

# 2018 State of the Industry

## Mobile Offers in Convenience Stores

By Koupon Media

# Introduction

2017 marked yet another year of change for the retail industry, particularly for traditional categories like grocery and mass. With more customers shopping online, brick and mortar retail is increasingly becoming a destination for immediate needs.

This presents an opportunity for the convenience store industry, which continues to outpace its brick and mortar peers in both revenue and store count growth. Retail and CPG brand marketers have taken notice of these trends and are beginning to shift marketing spend to the c-store channel, especially towards digital promotions.

As the largest mobile promotion network in the c-store industry, Koupon continues to witness firsthand the opportunity and growth of mobile offers in convenience stores.

In this year's State of the Industry report, we'll share important mobile offer trends as well as insights and success stories from 2017. We hope this report illustrates the continued success of mobile offers in c-stores today and the promise they hold for the future.

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# This Year's Trends

2017 was an important year in the world of c-store mobile offers. As other retail categories face new threats from online shopping and shifting consumer preferences, c-store retailers, and the CPG brands that sell products within them, are seeing real results from mobile offer campaigns.

## 01

### **Grocery at a Crossroads**

Online shopping and changing consumer preferences continue to present challenges for the grocery industry.

## 02

### **A Shift in Consumer Preferences**

As e-commerce gains traction, shoppers are making more immediate needs trips to convenience stores.

## 03

### **C-Store Continues Its Impressive Growth**

An increase in c-store locations and positive trends in share of wallet show that c-store has a bright future in retail.

## 04

### **CPG Brands See Opportunity in C-Store**

CPG brands are looking for new areas of growth and they are beginning to focus more on convenience stores.

## 05

### **Mobile Offers Drive Sales in C-Stores**

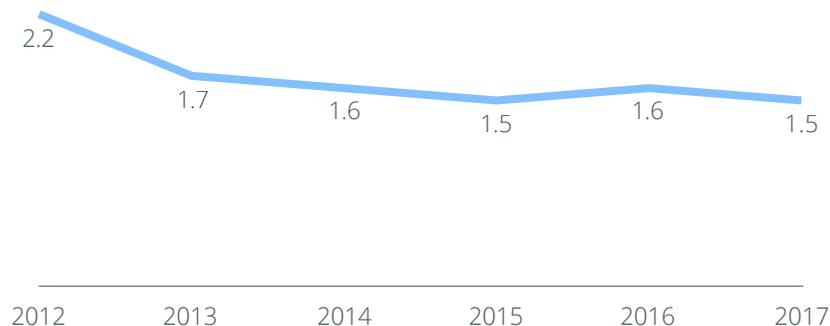
Mobile offers produce highly effective results in c-stores, presenting an opportunity for marketers.

# Grocery at a Crossroads

Grocery retailers continued to face disruptive forces in 2017. An increasing shift to online shopping and overall changes in consumer preferences are introducing new challenges for fresh food retailers.

Average weekly trips to grocery stores have declined or remained stagnant for the past few years, revenue growth is slowing, and shoppers were less loyal to supermarkets in 2017 than any year prior. These trends are causing many experts to worry out-loud about the category's future.

## WEEKLY GROCERY TRIPS CONTINUE TO DECLINE

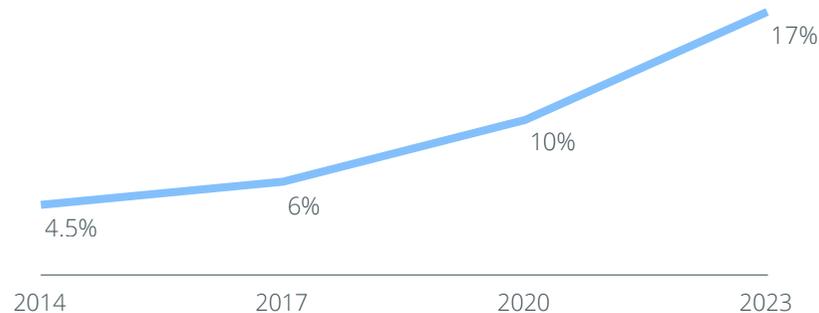


# Grocery Reacts to E-Commerce

One of the contributing factors to grocery's challenges is online ordering. By 2025, it's expected that up to 20% of the more than \$600 billion annual grocery spend will occur online. This is being driven by next generation shoppers like millennials, 43% of whom used online channels for grocery purchases in 2017.

These trends plus the looming threat of Amazon's acquisition of Whole Foods are forcing grocers to respond. To compete, major chains are acquiring delivery startups and launching online channels.

## — % OF GROCERY SPENDING OCCURRING ONLINE



## — THE GROCERY INDUSTRY REACTS



### Amazon Becomes a Grocer

In 2016, Amazon announced a lowered price for its grocery service and plans for a grab-n-go concept, Amazon Go. In 2017, Amazon acquired Whole Foods, further expanding its presence in brick and mortar.



### Kroger Wades Into E-Commerce

Kroger spent 2017 building its e-commerce and analytics capabilities and focused on growing its pickup locations for online orders. In 2018, Kroger will roll out its "Scan, Bag, Go" app checkout service.



### Walmart Invests in Online Grocery

Walmart launched its grocery pick-up service in 2016 and formed a delivery partnership with Uber in 2017. It recently began rolling out online order pickup machines in stores across the country.

# Consumer Shopping Preferences Shift

It's not e-commerce alone that's hurting grocery sales, but an overall shift in how consumers want to shop. In a world of mobile ordering and home delivery, today's shoppers have developed new expectations and as more is purchased online, the future of brick and mortar retailers as a whole remains in question.

The solution for these retailers may lie in use cases that are harder for online retailers to meet, one of which is shopping trips focused on immediate needs. The category that might be best positioned to address immediacy is the convenience store, a format designed for high volume, on-the-go shopping trips.

**61%** Percent of shopping trips driven by immediate needs

**44%** Of consumers say they are visiting c-stores more often

## — ARE C-STORES THE ANSWER TO SHIFTING NEEDS?

**84%**

Items purchased in c-stores are consumed within the hour

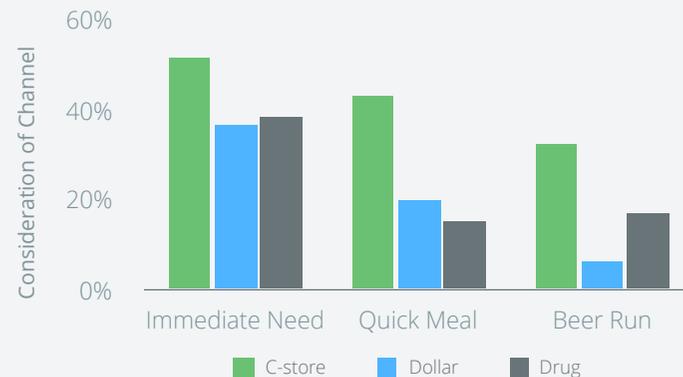
**2.6**

Number of items purchased in an average c-store transaction

**\$6.75**

Average amount spent per basket in a c-store shopping trip

## — C-STORES DOMINATE ON-THE-GO SHOPPING TRIPS



# The Rise of the C-Store

C-Store's ability to augment online shopping with immediate needs purchases appears to be playing out in the market. In 2017, c-stores expanded their footprint, while the number of grocery store closures exceeded openings. With over 154,000 locations, the c-store industry now operates more than one-third of the total brick and mortar retail stores in the United States.

These trends are also evident in terms of where consumers are expected to spend their money in the coming years. While a massive increase in online spending is expected to take a toll on share of wallet dedicated to grocery retailers, c-store remains as one of the only brick and mortar retail categories expected to grow.

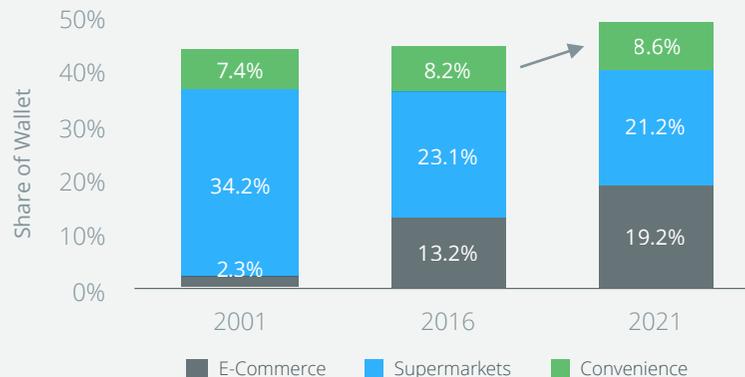
154,958

Convenience stores in the United States in 2017

\$233b

Sales from in-store c-store purchases in 2016

## C-STORES SET TO SURVIVE THE E-COMMERCE TAKEOVER



## AS GROCERY'S FOOTPRINT SHRINKS, C-STORE GROWS



0.3%

2017 increase in c-store locations



0.11%

2017 decrease in grocery locations

# The C-Store Opportunity for CPG

The growth of c-store presents a new opportunity for CPG brands, many of which are searching for new growth to combat challenges in grocery. Many CPG marketers are taking another look at brick and mortar retail, with many shifting traditional marketing spend in grocery and mass towards higher growth retail categories like convenience stores.

With over \$233 billion in annual revenue, \$182 billion of which stems from CPG products, brand marketers are often surprised to hear how big the c-store industry is. The growing consensus is that more will be invested in c-store marketing in the coming years.

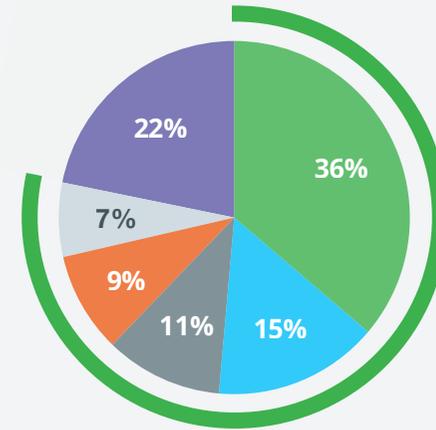
\$182b

**Spent on CPG products  
at c-stores in 2016**

160m

**Customers served by  
c-stores every day**

## CPG PRODUCTS ARE THE MAJORITY OF C-STORE SALES



78%

**Sales in C-Stores from  
CPG Brands in 2016**



# Mobile Offers Meet the C-Store Opportunity

As shoppers turn from grocery towards e-commerce and convenience store retailers, CPG brands are being forced to explore new ways to market products to customers. With an emphasis on convenience and immediate consumption, c-stores, and the CPGs that sell products within them, are leveraging mobile offers as a crucial marketing tool.

## Online to Offline

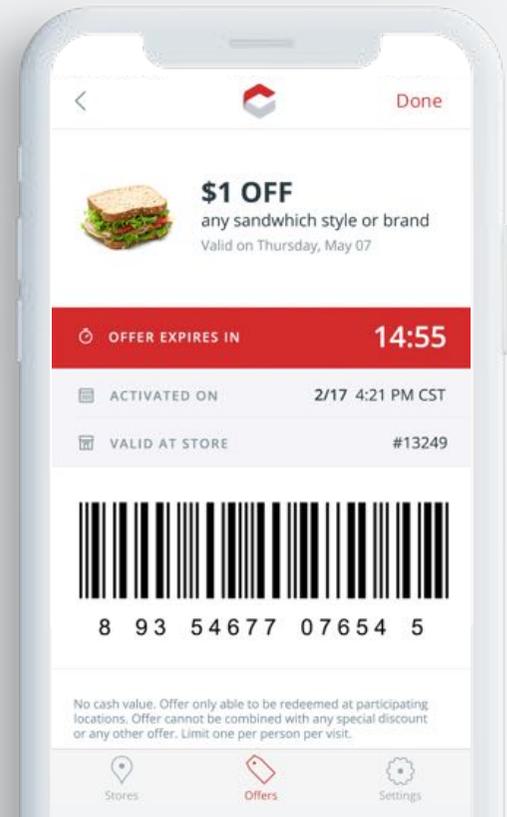
As brick and mortar chains shift to immediate consumption purchases, mobile offers provide an excellent way to reach customers online and drive them into a c-store for trial, awareness and immediate use.

## Instant Use

Let's face it — no one visiting a c-store is looking for a time intensive experience. Mobile offers provide a marketing vehicle that makes it easy to discover, activate and redeem offers in seconds.

## Offer Targeting

Marketers have just a few moments to engage an on-the-go c-store shopper. Luckily, mobile offers make it easy to tailor offers in real time to customers based on past purchases, location or time of day.



# Understanding the C-Store Shopper

Each day convenience stores serve over 160 million customers. If the rise of convenience stores reflects a shift in the way consumers are shopping, it's important for marketers to understand who they are.

In this section of the report, we'll take a look at not only who is shopping in c-stores, but what is driving them to visit and when they are buying products. Finally, we'll take a look at cars, a key factor of the c-store experience, and how automobile connectivity could re-shape marketing opportunities in the coming decade.

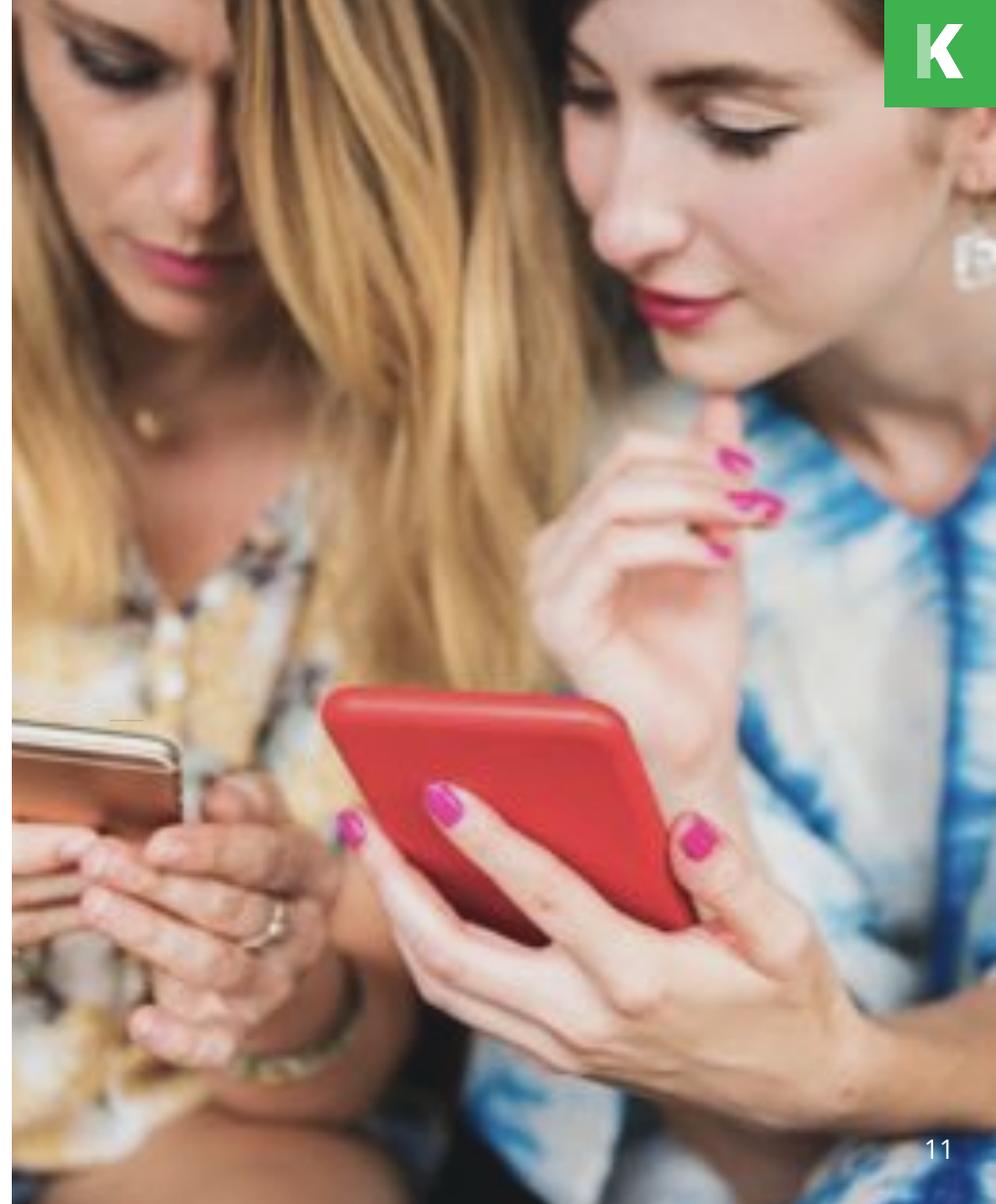
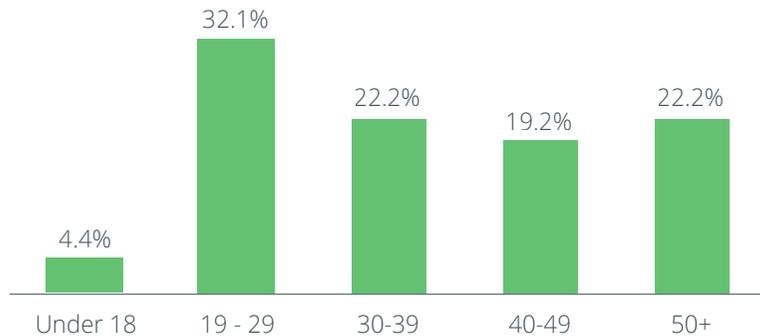
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# Millennials Flock to Convenience Stores

Millennials may be shopping online for groceries more than any other demographic, but for immediate consumption purchases, convenience stores have emerged as the natural fit. Millennials now account for over one-third of all c-store shoppers, with 16% of them visiting a convenience store daily. These physical trips are heavily influenced by digital and today **84% of millennials** use their phones in store for shopping assistance.

## CONVENIENCE STORE SHOPPERS BY AGE

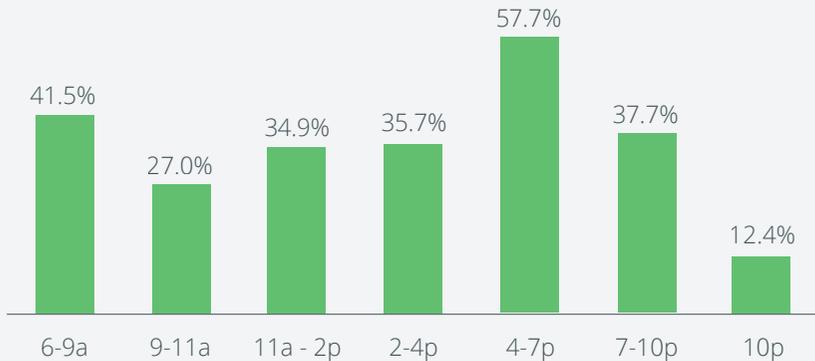


# C-Stores Meet Shoppers En Route

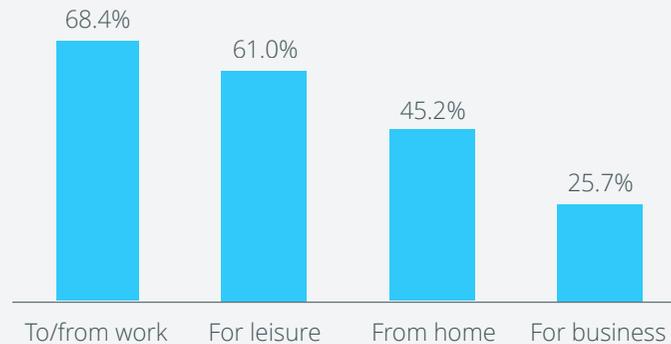
As consumers lead increasingly on-the-go lives, the convenience category is rising to the occasion. Although today's shoppers are mostly stopping in convenience stores while traveling to and from work, more consumers are visiting throughout the day or during dinner hours for grab-and-go meals and fill-in trips.



— **TIME OF DAY C-STORE SHOPPERS GO IN STORE**



— **C-STORE SHOPPING TRIPS BY OCCASION**

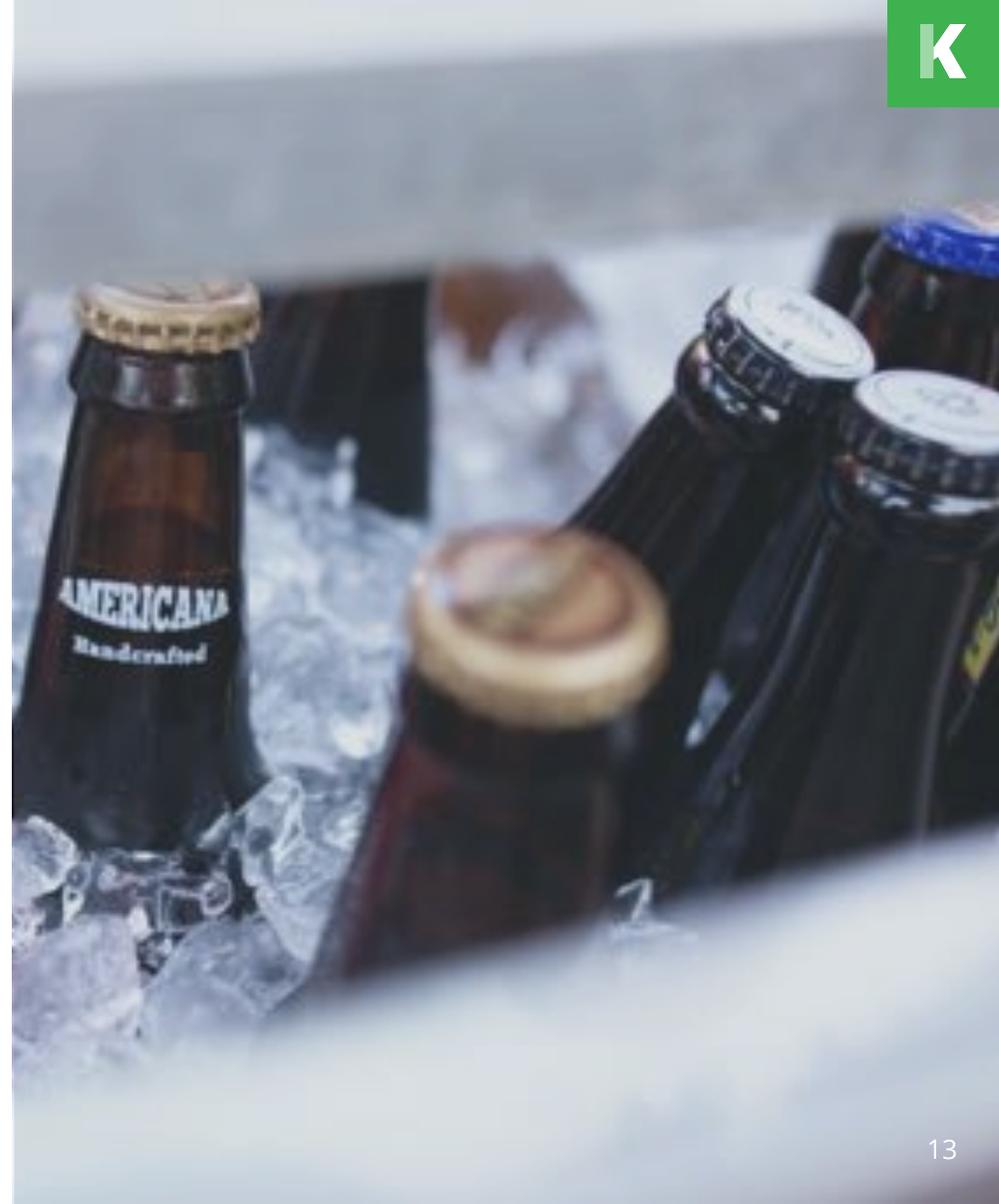
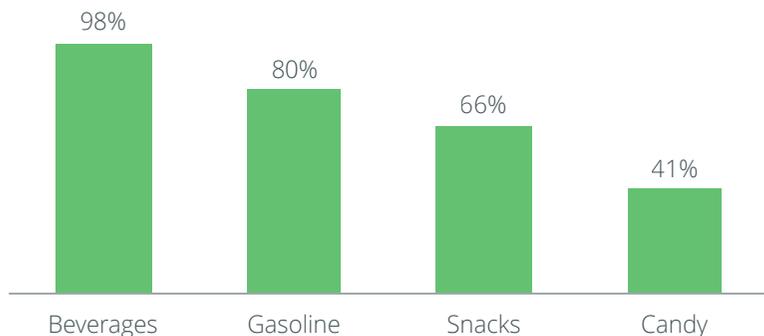


# Beverages Motivate The C-Store Trip

More often than not, c-store shoppers are going into stores to purchase a beverage. Overall, packaged beverages make up 15% of c-store sales, and 53% of Gen Xers visit a c-store two to three times a week specifically to purchase a dispensed beverage.

Because beverages often motivate the purchase of other products, snack, candy and food brands are increasingly launching promotions that pair with beverage products.

## C-STORE TRIP DRIVERS BY PRODUCT



# The Connected Car Shows Promise

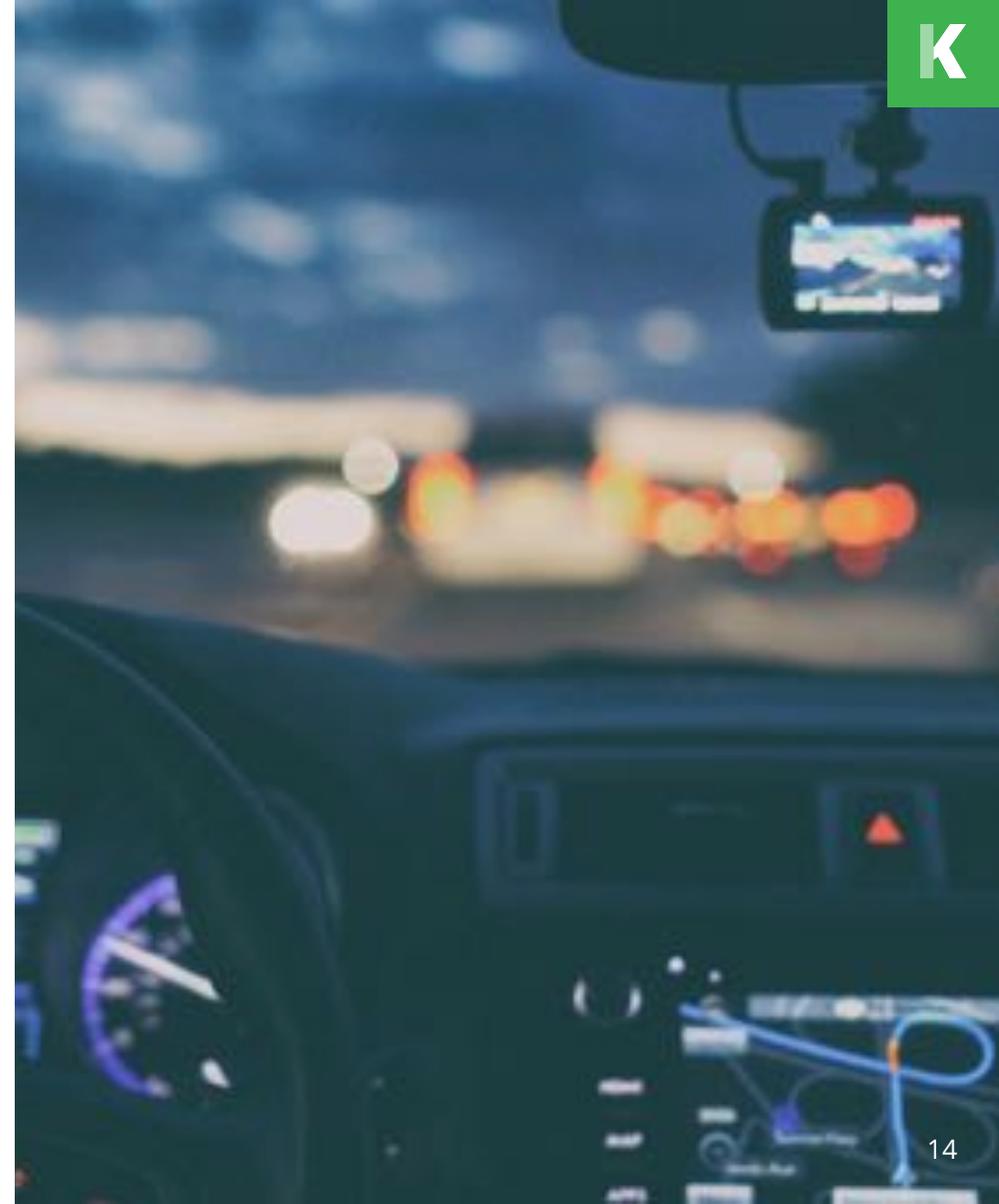
The c-store industry depends heavily on drivers and the shift to connected vehicles is shaping the way in which marketers reach these consumers. Combining internet functionality with the traditional car, a powerful marketing platform has emerged.

With the ability to deliver contextual offers directly through connected cars, c-stores can now use the in-vehicle experience to drive store visits and product purchases.

**75%** Of new cars will be equipped with internet by 2020

**55min** Average time spent in the car per day

**20x** Higher media engagement in driving-related apps



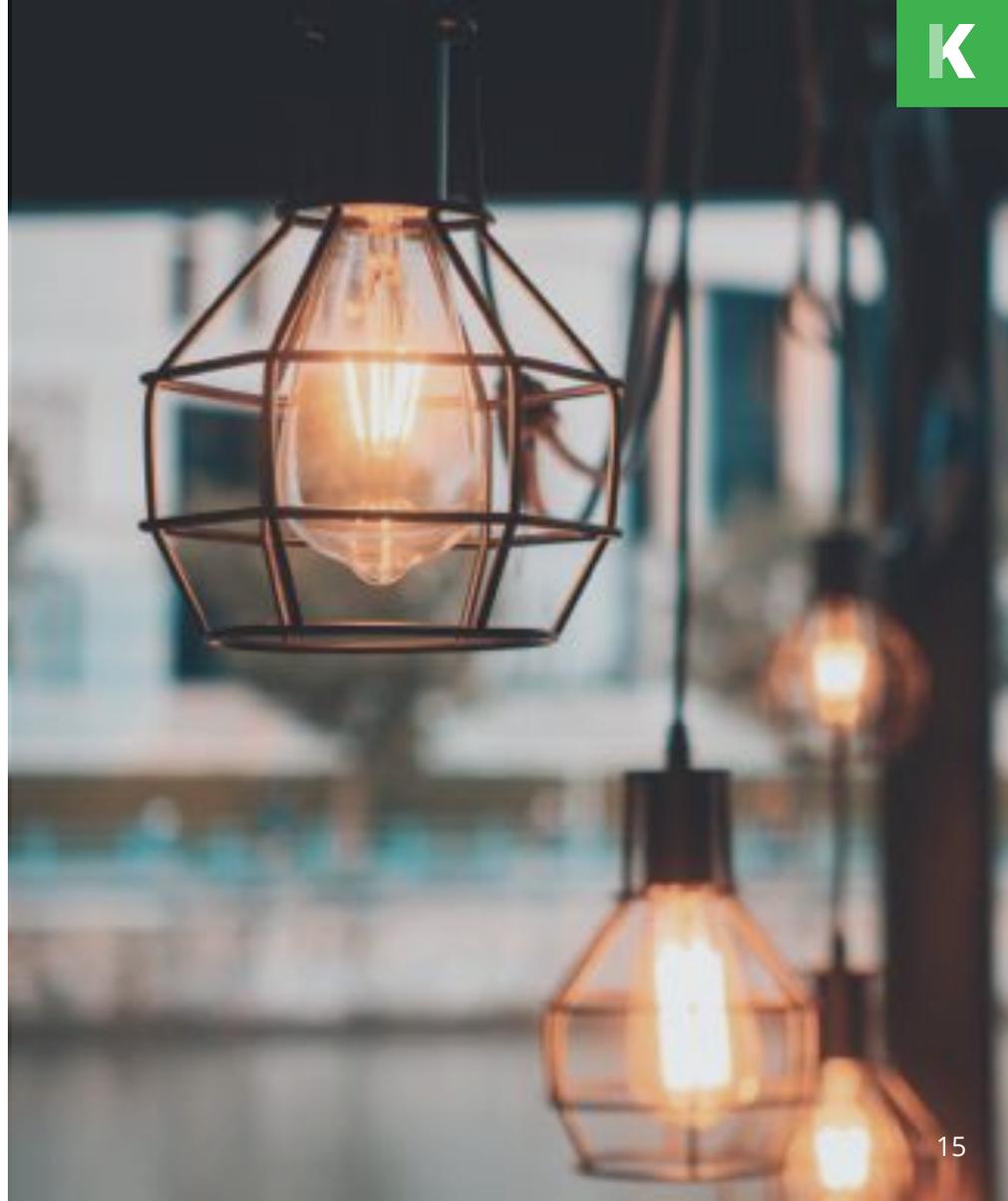
# Koupon Media 2018 Insights

Each year Koupon Media analyzes the prior year's campaign performance to deliver important insights about what makes a mobile offer campaign successful.

In this year's study, we focus on CPG-funded offers in Koupon's c-store-focused Offer Network. We'll take a look at four key components that we've identified as success factors in a campaign. These include the product being promoted, the amount of discount offered, the structure of the promotion and the distribution channels leveraged in the campaign.

We hope these insights can help CPG and c-store marketers make better decisions about launching campaigns in the future.

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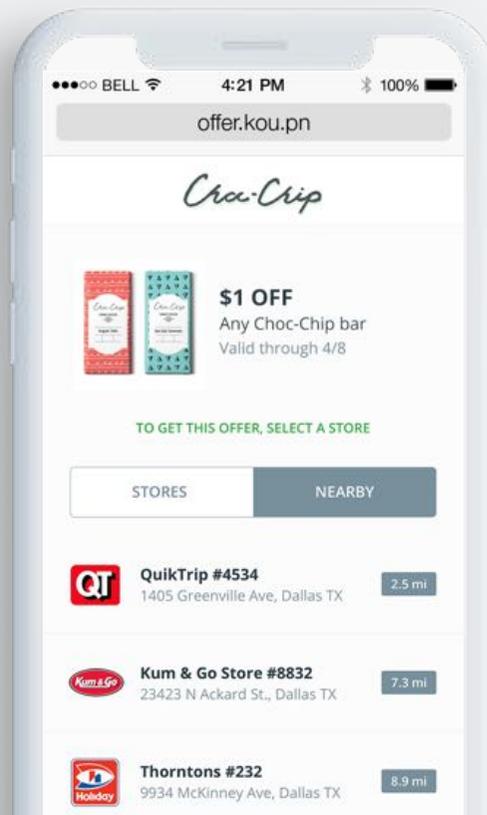
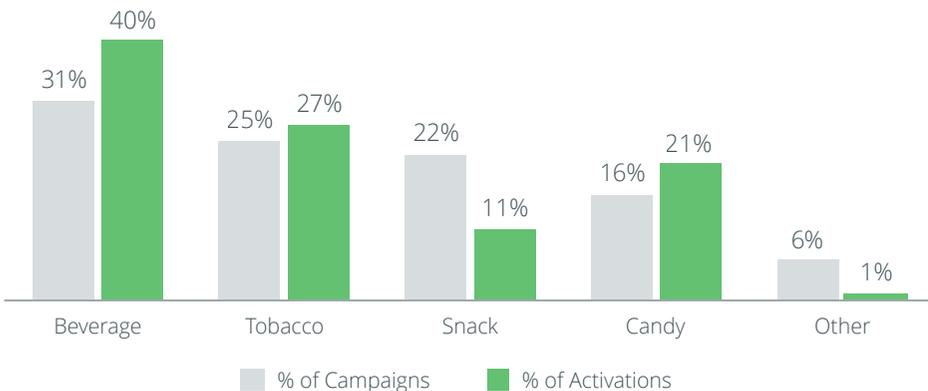


# Offer Performance by Product Category

Koupon hasn't encountered a product category that doesn't benefit from a mobile offer campaign in c-store, but there are some that we see more frequently or that seem to be more appealing to shoppers.

Beverage offers dominate the amount of promotions distributed in the network, including a disproportionately higher share of the activations. Candy and tobacco offers also perform higher in terms of activations delivered through the network.

## % OF KOUPON OFFER NETWORK CAMPAIGNS BY CATEGORY



# How Discount Amount Impacts Offer Performance

The average price of a CPG product in a convenience store is a dollar or two, so it's important to consider how each mobile offer campaign should be structured in terms of value. We found that deals should be at least \$1 in total value and between \$0.50 and \$1.50 on a per unit basis.

## CAMPAIGN ROI BY OFFER DISCOUNT AMOUNT



## Per Unit Discounts

It's important to recognize the difference between total discount offered and per unit discount. For example, the offer *save \$1.50 when you buy two candy bars* would be a per unit discount of \$0.75 and a total discount of \$1.50.

We generally recommend a total discount of at least \$1 and a per unit of somewhere between \$0.50 and \$1.50.

# Performance by Offer Type

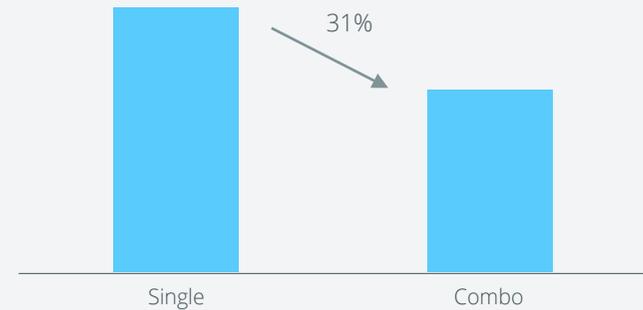
Related to the discount amount delivered to consumers, the structure of the offer is also important to the perceived value and overall return on investment of a campaign.

Koupon's analysis compared two deal structures — **single** (e.g., \$1 off a bottled water) and **combo** (e.g., buy one get one free, save \$1 when you buy two, etc.).

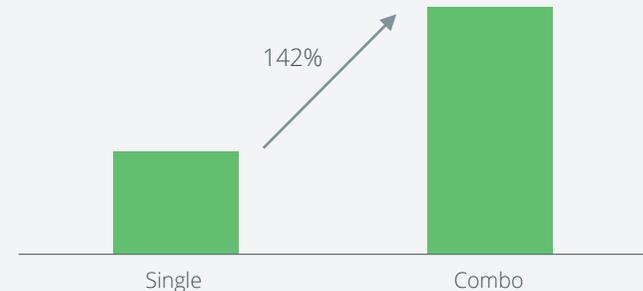
We found that combo offers deliver a 31% less per unit discount to consumers, meaning that marketers spend less for each product moved in the redemption. Further, the ROI of combo offer campaigns was a whopping 142% higher than single deals.

Brand objectives and budgets can vary by campaign, so it's never wise to make blanket recommendations, but our analysis clearly shows that combo offers can be a powerful tool for marketers looking to generate positive ROI results in the c-store category.

## — AVERAGE DISCOUNT AMOUNT PER UNIT SOLD



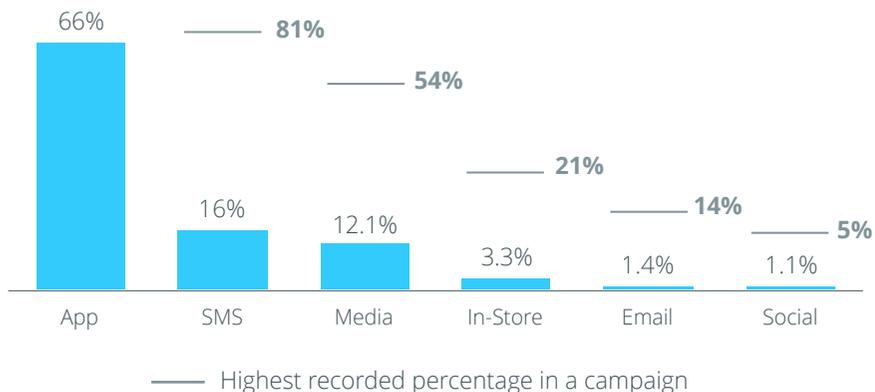
## — AVERAGE CAMPAIGN ROI BY OFFER TYPE



# Offer Performance by Distribution Channel

The final factor analyzed in Koupon's study was the distribution channels for each promotion. With 66% of Offer Network activations, mobile apps clearly emerge as a dominant force in generating redemptions for offer campaigns. However, it's important to note that 35% of activations come from outside of mobile apps, with some seeing more than 80% of redemptions in certain campaigns.

## AVERAGE % OF OFFER ACTIVATIONS BY DIGITAL CHANNEL



## Multi-Channel Distribution

While the bar chart represents the average percentage of activations for each channel, the lines represent the highest recorded percentage for each.

Why does this matter? To start, it's important that marketers recognize that when leveraged correctly, channels like SMS, media and in-store signage have the potential to drive impactful results for offers. That's why Koupon recommends that marketers leverage all six channels for each campaign.

# Koupon Media

## Year In Review

2017 was another record-setting year for Koupon, reaching more than 3 billion offers delivered since our founding. Not only did we exceed 700 million offers delivered in one year, but the network drove more store trips and reached more customers than ever before. Further, Koupon Media saw the number of CPG campaigns continue to grow, with plans to double in 2018.

730m	Offers delivered
155m	Total store trips
108m	Customers reached
50%	Campaign growth

# Koupon Media 2017 Success Stories

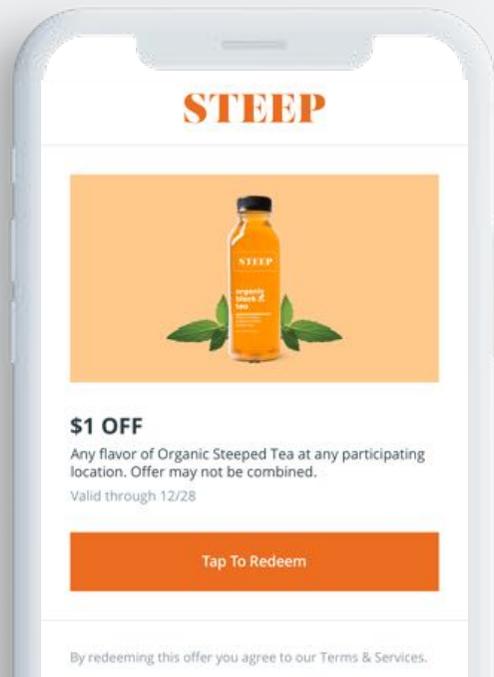
With over 9,000 offer campaigns, 2017 marked Koupon Media's most active year to date, introducing new partners, brands and methods that continue to drive campaign success.

This year we've hand selected a few show-stopping campaigns that truly impressed in 2017. From generating incredible results to incorporating new channels for distribution, these campaigns not only represent what was accomplished, but what's possible for the future.

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# Bottled Beverage Brand Moves 160,000 Additional Units



## The Objective

A bottled juice brand was looking for new ways to drive trial, awareness and sales of a new product, while reinforcing and educating brand availability in the convenience channel.

## The Solution

The brand leveraged the Offer Network to launch a campaign across Koupon's retailer and partner network, which included distribution channels such as mobile apps, social pages, SMS, email, in-store signage and paid media.

## The Results

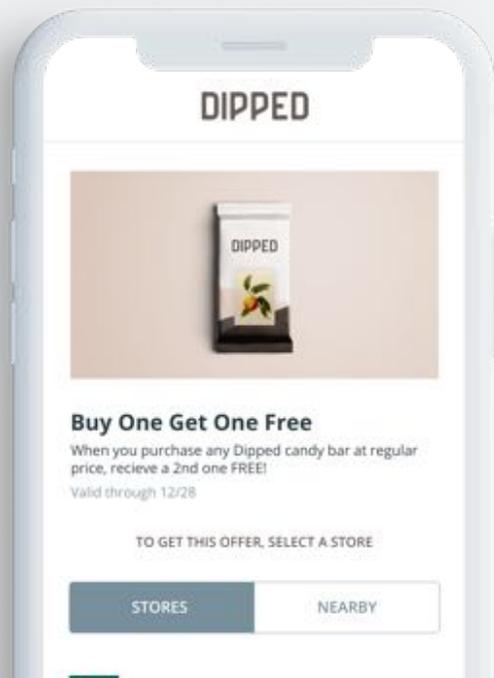
The campaign was a resounding success. Over 17,000 c-store locations participated, driving 24 million impressions targeted at c-store shoppers, and moving an incremental 160,000 units.

160,000  
Additional Units Sold

24m  
Impressions

17,000  
Participating C-Stores

# Brand Offer Drives 19% Year-Over-Year Unit Sales Growth



## The Objective

A popular candy CPG was looking for new ways to reach millennials while driving awareness, trial and sales across multiple brands in the convenience channel.

## The Solution

The brand leveraged the Offer Network to launch a campaign across Koupon's retailer and partner network, which included retailer channels, T-Mobile Tuesdays, GasBuddy, OnStar and Facebook.

## The Results

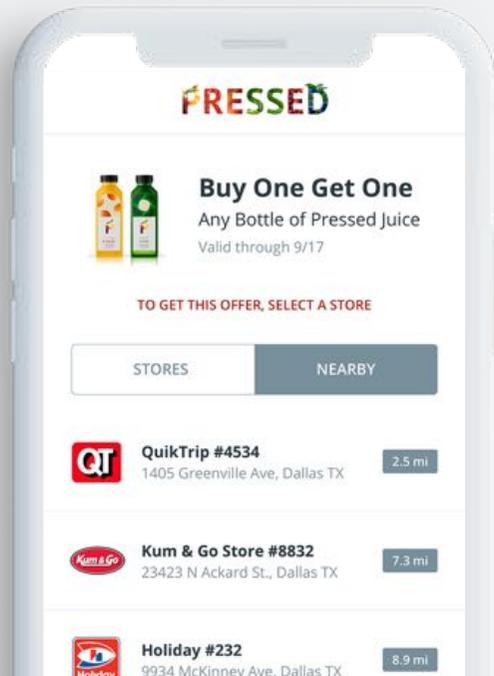
The campaign exceeded expectations, driving 19% year-over-year unit sales growth for the brand. The brand also witnessed a 6.3% lift in spend per basket when shoppers redeemed the offer.

19%  
YOY Sales Growth

6.3%  
Lift in Spend

11,000  
Participating C-Stores

# Connected Car Campaign Reaches 7 Million Drivers



## The Objective

A juice brand was looking for new and interesting ways to reach c-store shoppers and reinforce brand availability in the convenience channel.

## The Solution

Koupon created a first of its kind campaign that enabled the brand to deliver highly contextual offers through the connected car.

## The Results

The campaign drove on-the-go shoppers into stores, reaching 7 million unique connected car drivers and surpassing media engagement rate standards by over 20x.

20x

Higher Engagement

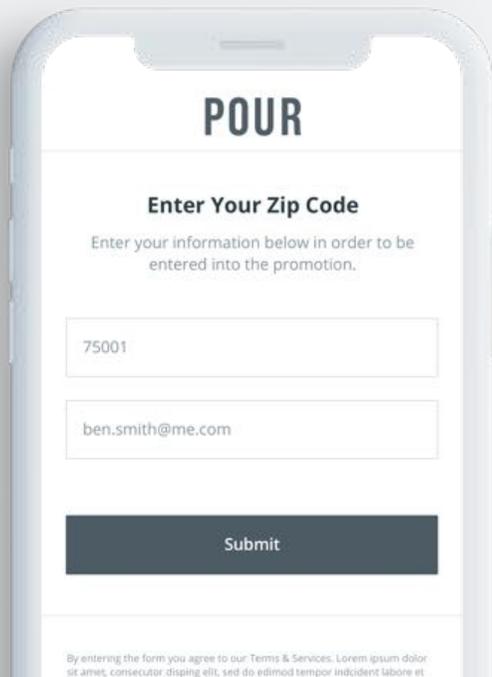
4.1%

Click Through Rate

7m

Drivers Reached

# Beer Rebate Campaign Drives 58% Engagement Rate



## The Objective

A leading beer brand was looking for new ways to increase engagement and drive sales of certain brands and pack sizes.

## The Solution

The brand leveraged Koupon's mobile rebate technology to launch a campaign that appealed to a wide audience. The offers were highly valuable, required purchases across multiple brands, and were promoted via in-store signage.

## The Results

The campaign was a success, witnessing a 58% engagement rate, which is 1.5x the engagement rate of a comparable campaign. Further, the campaign delivered an annualized \$1.2 million in rebate value to consumers.

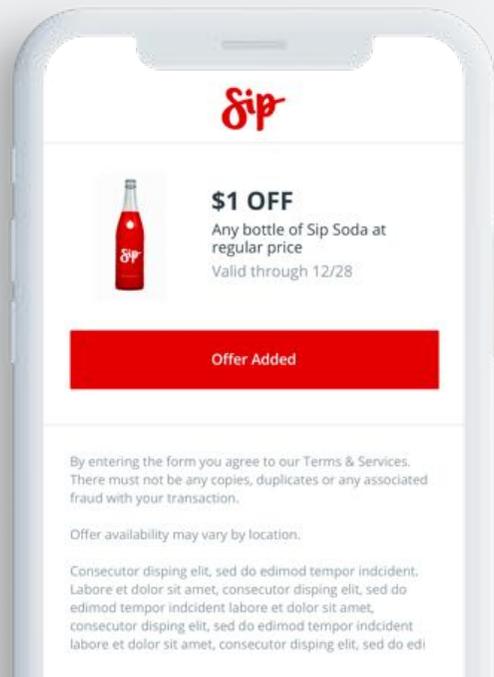
58%

Engagement Rate

\$1.2m

Annualized Rebate Value

# Beverage Brand Drives 97% Engagement Rate



## The Objective

A packaged soda brand was looking for unique ways to reach sports fans and drive brand awareness and trial of a new product.

## The Solution

The brand leveraged the Koupon Offer Viewer to reward social media followers with a coupon for a free beverage during the MLB post season, which was redeemable at a leading convenience retailer. The offer was distributed through social media, email and MLB.com.

## The Results

The campaign successfully engaged sports fans and drove brand awareness in the c-store channel. Overall, the offer drove a 97% engagement rate and 16.7% redemption rate.

97%

Engagement Rate

16.7%

Redemption Rate

# Mobile Offer Predictions

Each year, the Koupon team makes predictions about what we expect to see in the coming year. Our 2018 predictions focus on key components of mobile offers in c-stores — better targeting and personalization, the growing usage of mobile rebates and the opportunity to distribute offers across more channels.



## 01

### **Offer Personalization**

Today's marketers are measuring every step in the customer journey and advanced data science capabilities are making it possible to combine purchase, engagement and demographic data to target today's c-store shopper. In 2018, we expect c-store marketers to further their use of personalization capabilities.

## 02

### **Mobile Rebates**

Koupon introduced its c-store-focused mobile rebate and rewards solution a little over two years ago and the results have been noteworthy. In 2018, we expect more marketers, particularly in the packaged beverage and beer categories, to leverage rebate technologies to engage consumers.

## 03

### **Multi-Channel Distribution**

In the insights section of this report, we highlighted the importance of delivering offers across all six key distribution channels. We expect more retail and brand marketers to leverage this strategy in 2018, distributing content through social, SMS and media channels to drive traffic and boost sales.

# C-Store Predictions

As c-store retailers experience strong growth, Koupon is introducing a new section to this year's report to share our predictions for the industry as whole. In 2018, we predict the c-store industry will adopt new technologies at a rapid rate, focus on quality and launch better loyalty programs, all with the help of mobile offers.



## 01

### **Technology Takeover**

C-stores will accelerate their pursuit of new technologies in 2018. By 2020 c-stores are required to update gas pumps, providing the opportunity to include loyalty and media features at-the-pump. Further, more stores are adding digital signage and cloud-based POS systems inside the store, creating a more interactive and engaging experience.

## 02

### **Move Towards Quality**

Convenience stores operate within the gap between online shopping and large format stores. In order to capitalize on these trends, many convenience stores are improving the quality of their facilities and increasing available fresh-food options. Koupon expects store quality and fresh food to increase in priority in 2018.

## 03

### **More Effective Loyalty Programs**

As consumers become more engaged with convenience stores, retail marketers will continue to use loyalty programs to push more personalized offers and compelling content. Koupon predicts the introduction and re-launch of loyalty programs designed to deliver additional value to the consumer, including more CPG-funded promotions.

# Summary

The data from 2017 rings loud and clear— the c-store industry is growing and mobile offers are playing an important role.

Online shopping and changing consumer preferences have led convenience stores to be the only brick and mortar vertical expected to grow share of wallet through 2021. To capitalize on this trend, leading CPG and retail marketers are increasingly leveraging mobile offers.

Koupon's platform and redemption network have witnessed these trends in its own metrics. With **3 billion** offers delivered and **50%** annual campaign growth, it's clear that mobile offers in convenience stores have a bright future.

As we learned from this year's insights, marketers launching campaigns should focus on the structure, discount value and distribution strategy for every campaign, and that's where Koupon Media can help.

We hope you enjoyed this year's State of the Industry. To learn more, visit [kouponmedia.com](http://kouponmedia.com) or write [info@kou.pn](mailto:info@kou.pn).



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**KOUPON**MEDIA

info@kou.pn

kouponmedia.com

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