

# NACS Convenience Summit Europe: 2023

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

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NACS

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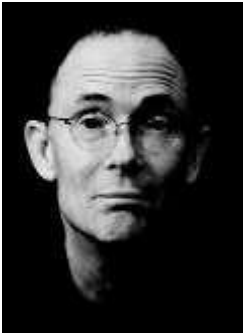
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# Where does the Future happen?



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

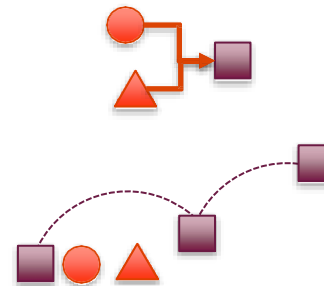
**William Gibson**

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

- 117% of disposal income buying 94% of the products I need
- Core inflation will take 3 to 5 years to unwind
- Dynamic pricing is an important tactic...but it takes electronic shelf tags
- Operating cost reductions is another important tactic
  - Take (ESG) credit for cutting energy/transportation costs...  
...but you have to tell the story

# Key impact of inflation: Consumers (2/2)

89 percent of the UK customers make purchases from convenience stores. Proximity is one of the key determining factors among consumers while deciding their convenience stores

## of customers said that they typically make purchases from convenience stores

Amidst the cost of living crisis, most of the UK consumers prefer shopping at convenience stores

This is primarily driven by purchases for food items as consumers look for alternatives to eating out as the cost of living crisis continues to impact consumers

## of shoppers visit convenience stores at least once a week

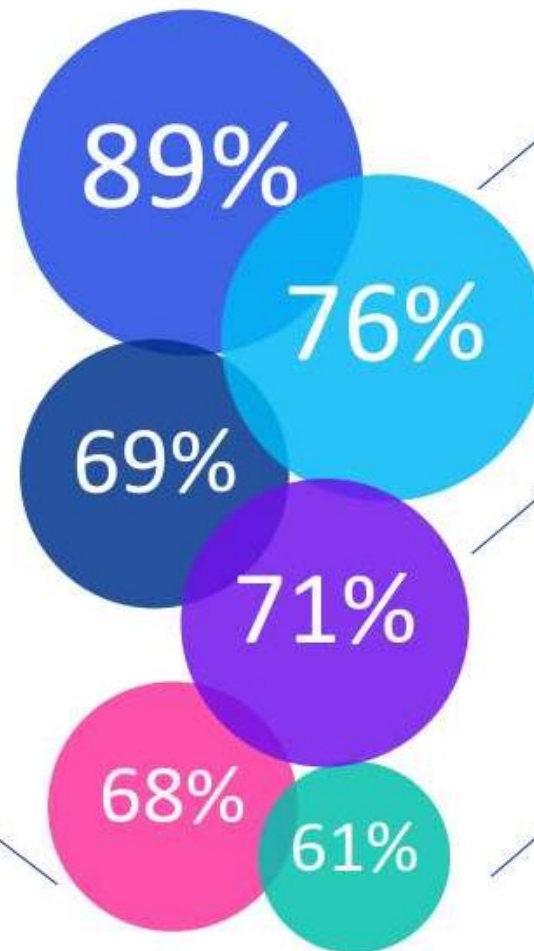
Convenience store shopping peaked during the Covid-19 pandemic with 75 percent of shoppers visiting convenience stores

Frequency of shopping at these stores has dropped since then to 69 percent in 2022 and 2023

## of shoppers choose their convenience store based on the proximity to their home

Across demographics, proximity remain a key deciding factor of consumers' preference for convenience stores

Source: Mintel, accessed on 12 May 2023



## of consumers seeking cheaper product alternatives amidst price rises

Consumers have adjusted their convenience store shopping habits due to concerns over price rises

59 percent of consumers say that they would spend more at the convenience store they visit the most if they had loyalty schemes

## of consumers have made use of additional services at convenience stores

Besides groceries, shoppers have used other services offered by convenience stores including ATM, coffee machines, parcel services, post office services, payment and money transfer services, and mobile phone services

## of consumers are picking up in-home food items in convenience stores

Total number of shoppers purchasing in-home food items has increased by ~10 percent since 2020



# Key initiatives organisations can take to counter inflation

Enhancing value proposition, increasing operational efficiency, leveraging AI and data science, strengthening supply chain, and redefining customer experience are key initiatives retail stores can take to tackle inflation

## Enhancing value proposition

As increasing number of consumers are becoming price conscious, retailers will be required to reposition their brand to offer products that are differentiated from their competitors (For instance, ethical sourcing and sustainability initiatives)

Businesses must ensure they anchor their proposition around value for money

## Increasing operational efficiency

Organisations must review their operating model to identify cost saving areas

They must focus on digital transformation and provide cross-channel experience to enhance convenience

## Strengthening supply chain

Businesses should adopt more flexible, and resilient supply chains to effectively deal with supply shocks and address the constantly changing consumer demand

## Leveraging AI and data science

Use of data analytics and artificial intelligence will help organisations provide personalised marketing and effective communication to its consumers

Leveraging big data will help companies' approach its customers in a more targeted and creative manner

## Redefining customer experience

Retailers must focus on creating positive customer experiences to retain consumers

They must focus on providing instant access to its products, improve communication with its customers, and enhance delivery experience

Source: [Strategies for retailers & brands to combat rising inflation](#), Retail Economics; [Inflation train looms for British retailers](#), Reuters, accessed on 11 May 2023

- The employee experience drives the customer experience
- Operational re-engineering everything at store level
  - Simplify and de-stress
  - Focus on increasing labor productivity to create a virtuous cycle
  - [The Good Jobs Strategy by Zeynep Ton]
- Employee driven scheduling is a huge opportunity
- The store manager is the key – focus of growing them



# Chick-Fil-A enables flexibility with a 3-day work week

Employees can choose to sign up for a condensed work week

Employees are organized in two pods that work 13–14 hour shifts for three consecutive days

Each month employees get seven consecutive days off

## Impact



100% retention of store leaders throughout the program



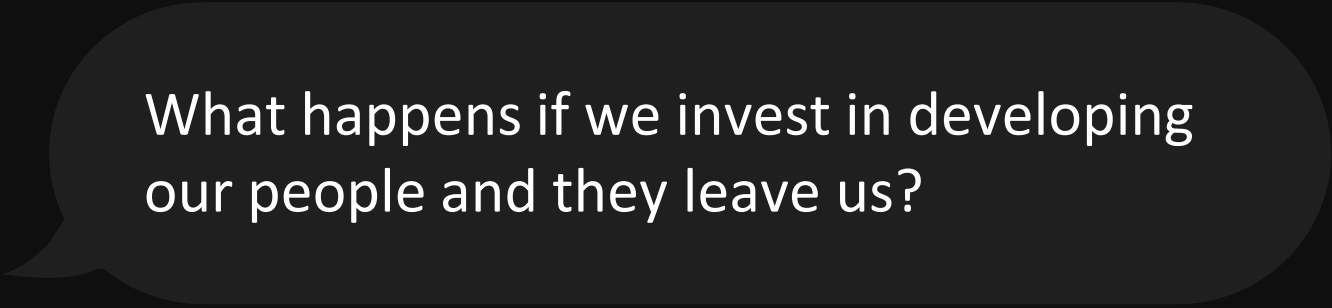
Improved customer service times and performance on food safety inspections



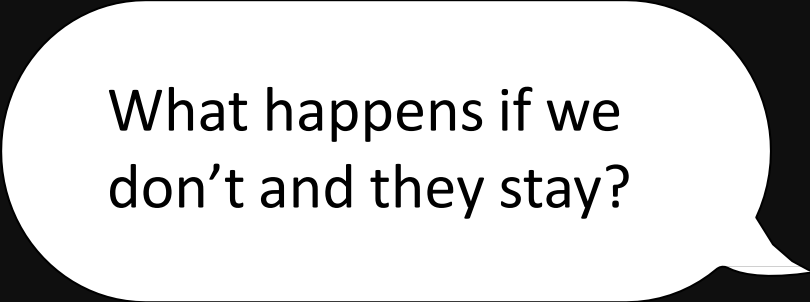
Significantly increased job attractiveness (collected 420 applicants from a single job opening)



Increased connectedness at work through predictable schedule facilitating get togethers



What happens if we invest in developing our people and they leave us?



What happens if we don't and they stay?



CFO



CEO



# Redefine what it means to work in a retail convenience store



## 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

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## 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

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## My work matters

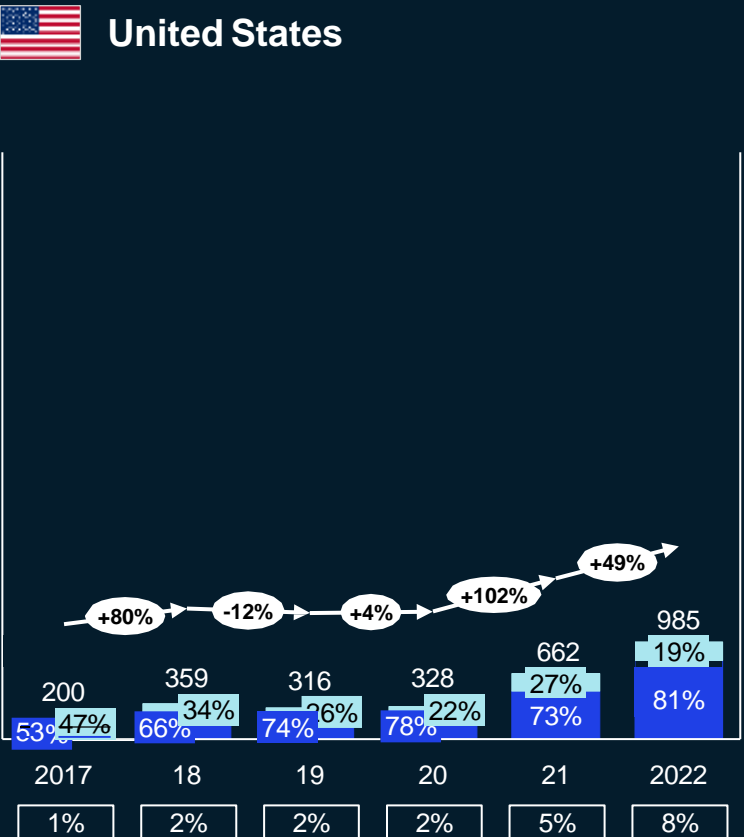
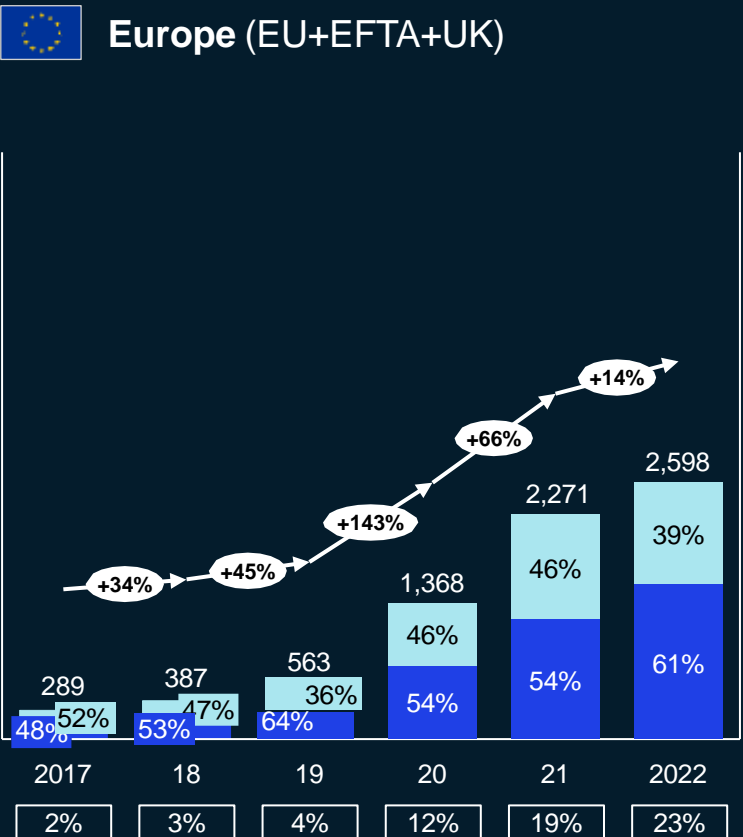
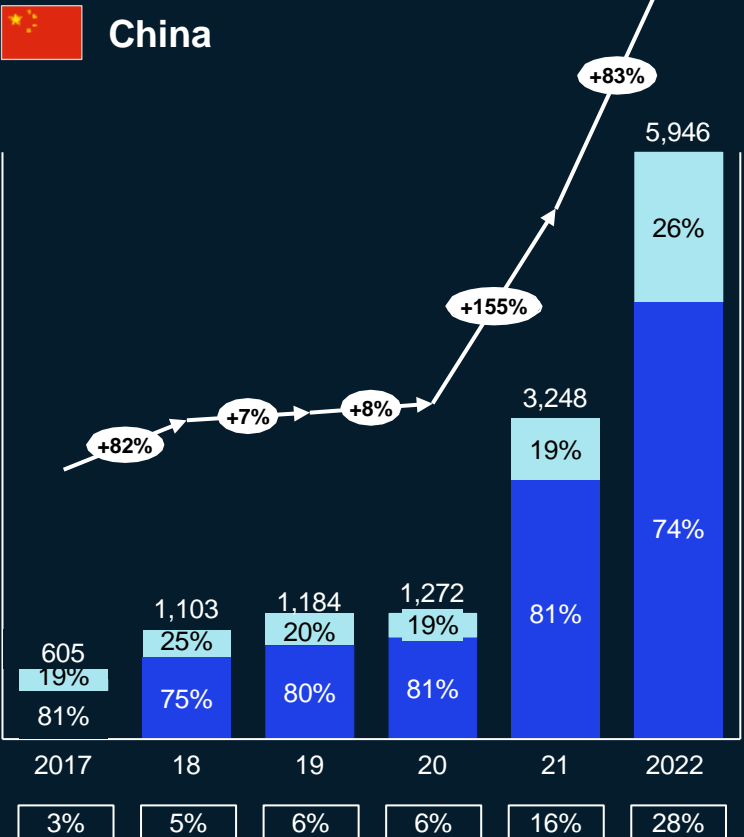
Feeling of purpose and achievement  
Positive impact with local communities  
Relationship-building opportunities with customers  
Empowerment to make a difference

- EV penetrations rates will vary hugely around the world (and within countries)
- Optimizing across 6 dimensions
  - Charge point economics (what's it cost, what can you sell it for)
  - The business model (partner or go it alone)
  - Site characteristics (where and where not)
  - Operational excellence (just make sure they work)
  - Ancillary revenue streams (monetizing the time spent @ site)
  - The future network (once you figure all that out, what does your EV charging network look like)
- Electrons will commoditize in the future (margin compression)

# EV grows in all regions, with China outperforming in absolute terms and EV penetration, with Europe passing >20% EV sales and US <10%

Electric<sup>1</sup> passenger car sales by region FY 2022  
k units

■ BEV ■ PHEV [X%] EV penetration<sup>2</sup>



1. BEV and PHEV  
2. Share of BEV and PHEV in percentage of total passenger car sales

# 7 learning from Norwegian market, where ~80% of vehicles sold in 2022 were EVs and charging has still room for a step-up

- |   |  |   |
|---|--|---|
| 1 | <b>The Mobility transition faster than expected</b>          | As total cost of ownership of EVs gradually overtake ICE vehicles, <b>EVs growing representation in total kms driven</b>  |
| 2 | <b>Intense competition and fragmentation</b>                 | Increasing # of businesses entering EV charging space and competing for customers. However, <b>there does not seem to be a clear winner</b> – rather an intense competition for owning the customer.                  |
| 3 | <b>High prices remain</b>                                    | Typical <b>on-the-go price is 3-4x household power price, leading to high margins</b> . Going forward we expect some margin pressure due to commoditization   |
| 4 | <b>Charging experience still cumbersome</b>                  | <b>Poor user experience with abundance of charging apps, difficulties with direct payment, poorly designed sites</b> , etc., driven by software, hardware selection and placement and poor site design.               |
| 5 | <b>Need for fewer and bigger sites</b>                       | More than 22k public chargers spread across the country, with <b>customers experiencing queuing due to insufficient # of chargers at site</b> , and operators facing difficulties in increasing the # of chargers.    |
| 6 | <b>Customer missions need to be determined</b>               | <b>4-5 customer archetypes with different needs</b> and players not offering differentiated journeys, resulting in underused services and low conversion ratio (e.g., EV charging to convenience retail).             |
| 7 | <b>Charging speed important for marketing, yet underused</b> | <b>Public charging players shifting towards high power chargers</b> , with average EV utilizing ~50% of capacity, which suggests players use superfast chargers to prepare for the next 3-6 years of new gen vehicles |



Join our next Go & See Norway  
*Insight Maikē Focus Event*  
Oslo, September 19-21, 2023






- Computer systems that...
  - Can learn and improve on its own
  - Processing engine for increasingly huge amounts of data
  - Generates increasingly accurate and actionable predictions
  - Provides actionable conclusions
- Use cases
  - Inventory management
  - Dynamic pricing
  - Hyper-personalized marketing
  - Loss prevention
  - Operational excellence
  - Predictive analytics
- Start with the business problem and then find technology to solve it (the Answer resides in the Question)

- Focus on the customer experience (CX)
  - Speed of transaction + lower prices + loyalty program
  - Ease of use across the digital ecosystem
- Competition in the payment space
  - Use Alternative Payment Methods (APM) to optimize CX
- Use loyalty incentives to steer customer to desired APMs
- The cost of it all...swipe fees
  - Market dominance of Visa & MasterCard
  - Regulatory restraints

# Complexity of Accepting Payment Methods



	Cost of Acceptance	Approval Rates	Fraud Risk	Average Transaction Value Uplift	Incremental Volume	Settlement Timescales	Checkout Friction	 Average Score
Merchant Weightings	20%	20%	20%	7%	15%	5%	13%	
Payment Method 1	6	6	4	2	4	5	6	4.97
Payment Method 2	9	8	3	1	1	9	5	5.91
Payment Method 3	1	2	4	5	6	1	8	2.69
Payment Method 4	1	2	4	7	8	3	9	6.63
Payment Method 5	7	8	8	1	1	5	3	3.29

Average Score: 1 = Least Productive, 10 = Most Productive

Source: CMSPI Sample Estimates and Analysis

Loyalty incentives are a key method of steering customer behavior to a more productive payment method



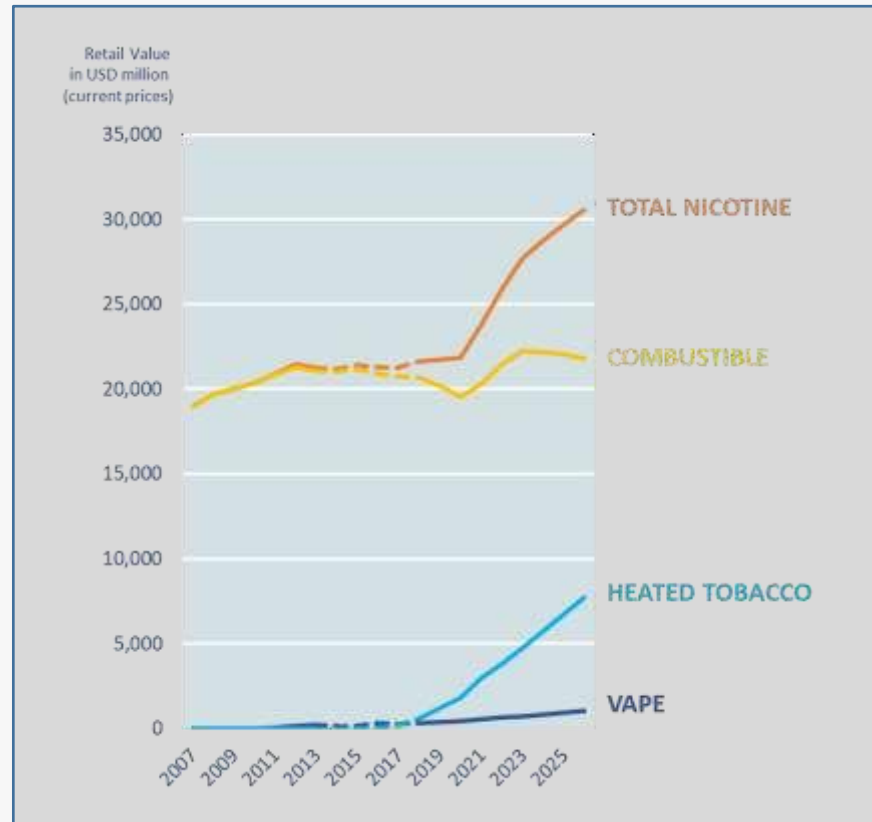
- Top of CEO Minds
  - Inflation, Supply Chain Reinventions, EV penetration, Affordability
  - The end of free money
  - Political instability (“When two elephants fight, the grass gets trampled”)
- Two Drumbeat Issues
  - Climate change (Consumers care...but won't pay more)
  - Last Mile/Delivery (The Pizza Model; Mobile Order & Pay)
- Our Enduring Competitive Advantages
  - Our real estate
  - The uniquely personal relationships with our customers
- The future of work and the impact on central business districts
- Will people move or products move?



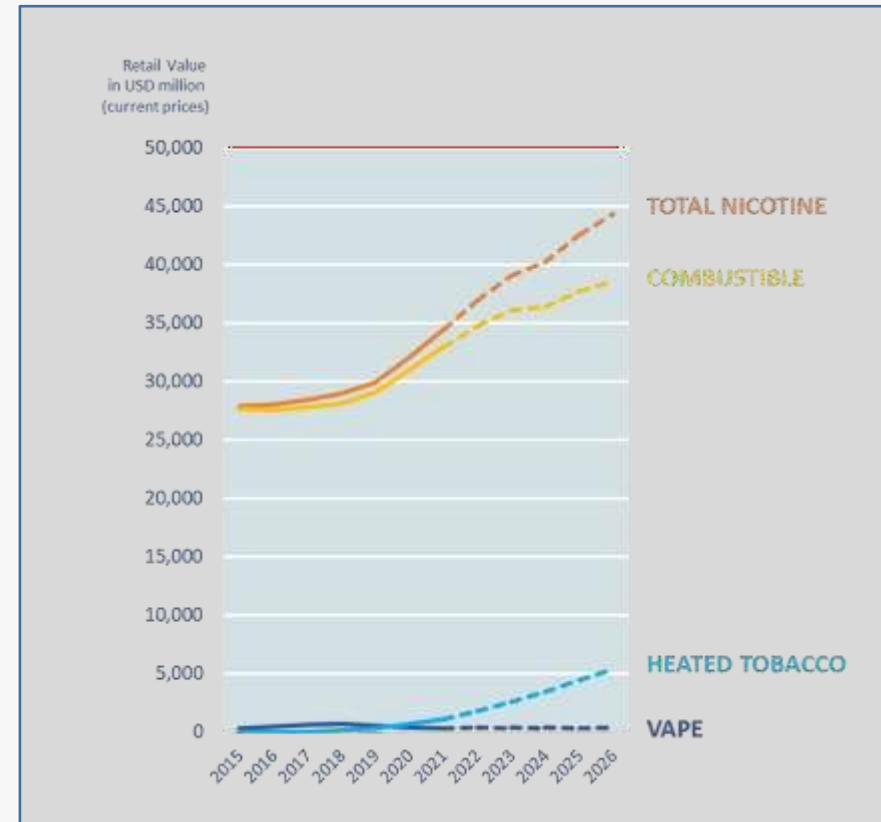
- Nicotine alternatives:
  - Heated tobacco, Vape (open, closed, disposable), Oral (Snus, pouches)
- Challenges of combustibles:
  - Health risks, Reduced consumption, Illicit trade
- Opportunities for Smoke Free Products (SFP)
  - ***Focus on reduced risk products for smokers (vs lifestyle)***
  - Higher margins
  - Broader array of products and services
  - Illicit trade more difficult
- Penetration rates vary across countries (largely regulatory related)

# NICOTINE INDUSTRY TRENDS – EUROPE

## ITALY



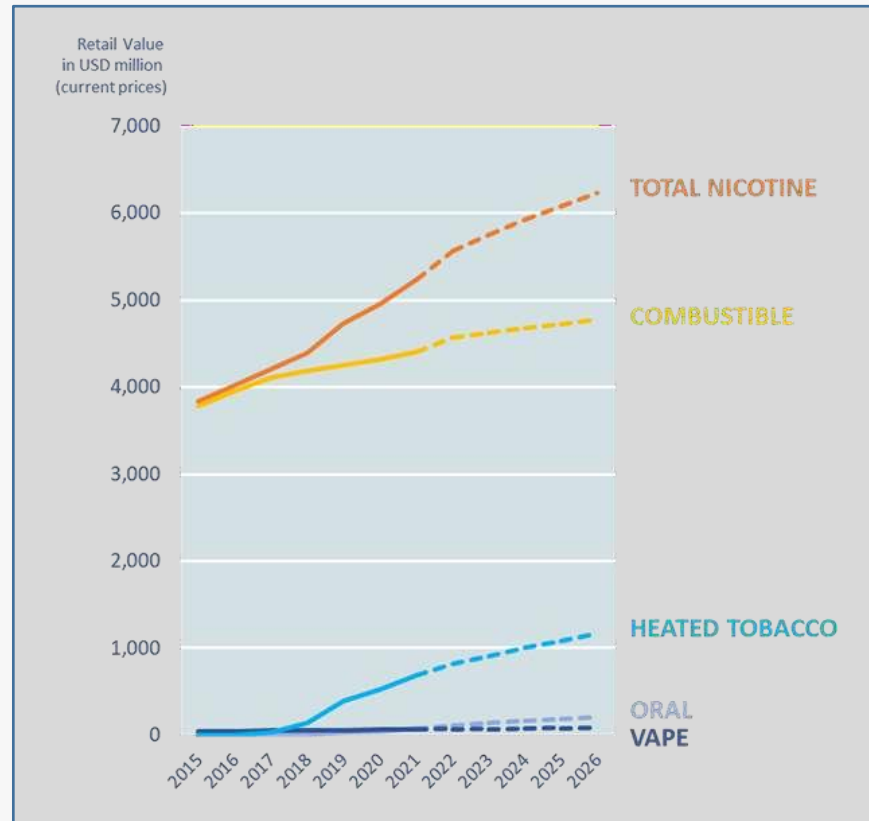
## GERMANY



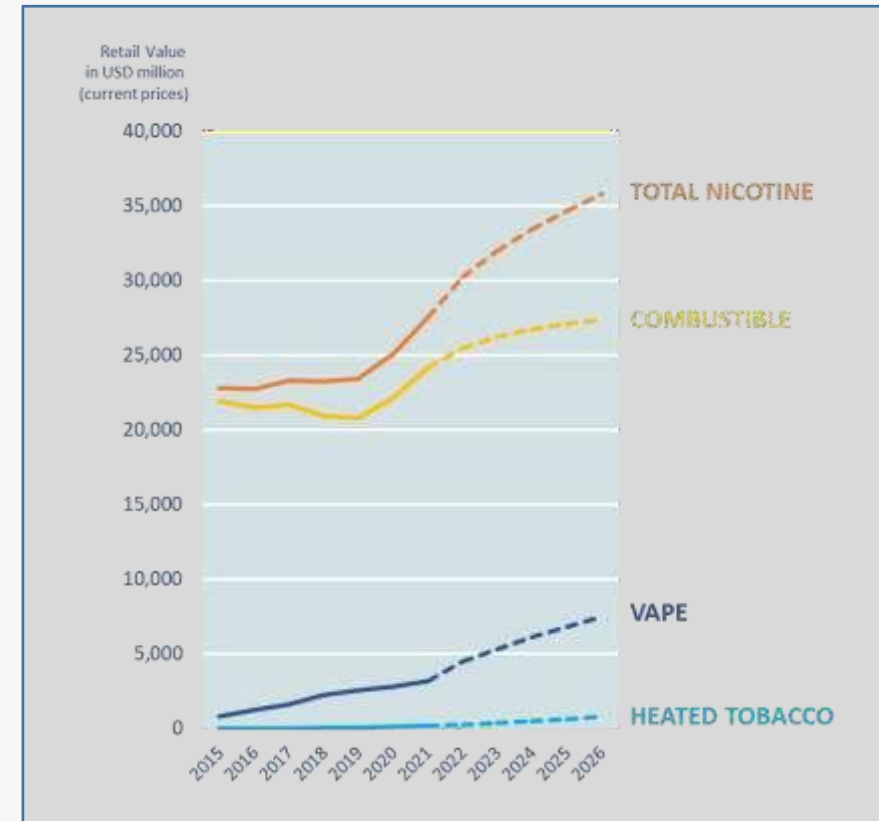
Source: Euromonitor (from trade sources/national statistics)

# NICOTINE INDUSTRY TRENDS – EUROPE

## CZECH REPUBLIC



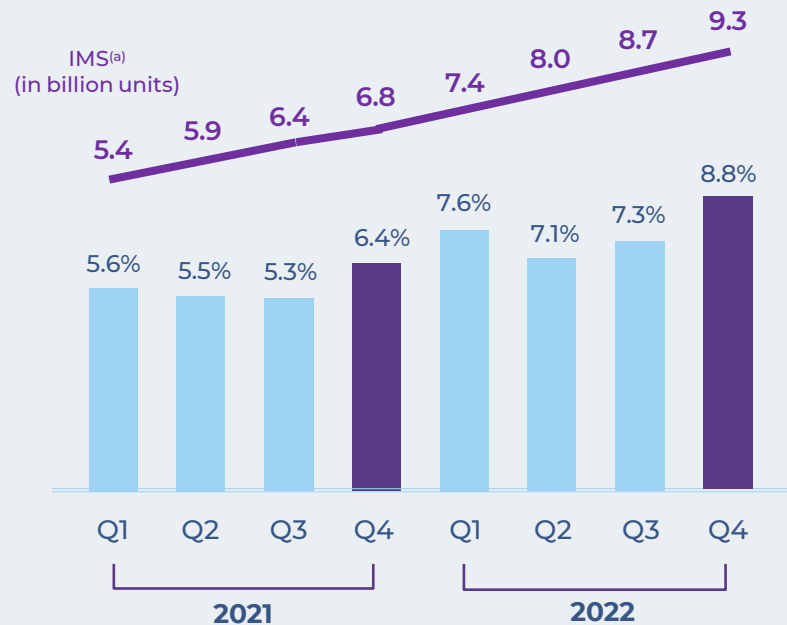
## UNITED KINGDOM



Source: Euromonitor (from trade sources/national statistics)

# VERY STRONG HEATED TOBACCO GROWTH ACROSS EUROPE

## EU HTU SHARE OF MARKET



(a)Based on a four-quarter moving average

Note: Market share for HTUs is defined as the total sales volume for PMI HTUs as a percentage of the total estimated sales volume for cigarettes and HTUs.

Source: PMI Financials or estimates

## HTU SHARE OF MARKET IN SELECT MARKETS

	Q4 '22 %	Growth vs. PY pp		Q4 '22 %	Growth vs. PY pp		Q4 '22 %	Growth vs. PY pp
Croatia	7.6	+1.1	Italy	15.4	+2.7	Romania	6.8	+2.1
Czech Republic	15.9	+4.1	Latvia	12.2	+0.4	Slovak Republic	19.1	+5.3
Germany	7.9	+4.4	Lithuania	31.0	+5.1	Slovenia	12.4	+3.3
Greece	18.1	+2.3	Poland	7.7	+0.3	Switzerland	10.5	+3.1
Hungary	27.5	+7.4	Portugal	18.6	+4.9	UK	3.3	+0.6

Note: Select markets where HTU share is ≥ 1%. Sales volume of PMI HTUs as a percentage of the total industry sales volume for cigarettes and HTUs.

Source: PMI Financials or estimates



- Values and beliefs are changing for many consumers (69%)
- What's important to consumers...
  - Wellness (mental and physical)
  - Money (and stability)
  - Sustainability (but the recessionary mindset dampens it)
- Financial polarization eroding the middle
  - Implication on product assortment and segmented marketing
  - Will “Sustainability” go down the “Organic” route
- Old is Gold! A \$22 trillion opportunity.



# What's more important to Global consumers in 2023?

**46%**

Mental wellness

35% European

**46%**

Financial / job security

30% European

**46%**

Physical wellness

30% European

**44%**

Saving for unforeseen circumstances

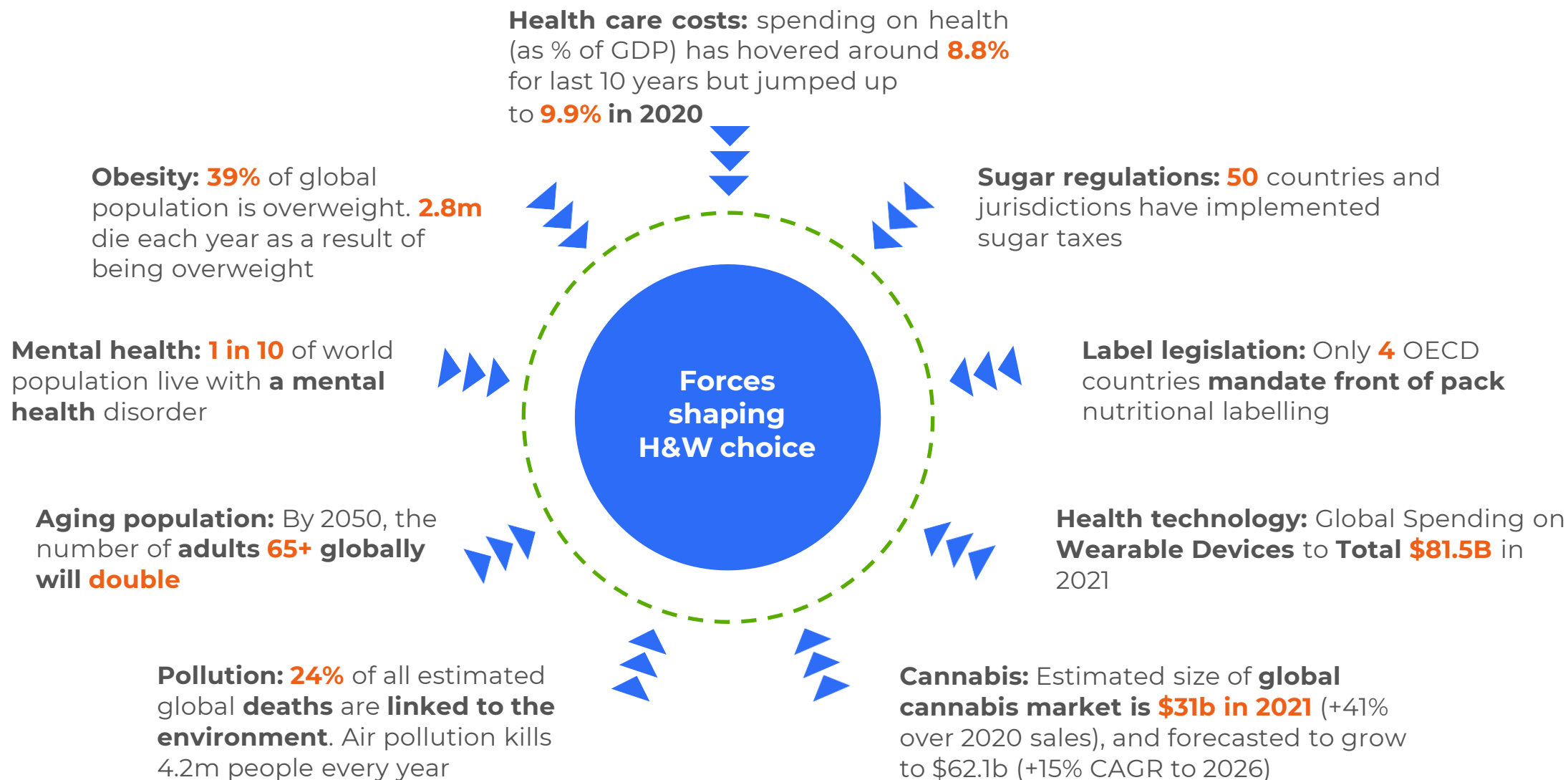
30% European

**30%**

Sustainability & environmental issues

24% European

# What forces are disrupting the global health & wellness landscape?



- Health & Wellness...or I Just Want a Clean Restroom!
  - Micro spa vs a Toilet
- Absolute impact on brand preference
- Customers “value” them
- The standards
  - Clean
  - Safe
  - Well maintained
  - Illuminated
  - Smell (good that is!)
- “Toilets and Coffee Machines are born together!”
- Keep it clean and they will come









# THE VALUE OF WELL-BEING

How much are you willing to pay to visit clean, qualitative toilets with extensive facilities?



€1,18





# TOILET TOTAL SUMMARY









**Integration SYSTEM**  
main Franchise/License

- EU market lead German driven
- Gated System with 4 different Systems
- Prices range from 0,50 Euro Cent to 1,00 €
- Investments avg < 100k€ - >400k€
- Channel: Rail, Travel, Petrol and Shopping Center

**LOCAL Branding** done by individuals or advertisement companies

**Boxed SYSTEM**  
main License

- EU market lead UK driven
- Several Entry systms
- Prices range from 0,20 Euro Cent to 1,00 €
- Investments avg < 100k€ - >300k€
- Channel: Rail and City Center



Mid CAPEX for High Traffic Location

Low CAPEX for Low Traffic Location

Main drive will be a comprehensive and easy UX & CX

- Food transition for all
- Focus on private label (reason to come back to us)
- Sustainable products
- Becoming a digital retail company (ecommerce)
- Retail media network (partnering with suppliers)
- Store brand & “structure” is the same but the offer is adjusted to the local catchment
- “Our job starts all over again tomorrow morning.”
- “Customers are the ones we have to seduce!”

- Mobility is changing – big time!
  - EVs, AVs, Ride Sharing
- The store must become the destination...
  - But perceptions are poor
  - Size of the prize: €13 billion
- What to do?
  - Fresh, Innovative Products, Foodservice
  - Increase Value: Run more promotions, Private label (entry sizes)
  - The store has to tell a story
- Site development: EV chargers + Unmanned store



- An organization powered by culture...and built by engineers
- Mission: Simplifying life to create Human Value & Economic Value
- Creating a store factory (1.5 stores/day for 45 years...3/day in the last 15)
- Adding layers to the value proposition
- Building Culture based on values, attitudes and trust...to then build capabilities

## Repsol Focus

- Multi-energy transition
  - Digitalization
  - Customer centricity
- 
- Personal Leadership
    - Listening
    - Humility
    - Diversity
    - It's about the Team not the Leader
    - Loving what you do

The Key Words Powering Our Business

*Culture*  
*Engaging*  
*Fresh*  
*Passion*



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**Advancing  
Convenience &  
Fuel Retailing®**

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