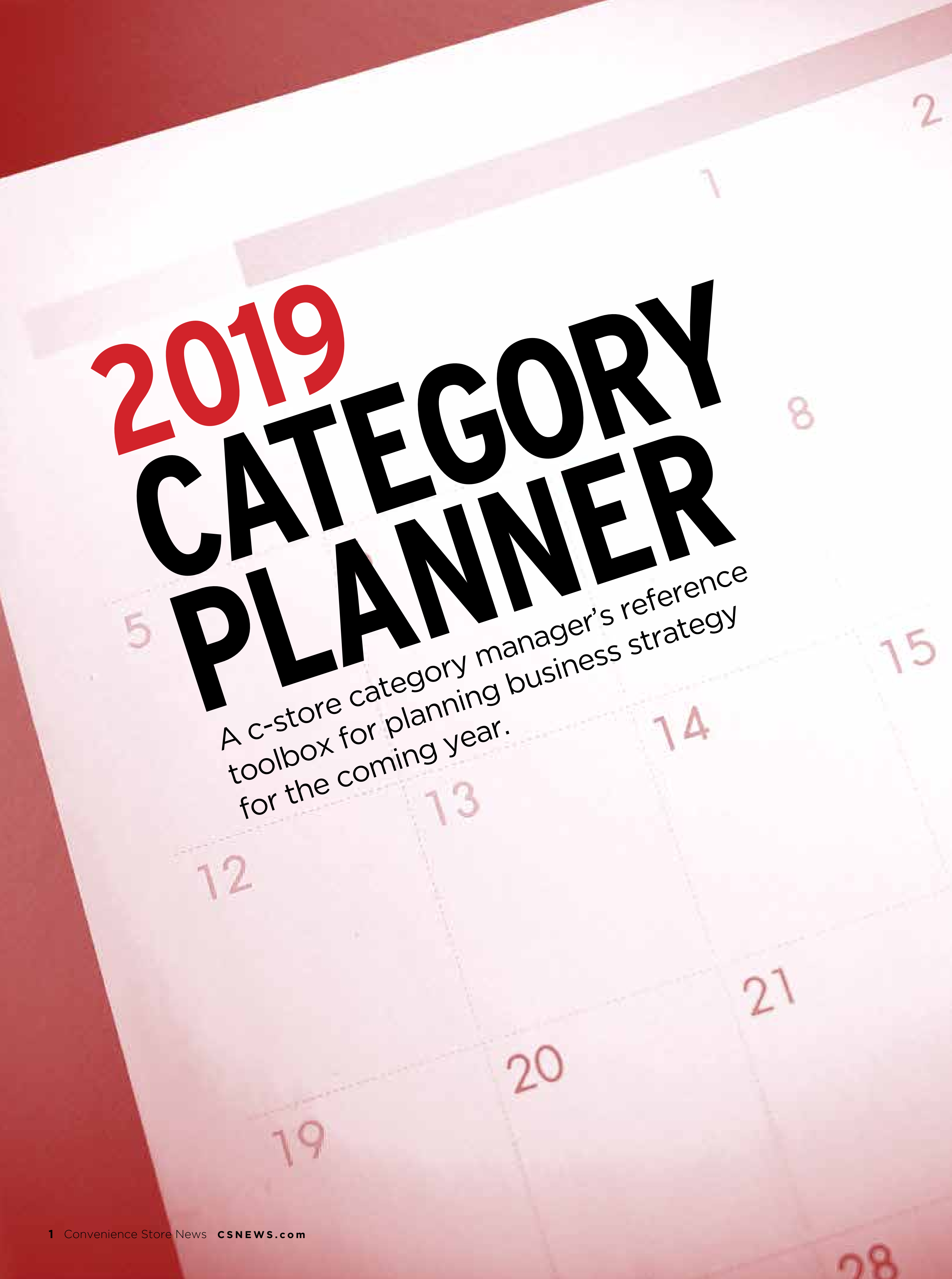


2019 CATEGORY PLANNER

A c-store category manager's reference toolbox for planning business strategy for the coming year.

Planning for Success

The competition for "convenience" has never been fiercer in the retail industry

A *Convenience Store News* Staff Report

WITH E-COMMERCE and other technology advancements transforming the way people shop, the competition for "convenience" has never been fiercer in the retail industry than it is today. It's no coincidence that the theme of the recent 2018 NACS Show in Las Vegas, the convenience store industry's largest annual gathering, was "Compete."

Rather than focusing on the delivery of a compelling fuel offer that brings people to the stores — which has long been the strategy — c-store operators should instead focus on delivering a compelling in-store offer that will bring people to the fuel side, NACS President and CEO Henry Armour told attendees of this year's NACS Show in a keynote address that focused on change, disruption and the future of the convenience channel.

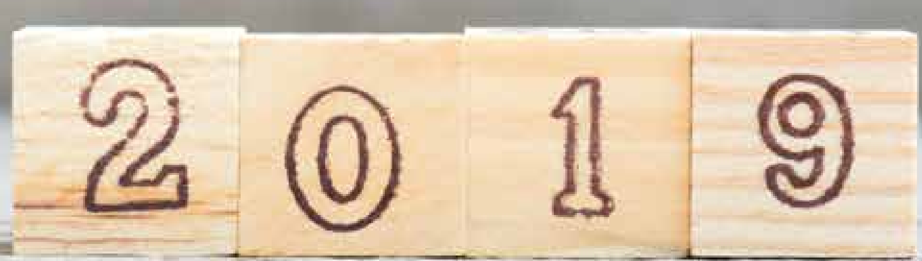
"Let's not get caught, either as convenience store operators or as suppliers to c-stores, thinking that we are an insulated channel. We aren't. The world competes for the convenience shopping occasion and channel walls have not only crumbled, they are being obliterated," Armour cautioned.

With this in mind, *Convenience Store News* presents its 2019 Category Planner, designed to be a c-store category manager's one-stop reference toolbox for evaluating performance and consumer trends, and planning business strategy for the coming year.

To fill that toolbox, our first-ever Category Planner provides individual toolkits for the most important categories in the convenience channel: prepared food, dispensed beverages, cigarettes, other tobacco products, packaged beverages, beer, candy and snacks. These toolkits contain essential insights, developments that will have the greatest impact on the category in 2019 and a planning calendar with key dates for marketing opportunities.

As another speaker at the 2018 NACS Show — Casey McKenzie, senior principal consultant at consulting firm Impact 21 — said, "We don't plan to fail; we fail to plan." So, set your priorities and goals for the new year, determine what resources you need to achieve your goals, and develop a plan to regularly monitor your progress and make adjustments as necessary.

With the right category management tools in their toolbox, all c-store operators can adapt and evolve with consumers' wants and needs. We hope our 2019 Category Planner provides you food for thought and helps set you up for much success in the coming year.



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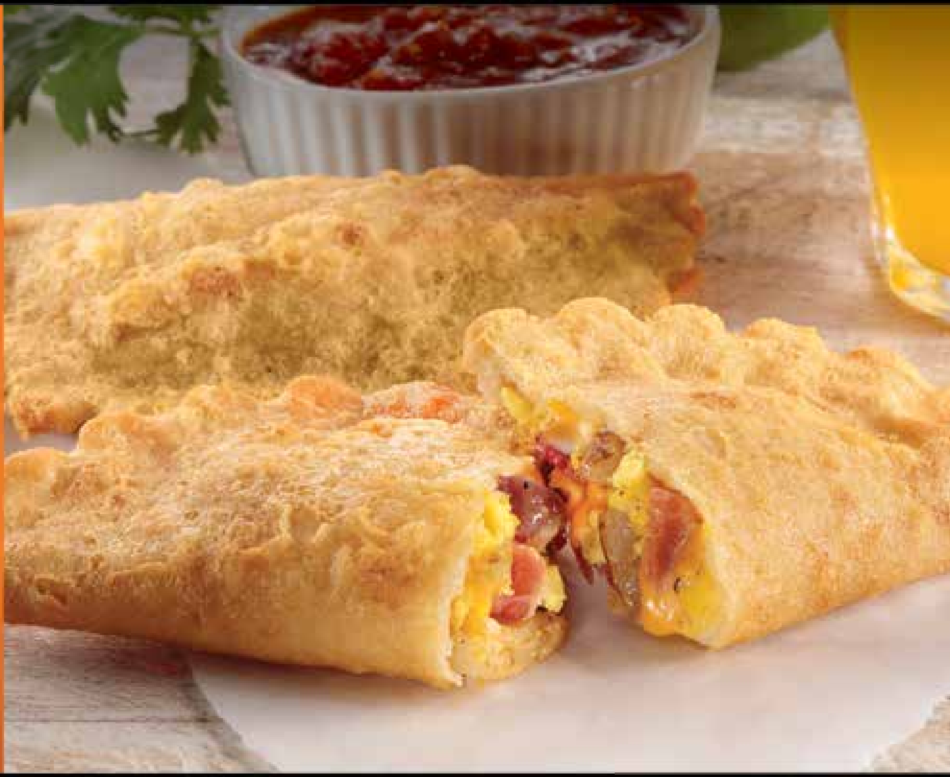

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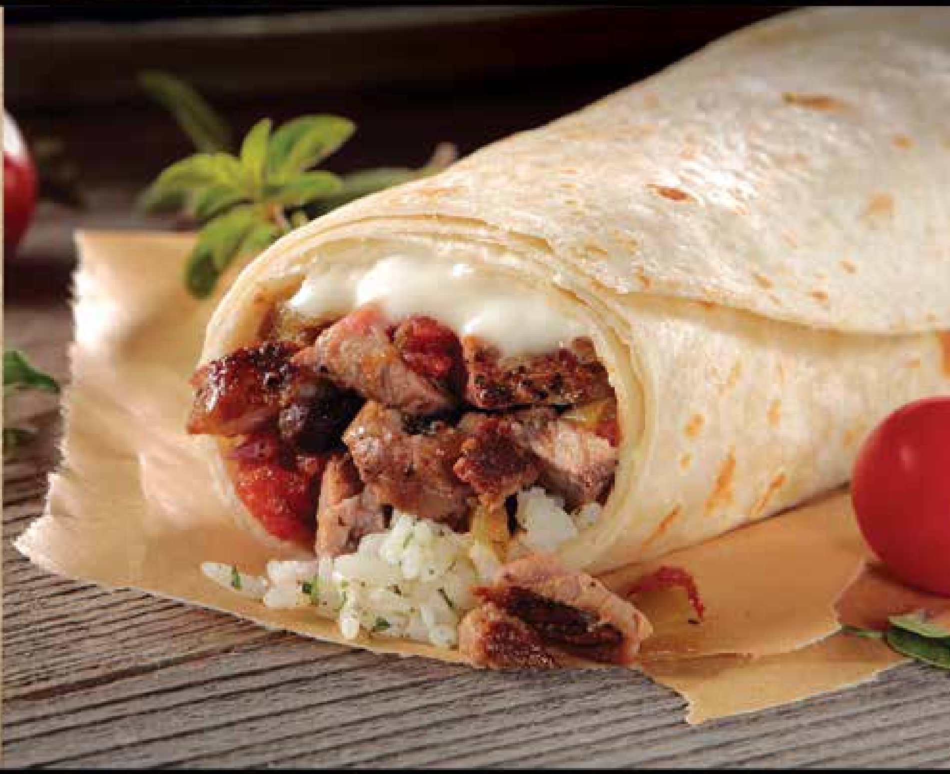

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Your Toolkit: Prepared Food

AFTER YEARS OF BOOMING GROWTH, the foodservice category in convenience stores is maturing, making it all the more important for operators to recognize and maximize opportunities.

The lines between meals and snacking continue to blur. While convenience stores still see the most foot traffic around lunch, consumers are looking for more than the standard sandwich, chips and drink combo. Operators can capitalize on this by offering snack-size portions of breakfast items, desserts and more, alongside their full-size menu options.

The local movement is also a growing trend that can pay dividends for convenience store operators. Consumers increasingly value products sourced from their area, as well as transparency in what they consume, and regional suppliers are eager to highlight their products. However, retailers must define what "local" means to them and stick to that.

Monthly convenience store **dining frequency jumped 13 percent** over the past five years, compared to flat growth for many restaurant formats.

— AlixPartners

> **"Millennials and Gen Z have challenged us to have more transparency in everything we do, and they want to trace food back to the source. They are more attached to the shopping experience than the previous generation. They want to know where it comes from, and there is a perception that it's fresher if local because it travels less and sits for less time in the store."**
>
> — Ryan Krebs, director of foodservice, Rutter's

TOP 5 Developments

1. Flavor trends are continuing to have global inspiration. Ethnic items such as internationally sourced ingredients are popular with millennials and members of Generation Z, and items such as empanadas, egg rolls and sushi are particularly craveable for c-store customers.
2. Pizza isn't just for lunch and dinner. Breakfast pizzas are trending, according to food industry market researcher Datassential.
3. Think small: On-the-go customers are up for smaller foodservice offerings. In 2016, 62 percent of consumers surveyed by Datassential expressed interest in hot appetizer/finger foods at c-stores, a sharp rise from 19 percent in 2012.
4. Fresh is the buzzword of now. C-stores should call out their fresh offerings in any form, whether it's hot food, fruits and vegetables, yogurt parfaits or more.
5. C-store customers still enjoy their indulgences, but the shift toward healthier prepared food selections has reached the convenience market. Retailers need to find a balance between taste and nutrition.

PLANNING CALENDAR

FEBRUARY
7 NAFEM Show

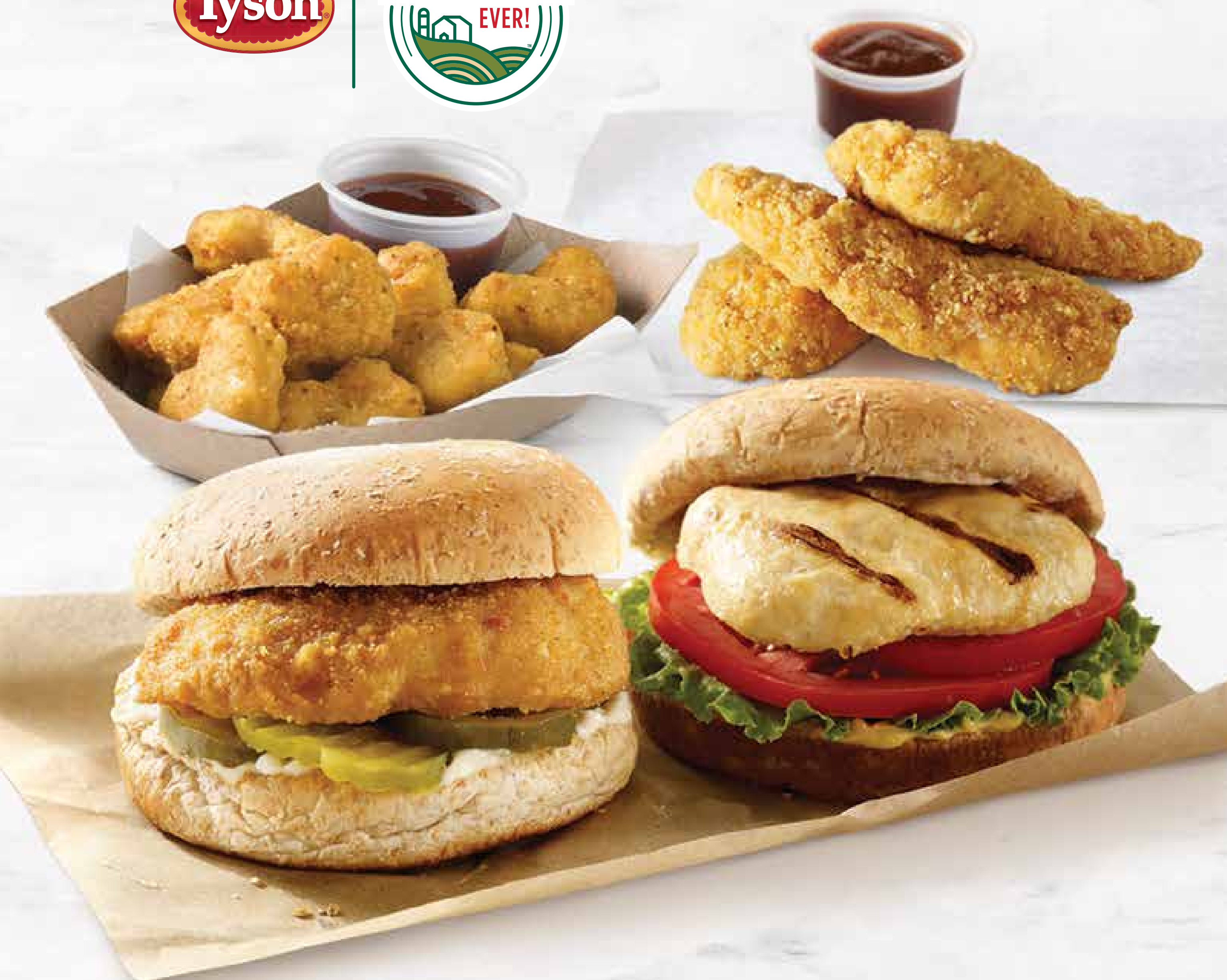
MARCH
4 International Pizza Expo

JUNE
1 National Fresh Fruit & Vegetables Month
2 International Dairy-Deli-Bakery Show

AUGUST
1 National Sandwich Month

NOVEMBER
28 Thanksgiving Day

Tyson | NO ANTIBIOTICS EVER!



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Your Toolkit: Dispensed Beverages

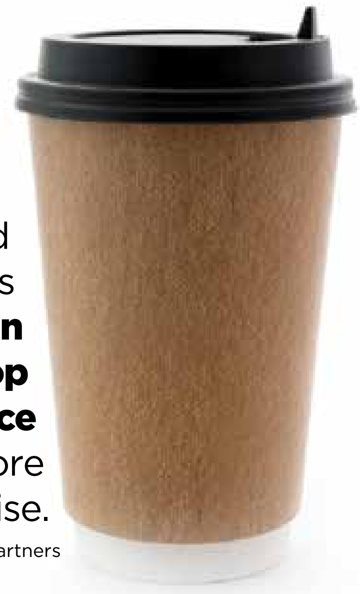
WHY DO CUSTOMERS HEAD TO THE FOUNTAIN instead of the cold vault? Customization is a key factor, and convenience stores these days are offering more dispensed beverage customization options than ever before. At the fountain area, dispensers like Coca-Cola's Freestyle and the Pepsi Spire make it easy for shoppers to mix up their perfect concoction. Meanwhile, in the coffee area, a wide variety of creamers, sweeteners, flavors and toppings stand ready and waiting.

Also on the rise is the availability of fair-trade and single-origin coffee blends. They appeal to consumers for their transparency and authenticity, as well as their international flair.

C-store retailers, depending on their store's location and demographics, might want to consider planning for the future now by moving away from Styrofoam cups and plastic waste, instead offering and promoting the use of reusable containers. The pushback against non-biodegradable waste isn't a nationwide trend yet, but consumers are showing interest in "greener" options.

Foodservice (prepared food and hot, cold and frozen dispensed beverages) is the **No. 1 reason consumers shop at convenience stores** for in-store merchandise.

— AlixPartners



"We know that thirst is a primary motivator for customers who visit our sites. Being able to provide easy solutions to satisfy that desire is essential to our business success. Once inside the store, the market basket for this shopper extends past the beverage and can be quite profitable based on category affinities, including fresh food and snacks."

— Elisa Goria, global lead for dispensed beverages, Circle K

TOP 5 Developments

1. Convenience is king when it comes to coffee, but c-stores must not take sales for granted, as customers may go to a coffee shop for the perceived superior quality. Innovation in the coffee segment to explore includes cold brew and nitro brew.

2. C-store customers break the rules of dayparts. Morning might see the most coffee sales, but c-store shoppers are more likely to buy some java later in the day or purchase a soda or slushie in the morning vs. when they visit other foodservice outlets.

3. The fastest dispensed beverage growth on c-store menus is being seen in higher-end juices, specialty coffee beverages, and hot and iced teas, according to food industry market researcher Datassential.

4. Millennials' interest in adventuresome flavors is affecting the cold dispensed beverage segment, with ginger lime, clementine and blood orange coming out on top of a list of the fastest-growing soda flavors.

5. The combination of consumers' desire for coffee customization and healthier choices should prompt c-store operators to consider offering options like plant-based creamers, raw sugar and agave syrup.

PLANNING CALENDAR

JANUARY
1 National Hot Tea Month

FEBRUARY
10 Mid-America Beverage Expo
24 International Beverage Dispensing Equipment Association Annual Conference & Product Fair

MARCH
7 National Coffee Association USA's 108th Annual Convention

SEPTEMBER
29 National Coffee Day

Your Toolkit: Cigarettes

THE NEWS AROUND CIGARETTES seems to be the same year after year: declining volumes, but despite the traditional 3-percent to 4-percent dips annually, the segment still drives the tobacco category — and tobacco still drives consumers to convenience stores.

A stronger economy led to an uptick in cigarettes in the third quarter of 2018 and notably, stronger sales in premium brands. However, the category is turning into a tale of two ends of the spectrum as widening price gaps are also pushing fourth-tier sales higher.

Economics and consumer behavior aside, c-store tobacco category managers would be served well to have a degree in political science. Local lawmakers continue to make cigarette excise taxes and overall tobacco legislation a centerpiece of their agendas.

The percentage of U.S. adults who are current — every day or some day — cigarette smokers has **declined 67 percent** since 1965.

— Centers for Disease Control and Prevention

We have been very successful with our exclusive brand. I feel that it helped us outperform the industry as far as declines. The gap is going to widen between these subgenerics and premium brands, so people will be looking to save some money and being in the Northeast with high excise taxes, consumers are looking for a better value. We're lucky we have that in place.

— Anne Flint, director of category management, tobacco, Cumberland Farms

TOP 5 Developments

1. San Francisco voters headed to the polls in June and cast ballots in favor of banning flavored tobacco products, including menthol — making it the first major municipality to take menthol off the backbar.
2. Exclusive cigarette brands are helping convenience store retailers gain an edge. For instance, Cumberland Farms has its 1st Class brand, while Smoker Friendly International locations feature the SF house brand.
3. According to the Centers for Disease Control and Prevention, a notable decline in smoking occurred among young adults between 2016 and 2017. About 10 percent of young adults aged 18 to 24 smoked cigarettes in 2017, down from 13 percent in 2016.
4. Supplier loyalty programs are contributing to an increase in cigarette traffic and unit volume. For example, GPM Investments LLC reported that it has seen a lift with Altria Group Inc. and Reynolds American Inc. loyalty programs.
5. A review of point-of-sale data shows that when a customer purchases a tobacco item, the next most-likely item in the basket is another tobacco item, according to Management Science Associates Inc.

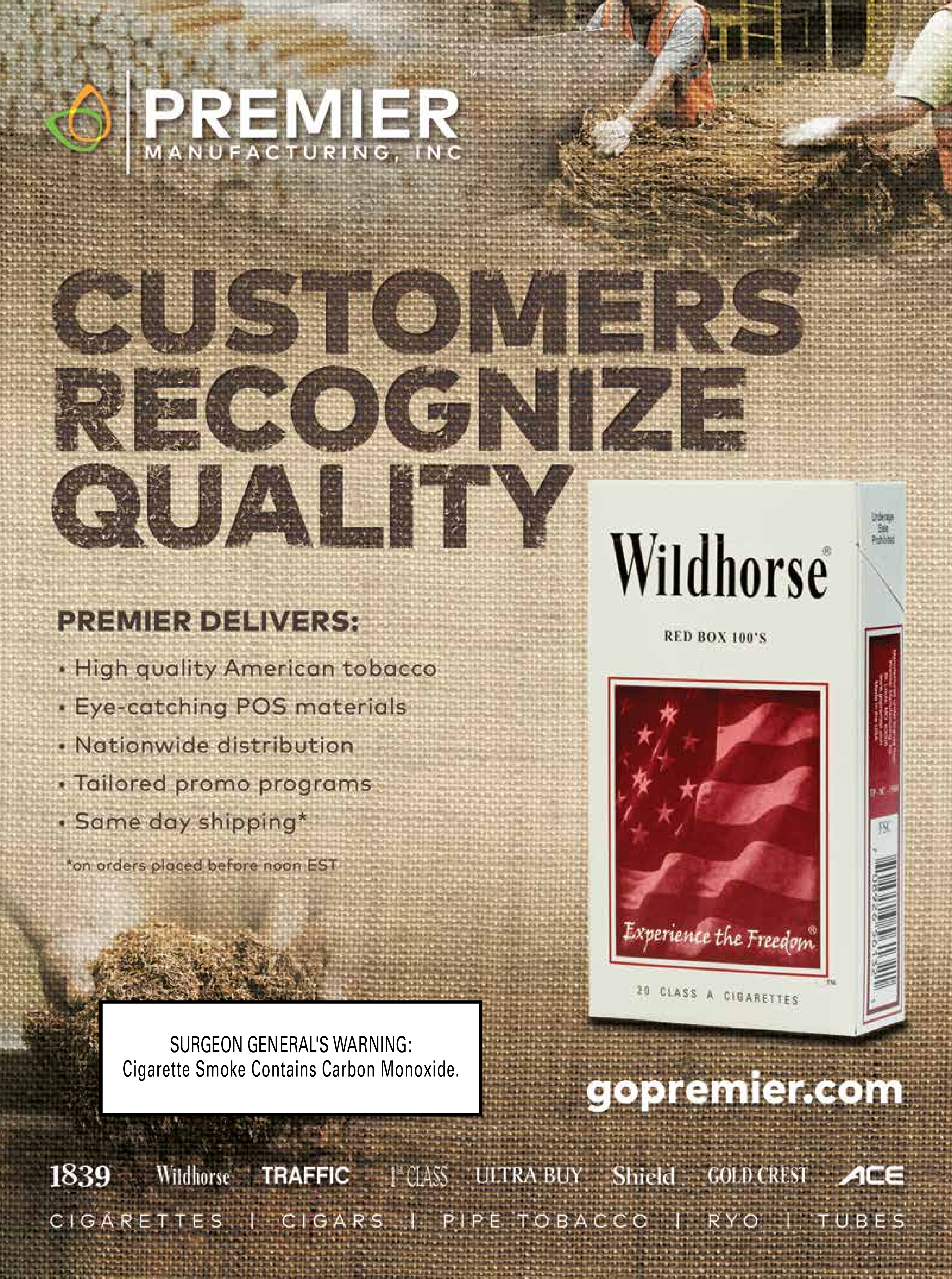
PLANNING CALENDAR

JANUARY
1 New Year's Day. Did your state's cigarette excise tax increase?

APRIL
1 Six months to the 2019 NACS Show in Atlanta. It's never too early to start planning.

NOVEMBER
6 Election Day. Get out and vote. Let your voice be heard!

DECEMBER
15 Bill of Rights Day. As tobacco legislation spreads across the country, know your rights.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Your Toolkit: Other Tobacco Products

CONVENIENCE STORES' PIECE OF THE TOBACCO PIE is just shy of three-quarters vs. other outlets like tobacco stores, drugstores and dollar stores. While dollar stores have experienced a significant jump in tobacco sales as of late, they are coming off a small base and do not pose an immediate threat to c-stores — still, it's not a bad idea to keep an eye on the competition.

With cigarette volumes facing their typical annual decline, a mix behind the backbar is necessary to keep succeeding in the tobacco category. That's where other tobacco products (OTP) comes into play. Large cigars and moist tobacco are growing, in particular.

A major question mark in OTP right now is around electronic cigarettes and vapor products. Pod-based vapor products like Juul continue to soar in popularity, but with the Food and Drug Administration's (FDA) target on vapor products and flavors, and the role they play in youth tobacco use, c-stores may soon have to count them out of the mix.

More than **1,300 warning letters and fines were issued** to retailers who illegally sold e-cigarette and vapor products to minors during "a nationwide, undercover blitz" this summer.

— Food and Drug Administration

"In a study we did in the past several years, we found that about 30 percent of convenience stores are able to increase their tobacco category sales each year. They typically do it by carrying the right products. That's actually critical."

— Don Burke, senior vice president, Management Science Associates Inc.

TOP 5 Developments

1 The FDA has issued advance notices of proposed rulemaking covering several OTP focal points: flavors, nicotine levels and regulation of premium cigars.

2 U.S. District Court Judge Amit Mehta issued a stay on cigar warning label regulations on July 5, extending it until 60 days after an appeal has been decided by the U.S. Court of Appeals for the Washington, D.C., circuit.

3 Massachusetts became the sixth state to raise the legal minimum age to buy tobacco products to 21. The measure goes into effect Dec. 31.

4 Altria Group Inc. got ahead of federal regulations and voluntarily pulled its MarkTen Elite and Apex by MarkTen pod-based products from the market.

5 Cannabis could be the next big OTP segment. As of this fall, nine states and Washington, D.C., had legalized full recreational use.

PLANNING CALENDAR

MARCH

29 National Mom and Pop Business Owners Day. Encourage current and potential customers to shop local for their OTP category needs.

AUGUST

8 Third anniversary of the FDA's deeming rule. Are you on track to meet the deadlines for your newly deemed product applications?

SEPTEMBER

3 Two months until Election Day. Are there any tobacco-related issues on your ballot?

NOVEMBER

23 The holiday shopping season has begun. Help adult smokers make the switch to reduced-risk products with enticing promotions.

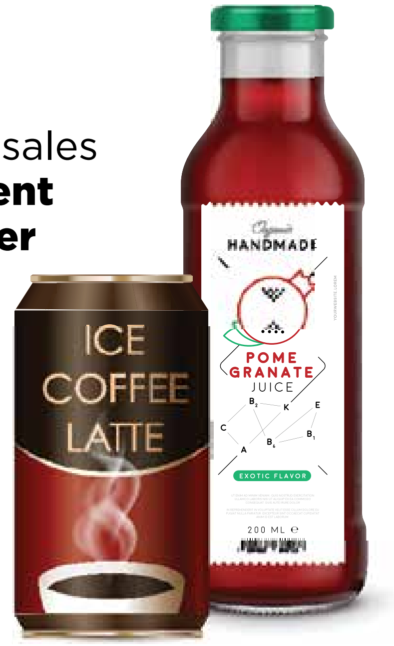
Your Toolkit:
Packaged Beverages

CARBONATED SOFT DRINKS have been on a rollercoaster ride over the past several years, leading other beverage options to take over space in the cold vault. There's been real innovation in the packaged beverages category as the market has particularly seen growth in the ready-to-drink coffee segment, including cold brew, and the ready-to-drink tea segment.

"Healthier" beverages are also on the rise. This includes drinks that offer functional benefits, are made with energizing natural ingredients and, most importantly, that taste good and are more interesting than just plain water.

Overall beverage sales were **up 4.3 percent in the third quarter** of 2018 — only slightly below the 4.6-percent increase logged in the second quarter.

— *Beverage Buzz*, Wells Fargo Securities LLC



> **We're seeing many new energy drinks, sports drinks and enhanced waters hitting the shelves, delivering on a 'better-for-you' promise with enhanced productivity. These brands are fortified with vitamins, extracts and energizing natural ingredients and are poised to revolutionize the packaged beverage industry.**
>
> — Jon Fiondella, account director, Epsilon Agency

TOP 5
Developments

1. Be sure to keep an eye on new trends in ingredients and packaging, from organic iced tea to kombucha to moringa tea.
2. The energy drink subcategory is getting a makeover with more products featuring healthier ingredients and boasting low or no high fructose corn syrup, aspartame, artificial flavors or artificial preservatives.
3. Beverages as snacks is a growing development. Some suppliers are touting snack-sized beverages, including milk- and yogurt-based drinks.
4. Check out Nestle Waters' Acqua Panna, San Pellegrino Essenza, Perrier & Juice and Kids Buddies — all among the top 10 Cool New Products from the 2018 NACS Show.
5. Private label beverages are seeing success. 7-Eleven's 7-Select Go! Smart Clean & Green Cold Pressed Organic Juice took home gold in the Private Label Manufacturing Association's 2018 Salute to Excellence Awards.

PLANNING CALENDAR

FEBRUARY
3 Super Bowl Sunday

MAY
6 Beverage Day

JUNE
20 Ice Cream Soda Day

JULY
4 Independence Day

AUGUST
11 Dog Days of Summer (begins July 3)

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6 32565 00001 2	6 32565 00065 4	6 32565 00002 9	6 32565 00003 6
McLane ID: 822767	McLane ID: 154347	McLane ID: 367698	McLane ID: 154357
Core-Mark ID: 224022	Core-Mark ID: 224006	Core-Mark ID: 429070	Core-Mark ID: 654079
Eby-Brown ID: 306175	Eby-Brown ID: 42150	Eby-Brown ID: 77412	Eby-Brown ID: 42168

Your Toolkit: Beer

BEER CATEGORY managers must balance myriad trends to generate peak sales and profits from the fourth-largest in-store revenue category after cigarettes, packaged beverages and prepared food. While the whole beer category doesn't show spectacular growth year over year, there are numerous subcategories like imports and craft beer that shine, depending on the year.

For 2019, experts say balance is the key — stock the hot brands, but don't neglect promoting premium, budget and popular brands as well for the volume they generate. Also, keep an eye on what may be the next hot subcategory: cannabis-infused beer.

67 percent of iGens — those born between 1995 and 2007 — say they avoid unhealthy activities such as excessive drinking and smoking, compared to 56 percent of millennials.

— Mintel

Attracting millennials into the alcoholic beverage category remains a priority for suppliers, distributors and retailers. From our latest On Premise User Survey, the results are clear in one thing: the millennial age group (21-35) is diverse in itself — with differences that marketers need to take note of, now.

— Matthew Crompton, client director, Nielsen CGA

TOP 5 Developments

1. Attracting young adult drinkers will remain a priority. Millennials and Gen Z are more interested in authenticity and making informed purchasing decisions.
2. Small packs are key. C-store customers tend to buy 12-packs or less.
3. Single beers are a c-store's most profitable sale, so consider giving them more space and try two-for pricing to increase the basket.
4. Take inspiration from brew pubs and tap rooms, which are often situated at the heart of a community; have passionate, knowledgeable staff who are similar to their customers; and offer an ever-changing selection of products, giving consumers something new and different.
5. People buy beer based on the occasion in which they'll be drinking it. Market against relaxing, connecting with friends or attending a social event.

PLANNING CALENDAR

JANUARY
24 Beer Can Appreciation Day

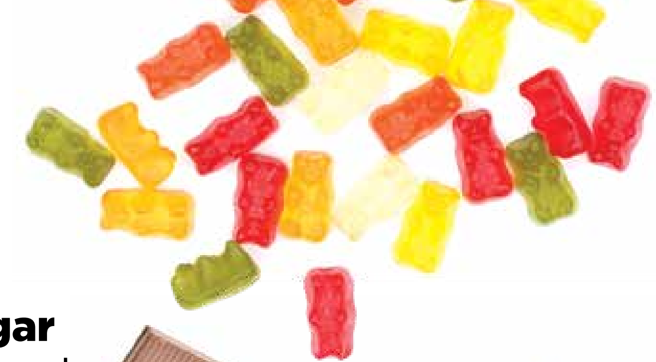
FEBRUARY
3 Super Bowl Sunday

MARCH
17 March Madness (ends April 8)

MAY
5 Cinco de Mayo

OCTOBER
6 Oktoberfest (begins Sept. 21)

DECEMBER
31 New Year's Eve



Your Toolkit: Candy

THE HIGHLY IMPULSIVE CANDY CATEGORY continues to be driven by consumers' desire to indulge, while remaining committed to their health and wellness goals. Nine out of 10 chocolate buyers agree that it's OK to indulge occasionally in the sweet stuff vs. 63 percent who say it's important to limit chocolate consumption, according to Mintel research.

Although consumers want choices in what they're indulging in and what they're treating themselves with, convenience store retailers must not treat all consumers the same. They can create balance by expanding new-age treats, while still optimizing core products.

Reducing sugar (61 percent) and **reducing calories (44 percent)** are the leading reasons why consumers say they are eating less candy these days.

— Mintel

> **"Chocolate's continued sales growth signals that consumers remain open to small treats, even as they strive to eat healthier overall. Its status as a permissible indulgence and unique craveability give chocolate ample room for further growth and premiumization."**
>
> — Jake Owen, senior food and drink analyst, Mintel

TOP 5 Developments

1. C-store retailers and suppliers say the most effective ways to drive impulse candy purchases are enticement, leveraging the checkout, and clear and simple signage.
2. U.S. chocolate buyers (49 percent) are most likely to say they would like to see more chocolate in the form of mini-sized bars or bites.
3. New product launches of chewy candy in the United States grew 83 percent over the last five years.
4. Fewer than one in five candy eaters (18 percent) say they read the nutritional information on non-chocolate confectionery products.
5. Holiday/seasonal chocolate accounts for about a quarter of the market's sales. Easter is the largest segment followed by Christmas, Valentine's Day and Halloween.

PLANNING CALENDAR

FEBRUARY
1 Bubble Gum Day
14 Valentine's Day

APRIL
21 Easter
22 National Jelly Bean Day

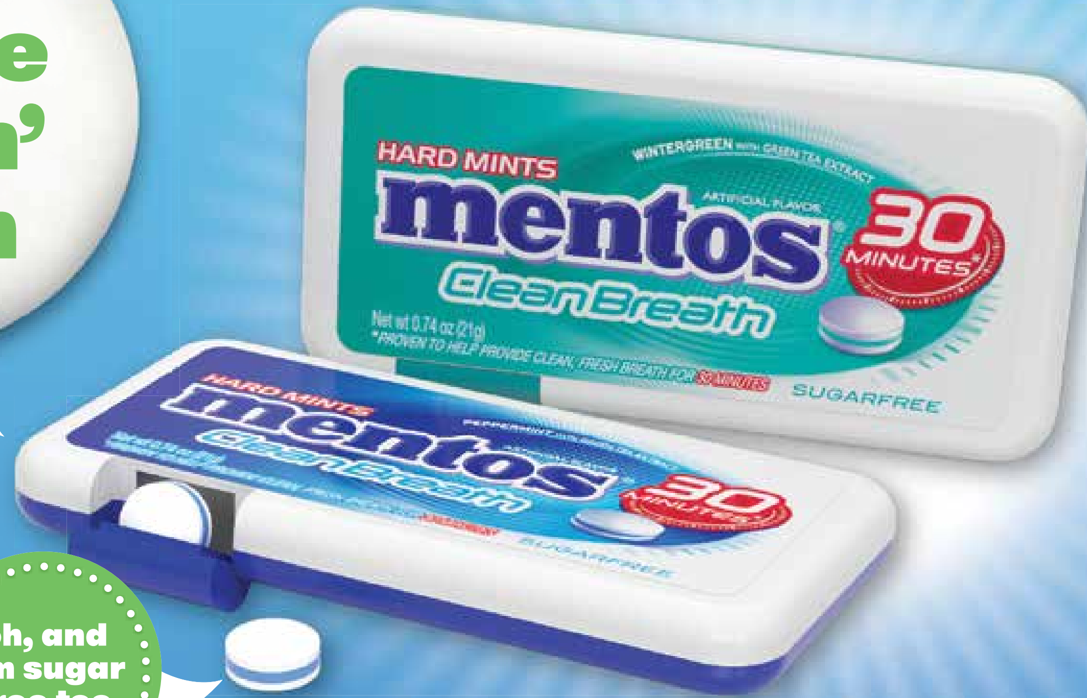
JUNE
1 National Candy Month

JULY
7 Chocolate Day
20 National Lollipop Day

OCTOBER
20 Sweetest Day
31 Halloween

DECEMBER
24 National Chocolate Day
25 Christmas

now you're talkin' fresh

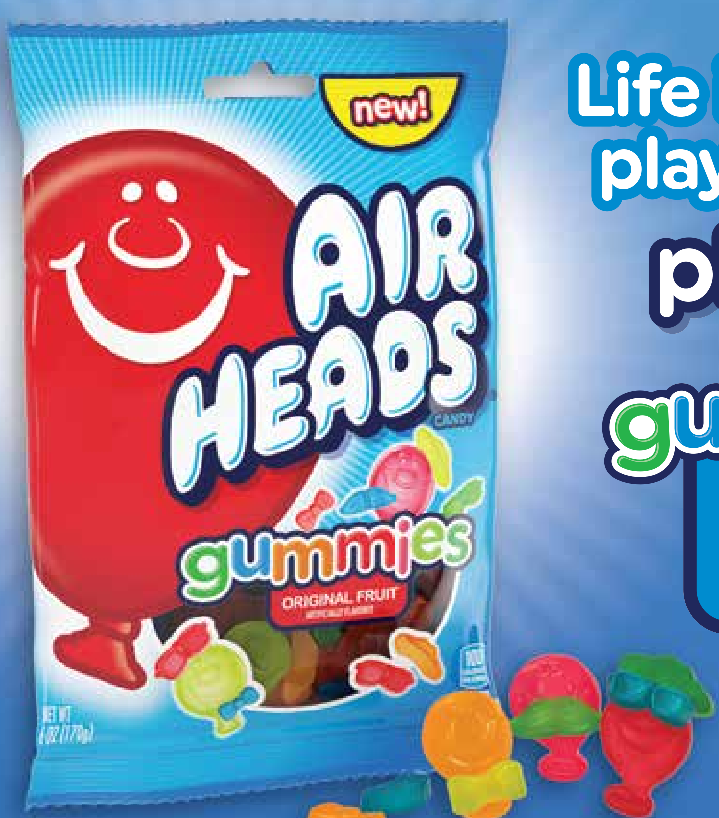


oh, and i'm sugar free too

Mentos CleanBreath Wintergreen
12ct Item #1632476

Mentos CleanBreath Peppermint
12ct Item #1632416

Shipping January 1



Airheads Gummies
6oz Peg Bag 12ct Item #61151

Life is short... play more, play delicious!

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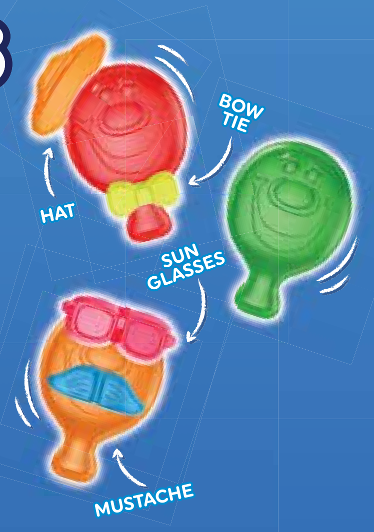
Interactive shapes for playful taste combinations!



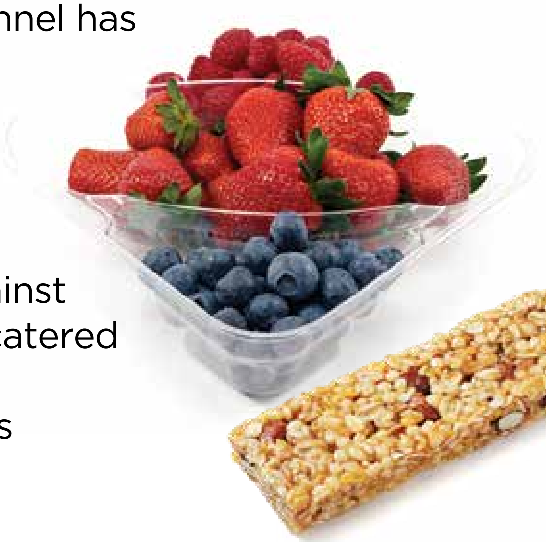
Your Toolkit: Snacks

THE INCREASING PREVALENCE of on-the-go eating and snacking as a replacement for meals is having a positive effect on packaged snack sales in convenience stores. New product innovation, increased variety and products touting "better for you" benefits (such as non-GMO and high protein), are among the trends that are propelling the category forward.

In the third and final report of its *Power of Snacking* series, Nielsen identifies four key areas that are set to make the biggest impact on the future development of the snacking category. They are: in-store space, technology, channel portfolios, and brand vs. private label.

The convenience channel has traditionally been **the engine driving the snacking category**, but it is now having to work harder to differentiate itself against a mission also being catered for
by large supermarkets and online.

— *Power of Snacking*, Nielsen



"Multicultural is growing exponentially. By 2044, the U.S. will be dominantly multicultural. Crossover opportunities with treats and snacks spill over into all demographics, so look at taste preferences and product innovation to stay on target, as opposed to just demographics."

— Jaime Enrique (Rick) Parra, executive director, multicultural/Hispanic consulting, Winston Weber & Associates Inc.

TOP 5 Developments

1. Salty snacks are viewed as an acceptable indulgence, with 42 percent of consumers agreeing taste is more important than health, but still many are looking for more healthful varieties.

2. "Better for you" snacks will continue to feature alternative ingredients (non-potato) and include different types of proteins, grains, vegetables and superfoods.

3. Snack category experts advise c-store retailers to start offering healthier snacks to customers by incorporating a small section within their salty snack set. If that does well, the retailer can place a "Better for You" endcap in a prime position.

4. Nearly half of consumers (49 percent) express interest in traditional varieties of ready-to-eat popcorn such as cheese-flavored, while 32 percent want indulgent flavors like chocolate- or caramel-covered.

5. Interest in premium products, such as meat snacks made from prime cuts, is high among meat-snack consumers of all ages.

PLANNING CALENDAR

JANUARY
19 National Popcorn Day
29 National Cornchip Day

FEBRUARY
3 Super Bowl Sunday
24 National Tortilla Chip Day

MARCH
14 Popcorn Lover's Day
23 National Chip & Dip Day

APRIL
26 National Pretzel Day

JUNE
12 National Jerky Day

OCTOBER
1 National Cookie Month
22 National Nut Day

HOT POCKETS
brand sandwiches
STOCK A
SURE
WIN
NEW | ITALIAN STYLE SUB
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