

TAKING ON amazon

With reported plans to aggressively expand its Amazon Go concept, c-store operators need to play up their competitive differences, while learning from the e-commerce giant's success By Tammy Mastroberte



DEBUTING ITS CASHIERLESS STORE CONCEPT in December 2016, Amazon entered the convenience space with Amazon Go. Now, with nine locations open as of press time in Seattle, Chicago and San Francisco, the e-commerce giant is looking to possibly open as many as 3,000 Amazon Go locations over the next few years, with as many as 50 locations in major metropolitan areas by the end of 2019, according to recent news reports.

What does this mean for convenience stores? Should c-store operators be concerned about this affecting their own stores and sales?

The short answer is “yes.”

“Right now, it’s not an immediate problem, but if they can accomplish opening 3,000 stores in the next couple of years, that is definitely something to worry about,” Kimberly Otocky, c-store content marketing specialist at Paytronix, a provider of loyalty and customer engagement solutions for restaurants, retail chains and convenience stores, based in Newton, Mass., told *Convenience Store News*. “I think c-stores have a leg-up because of the fuel component, which means there will always be foot traffic to pull in from the pump.”

Since the Amazon Go concept is going after foot traffic in urban areas, highway and local neighborhood stores won’t necessarily be in direct competition — but those with locations in urban, walk-up neighborhoods could find one opening in their area down the line.

“The stores are in densely populated, urban markets and the traffic drawn into the stores is foot traffic from pedestrians walking by or in close proximity on their way to work,” said David Bishop, partner at consultancy Brick Meets Click, based in Barrington, Ill. He believes the Amazon Go stores are “absolutely a threat” to the c-store industry.

“For c-stores, it targets the on-the-go shopper and if you look at most of the assortment they offer, it’s grab-and-go and prepackaged items,” he noted.

Bishop predicts Amazon will continue to look for high-foot-traffic locations, such as Times Square or Penn Station in New York. Eventually, Amazon could potentially saturate the top 50 or 100 metro markets, the way he sees it.

“Amazon is looking at foot-traffic patterns and trying to intercept the foot traffic with these stores, so they will likely pop up by train stations and bus depots,” he said.

Even those not in direct competition with Amazon Go in terms of location, though, should be paying attention to what the company is doing in the space and understand it will still have an effect on them and their stores. Amazon is already offering two-hour delivery in big cities for e-commerce orders and free delivery to customer vehicles in 37 cities.

“Change is coming, and it’s coming fast,” said Kevin Struthers, senior consultant at W. Capra Consulting, based in Chicago.

“When you look at what Amazon is accomplishing, it doesn’t paint a pretty picture for the c-store industry. Don’t mock this. Study this and become a student of it. To defend yourself, you have to learn. You can’t defend yourself until you know what they are doing.”

Stand Out to Compete

Despite its deep pockets and innovative technology, there are things Amazon and Amazon Go can’t offer that c-stores can — and these advantages should be highlighted and celebrated. They include community, unique loyalty and rewards programs, and the employee/customer connection.

“C-stores are part of the local community and connect more with the local customers than Amazon Go,” Otocky of Paytronix pointed out. “They can partner with local businesses to provide more offerings, which is a great way for them to remain a big part of their communities”

Although Amazon Go has employees in its stores to check IDs and restock shelves, there is not a personal connection like the ones created in neighborhood c-stores. In fact, there is no interaction at all upon checkout at Amazon Go stores. C-stores can use this as an opportunity to gain customer loyalty through personal relationships.

“You have to exploit what you have, and retailers have built strong value propositions because of their people,” Struthers noted. “There are people at the Amazon Go store, but you don’t interact with them. That is a missing piece.”

Additionally, Amazon Go offers prepacked, commissary-delivered and pre-portioned food products, which is their way of delivering fresh food. Conversely, c-stores with robust foodservice programs can stand out by focusing on the quality and freshness of their made-to-order items and other unique foodservice offerings, said Bishop. This also includes hot and cold dispensed beverages, which Amazon Go stores don’t currently offer.

“Made-to-order is going to be different for each retailer, but what they need to ask themselves is: If one of these stores moves into my market, how am I compelling customers to visit my store?” Bishop explained. “Having a selection of quality dispensed beverages differentiates them, as well as made-to-order, customized and personalized food offerings.”

Highlighting unique differences is a way to not only compete with Amazon, but also all stores nearby. It could be foodservice, a unique coffee program or a beer growler station. Even offering seating for those customers who don’t want to grab and go can help a c-store stand apart from the crowd.

“It’s not about copying Amazon, but creating differentiation so there is less direct competition for consumer dollars, and more compelling reasons someone wants to shop your store,” Bishop said.

Lessons to Be Learned

While c-stores should definitely find ways to differentiate themselves from Amazon Go, there are some aspects of both Amazon as a company and Amazon Go that should be studied and applied throughout the convenience channel.

One of these is Amazon's use of data, which is an advantage it gained from starting online and growing its Amazon Prime loyalty program. The company knows who is buying what and where they are located, and can tailor assortments and testing of products accordingly.

"When customers shop with Amazon online, the company uses that market intelligence to tailor product assortment because they know where people are and what they buy," said Bishop, noting that of the Amazon Go stores currently open, only two offer beer and wine, and only one in San Francisco sells sushi.

Amazon knows a lot about its customers, so c-stores can compete by gathering as much data as they can on their customers as well. This can be done through a variety of ways, including a loyalty program or mobile payment, Otocky explained.

"Loyalty programs are a great way to get customers identified, but this can also be done through mobile payment and tokenization of credit cards, as well as phone SMS and email programs," she

said. "If you can get the data on your customers like Amazon does and then harness it through relevant offers and more, a c-store will be in a better place to compete."

Technology is another area where Amazon and Amazon Go excels, using cameras and shelf sensors, along with an app, to offer a frictionless shopping experience with no need to checkout with a cashier. While some c-stores are offering self-checkout options, there are other ways they can utilize technology to create "an experience" in their stores.

"C-stores have to get their mind around digitally interacting with customers. Amazon is already there because they started off in e-commerce," Struthers said. "Look at how to digitally engage because this is where the sticky relationship comes from — to draw them in and engage them to visit the store."

He pointed to Kum and Go's use of geofencing and location-based ads, drawing in customers when they get within a certain range of the store. Frictionless payment is another area to consider, as 7-Eleven Inc. is doing now in a scan-and-go concept trial, according to Struthers.

"You don't necessarily have to do scan-and-go for the whole store; it could be a grab-and-go section," he advised.

Furthermore, there are ideas within Amazon's product offerings that c-stores can take note of. For example, two Amazon Go stores have started testing the sale of alcohol and, depending on how consumers respond, the company may expand that, hitting another major c-store territory, Bishop noted. The select Amazon Go stores are offering single-serve beer and a selection of six- and 12-packs, with an average of 85 SKUs. The stores are also offering approximately 100 SKUs of wine in take-home, single-serve cans and 375-milliliter bottles.

"C-stores know wine is a growing interest," said Bishop. "How are operators approaching it? Are they just offering 750 milliliters and take-home solutions, or is there a single-serve opportunity they can tap into the same way they sell beer?"

Amazon Go also has a focus on all dayparts for meals, including breakfast, lunch and dinner. Although all the offerings are prepackaged, Bishop said Amazon Go for dinner is serving as a "provisional pantry for the house," with take-home meal kits designed to be brought home and prepared.

"C-stores have done a great job with breakfast and lunch, but dinner has been somewhat elusive, and there is a growing trend in meal kits," he explained. "Stores can devise some take-home solutions to create new categories for their to-go business."

It's important as well not to overlook the "surprise and delight" experience of the Amazon Go stores with their use of technology. When talking to Amazon Go customers and reading reviews, the technology is what people are focused on, according to Bishop.



E-commerce giant Amazon is reportedly looking into opening as many as 3,000 Amazon Go stores in the new few years.

"The technology enables this seamless shopping experience where you can just walk out of the store, and that is what people are talking about," he said. "They are not talking about the fact that they have the best pastries or sandwiches. What is surprising and delighting people today is the technology."

The mistake many retailers are making is underestimating Amazon. The size of the organization and the talent pool the company has access to, combined with the amount of money it has to spend, makes Amazon a threat to a variety of retail industries, acknowledged Struthers.

Staying competitive is about staying ahead of the curve and adopting technology to improve the customer experience and gain more insight into purchasing behavior and needs.

"It's about getting ahead of it and making sure you are providing the level of convenience customers are asking for, whether it's mobile payment, scan-and-go or loyalty," Otoki agreed. "Meeting Amazon Go with a more frictionless experience, including mobile ordering ahead, where people can pull into a parking spot and have items delivered — like McDonald's does now — this would be especially good for fuel-only customers sitting at the forecourt." **CSN**



At Amazon Go, cameras in the ceiling track customers as they shop. The brand's advanced technology is surprising and delighting shoppers.

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