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That Makes Cents
Season 1: Episode 9
June 2020

From format to function: The rise of convenience

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Bobby Stephens: Welcome back to That Makes Cents. The show where we get real about the consumer industry. So, we're here today to talk about convenience. And what's cool is convenience is no longer simply a store format, but it's become a core function of the overall customer experience. So, we've watched what we call the rise of convenience over the past few years. With retailers across the board adapting their business models to make things easier, quicker, and more accessible for consumers. That even extends beyond retail too. To the food industry, to transportation, and to even healthcare. But over the past few months, with the way Covid-19 has impacted everything, maybe it's more fitting to say that we've seen the role of convenience actually skyrocket. So, joining me today to discuss this are two pros in the convenience space. Art Sebastian, who's currently vice president of digital experience for Casey's General Store. And Oliver Page, my colleague here in Deloitte Consulting. Gents, I know you both well, but let's take a moment to introduce yourselves to our listeners.

Art Sebastian: Hey, Bobby, thanks for having me on the show. And hey, everybody, this is Art Sebastian. I'm glad to join you today. And I'm the VP of digital experiences at Casey's. And really I have responsibility for all things digital, including digital marketing, social media, our loyalty program, e-commerce and analytics, and have spent my career in the retail industry and some time in CPG as well.

Oliver Page: Art, Bobby, good to be on with you guys. And, for me, a little of my background is, I'm a partner at Deloitte Consulting and I've been in and around the consumer industry for my entire career. At Deloitte, that includes retail, restaurants, convenience stores, travel and hospitality. And I work around digitizing brands, helping them transition to the digital era, and that specifically includes crafting digital strategies, designing next generation experiences for both guests and employees, using the data to create insights around their customers, and then standing up and operating platforms to power these types of transformations. Thanks for having me.

Bobby: What's awesome is, between the two of you guys, we've got good experience across multiple different formats. Grocery, convenience, QSR. And across different elements—marketing, technology, core commerce, and all of those things really contribute to convenience, especially in the modern industry. So, I think this is gonna be a really great conversation. So, let's jump back in to where I think many people's heads might go first, is convenience stores themselves, right? The quick in-and-out for snacks, beverages, maybe some fuel or other items. What does that look like today for these specific convenience stores? Maybe, Art, you could spend a little time talking about that?

Art: Yeah, sure. Convenience obviously is changing in the last several years. And I think most would have thought of convenience stores being convenient really because of the location. Proximity to home or it's on your route. And maybe even because they're smaller stores, where products are easier to find, and it's even easier to park outside. But a lot has changed. And what we've all seen is convenient stores really trying to cover more need states for consumers. And so, what I mean by that is we've seen an explosion in coffee, right? In better-quality coffee at convenient stores. We've seen convenient stores really get into broader grocery assortment. And then the most recent trend as of the last couple of years is the big push into prepared and hot foods. And so, convenience has really shifted beyond just location. And I think it's really about meeting more of consumers' needs these days.

Oliver: Yeah. I'd build on that, Art, with the need states also transcending the physical store and touching all these other parts of the journey. So, you used to have to always go into the store and now you can pick up at the curb. You can do a drive thru. You can have it delivered. So, those need states of the physical store have kind of been wrapped with all sorts of permutations around the customer journey for different locations. So, do you come on-premise? Do you go off-premise? And it means so much more than just the physical format of the store. It goes into where you actually get the product.

Bobby: So, I think it's really interesting. We're talking about the need states changing. One of the main need states that has changed very recently is with the crisis that we're in right now from a healthcare perspective. Safety has become a main need state or consideration for consumers. So, how do you incorporate safety, healthy, cleanliness, whatever adjective you want to use there, into that experience without really hindering convenience? Things like contactless, cashless, and, Oliver, you mentioned, curbside. How are those things coming to life?

Oliver: Yeah. So, there's been a huge shift, right? So, pre-COVID, safety, wellness, they were pretty far down the consideration set for most people. So, some brands were exposed and they had more focus on safety and wellness than others. But for the most part, the value proposition around things like contactless payments were really around the experience. How do we make it faster or more convenient? What's happened now over the last few months, we've seen a flip in digital adoption. We've seen many brands go from a few percent digital adoption to 70 percent or more adoption. Now, of course, quite a bit of that was just mandated. But what's come out of that, now that we're kind of on the backside, is watching how safety and wellness has really shot up to the forefront of the consideration set. So, there's been a rapid shift over to repositioning contactless payment, which used to be things like scan and pay, or click and collect, and now is all about contactless. We've seen a push for curbside pickup, or drive-thru as a digital offering or a contactless offering. Even what we've seen around delivery has evolved pretty dramatically with contactless delivery. Drop-off at the door versus having to interact with another person. I think what's gonna be very exciting is what we see in the evolution of the model. What's the next evolution around, how all of these things continue to push. So, drive-thru has been fairly stagnant. We're starting to see a little bit of evolution there on safety, and wellness, and contactless payments. But I imagine that's going to continue to accelerate.

Art: Yeah. You know, I'll just jump in there and say, in addition to digital capabilities and experiences sort of lighting up new safe options, I'd say, there's a lot going on in stores today too. And all of us are in stores as consumers ourselves. And I think what we've all started to notice is a lot more cleaning occurring. And you're seeing cleaning becoming a regular part of store employees' job description, just keeping things clean. You're also seeing some of the social distancing in stores. And a lot of that has really changed the way that consumers walk through a store or shop. And so, what I've noticed or observed is a lot more quicker trips. In and out, grabbing a few items, getting out as quickly as possible. And I don't know how long that will stick around, quite frankly. But on the digital side, just to build on what Oliver has shared, is I think there's still a lot more that can be done to improve that digital experience. I think having this order ahead and pay ahead is one way to improve contactless payment and delivery. But there are other things we can do as an industry, in terms of speeding up that order. So, it might be for retailers and restaurants to add favorite payment, or favorite address, or the ability to reorder your most recent order or your favorite order. So, I think we'll see some of those enhancements come to life in the coming months.

Oliver: One thing that we're also seeing that really struck a chord for me is around packaging. So, the evolution of safety in the packaging, in the format of the packaging. So, security stripes, making sure the bag is sealed properly. So, rounding out that experience and not just enabling the digital experience, but then also how do you actually have it, especially for the delivery side of the business, make sure that the packaging has appropriate confidence for the customer that it hasn't been tampered with.

Bobby: Those are all really good points. And I think in a minute I'd like to come back maybe to the team member, or associate, or store employee side of things. But before we do that, we talked about in the convenience space, specifically, that COVID has sort of accelerated things. We also talked briefly that convenience was starting to play a role outside of the traditional C-store space. And, of course, COVID has had an impact on that as well. So, how would you say the notion of convenience has really been translated from the C-store, who were sort of the experts in it, and applied to other formats, like grocery, like QSR, maybe even to other ones that wouldn't be as expected as apparel?

Oliver: Yeah. No, it's absolutely permeating all industries. Product and price has always been tremendously important, but this concept of convenience is applied to the way we shop, the way we interact in all facets of life. Just think about the way you buy things at home, right? If you're low on shampoo then you'll go online, order it, get it in a few days. And that concept has translated to many industries. So, if I look to restaurants, there's been a massive shift towards digital to better serve customers on their terms. I have a few minutes, I'll order now, and I like the same handful of products, so bring it to me. I'll pay a little extra for that, the convenience of having something delivered. And we see this in the data. We see that these channels are extremely sticky. They keep customers engaged. And there's a willingness to put convenience up ahead of things like price. And in exchange pay a little bit more for something that was historically, as long as it's an incremental amount more, pay for the convenience even. And we're seeing a proliferation of some that into very different ways. So, this concept of subscription models where the convenience factor is, it's already set up, it's part of my daily routine, and I grab my coffee, as part of that model. So, the definition of convenience is really extending in different ways across different industries, which I think is very interesting.

Art: Yeah. The other thing I'd just add to that is the notion of speed. So, when we talk about convenience, I think for most of us, something that comes top of mind is just speed. How do we get in and out fast? And the grocery channel is a great example of a channel that has really invested heavily in the notion of curbside pickup and home delivery the last few years. But even in the recent few months, we've started to see some innovations or some enhancements to those business models. And I'll just give you a couple of examples of things I've seen most recently. I've seen some grocers with now the option for even faster curbside pickup. So, it wasn't, I guess, just good enough to offer curbside pickup, but if you're really in a hurry, you can pay extra and pick up within the next hour or two, depending on that retailer's business model. And so, they're just adding that extra element of speed for their customers, if they think that's important. Something else that I've noticed starting to pop up is this whole notion of arrival detection for curbside pickup. And this is, I'm seeing this across various retailers, whether it's the grocery channel, or general merch, or hard goods. And so, when you order for curbside pickup, traditionally you'd need to alert the retailer that you've arrived. And now we're seeing retailers invest in arrival detection technology. So, they know when you're approaching the store, or when you've entered the parking lot. And so, they're queuing your order up, so they can get it to you as quick as possible. Again, all in the spirit of moving fast and increasing speed. So, there's a lot of what we've seen as sort of the core strength of convenience retailing starting to work its way throughout other channels. And, at least from what I've seen, Bobby, it's just all in the spirit of speed.

Oliver: Just to build on that for a second, Art. What I think you started to hit on, which is really cool, this arrival detection piece. And then what's, what goes with that is also the whole associate experience. So, how do you enable the associate to create very convenient experiences. So, when you call in, having all the customer's information available to you so that you can go make quick decisions about, here's the products that that customer wants to order. Or as orders come in and you're managing through them, how do you make sure the right one's going out at the right time, so that customers aren't waiting? So back to your point on arrival detection. But putting some of that in the hands of the associates, so that they're working on the right things at the right time. That's been a pretty interesting evolution that's starting to get more investment and thinking going into it.

Bobby: Yeah. I'd agree and I'm, as a consumer and as a person participating in the industry, I'm seeing that a lot as well. And, frankly, I like it. I mean, I think it's a more effective use of the technology that most consumers carry around in their pockets, or purses, or hands, all the time, to kind of help makes things as smooth and convenient as possible. So, you guys talked about some good things, some hits, for sure, in terms of how people are translating convenience. I'd love to hear more about a few of those additional hits, or what maybe are some misses that you've seen recently when it comes to how companies are trying to implement convenience across the board?

Art: One of the hits that I think is probably obvious to many is the real heavy push on delivery. Boy, what a convenience, right? Order ahead and get your order, whether it's food or groceries, delivered to your home. I think that's a real hit. And I think retailers and restaurants will continue to improve that digital experience. Something else that I found pretty interesting is self-checkout in grocery stores has been a hit for many years. And what I've observed in the last handful of months is it seems like grocers are starting to increase the number of self-checkout stations versus full-service stations. And so, that seems to be a hit. And what I'm wondering is when self-checkout will move beyond grocery and into convenience retailing. Now, there's a lot of nuances in grocery, you're typically buying more items. And then in the convenient store, you end up with two or three items. And so, is it really faster to check yourself out? But as we're talking earlier about the whole idea of safety and if I can self-check in a convenience retailer, is that a form of no-contact shopping? And so, I don't know if it's a hit or not. But I think it's a space that will be explored in the coming months.

Oliver: I like those examples, Art. Maybe I'll just build on it with a miss that I've seen. Not everywhere, but certainly an area for opportunity and improvement is around service recovery and being more proactive with it. So, we're getting better at capturing issues in the experience and then trying to support customers. But there's so many times where this is not a regular part of the experience. Think about when you're, let's just say, in a restaurant and you're getting some food brought over to you, and you can say, "Oh, this isn't quite right," and then get a quick recovery or something off your bill. That doesn't fully exist in sort of the convenience experience. You get home and the product's, maybe something spoiled, or maybe the packaging's torn, or maybe you ordered some prepared food and it didn't arrive quite to your liking, the food's maybe kind of shifted in the packaging, it's all sort of mushed up on the side. How do you actually go back and offer some sort of a service recovery model, and then get more proactive about it? How do you delight the customer in the future? How do you make sure that that history and knowledge is then taken into account in future experiences, so you continue to build on creating that loyalty with the brand, loyalty with the company that they've ordered from? I think there's room for growth there and opportunity that we're just in the infancy on.

Bobby: You guys talked a little bit about looking forward. So, let's play on that. And let's look kind of way forward in the future, like way out there. Which I know is little weird right now. Think about technology. What are a few, kind of, technology areas that you think could drive some major advancements here? Whether we're talking drones or anything else, kind of, crazy sci-fi. What are a few areas that you think are actual real possibilities to drive advancements in convenience?

Art: Hey, Bobby, I love this question because this is really a question for dreamers, right, and forward thinkers. So, I love it. There's a couple of things that I keep thinking about and they might be sooner than we think. One of them that I think is something that should emerge in the very near future is this whole notion of dark locations. So, whether it's a dark store or a dark kitchen, I think it's something that we'll start to see more of across the industry. And the big business opportunity there is the ability to build smaller locations, potentially in more urban locations, where you don't really need to be set up to serve customers coming inside. You just need your inventory, or your kitchen, and if you build a pickup or delivery model, that can be really interesting. I think it gives retailers or restaurants the ability to expand even faster and reach more customers. And obviously, you'd leverage technology to bring that business model to life. Order ahead, digital engagement, all of that fun stuff. The other thing that I'd put out there as something that I think a little bit further, but still in the medium term, is the role of in-home technology. I can foresee a time where the mobile app might be just one of the digital ways to put an order in. So, the website, the mobile app, but maybe there are other devices that are more conveniently located throughout a home or an apartment, where customers can place orders. And that might have connectivity to their favorite restaurants, to their favorite retailers, and have their payment built in and all of that.

Oliver: I love it. I'm gonna go a half-step further out. I'm imagining a world where all the investments into autonomous are starting to materialize, and this notion of how delivery evolves in a world when price points and autonomy are driving the cost way down. And you can literally get things delivered in moments anywhere you are. I think that's really gonna redefine this notion and actually play to, Art, your thinking on these dark stores, right? You're gonna need more of these locations that service an off-premise experience. Something that where you never enter the store. And the way those are going to be powered is through delivery services. As those move towards autonomous, they're gonna continue to really evolve and become more prolific than they are today. So we're delivering products that you purchase in a day or two, or delivering food in kind of a short window, and we're just starting to see convenience items move into the delivery model. And in the very near future, I imagine everything can be a part of that delivery model, which would be pretty interesting.

Art: Yeah. Hey, I got one more kind of thought for both of you. Today a customer orders from a retailer or a restaurant, and we find a way to fulfill that order, whether it's curbside or delivery or buy online, pick up in store. But if you look further out, is there a day where the consumer looks for a set of things and that can be fulfilled in one order with one payment. I may want a pizza at a certain location. I may want some convenient grocery essentials. And I might want a dessert from a total other location. Is there a day where technology pools that together from multiple retail stores and gives the consumer what they want, right? The ultimate convenience of shopping from everywhere and just getting what they want as quickly as possible. I haven't seen that business model stood up yet. But when you think about where the world is going, and how companies are leveraging technology to meet needs, I think the ultimate need is that customers desire things and they want it as quickly and as easily as possible.

Bobby: If we could get there soon, that would great. I know I went for a run the other day and it was hot, and had I had a chance to stop in the middle and order a cold drink, and a lawn chair, and an Uber to get me home all from one place, I probably would have stopped immediately, because I had taken on a little bit too long of a run that I really couldn't handle with my old legs. So, I think that sounds pretty good for me at least.

Oliver: There you go. First use case. [laughs]

Bobby: Yeah. I don't know if that scales, but, hey, it's a start, right? Well, guys, this has actually been awesome. And in the spirit of convenience, let's not take too much more of our listeners' time. So, just one last question. What is the one thing each of you want to leave listeners with? Kind of one big thing. Oliver, why don't you take this one first, and, Art, you close us out.

Oliver: Sure. I think that there is so much room and potential for evolving the off-premise experience. It's becoming the new definition of convenience. But for today, it's largely taking product from an on-premise to an off-premise location, usually your home or your office, when we used to work at offices. And I think there's so much evolution to that experience. What's the off-premise experience look like of the future? How do you create something that's more than just the product being delivered to your home? And wrap it with something more interesting. That's where I'd like to see thought and investment go.

Art: Yeah. Yeah. I think that's really cool, Oliver. We covered a lot of ground in a short period of time today. We talked a lot about different ways to shop, about how technology is enabling that, and even payment solutions. My guess is that we're gonna see an increase in technology, in innovation across retail and QSR, but if I were to say one big thing to focus on is, how do you really unlock all of the data that's coming through the technology, through the experiences, through customers, and really that data's about knowing your customer, understanding the trend, and then starting to predict the trend. And then shifting your marketing from mass into more personalized marketing. I think the smartest companies will invest in technology, potentially AI and machine learning, to accelerate that. Really, I think this decade's going to be all about data to unlock more potential.

Bobby: Yeah. I think you're right, Art. We hit on a lot of things. And I think it's clear that convenience has risen in importance a lot in the last couple years. But I think the point you guys just made, at least indicate to me, that it's going to continue. It may even accelerate and be an even more important part of consumers' everyday choices around where they get the items that they need and the items that they love. So, this was awesome. That does it for today. Thanks again for listening to That Makes Cents. Cents with a C, of course. I always have to say that. Be sure to subscribe for updates or head back to listen to other episodes. And, a final thank you to my guests, Art Sebastian and Oliver Page. Thanks, gentlemen.

Oliver: Thank you.

Art: Thanks.

Bobby: All right. We'll see you guys next time. Thanks a lot.

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