card fees and staffing costs on top of that.

Mr. Hammoud has met multiple times with the taxation department and with the finance minister in an attempt to resolve the issue and get some government action.

"The good news," he says, "is that the government wants to renegotiate these agreements as well."

To make a forceful point on this issue, the ACSA teamed with the Canadian Taxpayers Federation to get the word out. And it worked. Publicity by the partnership generated a great deal of media attention and was followed by an announcement by the finance minister that a review of the agreements would be undertaken.

"We are hoping this will lead to a positive outcome," Mr. Hammoud tells us.

The ACSA was part of the pre-budget consultations with the government as well, stressing the importance of fighting contraband tobacco and holding the line on any increases in tobacco taxes and service fees. Many retailers in the province also supported the ACSA's efforts by sending letters and emails to the finance minister and their elected

representatives.

For the first time, the ACSA was invited to be in the budget lockdown to preview the budget prior to the budget speech.

"The good news," says Mr. Hammoud, "is that there were no consumption tax or service fee increases, so we achieved our goals."

Asked for his reaction to the budget, Mr. Hammoud responded, "Very happy. The budget and the First Nations tax agreement review show that advocacy works and it is important for c-store retailers to realize this."



NOVA SCOTIA

At press time, Mr. Hammoud was looking forward to a meeting with Nova Scotia's finance minister, Diana Whalen, to discuss this year's budget and also resonate the same message as in New Brunswick: no new tax increases.

He was feeling confident that the message will be heard.

"The big increase in the federal excise tax on tobacco probably has some provinces hesitant to increase their own taxes," says Mr. Hammoud. "And New Brunswick held the line on increases and that affects the balance in the interprovincial pricing of tobacco products in the Maritimes."

"Our numbers have also shown that the sale of contraband tobacco is a serious issue in the Maritimes and I'm hoping to have the same candid and fruitful discussion with the Nova Scotia government that I've had in other provinces."



Coast to Coast



After illustrating the government's deficit situation, people in attendance were asked, "Where would you like to see tax increases: personal income taxes, HST or alcohol and tobacco..."

As Mr. Hammoud puts it, "Alcohol and tobacco took the obvious hit. Nobody wants a personal income tax or HST increase, and social programs are sacred. So 68% of the people in the room said alcohol and tobacco."

Mr. Hammoud explains his concern: "It doesn't work that way. If you keep increasing taxes on tobacco it is actually decreasing the amount of revenue you make in the overall picture because of the direct increase in the sale of contraband. Unless you can fix the contraband issue it doesn't make sense to increase taxes."



PRINCE EDWARD ISLAND

Mr. Hammoud met with PEI's finance minister, Wes Sheridan, in that province's pre-budget meetings. Once again, the ACSA urged the provincial government to hold the line on tax increases and increase the battle against contraband tobacco products.

The good news is that Mr. Hammoud was told that the government had no plans to implement any tax increases this year.

He was also told by the minister that the government recognizes there

has been an increase in contraband tobacco in the province, whereas last year the same minister had said it was all under control. Mr. Hammoud was surprised and pleased with the minister being very upfront and admitting that the sale of contraband tobacco was an issue.



NEWFOUNDLAND AND LABRADOR

A pre-budget meeting attended by Mr. Hammoud with Newfoundland and Labrador's finance minister was less promising than his meetings in the other Atlantic provinces.

Golf tournaments



The ACSA has confirmed its annual Maritime and Newfoundland and Labrador golf tournaments with NACDA for 2014. The Maritime Golf Tournament will take place on

June 11 at Fox Creek in Moncton/Dieppe, New Brunswick, and the Newfoundland and Labrador tournament will be held June 25 at the Clovelly Golf Course in St. John's.

Contact Michael

#B - 100 Ilsley Ave.,
Dartmouth, NS B3B 1L3
Telephone: 902.880.9733
Fax: 905.849.9947
email:
hammoud@conveniencestores.ca

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frankly FUNK



Ron Funk

I'll admit it. I am an Olympic games junkie. I love it all. I love both the individual and team competitions, I love the awards presentations, I love the television coverage...all of it. But most of all...I love the obvious preparation, determination and commitment of the athletes. I love hearing their individual stories. When I witness the sheer focus and determination on their faces... I feel inspired. When their personal aspirations are shattered by defeat... I feel heartbroken. When against all odds these athletes find glory... I am elated.

I know that I'm not alone.

What is so amazing to me is that these athletes simply transcend an environment that is burdened by both political distractions and assertions of corruption in some form or another. I'm speaking of the realities of all Olympic games. Every four years there is this media search for either organizational and/or executional failures. Always positioned as being symbolic of incompetence and mismanagement, this sort of content fills our screens in the days before the competition begins.

In what other manner could they possibly measure progress towards their goal?

You'll remember; "own the podium" was un-Canadian. Vancouver had no snow. Sochi would never be ready. Russians shoot stray dogs. Which Heads of State from what countries, do or don't come. "Let me tell you what it means!", our journalists cry. Well, in my view folks, none of that noise means a damn thing. It's all about the athletes.

A day or two into the games and we are all reminded of that fact.

Let me state right up front that no one has ever accused me of being an athlete. So, in fairness, I must advise you to continue reading at your own risk.

As far as I can tell, these Olympic athletes all seem to have one goal in mind. They are each working to achieve a new "personal best", that day, in their event. And they are each hoping that this one new "personal best" will be good enough for a win. Are you with me here? I'm arguing that the athlete does not lead with the objective to win in mind. Rather, the athlete's objective is to do better than particular day than he or she has ever done before... and then hopes that this performance level will be good enough to win.

When this standard of excellence is achieved through training, physical conditioning and an ability to focus the mind become critical. I imagine these to be the only meaningful differentiators on game day. At least, I suspect that's true for those individuals who are winning medals. The measurable performance differences are just so small at this level.

Isn't winning only possible within a context that compares you against the performance of your competition?

But how can an athlete control for the performance of other competing athletes on game day? He can't. A new "personal best" however, is the exact measure that any athlete can target, and be held accountable to

achieve. No semantics intended here folks; I think that this distinction is important.

By defining the objective as "winning", we introduce an uncontrollable performance variable - competition. Of course, you can't solve for a variable that you can't control. When athletes choose instead to have a singular focus on the performance variables actually under their control, they set up the "conditions to win".

To do so, our athletes must first understand the finest details of the technical elements that contribute to world-class performance. Through trial and error and with lots of help, our athletes perfect their techniques over time, for each of these elements. Through constant repetition, near flawless technical execution becomes possible and is of course the intended outcome of this training.

When this standard of excellence is achieved through training, physical conditioning and an ability to focus the mind become critical. I imagine these to be the only meaningful differentiators on game day. At least, I suspect that's true for those individuals who are winning medals. The measurable performance differences are just so small at this level.

Imagine. Years of preparation at this level, and if you're lucky, a single appearance at one winter's Olympics, in an event that (on average), lasts less than 2 minutes. Such is the life of a world-class athlete.

I suppose that's part of the reason I feel quite conflicted about using sports analogies in a business context.

What can be great about using a sports analogy is the familiar imagery that is evoked. Invariably there is an opportunity to link commitment, determination and the importance of the individual to a final resulting successful outcome.

What's bad about linking sports to business is that businesses are involved in a very long game. It is exactly the opposite of most sporting analogies where the outcome is determined by a singularly staged test between competitors.

When the good folks at Cstore Life asked if I'd write a little something about "winning" in our channel, I found it hard to make that very choice. At first I thought about occupying your time today by describing my views on best practices from a retailing perspective. You know, what

it might take to win. Alternatively, I considered drafting the same sort of thing, but from the perspective of a manufacturer selling into our channel. In the end, I decided that either group could easily imagine their own articles with content that was likely to be more relevant than mine.

That's when it occurred to me to think about the firms that I consider to be

"winning" and to search within that list for any common threads to be found among them. Discounting for product or service differences between industries, my candidates could all very clearly express what they thought were the key business drivers within their industry.

I suspect however, that most people don't have all that much trouble knowing what it is they have to do. The difficulty I think that many of us have is the challenge of staying focused long enough to refine the things we do into an absolute, "best practice". If we do get that

far, this "project centric" environment of ours seems to leave us with little time to follow up on the quality of our execution.

That's when it occurred to me that athletes identify the technical elements for success and measure their next performance against their last "personal best". In other words,

while you might be able to learn the elements of a best practice from your competitor, a singular focus on winning against them (while a great benchmark), is the wrong strategy.

If we were to take one lesson from our Olympic athletes, I think it would be to identify the best practices for your business and to make each successive execution over time your new personal best.



Ron Funk is a highly regarded executive with 30 years experience in our industry and has a management consulting practice in Toronto. Partnered with a leading communications firm and an investment bank, Funk Consulting dedicates resources to solving complex client problems. He may be contacted at: ron@funkconsults.ca

User experience before product/ service design

For as long as I can remember, the most successful businesses have relied on product innovation to increase revenue, market share and customer loyalty. However, today these product innovations and the growth they create are often marginal. The reason? Competitors quickly match the new product features, and in the mind of the purchaser it becomes very hard to differentiate the best from the average. Go to Future Shop and watch televisions from the four large global manufacturers. You may notice very subtle differences, differences that do nothing to make you remain brand loyal. I grew up with a Sony TV and always made investments in Sony's top-of-the-line XBR series. At one point, Sony was the clear innovator and winner in manufacturing televisions and could charge a premium for it. The ability to charge premiums is gone and so is Sony's leadership. It was not surprising to hear Sony's announcement that it is leaving the business of manufacturing televisions.

begin to shape, innovate, brand and measure the customer journey. This requires going beyond the product or service experience, and truly thinking/rethinking that journey. Discovering what are referred to as signature moments in this journey's path creates growth opportunities in your business. Imagine for a moment the customer journey of checking to see whether a lottery ticket is a winner. On a piece of paper, draw out the steps before the customer enters your store to check, to his trip to the counter, to his steps out the door, leaving your store. Regardless of whether the ticket is a winner, can you identify any steps that create a signature moment for which you want your store/brand to be remembered? As another example, think of the experience of buying a cold beverage on a +40-degree summer day. What image is present at the slush machine, or the cooler that creates a signature moment?

advantages, benefits (FAB statements from marketing in the 1980s), we begin to discover and appreciate customer issues and activities around the product/service use, which provides new opportunities to address unmet needs. Solving unmet needs creates a buzz worth talking about and that experience in itself becomes a powerful differentiator. Nike is a good example of using experience innovation to fuel growth. It went from a running shoe manufacturer (with shoes in every possible shape, size and colour) to a company enabling fitness, designing products and services to enhance the fitness experience. Clothing that allows the body to breathe better (less sweat), fuel bands to measure energy, gamification on smartphones to allow consumers to track their improvement and compare it to that of others are a few examples of Nike's transition from product differentiator to experience innovator.

To be successful, retailers and product manufacturers alike are mastering a new discipline called “experience innovation”. This process is not simply improving customer processing (the speed of serving a customer) or changing elements to improve the customer experience.

It goes beyond that into thinking like this: What are the moments of interaction (some call them interruptions) that can create signature memories? What do I remember and enjoy about shopping at XYZ convenience store?

1. LOOK BEYOND THE PRODUCT OR SERVICE

We have to get out of the traditional comfort zone, the rut, of looking at

specific product/service features or designs. We need to imagine the broader experience of lottery in your stores will be transformed. Will you be ahead of the design to create a signature moment, or will you be a victim of it?

3. BUILD WITH LONG-TERM VISION

Experience innovation is not about one-time change or a series of one-off moments. It is a broader vision that looks at the whole experience being transformed over time. A customer experience map is an integrated vision of the future for your store experience.

You need to start by asking the question, "How could the customer journey be different?" It does not hurt to ask customers what they need, but unfortunately most will not know how to answer. Start by observing their journey to your store, in your store, and the events that happen after they leave your store. How are they behaving? What makes them happy or sad? What moments can you influence in this process in a genuine way? The next step is to think about what your customers could actually notice: What will they notice and remember? Ask yourself, "Is there anything I can change, whether the process, the sequence of steps, the value in something not yet known or thought of? Even the smallest steps

2. BE CUSTOMER FOCUSED, NOT CUSTOMER LED

Steve Jobs, Henry Ford and many others have said and shown it best. People cannot tell you what they want if they have not yet imagined it. People did not want a better Walkman, a new music distribution system called iTunes, or even a car when they could not picture these things. They could not imagine a car before the gasoline

engine was created. Blacksmiths focused on creating improved horseshoe designs, not the gasoline engines that put them out of business.

Customers cannot tell you about the things they need or want that they have not yet imagined. They also have difficulty explaining how they will do things differently in the future. Customers are not thinking about their cell phones being digital wallets to pay for goods faster. Taking this innovation one step further, customers are not thinking that their cell phones will be a device to buy lottery tickets—an innovation and changing experience driver that already exists in European markets. The whole experience of lottery in your stores will be transformed. Will you be ahead of the design to create a signature moment, or will you be a victim of it?

behaviour change and/or investment. Sometimes both are required at the same time, while other improvements may require sequential steps that can be decoupled and made independent of each other.

4. ENGAGE ALL OF THE SENSES

In customer service, the buzzword is touchpoints . What are they, where are they, and what is the expected outcome? As customers become more informed, more in touch with what they term relevant (Facebook is a good example), their senses are more aroused. This connectivity coupled with time-starved consumerism is

creating much shorter attention spans for our customers. They are processing information much faster and can readily determine an authentic experience from one that is contrived. Whether they do that at the conscious or subconscious level is another extensive topic, but the fact is they are doing it.

communities of employees that openly share with each other, swap shifts, set team/store goals, and measure their success against others, creating healthy competition with recognition and rewards.

5. MAKE IT REAL FROM THE INSIDE FIRST

Behind every customer experience with your business are hundreds of people interacting with each other to deliver what the frontline staff sell. Mapping out the customer journey

A great brand experience engages all of the senses. It takes into account the environmental, physical, digital and behavioural expression of the brand. Staff teamwork in the eyes of the customer, and in their own views, will influence the customer experience.

It is not surprising
that companies
are creating

arbucks' store walls, the brand is owing rapidly on grocery shelves the brand journey expands with omentum.

Disney is another great example of a company continually enhancing the customer journey experience while being firmly grounded in core principles.

Both manufacturers and retailers have an enormous task at hand: to rethink the experience and get it right. Since it is a journey and not a destination, once this mindshift and execution occur, they will be tasked with continually enhancing it.



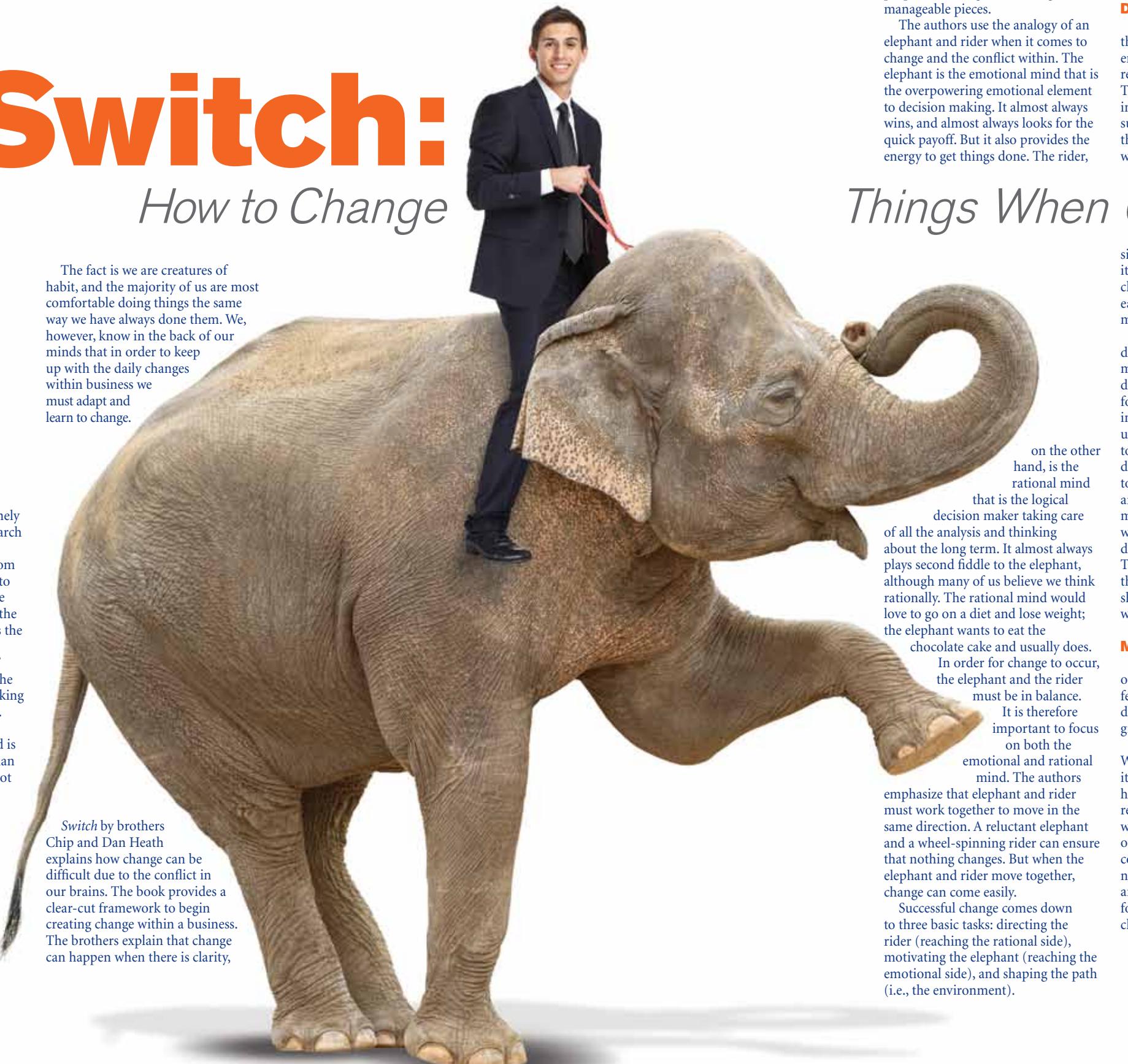
Switch: How to Change

Switch: How to Change Things
When Change is Hard
Chip Heath and Dan Heath
Random House Canada, 2010,
320 pages
Reviewed by CStore Life

Many of us managing people believe and have experienced that changing behaviour can be extremely difficult. Depending on what research you believe, several positive and consistent behaviours (ranging from 6 to 12 occurrences) are required to reinforce a new behaviour. Change comes in all shapes and sizes, but the one thing that remains constant is the need to adapt to change.

The adage "old habits die hard" suggests one of two possibilities: the status quo (do nothing) or embarking on a strategy to change behaviour. One of the most memorable expressions that sticks in my mind is this one: "The only thing worse than training staff and losing them is not training staff and keeping them!"

Switch by brothers Chip and Dan Heath explains how change can be difficult due to the conflict in our brains. The book provides a clear-cut framework to begin creating change within a business. The brothers explain that change can happen when there is clarity,



The fact is we are creatures of habit, and the majority of us are most comfortable doing things the same way we have always done them. We, however, know in the back of our minds that in order to keep up with the daily changes within business we must adapt and learn to change.

motivation and environment, suggesting that change is not as difficult as it would seem. They propose breaking down change into manageable pieces.

The authors use the analogy of an elephant and rider when it comes to change and the conflict within. The elephant is the emotional mind that is the overpowering emotional element to decision making. It almost always wins, and almost always looks for the quick payoff. But it also provides the energy to get things done. The rider,

Things When Change is Hard

size. In other words, find out where it is working and then model your change after that success. It is much easier to sell a successful working model than to sell the vision of one.

Not only must the rider be led down the right path, the directions must be specific and attainable. Clear direction must be provided in order for people to change. It is easier to implement change when people understand the destination. We need to script critical moves to remove decision paralysis. The rider wants to do analysis, analysis and more analysis and finds comfort without making decisions. To overcome this, we must have a clear and compelling destination that can be visualized. This is a "destination postcard". Show the rider where you are heading and show the elephant why the journey is worthwhile.

MOTIVATING THE ELEPHANT

Steps to help us be successful with our change project are to find the feeling, shrink the change and then demonstrate the opportunity for growth.

We often analyze the situation. We think about how to change it, and then we make the change happen. However, that is not how real change happens. The problem with this formula is that it forgets one important fact: that when change comes uncertainty. The elephant does not like uncertainty and does not like analysis. As it turns out, the formula for change is not analyze-think-change; it is see-feel-change.

Successful change comes down to three basic tasks: directing the rider (reaching the rational side), motivating the elephant (reaching the emotional side), and shaping the path (i.e., the environment).

DIRECTING THE RIDER

The rider directs the elephant, but the path is not always clear. To help enhance the rider's vision, the authors recommend finding the bright spots. These are individuals or situations in which change has been created successfully, not looking at averages or the norm, but examining what is working now—regardless of sample

Shrinking the change is about the fact that people find it more motivating to be partly finished with a longer journey than to be at the starting gate of a shorter one. So the next time you are motivating someone towards a goal, make that person feel

closer to the finish line than he had thought. Getting him to take the first step is the hardest.

Growing your people starts with thinking about three basic questions. Who am I? What kind of situation is this? What would somebody like me do in this situation? In any situation, we can either give people a new identity to live into or just remind them of somebody they already know who is facing a similar situation. When we tap into their identity, we tap into their action.

It is a sure bet that many of you have staff who have provided you with generic, non-specific goals like "I want to earn more money." These are rider goals. It is your task to engage the elephant by asking your staff member to elaborate, perhaps with the question, "What does this mean to YOU?" This forms the basis for meaningful change, something the authors continually reinforce in Switch.

SHAPING THE PATH

The path must be shaped in order to facilitate the journey of the rider and the elephant. Clear direction must be provided.

Tweaking the environment is about making the right behaviours a little bit easier and the wrong behaviours a little bit harder. We are inclined to attribute people's behaviours with who they are rather than the situation they are in. We need to trigger the alarm, and first we need to define consequences. The more serious the consequence, the more action we are likely to inspire. Second, we need to create a deadline for the action. People are not very good at taking action without deadlines.

AND SO...

If you want to improve the success you have with staff, no matter what their circumstances, or even create meaningful change in your own life, implementing the Heath brothers' framework will help you to make decisions more effectively and change behaviour. Think of the elephant and the rider within you and your staff, and begin the journey of successfully changing habits and behaviours for a better tomorrow.



The 9th annual Canadian Convenience Industry Achievement Award (CCIAA) Global Scholarship competition is worth thinking about if you are a young person (aged 21 to 36) in this industry, or if you are a c-store retailer or a supplier/manufacturer employer of a young person.

Showcasing our talented young people

And getting them to the NACS Show in Las Vegas!

Why?

Think of the personal and company growth that is possible. Past years' participants now hold senior level positions in the biggest companies in our industry. Companies benefit from encouraging the insight and expertise of their brightest and best.

trends and challenges of the day, and sends the winner from each category, retailer and supplier/ manufacturer, to the National Association of Convenience Stores (NACS) show in Las Vegas in October to compete against finalists from the US, the UK, Australia and New Zealand.

The preliminary completion is held in Toronto, this year on June 16 at the Sheraton Airport Hotel on Dixon Road. Industry judges select

the two winners, and they receive an all-expenses-paid trip to the Nevada competition.

Each year the criteria are carefully crafted to reflect the issues facing the c-store industry.

This year's question: How should the convenience industry enhance service in order to create a customer experience that can build a sustainable competitive advantage and generate profitable sales? Utilize key findings and examples from other channels or industries and provide relevant timing and costs associated with implementing such a concept.

HOW TO ENTER

First of all, companies can conduct internal competitions for their staff as a way of selecting a candidate. That has been done successfully for past competitions. Prospective candidates can also ask their employers about entering.

Then ask Lynda Watson at the CCSA office for a registration form. Write her at lynda@conveniencesstores.ca or phone her at 905-845-9339. That's all there is to it, but do it before the May 9th cut-off.

And good luck! We wish our industry young people the best in this!

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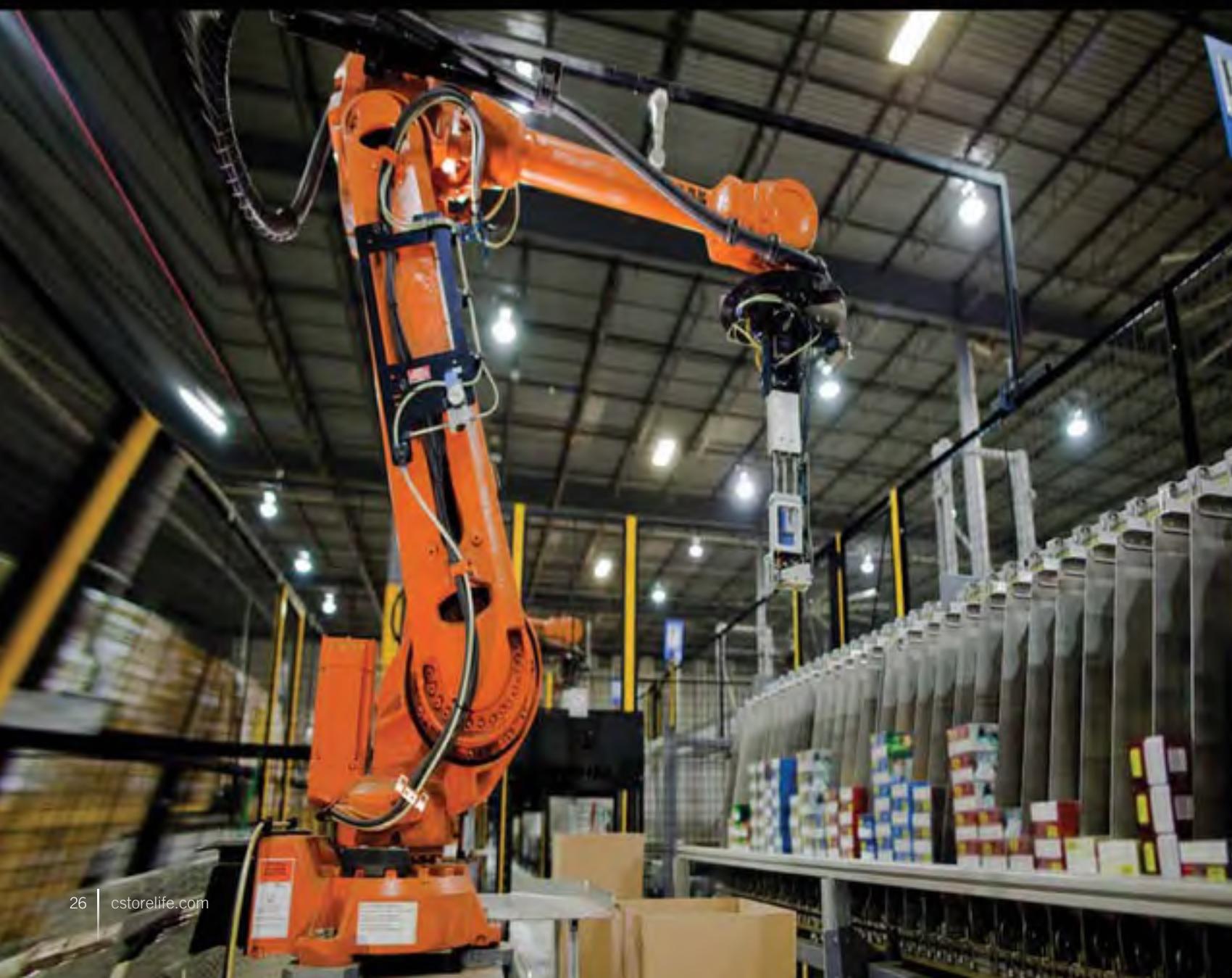
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Overnight Success:

How Imperial Tobacco transformed its distribution channel overnight and continues to innovate



OVERNIGHT CHANGE TAKES A PARTNER WHO KNOWS THE TERRAIN

Imperial knew rapidly deploying a direct-to-store sale system of the complexity and magnitude it needed would take a strong and experienced partner. Pleased with the service Ryder had provided managing three of its bulk distribution centres for 10 years, Ryder was a natural choice for the direct-to-store delivery initiative.

For the next six months, Ryder and Imperial Tobacco worked together to implement one of North America's most sophisticated direct-to-store distribution networks. The mission? Transform its existing supply chain into one that could adeptly link tobacco fields in Canada and the U.S., manufacturing plants, warehouses and distribution centres from Mexico and across Canada to individual retailers – just in time.

THE SOLUTION: AN INTEGRATED SUPPLY CHAIN WITH LOTS OF MOVING PARTS

The solution was a multi-faceted one – and a far-reaching network comprising a number of moving parts and strategic initiatives:

- Hiring and training a dedicated workforce greater than 500 people (warehouse, admin and transportation)
- Building and operating six dedicated distribution centers
- Setting up 14 cross-dock facilities
- Constructing a temp-controlled warehouse in Mexico
- Procuring 218 vehicles with sophisticated security systems
- Setting up a transportation network to serve retailers across Canada
- Building a reverse logistics network to streamline returns processes

THE CHALLENGE

When the Canadian government passed legislation banning tobacco companies from displaying or advertising tobacco products, Imperial Tobacco Canada had to react quickly. No longer able to drive sales through traditional channels, Canada's leading tobacco company came up with an innovative approach: switch from a wholesaler-driven distribution model to a completely in-house, direct-to-store sales model.

Imperial knew its success hinged on its strong relationships with retailers. The company, a wholly-owned subsidiary of British American Tobacco, PLC, also knew the fastest route to that goal was a dedicated, state-of-the-art distribution system.

At the time, Imperial serviced 120 wholesalers across Canada. Selling directly to more than 30,000 retailers would be a completely different story. Keeping products in stock and providing retailers with excellent service would require extremely high-performing distribution and transportation networks – and a lightning-fast conversion.

Meanwhile, tobacco sales were declining, so Imperial wanted to relocate its manufacturing plant to Mexico – without impacting product availability or customer service. This requirement not only added complexity, it mandated significant infrastructure investments.

OVERHAUL THE WAREHOUSE AND DISTRIBUTION SYSTEM

Delivering tobacco from North America to Mexico and then distributing products to retailers across Canada required a serious distribution network. Complicating matters, each province is like a different country with unique tax structures and packaging requirements.

Ryder worked with Imperial to streamline operations at six distribution centers in Moncton, Brampton, Calgary, Montreal, Winnipeg, and Vancouver. Building out the first-of-its-kind direct-to-store distribution network also meant constantly improving the operations and never being satisfied with the status quo. As a result, today's network has 8 cross-dock facilities, down from 14, 7 DCs, up from 6, and 2 additional free trade zone warehouses in Cleveland, Ohio, and Shelby, Montana, to supply the network in Canada.

Ryder re-engineered warehouse pick lines and redesigned Imperial's delivery network based on customer order day and history. The transformation not only improved efficiencies, it optimized delivery routes and kilometres travelled, improved fuel economy and ensured a better than 99% On Time and In Full delivery metric to all retail points across Canada come rain or shine.

Today, a state-of-the-art warehouse management system combined with industry-first smart robotics picking and packing system enables processes from receiving and putting away products, carton picking and shipping to returns management and inventory control. The result? An order picking process that delivers quality levels of more than 99.9 percent, picks more units per labour hour, accelerates cycle times, and has improved productivity by 61%.

INTEGRATED TRANSPORTATION SOLUTION KEEPS PRODUCTS ROLLING

Given the exponential expansion in delivery requirements, Imperial needed a serious transportation network to go with its new distribution network. The answer was an integrated transportation solution combining for-hire carrier and Ryder dedicated fleets. Today, the integrated system makes more than 30,000 deliveries every week, with an on-time delivery rate of 99.5 percent. Orders are loaded on vans on a last-in, first-out basis, and tracked in real time.



STREAMLINED INBOUND TRANSPORTATION

Ryder also helped Imperial overhaul its inbound transportation operations. This entailed designing an entirely new network to move finished products from Mexico to warehouses and wholesalers in Canada. National, contracted couriers handle rural deliveries.

STATE-OF-THE-ART IT SYSTEM – NETWORK INTELLIGENCE

Orchestrating the movement of hundreds of thousands of raw materials and finished products is no small undertaking. The key to keeping things moving smoothly is a state-of-the-art IT system. Drivers use handheld computers to confirm deliveries, record signatures, and send data to Imperial's SAP system via mobile phone networks. Real-time updates enable the customer to settle the Proof of Delivery, enabling them to retrieve a same day electronic payment from retailers, thus improving cash flow.

THE NEW NETWORK DELIVERS EXCITING RESULTS

The new direct-to-store distribution system is already delivering dramatic improvements in everything from store service levels and on-time delivery rates to returns, customer service and data capture. By transforming the company's order fulfillment and supply chain management processes, Imperial Tobacco efficiently delivers products to more than 30,000 convenience stores across Canada.

With the supply chain transformation, Imperial has been able to take direct control of the retailer experience, synchronize production with demand and dramatically reduce order-to-cash cycle times. The operational improvements also enabled:

- Order accuracy of better than 99.8 percent
- 182% increase in pick productivity
- 99.5% on-time delivery
- Elimination of 16 routes through optimization
- \$3.5 million in annual transportation cost savings in the first year – with cumulative savings of \$14 million from 2007
- \$1 million savings by reusing corrugated packaging from Mexico
- \$9.8 million in annual savings by restructuring routes, adding new delivery vehicles and transforming the delivery processes

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LOOKING AHEAD

With the new direct-to-store delivery system up and running, Imperial is already realizing significant productivity and cost-saving benefits. Looking ahead, Canada's largest tobacco manufacturer and Ryder will continue to work together to grow their partnership and drive further efficiency improvements and cost savings.



Citrus flavours are one of the top three flavours driving the Energy category growth.
www.drinknos.ca

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Source: US Powerade U&A Study 2012
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Am I winning at retail?

This is a good question that should be asked and answered at the very least once a quarter in your c-store business. The likes of Wal-Mart, Loblaws, etc., have metrics that answer the question daily if not hourly. All of this depends, of course, on the degree of and, as importantly, the accuracy of the point-of-sale (POS) technology in your store. Most independents rely on cash drawers where "how am I doing" is not scientific but more "gut" when replenishing sold stock.

Speaking to many independents as well as chain retailers, the common question asked (after some probing) is, "How am I doing compared to others?" Others is a broad category that in the conversation might include the drug store, the coffee shop, the convenience store, or the dollar store down the road.

The data sources and findings available to retailers (excluding those that have rich loyalty data and POS scanning data) is hard to find, especially when retailers should be seeking last quarter results. The best source of these data comparisons comes from the suppliers who visit your store. Their companies buy research data that gives a glimpse of how well their products are performing in retail channels, including analysis of how well the category in which their product is sold is doing compared to others.

One of the long-standing challenges with convenience store data and findings is that sales are grouped in a catch-all category. This information is improving as more and more independents invest in POS technology.

Back to the basic question, "How well am I doing?" Many retailers rely on sales and profitability data

as benchmarks. For example, "my sales are up 3% over last year" is a dangerous metric to believe given that the convenience industry has seen tax increases on tobacco and manufacturer price increases on confections and lottery. The thinking that we are up 3% might very well mean flat year over year.

Without the sophistication and measurement tools larger retailers have, what can independents do to get a barometer of how well they are doing? As a starting point, retailers need a baseline at their own store from which to measure progress.

1. Chart your sales by day of week.
2. Measure daily the number of transactions at your store.
3. Calculate the average sale transaction at your store.
4. If you can, measure category sales as a total percentage of sales in your store.
5. Run weekly contests to see if suggestive/up selling is being successful.
6. Every month, do margin analysis on a category or destination in your store (e.g., front counter).

Ask yourself, "Is the product margin and absolute dollars being earned worth the place that it occupies in my store?" Be careful to think about absolute dollars and not margins. Lottery margin is a good example of thinking that could be destructive to your business. Yes, lottery margins are low, but their transactions are high, yielding absolute dollars with which you pay the bills. Thinking 5% is too low needs to be balanced with how much in absolute dollars the 5% earned. Also consider what other products could be sold because customers are playing lottery.

Here are some other tips to help you determine how well you are doing compared to others.

1. Ask your supplier/wholesaler.
2. Ask the supplier reps that visit your store.
3. Ask the truck drivers who deliver to your store. How many cases are you being delivered versus your competitors up the road?
4. Review online information and magazine publications.
5. Ask your competitors. Yes, really, you would be surprised how many people will open up about their businesses.

Strongly consider investments in POS terminals that can help you with these tasks much quicker and easier.

One of the easiest ways to learn how you are doing compared to others is to visit your competition. Larger retailers are using data sources that are, in short, mind blowing, and are adjusting their plan-o-grams regularly to take advantage of shifts in consumer purchasing. What is on the shelf, and where it is on the shelf—this is a science that is calculated based on sales, customer preferences, ease of finding, inventory turns, etc.

As an independent, you do not have to reinvent the wheel; you can easily mimic some of the key learnings from competitor practices. Many companies' strategy is to mimic the best operators, and then deliver better customer service.

As an independent, you have skin in the game, called your livelihood, your business that you someday hope is of value either to sell or pass on. The best retailers I have ever visited were those who delivered superior service selling the same products.

If you were a supplier visiting your store, would you make investments in it? Think about it; would you invest money in fixturing or time in coaching? You need the help of these suppliers, and you want to see them as often as possible. Suppliers will tell you there is nothing more frustrating than head bobbing (as if retailers are actively listening) but no action. The challenge is this: "No action" is usually only discovered on the second supplier visit when they learn you did not act on the advice/coaching with which they tried to assist you. Two supplier visits are costing at least a \$100 investment at your location.

Execution is critical, and timely execution is a must.

"How well am I doing?" is best answered by thinking about these questions, doing your own research, and then sharing/comparing your findings to established supplier relationships. It is not as difficult as one would think or make it. It starts with a different mindset and commitment. The game of winning in convenience retailing is said to be measured in pennies, relating to the elephant and rider review in this issue. Your future story should be winning in dollars.

In Ontario, the Smoke Free Ontario Act (SFOA) has provisions that can prevent you from selling tobacco at your location for six months.

It is automatic, with no appeal process.

Vicarious Liability: A must read for you and your staff!

*What you don't know **can** hurt you...*

Since last fall, several retailers have faced this punitive legislation without the right to defend themselves. Given that most legal systems in the world allow the accused that right, it is astonishing that in Ontario, in this case, there is none.

This is a big problem. It is a Charter principle that due process and the

opportunity to defend oneself is afforded to anyone against whom a punishment is proposed or imposed. Store owners, it can be argued, are further owed procedural fairness, given the nature of the prohibition and its serious impact on their business. Such prohibition affects

a store owner's ability to make a living, maintain business, pay bills and continue to employ staff.

There is a myth out there. Some larger retailers believe that merely changing the retailer will appease the

government, allowing the new retailer at the location to continue to sell tobacco. **This is wrong.**

The prohibition lasts for six months and is assigned to the physical dirt, or legal address, of the store caught. In other words, regardless of who is managing or owning the store, **no tobacco can be sold at that location for six months.**

So when does this automatic prohibition take place, you might ask? Automatic prohibition comes into effect after a store is caught selling to a mystery shop minor twice—that is just TWICE—within a five-year period.

Being caught by the government's mystery shop program (in which it is claimed every store will be visited four times a year) is a worry that keeps many retailers up at night, and for good reason. The stress is compounded by the fact that on the first instance the employee might not tell the store owner he or she was caught. The store owner gets notice in the mail of the prohibition,

and in many cases did not know of the first instance.

The Ontario government's mystery tobacco shopping program is not well disclosed but the Ontario Convenience Store Association (OCSA) estimates there are 200 tobacco inspectors and 400 part-time students in place, with the total cost of the program exceeding \$30 million annually. Despite continued efforts to work with the provincial government, the OCSA has received no government funding to support an age testing program similar to one required for all Ontario workers selling alcohol.

There is more craziness to this story. There are 36 health boards in Ontario, each interpreting the SFOA differently. These different interpretations, throughout the years, have caused havoc for the OCSA working with its members on tobacco contraband awareness campaigns.

The specific reference to the section of the Act that applies is as follows:

"On becoming aware that all of the following conditions have been satisfied, the Minister shall send a notice of the prohibition imposed by subsection (4) to the person who owns or occupies the place and to all wholesalers and distributors of tobacco in Ontario:

1. Any person convicted of a tobacco sales offense committed in a place owned or occupied by the person
2. Any person convicted of another tobacco sales offence in the same place during the five years preceding the conviction referred to in paragraph 1
3. The period allowed for appealing the conviction referred to in paragraph 1 has expired without an appeal being filed, or any appeal has been finally disposed of." 2005, c. 18. Smoke Free Ontario Act, SO 1994, c. 10, Section 3(4)

Adding confusion to this alarming story is the question of what is the definition of "exercised due diligence" as it is used in the following excerpt of the SFOA:

"The owner of a business where tobacco is sold shall be deemed to be liable for any contravention of subsection (1) or (2) on the premises where the contravention took place, unless the owner exercised due diligence to prevent such a contravention." Smoke Free Ontario Act, SO 1994, c. 10, Section 3(4)

What is due diligence? Neither the act nor the law is clear and in fact are highly subjective. One thing is sure: It is a good idea to ensure ALL of your staff is trained with **We Expect ID** online training materials. This simple but important training module is available at www.weexpectid.com or at www.theccsa.ca. It is a MUST to protect your community and your business.





Simplifying the customer experience

In February each year, the world's largest wireless show takes place in Barcelona, Spain. Companies introduce their latest devices at this event. Thus for years, European and Asian markets typically experienced innovation first in the several months after the show and before the products came to North America. That is changing with Apple's influence on innovation and launching first in the US.

At this year's show, Samsung surprised the world with its new Galaxy S5. Experts were expecting an ultra high definition screen with an iris scanner to unlock the phone (like Apple) that would be available in multiple models (like Apple).

Samsung's spectacular growth has far outpaced Apple's in delivering devices to consumers, and thinking along the lines of having a leg up on the competitor, those experts predicted Samsung would launch what Apple was already giving, along with exciting, never-thought-of-before functionality.

It didn't.

The new Galaxy S5 went back to the basics.

Samsung claims its Galaxy S users want basic, everyday-life features; it has determined they are not looking for the eye-popping, disruptive technology everybody else seeks. The company is indeed keen on preparing for the next big thing with very disruptive innovation, but at the same time it realizes how important it is to listen to its customers. And those customers are saying they want back-to-basics, a simplified and more powerful experience.

The camera's functionality is an example of improvements that are back-to-basics. It has gone from 13 megapixels to 16. "Big deal," you might think and most would agree. But Samsung improved the speed of the auto focus, making it twice as fast, a truly big deal to those frustrated by losing focus on the perfect picture. However, the most notable improvement is the process of sharing photos on apps like Instagram and Facebook. That interface is cleaned up; Samsung removed a lot of clutter and brought in some fun options within a simplified experience.

So what does this have to do with convenience stores?

Everything.

C-store customers are expecting improvements, too. They have become accustomed to it from the phones they carry to the cars they drive; almost everything around us is improving. Is the convenience offer improving? The answer to this question lies in what your customer is thinking, not you this time. Looking at the convenience stores in my own neighbourhood (four that I visit routinely), the only one that is changing is the big banner store. That store's most visible change is the new milkshake machine and the product features that appear in front of the paypoint. You have to walk around them to pay.

Are stores becoming more cluttered with product offerings to increase sales for the sake of (but maybe at the expense of) simplifying the customer experience? Tim Horton's recently announced its decision to reduce its pastry offering, indicating there were too many choices. It also announced it would stop selling ice cream, a product offering that takes too long to serve, causing unreasonable wait times for those wishing just to buy a coffee and leave. Tim Horton's plans to install express counters in place of the ice cream counter units to better serve customer needs. Reducing redundant and unwieldy product offering and installing express lines are two of many means to simplify the customer experience.

In the next year, what would be the top three things you could do in your store to simplify the customer experience? Here are some suggestions to consider.

DE-CLUTTER YOUR COUNTER.

Make your counter as open and inviting as possible. Use the open counter space for time-of-day suggestive selling. For example, putting a few newspapers on the counter can increase newspaper sales by 30%, as their presence (in sight, now in mind) triggers a buying decision. At noon, replace the newspapers with magazines or quick snack items.

MAKE YOUR LOTTERY AREA NOTICEABLE.

Make it a fun, clean, well-organized and engaging place to play.

PUT A BEVERAGE DISPLAY CLOSE TO OR AT THE PAYPOINT WITH PRODUCT ON ICE.

Stimulate thoughts of refreshing, cold and fresh in the minds of consumers as they pay for their products.

Simplifying the customer experience can start today with you and your journey through your store, and through your competitors' stores. More powerfully and timely, it can be learned through you asking a simple question of your customers: "How can I improve your shopping experience here?" or "What could I do differently to improve your shopping experience?" This type of open-ended question will be answered with ideas that can begin a continuous improvement journey that might just take you back-to-basics in innovative ways!



SUPPLY SIDE INNOVATION

BY JERRY SOVERINSKY

Suppliers are leveraging technology in pioneering ways to help retailers better understand consumer behaviour and adapt their store strategies accordingly.

How can we discover what drives consumers to shop in convenience stores? What are they buying—or not? Do they notice promotions? How can we extract additional sales from shoppers? The innovative suppliers mentioned in this article have their methods but NACS can also help you learn more about consumer behaviour.

The NACS Convenience Tracking Program (CTP) is based on shopper intercepts conducted on-site at the retail "moment of truth." The program captures actionable insights based on customer perception, experiential factors, opportunity gaps and conversion rates for specific categories, category drivers/destination categories and the forms of promotion customers find most engaging.

Subscribers are using these insights to identify opportunities and gaps in performance, including:

- What drives customers to shop in convenience stores?
- What are shoppers buying and why?
- What did you fail to sell shoppers that they intended to buy and why?
- Do they notice promotions and what types/methods are most effective?
- How can we extract additional sales from shoppers?
- What is preventing fuel-only shoppers from entering the store?

The NACS CTP sample size has grown to more than 15,000 interviews per year across 40 states. This robust sample size enables the insights to be segmented by missions, demographics, daypart, product categories/subcategories and brand.

To learn more about CTP, visit nacsonline.com/CTP or contact Leroy Kelsey, NACS director of industry analytics at lkelsey@nacsonline.com or (703) 518-4255.

Manufacturers and suppliers are deploying advanced technologies today in truly innovative ways to gain insights about consumer behaviour, mining valuable data about how their categories are selling — or are likely to sell — in various retail formats. It's information that can be shared with retailers to optimize sales of their products, allowing them to be better and more collaborative partners.

"The realistic retail settings enable in-environment learning and insight generation that will lead to more innovative designs, higher impact solutions and improved ways to work with our customers," Hughes said. "Learnings from the SEIC can create truly unique and engaging in-store experiences that drive revenue."

Customers who partner with Coca-Cola and its SEIC can convert a space into a nearly identical version of their outlet "within a few hours," the company said, replicating signage, interior look, menu boards and even a drive-thru window. "This can provide tremendous cost savings to customers that might otherwise have to shut down operations while testing a concept in a retail outlet."

Behind the SEIC's physical flexibility lies advanced technology that precisely measures consumer engagement. The facility incorporates 21 cameras and 46 discreet nesting locations, comprehensive surveillance that can even read hand-held grocery lists used by test subjects. Technicians monitor feeds that are recorded and delivered to observers in an adjacent room, and the entire shopping experience can be beamed thousands of miles away to colleagues.

The SEIC has produced tangible results for retailers, including the On the Road Again (OTRA) merchandising solution that is being tested in Iowa-based Kum & Go stores in five U.S. markets.

Through the creation of realistic retail settings, Coca-Cola is able to test and validate concepts for packaging, messaging, POS,

"LEARNINGS FROM THE SEIC CAN CREATE TRULY UNIQUE AND ENGAGING IN-STORE EXPERIENCES THAT DRIVE REVENUE."

— Ron Hughes, director of shopper experience innovation, Coca-Cola Refreshments

The OTRA is a small footprint cooler integrated with a 10-inch video screen that displays updated brand and promotional messaging; an expanded version includes racks for snacks and meals. The idea behind the merchandising tool is to generate combo sales by placing beverages and food items within an arm's reach of one another, generating impulse buys and enhancing overall foodservice operations.

"We believe OTRA will help Kum & Go meet multiple business objectives and enable us to serve our customers quickly," said Richard Ginther, category manager of Kum & Go, "[providing] a convenient, time-saving process for our shoppers."

OTRA is just one outgrowth of the SEIC, an evolving program that Hughes said offers strong opportunities for the company's retailing partners. "Our objective is to become our customers' most valued supplier, and this facility amps up our ability to do so."

GLOBAL CUSTOMER INSIGHTS CENTER

Similar to Coca-Cola's SEIC effort, The Hershey Company developed a Global Customer Insights Center (GCIC) that offers retailers a customizable retail format — convenience store or grocery store,

for example — where they can assess customer behaviour and tweak operational elements to optimize engagement.

"The innovation center helps us move away from the conference room and step into the retail environment, creating a dialogue about what the future [of retailing] can be," said Rachel Rogers, vice president of U.S. knowledge and insights for Hershey.

In the Steven Spielberg film *Minority Report*, while moving about Washington, D.C., in the year 2054, police officer John Anderton (Tom Cruise) is bombarded by customized advertisements, as ubiquitous facial recognition-capable cameras scan people's eyes and trigger personalized solicitations.

"It's not just a car, Mr. Anderton," a Lexus ad teases, while other passersby are inundated with their own distinct offers. "It's an environment, designed to soothe and caress the tired soul."

"John Anderton, you could use a Guinness right about now!" a frothy pint beckons.

"Stressed out, John Anderton? Need a vacation? Come to Aruba!"

As he later enters a Gap store, a virtual store clerk greets visitors, building on previous transactions. "How'd those assorted tank tops work out for you?"

"Come on in and see how good you look in one of our new winter sweaters," a soothing voice offers, while

superimposing a virtual sweater — that changes from colour to colour — on another shopper. Creepy? Sure. But it's not as far-fetched as you might think.

THE OTRA IS A SMALL FOOTPRINT COOLER INTEGRATED WITH A 10-INCH VIDEO SCREEN THAT DISPLAYS UPDATED BRAND AND PROMOTIONAL MESSAGING.



THE OTRA IS A SMALL FOOTPRINT COOLER INTEGRATED WITH A 10-INCH VIDEO SCREEN THAT DISPLAYS UPDATED BRAND AND PROMOTIONAL MESSAGING.



THE "EYES" HAVE IT

Nearly approaching Minority Report on a retina-esque scale, Mondelēz International Inc. has developed "smart shelves" that incorporate sensor technology to identify the age and gender of shoppers. If someone lingers long enough or picks up a particular product (weight sensors are also applied to products), a customized advertisement is triggered.

"Knowing that a consumer is showing interest in the product gives us the opportunity to engage with them in real-time," said Mondelēz CIO Mark Dajani, to CIO Journal.

The shelves relay data to Mondelēz, whose engineers apply analytics to determine highly precise demographic shopping preferences. Armed with such valuable information, Mondelēz can help retailers fine-tune their product placement and promotions to maximize sales.

The smart shelf is currently a prototype but is expected to go public in 2015, with a goal of broadening Mondelēz's understanding of purchasing behaviour. "We must know how the consumer behaves in the store," Dajani said.

As for the creep factor, Mondelēz is planning a far less intrusive application of its technology than was on display in Minority Report. Pints of virtual beer won't call after customers by name; rather, the shelves will collect data anonymously, without capturing or storing images of people.

"THE KEY IS ALLOCATING SPACE TO PRODUCTS THAT SHOW GROWTH POTENTIAL."

— Rachel Rogers, vice president of U.S. knowledge and insights for Hershey

HERSHEY'S GLOBAL CUSTOMER INSIGHTS CENTER BRINGS TO LIFE THE STORE EXPERIENCE FOR CUSTOMERS.

COLLABORATION BREEDS SUCCESS

As margins continue to tighten and channel competition increases for convenience store retailers, suppliers and retailers must count on one another to find innovative and more efficient ways to tap into consumer preferences. Whether that's sharing straightforward data analyses or feedback gleaned from more ambitious tech-heavy retailing simulations, the information just might mean the difference between future profits and losses.

Jerry Soverinsky is a NACS Magazine contributing writer and a NACS Dailywriter.

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THE BENEFIT OF DATA

On a lower tech level — but no less ambitious in its effort to assist retailers — Anheuser-Busch has undertaken an extensive analysis of NACS State of the Industry (SOI) quartile/decile data to help its retail customers improve their beer sales.

Studying beer revenue and store surveys for roughly 40,000 retail outlets, Anheuser-Busch has been analyzing and identifying the tactics of the most successful retailers in an effort to generate key learnings for retailers. "The findings were really interesting," said C.J. Watson, vice president of category management for Anheuser-Busch. "We found that top quartile [stores have] 10 more feet of space for beer than bottom quartile [stores]."

The result might be intuitive, you say (more product, more sales), but Watson said despite the additional space allocation in top quartile stores, "they don't have more items — top quartile [stores] have six fewer items per store than bottom quartile. This means that top quartile [stores have] more facings for many SKUs than bottom quartile[s], effectively increasing their days of supply. Top quartile also displays more — 124 cases on display per week versus 79 in bottom quartile."

It's just one piece of important information that Anheuser-Busch has uncovered with its effort, information that the company shares with retailers to assist them with their annual planning.

"The response has been strong," Watson said. "Retailers are excited because they can now start to evaluate the impact of their decisions by comparing them to the quartiles. This also provides a scorecard for many retailers as to where and how large the opportunity for beer is for them."

The Starbucks lesson



Photo by: Rob Wilson/Shutterstock.com

Starbucks, at one time in its history, was so obsessed with growth that the stores lost their personality, that of a friendly and relaxing oasis to be sought out on a daily basis. To accommodate rapid growth, people had been hired for sales, not service. But like many public companies in which you are only as good as your next reported quarter, the ideals of growth, expansion of offerings and profitability became management's preoccupation. The end result? Sales stalled and loyal customers went elsewhere.

**Every week,
Starbucks
had 45 million
customers, so
why complain.**

**Starbucks
Key Values**

- Respect
- Dignity
- Passion
- Laughter
- Compassion
- Community
- Responsibility
- Authenticity

As Canadians, we know of too many iconic companies that have been obsessed with growth and then stalled. BlackBerry is a recent example. Whether strategy took the path of top-line growth, or of trying to be all things to all people, or both, there are lessons to be learned whether your business is as large as Starbucks and BlackBerry or small as a corner convenience store. In these corporate turnarounds, typically a new leader with a fresh approach is hired. In your case, the leader is you, and it is you who needs to consider a fresh approach.

When Howard Schultz returned as CEO of Starbucks, he had to restore the passion and commitment everyone at Starbucks needed to have for its customers.

Schultz commended to Starbucks staff worldwide, "It is not about the company or about the brand. It is not about anyone but you. You decide whether or not it is good enough, and you have my complete support and, most importantly, my faith and belief in you."

Success is a double-edged sword. The intangibles create the brand. The aura, the spirit, was missing before Schultz returned. The smells, the unique sights, the taste, the atmosphere, the sense of belonging, the furniture, the friendly service, all of this collectively help create the brand and its identity.

Schultz, though, felt the stores were losing touch with their customers and thus losing control of their story. In Schultz's eyes, Starbucks is a merchant, and a merchant's success is dependent upon the ability to tell a story. He re-emphasized that these stores were in the business of exceeded customer expectations. What people see or hear or smell or do when they enter a store guides their feelings, enticing them to celebrate whatever the seller has to offer. Schultz believed that every small gesture matters. His vision and, ultimately, his success were dependent upon the service provided by the baristas.

Success has a way of covering up small failures. And when businesses get caught up in their successes, it has unintended consequences. We often ignore, or fail to notice the shortcomings. Collectively, these shortcomings can destroy the very uniqueness that made the company successful in the first place. Think of your convenience store when you first opened it, and compare that image to what you see today. Is the offer still exciting and inviting, or is it tired and worn out?

Commitment to change started when Schultz first instilled confidence in Starbucks' future. Without confidence, there would be more obstacles that would resist change. Passion, too, is essential to get people back on track, but because it is an intangible concept, many businesses belittle it. Schultz decided he had to muster a collective faith in the original Starbucks experience—its reason for being—and then refocus the company on customers instead of breakneck growth. This required communications that were authentic, decisive and concrete, and came from all leaders. Everyone had to work together and commit to those things deemed important. Without differentiation recognized by your customers, competitors can encroach into your market and take away business. Schultz took a proactive stance and shared the full Starbucks story with its customers, staff and partners (the shareholders).

Schultz believed people follow icons. Icons make sense of the times, offering hope and calming turmoil; they are cultural authorities, always protecting and projecting their values. If something goes wrong, they will self-destruct versus being destroyed by competitors.

Schultz wanted to assert Starbucks as the authority in coffee. What do you want to assert your store as being in your neighbourhood? Does the image of your store support your objective? Can your staff see and believe in your objective? There are two important considerations here.

The first: Do not get caught up in your own image. The second: When did you stop hearing your own story?

Change needs a plan, not a strategy. Starbucks needed a clear and concrete plan that framed its bold goals and articulated exactly what it needed to do to achieve them. Those goals had to be on one page so everyone could read them, understand them and work to achieve them.

Strategy is not aspirational. Aspirational statements are often unattainable, as they focus more on the desire and fail to consider the tools and efforts needed to get there. Secondly, strategy is not best practice, which is trying to do better than what has been done before. Best practices are backwards looking. They do not make that big step towards the brave new world.

What are needed are processes that differ from the past, processes that are built on foundations aligned to the future. Strategy is the smart allocation of limited resources to activities that outperform the competition in servicing customers.

Schultz started with a transformation agenda.

"To become an enduring, great company with one of the most recognized and respected brands in the world, known for inspiring and nurturing the human spirit"

Following this vision, Schultz created seven goals, each with specific tactics for achieving it.

1. Be the undisputed coffee authority.
2. Engage and inspire partners.
3. Ignite the emotional attachment with customers.
4. Expand global presence while making each store the heart of the local neighbourhood.

Schultz believed each Starbucks had its own fingerprint. Every Starbucks, although it looks the same, is a little different. The reason is the people. Success is not sustainable in how big you become. According to Schultz, the only thing that matters is **one cup, one customer, one partner, one experience at a time**. The same can be said of most businesses, especially within the convenience store industry.

Here are some key lessons learned by Schultz that are applicable in your business.

- Grow with discipline.
- Balance intuition with rigor.
- Innovate around the core.
- Don't embrace the status quo.
- Find new ways to see.
- Never expect a silver bullet.
- Get your hands dirty.
- Listen with empathy and over-communicate with transparency.
- Most importantly, tell your own story, refusing to let competitors define you.
- Use authentic experiences to inspire.
- Stick to your values.
- Hold people accountable, but give them the tools to succeed.
- Be decisive in times of crisis.
- Be nimble.
- Find truth in trials, and lessons in mistakes.
- Be responsible for what you see, hear and do.
- Believe.
- Be onwards thinking; the past will not deliver revenue.

While you might not be running a large retailing chain such as Starbucks, remember that Starbucks started as one small store in Seattle in 1971. Its owners had no thought of building a global chain of 21,000 neighbourhood stores—until they put a plan in place.

5. Be a leader in ethical sourcing and environmental impact.
6. Create innovative growth platforms worthy of our coffee.
7. Deliver a sustainable economic model.

Failing to plan is akin to planning to fail. Action is four characters: Do it!

Photo by: Ahmad Faizal Yahya/Shutterstock.com

SUPER BARS

Many of us are on the run, making it difficult to sit down to three meals a day. What does this mean from a c-store operator perspective?

Opportunity.

Your customers are looking for quick, convenient and healthy food options. Products are launching to meet that need. Termed meal replacements, meal supplements focused on day-part selling (breakfast, lunch, dinner, anytime), the energy, protein and health bars business is exploding with growth. In the US, the energy and nutrition bars category is already a \$4 billion business. Convenience stores account for \$500 million or 12% of that business and it is growing by double digits.

As customer demand for this product group continues to grow, it only makes sense that c-store operators offer more of it. The convenience industry is in an excellent position to take advantage of the trend: fresh fruits, vegetables, jerky and protein health bars are perfect quick meal replacements.

Providing these healthier snacks can help to differentiate your business. Given the difficulty in differentiating chocolate bars, beverages and other items widely available at competitor stores, a healthy or "better for you" or "energy on the go" section in your store prominently near the paypoint will send positive messages to your customers. In other words, it is

highly assumed that pop, chips and their favourite candy will be available in your store, but is it known that you also sell protein bars you have tried and enjoyed? Specialty health stores that once sold these bars exclusively are losing market share to groceries and drugstores

that have jumped on the bandwagon in selling these products.

Another benefit to this growing category is higher dollar margins. Traditional margins of 35 to 45% on confectionery items can yield 50 cents per bar, whereas the same margins on these super bars can deliver almost a dollar in gross margins.

This category also delivers specific product needs for dietary-restricted and/or weight conscious individuals with choices such as gluten free, natural, low sugar, high fibre and

high protein. Many of these bars are marketed to women, children and athletes.

Customers in this category are driven by those dietary needs and by taste and are less concerned about price. While the need to be competitive is always important, there is ample room for pricing strategies since these consumers are loyal to their favourite brands.

If you are looking for a great growth opportunity for customers looking for a quick meal replacement or energy boost, create a prominent location for protein bars. Once only mainly bought after workouts, these products

are being purchased more and more to deliver energy boosts during the day and to help curb cravings.

Take the opportunity provided by the on-the-go health conscious diners that are your customers, and make it easy for them to find exactly what they are looking for!





Winning in retail – What it means and how to keep competitive edge

Successful retailers maintain their competitive edge by effectively allocating their most precious resource—their employees' time—cultivating collaboration within the organization and with vendor partners, maintaining simplicity and focus, and ensuring effective execution at store.

ONE "TRUTH"

How often do you meet with vendor partners, or even colleagues from within your organization, and they are reading from a different page than you? Either their figures don't match yours or they're focusing on metrics that are not important to the success of the organization. How much time have you wasted in meetings explaining to each other how you calculated your results and what the figures actually mean? By introducing and fully utilizing a Vendor Data Release program, successful retailers are able to remove these unwanted surprises and wasteful discussions. With VDR, everyone enters the meeting on the same page, empowered to have educated, constructive conversations, with the purpose of leaving the meeting with decisions finalized and clear next steps.

By having one version of the truth, retailers and vendors can invest more of their time into analyzing those metrics that are critical to success, engaging in informed conversations about the direction of the category/department and setting clear paths to success, and evaluating past performance and adjusting future plans accordingly. Less time is spent on running queries, extracting and manipulating data, creating presentations and, as previously mentioned, educating colleagues and clients as to how you came to your results, what the figures actually mean and comparing them to results put forward by others.

By having one version of the "truth", retailers and vendors are able to speak the same language and meet as partners to discuss mutually beneficial outcomes. Everyone is reading off the same page and has a view of the whole category. Vendors are able to analyze and forecast the impact of their proposals on the entire category, not just on their own brands. Vendors will need to consider the implications of their proposals on the entire category before presenting to the retailer, thus resulting in more productive meetings and less requirement for re-analysis and follow-up meetings. All proposals will need to be presented as a win-win situation for vendor and retailer.

SIMPLICITY & FOCUS

Key to successfully implementing and maximizing the value from a VDR program is simplicity and focus. Integrating VDR into the day-to-day of the retailer and vendor is only possible if the reporting is easily accessible, available on-demand, relevant to your specific need and presented clearly and concisely.

By keeping the reporting focused, having specific reports that answer specific questions, users from all departments within the retailer and vendor are able to benefit from the reporting insights on a daily basis.

Senior Leadership – What Departments/Categories are driving growth and which are underperforming? Are we more or less reliant on Sales on Promotion? Is foot traffic in-store increasing and are we converting customers into high value/margin categories?

Category Manager - Easily understand what and who is driving their category. Is it increased penetration or are existing shoppers buying more? How is my planogram being implemented at store? What \$ opportunities exist from stores non-compliance with my planogram? What are the top and bottom performing SKUs in my category? What SKUs within my category have high duplication among buyers and therefore can be removed to maximize assortment efficiency? Has a new innovation been successful at attracting shoppers to trial and, more importantly, has it converted triers into repeat purchasers?

Trade Marketer - Determine if a TPR attracted shoppers loyal to the retailer or just bargain hunters. Did the TPR move share from a competitor brand or was it incremental to the category? Are multi-buys more effective at changing shopper behaviour and increasing sales ongoing?

Brand/Marketing Manager - Understanding who your shoppers are (Age, Gender, Loyalty Segment, Price Segment) and how they purchase your brands and categories is critical to success. How are we performing against our target market and how is their behaviour/loyalty evolving? Are we driving customers into premium/large pack size segments of each category?

Are we increasing the frequency of customers transactions and transaction value? Are we driving customers to try new categories and increasing their breadth of shop in-store?

EFFECTIVE IN-STORE EXECUTION

With the amount of hours spent on conducting a full category review or marketing campaign, it is amazing how it can, and often is, all for nothing without successful execution in-store. Successful execution in-store is a function of selecting the right stores for the right assortment/planogram, implementing updated planograms in a timely manner, maintaining a compliant planogram in store, managing demand levels and out-of-stocks, maintaining an accurate list of stores/planograms and monitoring opportunities from stores not selling on and off planogram.

A VDR program allows the retailer and vendor to determine the impact of in-store execution on targeted campaigns and innovation launches, track which are the top and bottom performing stores for their categories and brands, and determine the \$ opportunity by understanding which stores are not selling specific SKUs (both on and off planogram). By monitoring the performance of every store through simple reporting, retailers and vendors are able to continually drive compliance and effectiveness of execution in-store.

By enabling your employees and vendor partners to increase their time on value adding tasks, cultivating collaboration within the organization and with vendor partners, maintaining simplicity and focus, and ensuring effective execution at store, you can Win in Retail and maintain your competitive edge.



ToolBox Solutions® is a Global Premium Full-Service Category Management provider to leading Consumer Packaged Goods Companies, Retailers and Brokers. Established in the late 1990's, ToolBox Solutions has a proven track record in delivering customized and result driven solutions for the Consumer Packaged Goods Industry. www.toolboxsolutions.com

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