

ConvenienceStore

WHAT'S NEXT IN CONVENIENCE AND FUEL RETAILING

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IS THE PARTY OVER?

After four years of record profits, the convenience store industry's remarkable run may be running out of gas.

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INSIDE

HOW TO GAIN THE LOYALTY
OF GENERATION Z NOW

Catch Some Zs

Don't fall asleep on the up-and-coming consumer powerhouse, Generation Z

By Renée M. Covino

IF YOU REALLY WANT TO CATCH SOME ZS, you'll need to wake up, and wake up fast.

The generation after millennials, Generation Z — made up of those born from the mid-1990s to the early 2000s — currently accounts for 25 percent of the U.S. population, making it a larger cohort than baby boomers or millennials. Gen Z, or Pivotal as consumer trends consultancy FutureCast also calls them, range in age from pre-tween to 21, and they already claim more than \$40 billion in buying power.

Forward-thinking convenience store operators would be wise to gain the loyalty of these consumers now, especially considering that Gen Z prefers to shop in physical stores.

That was one of the unexpected findings by San Diego-based Interactions in its recent *Next Generation of Retail* study. Some other trends it uncovered were:

- Gen Z consumers are very price-conscious (89 percent) and prefer to spend money on experiences vs. material items.
- Gen Z is not brand loyal — 81 percent are willing to switch from their favorite brand if they find a similar

product at a higher quality.

- 64 percent of Gen Z prefers to use cash vs. credit or debit cards.
- 64 percent prefer shopping in-store vs. online.
- Three-quarters of Gen Z respondents said they prefer to shop at retailers that provide an engaging in-store experience.
- Almost two-thirds of Gen Z (63 percent) expects retailers to have a social media presence, and 82 percent say the opinions of others on social media have influenced them to shop at a retailer they've never shopped at before.

"Generation Z is constantly connected to technology, which retailers may find intimidating to overcome when it comes to in-store engagement. However, our study found that this group is longing for retailers to provide an engaging in-store experience. In fact, when given the choice, the majority prefer shopping in-store vs. online," said Interactions President Bharat Rupani.

Similar research findings were also recently shared by FutureCast, a division of the Barkley advertising agency in Kansas City, Mo. Its report, titled *Marketing to Gen Z: The*



Call to Action

- First off, treat this consumer group like valued customers despite their young age. Go after low-hanging fruit like free Wi-Fi and clerks who greet them.
- Creating engaging in-store experiences is a good way to hook Gen Z. Think along the lines of snacks they can't find anywhere else.
- Bolster your business with Gen Z by creating newsworthy pop-culture events around a wide variety of ethnic and international foods; Gen Z is a very diverse group.
- Leverage technology in ways that appeal to Gen Z, such as the availability of Apple Pay at the counter. The idea is to create a journey whereby they can get in and out without looking up much from their phones.
- Promote and advertise through social media; work with "influencers" as part of the strategy. Don't waste time on TV advertising as they're not really watching.
- Present the very best mobile shopping experience possible; pay attention to content and image guidelines from outsourced professionals, if necessary.
- Brace yourself and your store for 2020 when the Zs are predicted to be the driving force of the consumer world.

Rule for Reaching This Vast — and Very Different — Generation of Influencers, cited that 77 percent of Gen Z prefers unique products over popular ones; and 79 percent say their preference is for a quality product, not necessarily a name-brand item (very similar to the data released from the Interactions study).

"Gen Z consumers are looking for adventurous experiences with food, and beverages, which is why brands like Lays will launch single-serve, multi-flavored, grab-and-go snacks — i.e., Biscuits and Gravy, Reuben, Truffle Fries — in the c-store market before taking them to mainstream grocers," marketing expert Angie Read, coauthor of the FutureCast report, pointed out.

Read suggests c-stores offer items that are hard to get other places. "Takis [rolled tortilla chips] are a huge hit right now and hard to find anywhere else but c-stores," she noted.

She also urges the convenience channel to consider that Gen Z consumers are collectors of experiences and often visit c-stores in groups. "Think of ways to offer share-worthy experiences in the store. Innovate the retail experience by incorporating technology that makes their shopping trip easier, faster, more personal. Free Wi-Fi is a no-brainer," she said. "A clean store and friendly customer service are low-hanging fruit that shouldn't be overlooked with this cohort. Treat them like valued customers despite their young age."

Engage Gen Z With Food

Food can be a big part of creating an experience that speaks to Gen Z in engaging ways, according to Todd Maute, partner at New York-based brand agency CBX.

"Research shows Gen Z shoppers tend to like personalized, made-to-order items. They also want portability, possibly so that they can go back to playing 'Fortnite' on Xbox One," he told *Convenience Store News*.

Maute agrees with Read that convenience stores should strive to offer hard-to-find snacks as part of the Gen Z experience. "Sriracha-flavored cashew nuts in a wild-looking package will have much more Gen Z appeal than plain old [peanuts]," he said. "Back in the 1970s and '80s, kids were content to buy a cheap frozen hamburger with chips on the side. Gen Z is a bit more health-conscious and values novelty, uniqueness and personalization."

Consider these new dining revelations about the Gen Z consumer, recently released by Chicago-based Y-Pulse, a division of Olson Communications, in its 2018 Kids Dining Study titled *Understanding Tomorrow's Tastemakers Today*:

- Gen Z enjoys contradicting food trends — 91 percent say they like ordering their favorite foods or those they are familiar with, while 71 percent say they like to try new dishes and flavors.
- Much like their millennial predecessors, Gen Z consumers care very much about and recognize the importance of healthy eating.
- Gen Z consumers crave independence in food, with 58 percent saying they like to cook for themselves.
- Half of Gen Z consumers say they like to get snacks from a convenience store.

Older Gen Z consumers are already c-store customers, to some degree, according to Shana Snyder, account director for Y-Pulse. "C-stores close to neighborhoods are usually the first stores that kids venture out to for the first time to make independent purchases," she said. "Younger Gen Z consumers also frequent c-stores with their families, where they are allowed to have some input on purchases."

The 2018 Y-Pulse Kids Dining Study found that Gen Z consumers are beginning to take



a greater interest in c-stores as a food venue than consumers under the age of 18 in previous years' studies, Snyder pointed out. "...The amount of kids ages 8-13 who loved convenience stores increased by more than 22 percent when compared to the same age group from our 2013 study," she cited.

Given this consumer group's interest in quick ordering and grab-and-go foods, c-store retailers have an opportunity to grow a loyal customer base, observed Snyder. "Gen Z consumers may be the generation that continues to expand the grab-and-go food category in a significant way," she said, adding that Gen Z consumers expect to have a variety of food choices when dining out.

"One of the ways c-store operators can introduce variety and interest in their foodservice menus is by advertising limited-time offers and marketing seasonal offerings," Snyder advised. "In-store merchandising can also help highlight new offerings and regional specials."

As for Gen Z's interest in healthy eating, marketing healthier items as "fresh" on c-store menus can attract the interest of this demographic, she added.

Pointing out that many food trends start with young consumers, Read recommends that c-stores get creative and delicious. "Bolster business, consumer relevance and brand love by creating newsworthy pop-culture events around new foods," she recommended.

Fast-Forward Technology

Still, the in-store experience is just one part of the equation.

In an effort to cater to the all-around "convenience" aspect of shopping today, many c-stores are exploring on-demand delivery services, especially those with locations near colleges and universities — the eventual homes of Gen Z.

"As digital natives, all Gen Z has ever known is instant gratification, which most directly correlates with the convenience shopping experience," stated Yakir Gola, co-founder and CEO of goPuff, an on-demand convenience delivery service.

More data from FutureCast highlights the importance of targeting this generation with retail mobile apps and mobile payment options: 75 percent of Gen Z checks a store's app while they're shopping for special offers before finalizing purchases; and the same percentage would rather shop at a retailer that accepts mobile payment than one that doesn't.

Gen Z is the first generation that has truly grown up in a purely technology-driven world.

"While even the oldest were approaching their teens, smartphones were widely available," noted Don Stuart, managing director of Wilton, Conn.-based Cadent Consulting Group.

Accordingly, Gen Z — more so than any other generation — is primed to respond strongly to technology offerings. Tech is an important tool to gain and keep them.

"C-stores need to be able to leverage technology in ways that appeal to younger consumers, from the digital screens running at the gas pump, to the availability of Apple Pay at the counter," said Maute of CBX. "For the grab-and-go side of things, in other words, consider creating a journey in which Gen Z shoppers can get in and out without looking up all that much from their phones. Can you convey a sense of technological progress and innovation along the lines of Amazon Go?"

Gen Z is also "all about social media," according to Maute. He recommends c-stores put their brand out there in a way that is both meaningful and emotional to get Gen Z to respond. Working with "influencers" can be a part of the strategy.

"In particular, video gamers' fast-paced lifestyles dovetail very well with the offerings of c-stores," he told CSNews. "Pro-gamers reach massive online audiences: L.A.-based gamer and YouTube star Mark Fischbach, for example, reportedly made more than \$12 million last year. He now has more than 21 million subscribers. The right influencer collaborations certainly can bolster a c-store brand's resonance with Gen Z."

Read agrees that the best way to capture this generation is to feature a social media influencer who is "their age, music and humor."

Get to Know Generation Z

Gen Z consumers are very price-conscious and prefer to spend money on experiences vs. material items.

Gen Z consumers are not brand loyal — 81 percent are willing to switch from their favorite brand if they find a similar product at a higher quality.

More Gen Z consumers prefer shopping in-store vs. online.

Gen Z consumers prefer to shop at retailers that provide an engaging in-store experience.

More Gen Z consumers prefer to use cash vs. credit or debit cards.

Source: Interactions, *Next Generation of Retail*, 2018



What not to do? “Gen Z doesn’t watch television like older generations, so don’t waste advertising budgets on traditional TV ads,” she said. “They do, however, voraciously consume digital media and, while they skip traditional ads at nearly all cost, they will sit through ads they find entertaining. They have a short attention span — 8 seconds or less.”

Convenience store operators should consider social media marketing, especially involving local marketing, to drive more Gen Zs into their store(s) and retain them, said Ashwim Ramesh, CEO of Synup, a provider of SaaS-based local marketing, search and growth solutions for retailers worldwide. “With technology playing such a crucial role in today’s scenario, store operators need to identify these customers and send out personalized offers based on past purchases,” he added.

Ramesh echoed that Gen Z consumers often make their purchases based on recommendations from friends, endorsers and other social media influencers. “Therefore, having social media content in the form of product testimonial videos to post on YouTube, or conducting influencer activities, is something that will help gain loyalty from these customers.”

Mobile Is a Must

Over the next two to 10 years, as Gen Z consumers grow up and start to rent apartments and own homes, it is expected they will become more frequent convenience and grocery store shoppers. However, retailers must remember “this generation, even more so than millennials, has only known a mobile world,” stressed David Brewis, chief marketing officer at New York-based Ampliance, a provider of ecommerce retail solutions.

“While it’s no secret that traditional brick-and-mortar retailers are being pushed to embrace omnichannel models, they’re now going to have to capture this new generation of shoppers on mobile first,” he explained.

If retailers want to connect with Gen Z shoppers, they need to “meet them where they’re at and create an engaging experience connecting physical and digital realms — namely, through the smartphones these consumers already carry with them,” added Davor Sutija, CEO of Thinfilm, a NFC mobile marketing solutions provider.

Gen Z shoppers are becoming the trendsetters and tastemakers in society.

“They’re increasingly looking for more interactive and personalized ways to shop, with online platforms like search engines, social media and ecommerce marketplaces changing the game for these digitally-savvy consumers and the retail world at large,” Sutija said.

In the rush to get online, though, many retailers failed to optimize content for their mobile channel and the resulting shopping experience is often very poor, according to Brewis.

“Specifically for convenience stores, when you view a product on the mobile screen, the product image is often very small compared to the rest of the screen, with typically two-thirds of the screen taken up with text, leaving little room for the consumer to find what they really need,” he said. “A generation brought up on mobile is going to expect the very best mobile shopping experience. One frustrating and negative experience with a retailer’s site could result in losing the customer forever.”

Researchers at the University of Cambridge, in partnership with Unilever, developed a detailed set of what the industry calls “hero image guidelines,” which reportedly provides for a much better shopping experience for customers using mobile. According to these guidelines, ecommerce images should communicate: the brand, the type of

Giving Back Is Big With Gen Z

Green and local issues are part of the call to action for convenience store operators looking to gain business with Generation Z shoppers.

In a recent research report titled *Marketing to Gen Z: The Rule for Reaching This Vast — and Very Different — Generation of Influencers*, FutureCast, a division of the Barkley advertising agency in Kansas City, Mo., highlighted that:

- 47 percent of Gen Z has stopped purchasing their favorite brand after finding out the manufacturer didn’t produce environmentally friendly products;
- 59 percent prefer to shop at local retailers over big-box retailers; and
- 72 percent would be more willing to shop at national chains if they had more of a local presence in their community.

While technology is the obvious call to action for Gen Z, they also are known to value diversity and giving back to their communities, according to Don Stuart, managing director of Wilton, Conn.-based Cadent Consulting Group.

“The more that c-store retailers can give back and be perceived as living in harmony with the environment and their surroundings by focusing on local causes and social/environmental issues, the more they will win with the Zs,” said Stuart. “In a phrase, Generation Z is interested in both *value* and *values*.”



HOW TO

product, the variant (subcategory of product), and the size.

"Looking at results from retailers that have adopted these standards, it's clear that 'mobile ready hero images' drive much higher conversions," Brewis said. "Delivering a smooth and seamless mobile shopping experience is absolutely crucial if convenience stores are going to survive changes in behavioral trends with Gen Z. Mobile shoppers now require clear visual product information in order to make simple purchasing decisions."

Thoughts on the Future

Of course, one can't know how Gen Z consumers will change as they age.

"It will be at least 15 to 20 years before they surpass the buying power of millennials," Stuart told *CSNews*. "While they are entering the workforce with the lowest unemployment rate in the past several decades, incomes are generally stagnant. However, we should not minimize the buying power influence that Zs wield, which is estimated to be north of \$500 billion annually."

This cohort will make up more than 40 percent of buying power by the year 2020, according to Read, and will be the top consumer group in seven to 10 years.

The rise of digital has already positioned Gen Z to be "the

most vocal and influential generation yet," added Gola of goPuff, whose on-demand convenience delivery service currently serves such cities as Philadelphia, Pittsburgh, Boston, Washington, D.C., Atlanta, Denver, Phoenix, Seattle and Portland.

"While they may not be the ones funding their purchases, per se, their ability to influence what their friends and family might purchase is strong — almost viral," he said. "By 2020, when Gen Zs have progressed in their careers and have their own disposable income, they will no doubt be the main force of the consumer world."

Gola also believes Gen Z is pushing brands to do better, in terms of how they treat and interact with consumers, both at the physical store-level and online.

Gen Z is a great cohort for convenience stores moving forward because unlike millennials, they like a mix of both online and offline shopping experiences, said Synup's Ramesh. He envisions the in-store experience will become increasingly robust with technologies like voice search, geofencing, artificial intelligence (AI) and more.

"This is a very knowledgeable bunch with the energy to hop between retailers, snapping pictures as they go and leaving a trail of hashtags on their way," said Ramesh. **CSN**

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