NACS Convenience Summit Asia

*What Have We Heard, What Have We Learned?*

Henry O. Armour
President & CEO, NACS
Where does the Future happen?

“The Future is here… it’s just unevenly distributed!”

William Gibson
Canadian Futurist, 17 March 1948

Why reinvent the wheel?

→ Use a **GLOBAL RADAR SCREEN**
to learn from the experiences of others

→ **Adapt** those learnings to your local dynamics and perhaps

→ **leap frog** legacy approaches
• Paradox of rivalry and interdependence

• The interaction of geo-political and geo-economic pressures (tatonnement process)

• Increasing complexity of values chains and the need to increase value chain resiliencies

• The emergence of intraregional Market Asia and the transition from global to regional markets and value chains

• For Thailand, the need to transition from low value to higher value service sectors

• “When two elephants fight, the grass beneath them gets trampled!”

• “If all else fails, Thailand still offers great food!!!”
The state of consumers is unsettled

Unsure about the future and bracing for extremes, consumers are in a constant state of skepticism. Volatility in everything from prices to weather events, has signaled a year of safeguarding, action-planning and hopeful strategizing around socio-economic hurdles.
**Signs of stabilization in Asian e-commerce**

Online importance sees **slower growth** in many Asian markets

<table>
<thead>
<tr>
<th>% share of sales – E-commerce</th>
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<tr>
<th>Country</th>
<th>2021</th>
<th>2022</th>
<th>Pt. Change</th>
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<tbody>
<tr>
<td>South Korea</td>
<td>31.9%</td>
<td>35.5%</td>
<td>+3.6</td>
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<tr>
<td>Thailand</td>
<td>1.3%</td>
<td>1.9%</td>
<td>+0.6</td>
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<td>Indonesia</td>
<td>0.8%</td>
<td>1.1%</td>
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<td>India*</td>
<td>2.3%</td>
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<td>China</td>
<td>29.7%</td>
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<td>Singapore</td>
<td>14.2%</td>
<td>15.3%</td>
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Source: NielsenIQ RMS and CPS data, total online share of sales by market, Latest 52 weeks ended Sept. 2022 vs. year-ago, * India to Latest 52 weeks ended June 2022.
• Speed of EV penetration will vary widely around the world…and the impact on liquid fuel demand will likewise vary

• EV sales decline when incentives decline (slowing growth in EU)

• On the road charging will increase as lower income demographics buy EVs (few chargers in apartment buildings)

• “You won’t have a margin problem (high), you will have a traffic problem (low)”
Different operating models fit different players – the choice needs to be grounded in strategy and inherent capabilities

**Potential public charging business models**

<table>
<thead>
<tr>
<th><strong>Revenue source</strong></th>
<th><strong>Fixed land usage fee</strong></th>
<th><strong>Energy resale</strong></th>
<th><strong>Importance of EV Charging in strategy</strong></th>
<th><strong>Capital deployment &amp; risk</strong></th>
<th><strong>Income potential</strong></th>
<th><strong>Level of attractiveness:</strong></th>
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<td><strong>Site leasing</strong></td>
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- **Site leasing**: Lease out (part of) site to CPO. Offering location but leaving commercial offer and key operational determinants to CPO; very low investment need but no control over e.g., value proposition.

- **Engaged site host**: Engage CPO to install, operate charger on site, while maintaining involvement in definition of commercial offer (e.g., pricing) and network buildout and operations (incl. securing grid connection and managing power on-site).

- **Owner-operator**: Own and operate charge points including full ownership and responsibility of funding and execution; requires holistic set of commercial/marketing capabilities and resources.

Fuel retailers are in a strong position to win operating charging stations, due to their existing footprint, experience in operations, and familiarity to customers.
The EV transition drives a shift towards four distinct station archetypes

1. **Urban EV**
   - **Urban EV destination**
     - EV fast chargers (300 kW)
     - Coffee shop
     - Premium grocery convenience
   - Typically, in urban centers

2. **Mobility hub**
   - **Mobility hub**
     - EV Fast chargers (300 kW)
     - Café with seating
     - Fuel pumps
   - Typically, along highway

3. **Low-cost fuel station**
   - **Low-cost fuel station**
     - Automated fuel station
     - Automated car wash
   - Common in rural areas/country-side

4. **Mobility hub**
   - **Mobility hub**
     - Grocery and pharmacy and other services (click and collect, ATM etc.)
     - Coffee shop
     - Fuel pumps

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Source: Internal analysis

**Fuel & associated Convenience retail resilience**
INVESTING IN THE EMPLOYEE EXPERIENCE ($E^x$) 
EQUALS INVESTING IN YOUR CUSTOMER EXPERIENCE ($CEx$)

$E^x = (M)CEx$
EMPLOYEE VALUE PROPOSITION

goes well beyond the monetary aspect and is at the core of employee loyalty

Connect emotionally
Build staying power through a company purpose that provides its employee with meaning and inspires an emotional connection

Create a differentiated experience
Empower people’s careers, design a positive employee experience and supportive work environment

Provide a competitive package
Offer compelling salaries, health and other benefits to help sustain employee livelihoods
| My work matters | Feeling of purpose and achievement  
Positive impact with local communities  
Relationship-building opportunities with customers  
Empowerment to make a difference |
| This job works for me | Personalized and flexible work schedules  
Diverse and supportive team culture  
Less physically demanding and more stimulating  
Robust employee health and wellbeing benefits |
| I can grow here | Formal and informal learning opportunities  
Variety of experience across store functions  
Transparent and accessible career path  
Financial stability and incentives to think like an owner |

Redefine what it means to work in a retail industry
### UNIQUE PRIORITIES FOR RETAIL INDUSTRY

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Macro Technology Trends to Watch: Innovation Research Committee Short List

- **Smarter devices** > magnitudes growth in data
- **Datafication** > real world data “training” assistant technologies
- **AI/ML/Computer Vision** > real world application of machine intelligence
- **Digital Trust** > creating physical ID to the digital world (E.g. TruAge)
- **New Energy** > continued innovation in energy generation and mobility
- **Edge Computing / Software Defined Tech Stack** > optimized tech stack
- **Quantum Computing** > magnitude computing improvement, security risk
- **Blockchain Evolves** > non-financial application as portable contract
The paradox of identity: today

**PRIVACY**
- I’ve lost control
- Right to be forgotten
- My ID is not secure
- Stop tracking me
- I can’t remember logins
- $#%@ passwords
- Data breaches!

**CONVENIENCE**
- Why can’t I use my ID online?
- You need to know me better
- Why am I seeing this ad?
- Why do I need to keep proving who I am?
- Verification = friction
- There has to be an easier way...

Digital ID is essential to the future of business, and society
• ***Sugar (what the consumers see in our stores)

• Water

• Agriculture

• ***Climate (what the consumers see in our stores)

• ***Waste (what the consumers see in our stores)

• Diversity, Equity & Inclusion

• Retailers and manufacturers must collaborate in telling the story together (simply and powerfully in the stores)!!!
What is driving the high emissions for CDE in ASP?

**THE FRIDGE**

Not all refrigerants are equal, some warm the earth faster i.e. HFC vs hydrocarbon

More old fridges than new ones
- Long replacement means less efficient, old fridges are in market >7 years

**ELECTRICITY GRID**

Powered by fossil fuel instead of green energy

For e.g.: same equipment in Indonesia*, will generate:
- x6 more carbon than in NZ
- x74 more carbon than in Norway

(based on CCEP Analysis)

**NUMBER OF FRIDGES**

Currently, we have close to
~ 1 million unit of CDE (cooler, vending, and Fountain)
• “Close but never closed!”
• Few own-brand product…exclusives from manufacturers
• More than a convenience store…a food & drink destination
Customer’s new normal
Offer All Convenience to fit to customer’s lifestyle

All Convenience services in response to customer’s behavior change

Convenience to buy

Convenience to pay

Convenience to receive

Covid-19 is the key accelerator that fast forward our business strategy

Change

Work from home

Home cooking

Household / Grocery / Big pack

Ready to cook
All Meals Destination
various food for all customer segments at all times

From light meal destination, we further develop our food products for main meals

- Continue to increase variety of our Light meals
- Add Thai dessert & chilled bakery selection
- All-day drink menu to bundle with food in meals

- Emphasize freshness and value for money
- Differentiate with variety including healthy and premium products
- More All Café coffee menu

Light and Snack Meals

Sausage / Dim Sum
Egg
Cake / Dessert
Drinks
Bakery / Sandwich
Onigiri
Fruit
Slurpee / Gulp

Value Meal Box
Premium Meal Box

Chef Collaboration

Steak
Healthy Meal

Main Meals
Building Organizational Culture

our organizational culture: 6 core values and harmony culture

Harmony Culture

- Blend the similarities
- Bridge the differences
- Harmonize like a symphony orchestra
Thailand’s first and largest corporate university

Current Students **30,000**

2 March 2023 – Bangkok

**Work-based Education**

- Students undertake a paid work placement at 7-Eleven store (account for 20%), in addition to attending regular classes
- Support “Ready to Work” workforce to corporates
- Giving and Sharing Opportunities for the youth
Success Case: “Say NO to Plastic Bags” Campaign

**Initiative**

In 2018, we started a campaign to reduce/stop use of plastic bags at all 7-Eleven stores. We encouraged customers to participate through CSR.

**Engagement**

For each “NO”, 7-Eleven has donated 0.2 Baht to hospitals to purchase medical equipment.

**Result**

- **889 million** plastic bags rejected
- **154 hospitals** in 77 provinces received donation

The campaign was a vast success. It has powerfully created good image and changed behavior of Thai people. After that, the government has announced a ban on single-used plastic bags at major retail stores.
Café Amazon
“Green Oasis”

WHAT WE STAND FOR
We are the **Green Oasis** to meet, relax and enjoy the refreshing taste of coffee

(Saving the planet…at a very Competitive price!)
Giving back to our communities and caring for our environment

Provide job opportunity for people at disadvantage
Just 12-18 months ago, QuickCommerce was booming across the globe...then things took a turn for the worse!
What happened?

The end of 0% interest rates and ample venture capital
The end of COVID-19 restrictions
The end of the zero-regulation operating environments
The Future

Growth has become more organic

Convenience premium shifting to consumers

Consolidation among strong players
Takeaway

#1
Super-fast delivery becomes table stakes for all product categories, but at a fee
Most dark stores will be replaced by ‘bright stores’ with consumer access
Our vision is a world where packaging never becomes waste

Philippines Food Business case on Plastic Neutral & the Plastic Credit Exchange
PlasticCreditExchange IS NOW EXPANDING AND SOWING SEEDS FOR A CIRCULAR ECONOMY
Lessons of Leadership from Lei

• 3 keys from a corporate perspective
  • Organized infrastructure
  • Strong culture to build loyalty…build on a base of performance and spirit
  • Meaningful jobs

• 4 keys for individual leadership
  • Self discipline…model the behaviors you expect from others
  • Build teams with complementary skills…”No one is perfect, but a Team can be”
  • Set clear expectations (KPIs)
  • Encourage and provide opportunities for your people to grow

• Advice for leaders
  • Keep learning
  • Set a vision that is meaningful to your people
What Did We See?!

- **Products**: Incredibly broad product assortment
- **Services**: Lots of financial services
- **Staff**: Always present in a friendly and helpful manner
- **Cleanliness**: Impressive in every store
- **In-store Food**: Quality hot food
- **The Street**: Authenticity and quality of street food
The 2023 Award Winners!

- Asian Convenience Industry Leader of the Year Award, sponsored by PepsiCo
  - Winner: Lei (Dan) Zhu, uSmile/PetroChina (China)

- Asian Convenience Retail Sustainability Award, sponsored by Coca-Cola
  - Winner: Central Food Retail Company (Thailand)
  - Honorable Mention: Easy Joy/Sinopec (China)

- Asian Convenience Retail Technology Award, sponsored by Gilbarco
  - Winner: FamilyMart Co. Ltd. (Japan)
  - Honorable Mention: Meiyijia (China)

- Asian Convenience Retailer of the Year Award, sponsored by Hershey
  - Winner: Jiangxi Ledoujia (China)
  - Honorable Mention: BP Bayside Gateway (Australia)
My Overarching Takeaways

The Return of Retail
The pendulum is swinging back

The Authenticity of Food
The passion for “real”

The Human Experience
For Employees…..For Customers
Henry Armour, Ph.D.
President & Chief Executive Officer
harmour@convenience.org