The Digitization of Dining

Mobile ordering and delivery are making c-store foodservice more convenient, especially for tech-savvy young adults

By Debby Garbato

MOBILE ORDERING and delivery represent the next wave of growth in the $661-billion convenience store industry. While the number of c-store chains offering these perks is still limited, major players have been ramping up services and technology in this hotly competitive space, especially centered on the foodservice category.

Pioneers 7-Eleven Inc., Wawa Inc. and QuikTrip Corp. have some of the most well-developed mobile programs. Entering the mobile ordering/delivery space in 2017, their mobile initiatives now rival those of the myriad quick-service restaurants (QSRs) and fast-casual chains with which they compete. Their proprietary apps — along with those of QuickChek Corp., Sheetz Inc., Pilot Co., Family Express Corp., Kum & Go LC and Casey's General Stores Inc. — seamlessly transmit orders in real time. The apps are tied to mobile payment and loyalty programs, allowing shoppers to accrue points and offers, while the retailers collect valuable data.

Most c-store operators, however, have not reached this level.

"Mobile ordering and delivery are becoming essential to c-stores because of the 'want it now' environment," said Tom Cook, principal at retail consultancy King-Casey. "Big guys like 7-Eleven and Casey's are really advanced and are best practices among c-stores. But the industry is way behind. We work with many QSRs and fast casuals, for whom mobile payment, ordering and delivery apps are priorities."

Andrew Robbins, CEO/co-founder of Paytronix, a provider of loyalty programs and customer engagement solutions, estimates that just 10 percent of c-store chains currently offer mobile ordering and/or delivery. The channel, though, is well positioned to surpass that percentage.
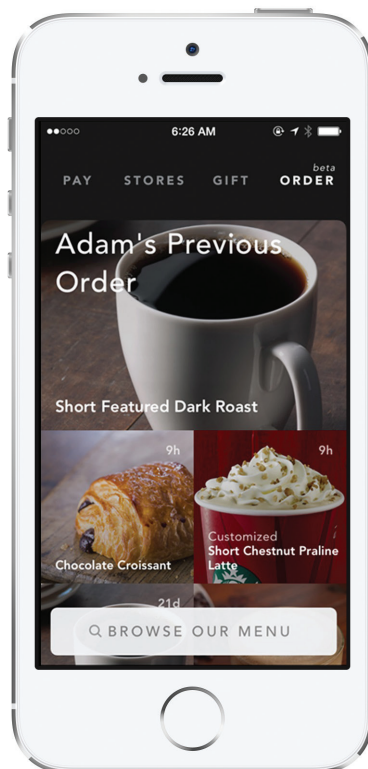
Mobile ordering and delivery are most popular among young adults — c-stores' core shoppers. Millennials placed 622 million app-based orders

for mobile ordering/delivery in 2019, according to The NPD Group. Among those aged 19 to 39, 54 percent regularly frequent c-stores, and 16 percent of millennials visit daily, indicated Koupon Media's *2018 State of the Industry* report.

"C-stores provide Gen Z and millennials with immediacy, convenience and breadth of offering," said Jimmy Fleming, category manager for Pilot Co. "They grew up with technology and mobile convenience. They're comfortable ordering from the palm of their hand, and have unique needs c-stores can fulfill better than other foodservice channels."

C-stores offering these services are seeing results. Over the past six years, researcher AlixPartners cited 11 percent year-over-year growth in c-store mobile ordering/delivery.

Fleming shared that Pilot and Flying J's mobile orders are three to four times larger than its traditional in-store purchases, involving hot food, beverages, salty snacks and candy.

The ability to add nonfood categories, such as health and beauty care, alcohol and tobacco (where allowed), gives c-stores an advantage over restaurants. Mobile ordering and delivery also attract new customers.

But restaurants are still miles ahead. Starbucks leads with 44.2 million app customers, followed by Chick-fil-A, Dunkin' and Panera, which have about half that number, according to a recent consumer survey by Cornerstone Advisors. McDonald's, which has offered delivery since 2017, estimated it would generate an additional $4 billion from 36,000 orders in 2019.

Despite myriad players, there is room for more. Allied Market Research said the global food delivery mobile app market could hit $16.6 billion by 2023 at a compound annual growth rate (CAGR) of 27.9 percent.

By 2023, King-Casey predicts more than half of c-stores will offer mobile ordering/delivery.

"C-stores are like restaurants three years ago, when McDonald's did zero in mobile ordering/delivery," said Robbins "If we project that onto c-stores, they'll do the same."

C-stores' ongoing success with foodservice should help accelerate the trend. "Consumers are interested in c-stores, where foodservice has been at 14 percent CAGR for several years," said John Benson, director of AlixPartners. "Everyone knows QSRs and fast casuals. C-stores are still kind of a burgeoning newcomer. But they're in a good position to play."

Movers & Shakers

Starbucks launched mobile ordering in 2015. Today, it is the mobile ordering/delivery benchmark for both c-stores and restaurants. Its app lets customers pre-order, and rewards members can place custom orders and reorder favorites through Google Assistant. Launched in 2018, delivery is available in 16 major cities through Uber Eats. It will soon expand nationally.

In November, Starbucks opened the first Starbucks Pickup store in Manhattan's Penn Plaza. Targeting commuters, the store's customers mainly use Starbucks Mobile Order & Pay. Upon arrival, customers can track their order on a digital board.

In the convenience channel, 7-Eleven has been a trailblazer. It facilitates ordering/delivery of thousands of SKUs 24/7, including hot food, snacks, beverages, household items, electronics, beer, wine and, in some areas, tobacco. The 2019 addition of 7NOW Pins technology to the 7-Eleven app expanded delivery to parks and other public places. Shoppers receive orders in 30 minutes or less. In November, 7-Eleven added 7Voice, which uses Google Home and Amazon Echo systems. Voice control lets customers order while driving.
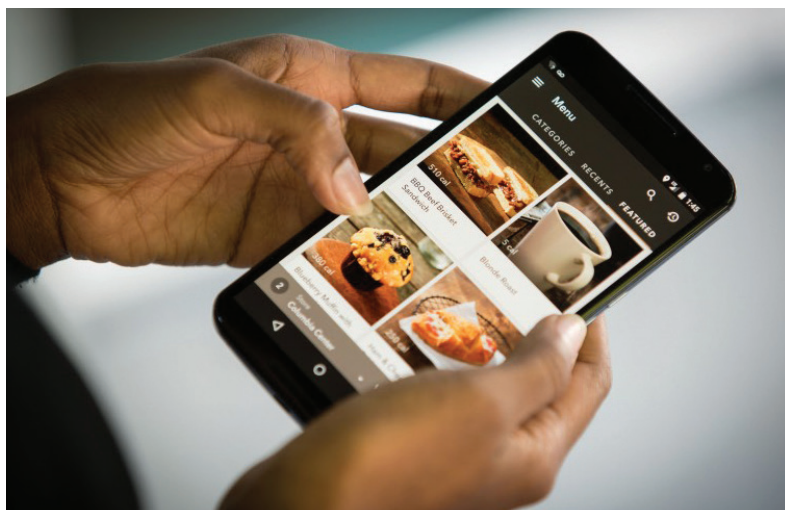
Wawa is another convenience channel leader. It serves select cities via Grubhub, Uber Eats and DoorDash. App users prepay with Wawa gift cards tied to Wawa accounts, or pay upon order pickup. Location services track order progress. In January 2020, Wawa opened a 3,000-square-foot Philadephia store with a pickup window dedicated to digital orders.
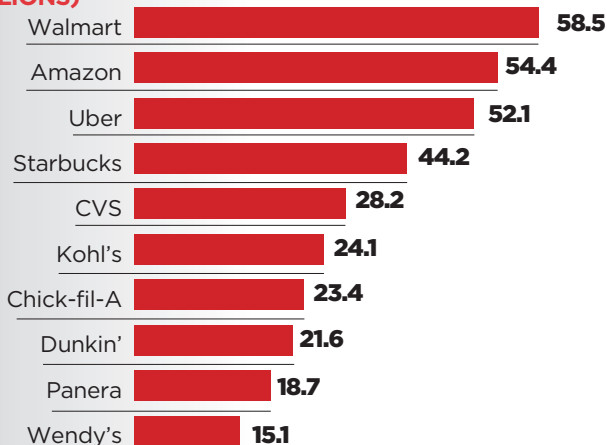
Proprietary vs. Third-Party Apps

For most retailers, proprietary apps are the most effective ordering platform, letting shoppers personalize orders, save favorites and check prices. Retailers can tie apps to loyalty offers and accrue valuable shopper data. NPD's *Delivering Digital Convenience Report* found that 70 percent of digital foodservice orders come through companies' own apps or websites.

"Your own app can drive loyalty and clienteling, let shoppers customize orders, view loyalty points and copy previous orders," said Jim Barnes, CEO of Envista Corp. "Uber Eats won't do that."

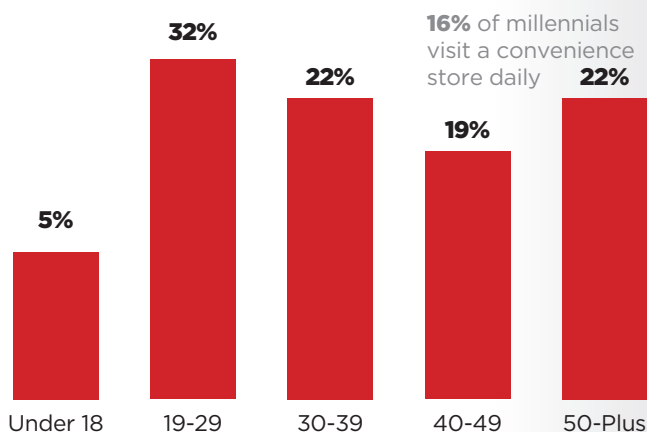Proprietary apps also can provide added perks. Quik-Trip's app lets customers check fuel prices. With Pilot

NUMBER OF MOBILE APP CUSTOMERS
(IN MILLIONS)

Company	Customers
Walmart	58.5
Amazon	54.4
Uber	52.1
Starbucks	44.2
CVS	28.2
Kohl's	24.1
Chick-fil-A	23.4
Dunkin'	21.6
Panera	18.7
Wendy's	15.1

Source: Cornerstone Advisors, Q2 2019 survey of 2,506 U.S. consumers

CONVENIENCE STORE SHOPPERS BY AGE

Age	Percent
Under 18	5%
19-29	32%
30-39	22%
40-49	19%
50-Plus	22%

16% of millennials visit a convenience store daily

Source: Koupon Media, *2018 State of the Industry*

and Flying J's app, truckers can reserve showers and parking spaces and start diesel pumps.

Pilot and Flying J also benefit from third-party ordering apps, which help accrue new customers.

"A retailer's app gives customers access to various offerings," said Fleming. "Third-party apps let us reach new guests, who may not have been seeking us. We entered this space quickly and have gained valuable knowledge through third-party partners."

For retailers without proprietary ordering apps, third-party apps can facilitate entry into mobile ordering, noted Dusty Lutz, vice president and general manager at NCR Corp. But for proficiency, orders should be fed directly into kitchens and point-of-sale (POS) systems.

Some retailers' POS systems do not accept prepaid orders, so they use a tablet computer to accrue them. "Somebody must watch it, which isn't efficient since they may not notice orders immediately," Lutz explained.

For third-party mobile delivery, retailers need an application program interface to initiate communication between the c-store and the delivery service, said Barnes. "Providers are out of the box. This is the minimum information you need to shake hands."

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Ideally, retailers' backend technology should bid out orders to third parties based on customers' delivery time frames. "They ask DoorDash or Drizly: 'Can you deliver to 1 Main St. at this time?'" said Robbins.

Delivery companies, added Barnes, can often meet retailers' technology needs at multiple levels. "The limitation is often on the c-store. Last-mile delivery companies are fairly advanced."

Grubhub and NCR, for example, joined forces in 2018 to enhance third-party delivery through the Aloha POS system, said Lutz. Part of NCR's Order Service technology, Aloha integrates orders and menus, enabling real time, automated communication between foodservice providers and Grubhub. The seamless order flow maximizes efficiency.

A few retailers operate their own delivery services. Casey's drivers use their own vehicles to deliver pizza for the country's fifth largest pizza chain. One driver made a video about his experience, saying they receive $2 per delivery plus an hourly wage and tips. When not delivering, they perform in-store tasks.

Indiana chain Family Express has its own delivery vehicles and employs drivers. The regional operator wants direct control to ensure that the "last mile" runs smoothly and that beer and tobacco deliveries follow legal protocols.

Both models incur costs, as does third-party delivery. Representing 20-25 percent of an order, third-party delivery fees are often split between retailers and consumers, said King-Casey's Cook. "Some people say third-party deliveries are incremental volume; others believe customers would have purchased anyway. They'll figure it out."

Some major retailers do mobile ordering, but don't offer delivery, including QuickChek. Its mobile ordering focuses on its robust breakfast business. "Their biggest bang for the buck is people pre-ordering and picking up breakfast en route to work, saving 10 minutes," Robbins said. "They want this to be as frictionless as possible to better compete with Starbucks and Dunkin' for morning customers."

The number of c-stores offering ordering and delivery should continue rising, along with the number delivering alcohol and nonfood products. Some are now using Drizly and other third-party mobile specialists for alcohol ordering/delivery. Voice-activated ordering and other app-based perks should also grow as retailers and consumers become more sophisticated.

The sky may be the limit. But what ultimately works should be determined by some simple criteria. "Millennials are very price sensitive, demand high quality, and aren't brand loyal," said Benson. "It comes down to two things: what the consumer wants and what competitors are doing." **CSN**

Digital Ordering: The Key to Foodservice Sales Growth

Tim Ridgely

MOBILE ORDERING and delivery are rapidly becoming must-haves for 21st century convenience stores. By allowing retailers to better serve their core customer cadre of tech savvy young adults, they gain a competitive edge against traditional food service providers.

In 2019, millennials placed 622 million app-based orders for mobile food service and delivery, said NPD Group. Most business went to QSRs and fast casual chains, with c-stores just beginning to embrace this lucrative segment. But by 2023, King-Casey predicts more than half of c-stores will offer mobile ordering and delivery.

To be efficient, c-stores need the right technology, particularly when it comes to implementing order and delivery systems, integrating ordering functions with loyalty programs, and adding newer perks like voice activation and facial recognition.

CSNEWS: Why are mobile ordering and delivery becoming essential to c-stores?
RIDGELY: C-stores must meet customers wherever they are. Their mobile phone is a constant companion. Ensuring that the mobile experience is intuitive and simple is critical for a successful order-and-delivery platform, with more than half of online orders coming through mobile. But getting the order isn't enough; many guests also want delivery. Progressive c-stores like Wawa are meeting these needs. In addition to delivering to many markets, Wawa opened a smaller-footprint Philadelphia store this month that is centered around a mobile pickup window.

CSNEWS: More than half of c-store shoppers are ages 19 to 39. Why does this make mobile ordering and delivery particularly important to c-stores?
RIDGELY: For Gen Zers, food delivery and ordering play a large role. In fact, 29 percent of Gen Zers said they ordered food to satisfy a craving, with 11 percent ordering five times weekly. They are focused on convenience and spontaneity, with an attention span of about eight seconds. Any ordering friction leads to cart abandonment. A streamlined mobile ordering solution lets c-stores effectively reach this technology-enabled, convenience-oriented demographic.

CSNEWS: How does a retailer benefit from installing an order and delivery system?
RIDGELY: Order and delivery satisfy a key customer demand, yet third-party aggregators dominate. Aggregators are amassing an unprecedented amount of consumer data and quickly learning how to monetize it. Some are establishing ghost kitchens, which supply food in specific locations based on geotargeting and customer demand.

Consequently, foodservice purveyors risk competition from the same aggregators that service their off-premise businesses. By implementing their own order and delivery systems, retailers control branding, guest relationships and data, while providing a convenient guest experience.

CSNEWS: How can a retailer's mobile ordering/delivery functions and loyalty program be complementary?
RIDGELY: The in-store experience must match the in-app experience, and loyalty programs are central to that. When rewards are displayed up front in the app, guests often redeem them. They may even add items since the order is already discounted. If the experience is poorly executed, guests may locate rewards after ordering and become frustrated. Seamless integration with a loyalty or CRM provider keeps the guest experience consistent regardless of how orders are placed.

CSNEWS: What role can AI and machine learning play in upselling and cross-selling relevant offers?
RIDGELY: AI enables true frictionless commerce through both facial recognition and loyalty. AI-driven facial recognition is the future, affording fast, transparent interaction with the app. Just looking at the phone prompts loading of personal preferences, establishing a tailored, streamlined experience. AI also lets c-stores better utilize customer data to deliver relevant offers and cross-sell messages at key times in the buying process. This focus on individual actions will become integral to guest engagement, helping brands increase sales, guest satisfaction and loyalty.

Tim Ridgely leads Paytronix Systems' Order & Delivery team. He began developing technology solutions at age 12. For 10 years, Ridgely has worked in the restaurant technology industry. An entrepreneur and specialist in off-premise food service, his accomplishments include creating Open Dining Network, an online restaurant ordering solution acquired by Paytronix in August.