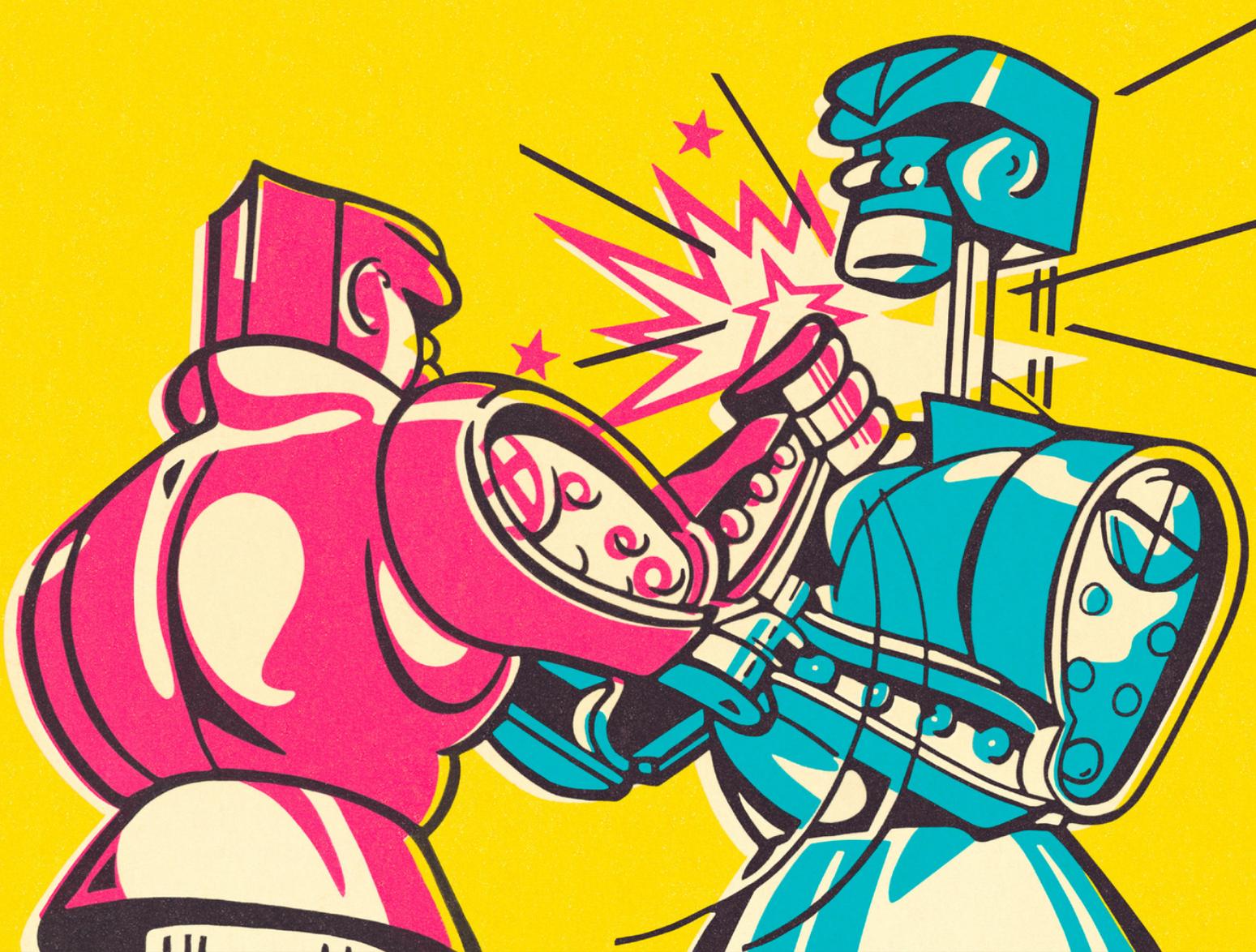


Food, Fuel, and the Future



Technology's Role in the Competition
Between Convenience Stores and
Quick-Serve Restaurants



About Intouch Insight

Intouch Insight is a CX solutions company, specializing in helping multi-location businesses achieve operational excellence so they can exceed customer expectations, strengthen brand reputation, and improve financial performance.

Intouch enables brands to collect and centralize data from multiple customer touchpoints, giving them actionable, real-time insights in an advanced analytics platform. Founded in 1992, Intouch is trusted by over 300 of North America's most-loved brands for its customer experience management, customer survey, mystery shopping, mobile forms, operational and compliance audit, and event marketing automation solutions.

The data provided within this report is based on mystery shopping programs, operational audits, and survey responses from consumers across North America. Intouch Insight will continue to collect and share data across a broad spectrum of industries. However, nothing can replace listening to your customers.

That's why Intouch Insight offers products and services to listen, measure, and manage multi-location businesses. From mystery shopping to operational audits, survey tools, and inspection software — Intouch Insight is your CX partner.

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About This Study

This report is intended to give convenience store leaders and operators actionable insights into some of the latest trends impacting the industry, specifically as they relate to increased competition with quick-serve restaurants.

Drawing on a range of data sources, Intouch Insight goes beyond just consumer data and provides facts and findings on how operators are performing in the field, and whether or not they are capitalizing on these trends.

The following report is an amalgamation of data from customer experience and operational measurement tools including:

- **Consumer surveys** - Questionnaires, each receiving an average of >1,300 responses, sent to North American consumers to learn more about their recent experiences and how they inform their current and anticipated actions.
- **Mystery shopping** - Professional mystery shoppers completing covert visits to >800 convenience store locations of major brands across the United States.
- **Operational audits** - Professional auditors completing overt inspections of >750 convenience store locations with major brands across the United States.

The data included is from 2023, with comparative trend data going back to 2021.

Missed last year's report?

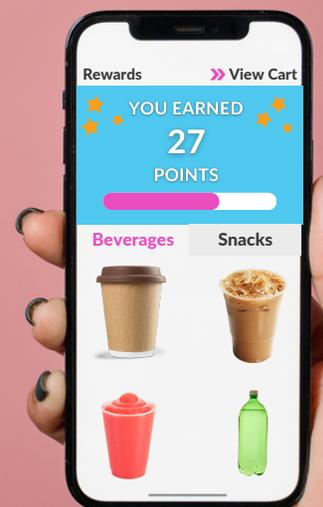
Stay caught up with Intouch Insight's research by downloading the 2022 Convenience Store Trends Report.

[Download here](#)

SUMMER 2022

CONVENIENCE STORE TRENDS

 INTOUCH INSIGHT



Key Findings

Competition for the convenience-minded customer is heating up. As the lines between industries continue to blur, convenience stores are competing with quick-serve restaurants more than ever.

Don't have time to dig into the details? Here are the three things you need to know:

▶ **Food:** For many years, convenience store (C-Store) brands have been investing heavily in their prepared and made-to-order food options. But are they doing enough to win the battle for share of stomach against the well-established quick-serve players? Here's what we found:

Overall consumer satisfaction with the quality of food from convenience stores has increased by 7%, but the number of consumers who rank the quality 5/5 has dropped by 11%. With 77% of consumers reporting they eat this food in their vehicle, grab-and-go food options are the priority.

C-Store brands have to balance the need for speed with the demand for restaurant-quality food. Operators can look to quick-serve restaurants to see how customer-facing tech can help deliver great food with fast and contactless experiences.

▶ **Fuel:** Gasoline is the number one driver of consumer traffic for convenience stores. But as the popularity of electric vehicles (EVs) grows, this presents a new area for competition, and quick-serve restaurants, as well as other retailers, have already begun to capitalize on this demand.

Our data shows that C-Stores have roughly kept pace with the growing EV market. Of the locations we visited, 12% offered charging stations, compared to expectations that EVs will make up 18%¹ of the car market by the end of this year.

With retailers of all types, including quick-serve restaurants, ramping up their plans in this arena, convenience stores need to treat this like the race that it is to ensure they are protecting their leadership position in fuel delivery.

▶ **The Future:** New technologies offer C-Store brands tremendous opportunities to improve their customer experiences. From mobile loyalty apps to advancements in artificial intelligence, brands can use technology to drive more customers to their stores, offset labor shortages, and increase consistency in experiences, when properly executed.

The key to proper execution is the ongoing measurement of the daily impact on customers' experiences and consumer sentiment.

1 <https://www.iea.org/news/demand-for-electric-cars-is-booming-with-sales-expected-to-leap-35-this-year-after-a-record-breaking-2022>

Food

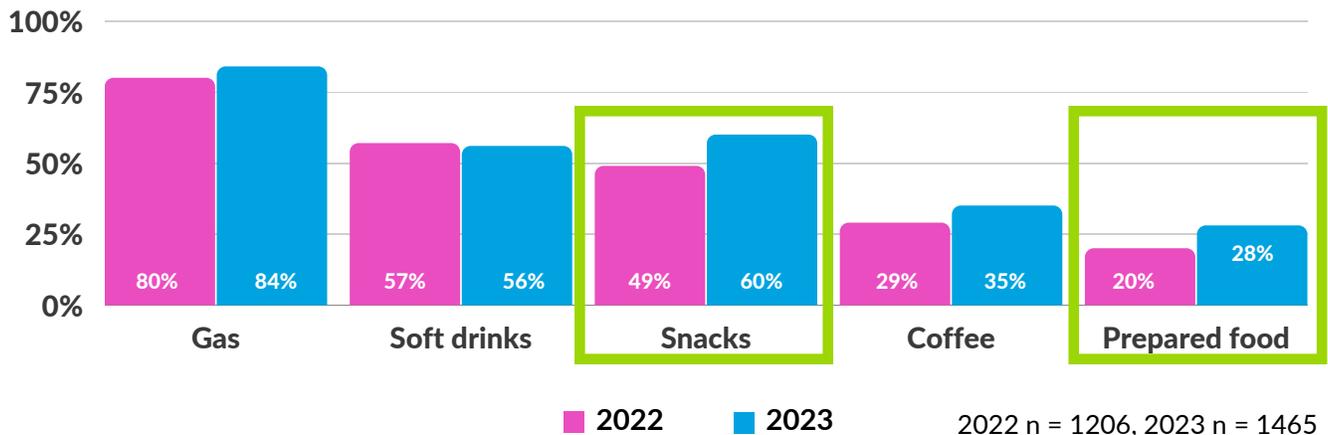
According to the National Association of Convenience Stores' (NACS) 2022 State of the Industry report, food service sales have increased to represent a quarter of average monthly in-store sales, with prepared food accounting for 67% of those sales¹.

In a 2023 summer survey of 1465 consumers, 46% said they had recently purchased prepared food from a convenience store. Convenience stores' primary competition for share of stomach – *how much of their purchasing a consumer devotes to a particular chain or brand* – is quick-serve restaurants. And while convenience stores have been investing in serving up restaurant quality food, restaurants have been experimenting with new technology that provides quick and contactless experiences.

Convenience stores are perfectly positioned to capitalize on channel-blurring opportunities. The entire business model is based on conveniently offering consumers all manner of goods. While gas remains the most frequently purchased item, in the past year we've seen consumers report increases in other areas, with the biggest growth being in the purchase of snacks and prepared food.

What items do you typically purchase from a convenience store?

% of respondents reporting which items they typically purchase from a convenience store.



Prepared food is perhaps the best example of convenience stores making the most of channel blurring. While convenience store food used to be limited to the likes of hot dogs off a roller, many convenience stores have made it so the difference between their food is practically indistinguishable from that offered by a quick-serve restaurant. **And this investment is paying off.**

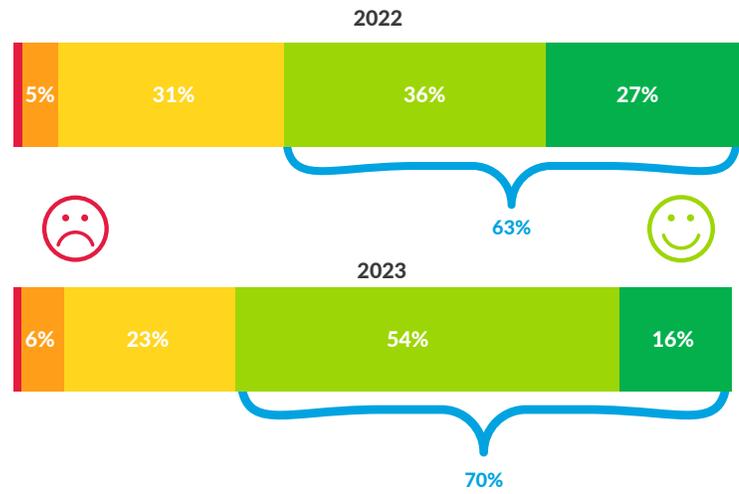
¹ https://www.convenience.org/Media/Daily/2023/April/19/1-US-C-Store-Sales-Hit-New-Highs-in-2022_Research

Over the last two years, our data shows that satisfaction continues to rise, with a 7% increase this year over last year in the number of consumers reporting that they are satisfied with the quality of food offered by convenience stores.

However, it's important to note that those who reported being "Extremely Satisfied" has dropped by 11% year-over-year, from 27% in 2022 to 16% in 2023. **This tells us that complacency is not an option when it comes to food quality.**

How would you rate the quality of the ready-made food you purchased from a convenience store?

% of respondents reporting their satisfaction with the quality of ready-made food purchased at a convenience store.



2022 n = 1460, 2023 n = 1465

Data from the field

When looking at availability, in a recent study including visits to over 750 stores across 10 major North American convenience store chains, we found that 75% of locations visited are currently offering made-to-order food. **This provides a strong indication that brands are doing a good job of meeting customer demand for quick and convenient food options.**

% of convenience store locations visited that offered made-to-order food options



When purchasing food from a convenience store, consumers report that they are usually looking for a grab & go meal. We found that 77% of customers eat the food they purchase from a convenience store in their vehicle, whether on the go or while parked.

So, as consumers look for a fast and convenient meal, they may opt for other options they view as faster and more convenient — such as a quick-serve drive-thru.

When purchasing ready-made food from a convenience store, where do you usually eat it?

% of respondents reporting where they typically eat ready-made-food purchased at a convenience store.



n = 1465

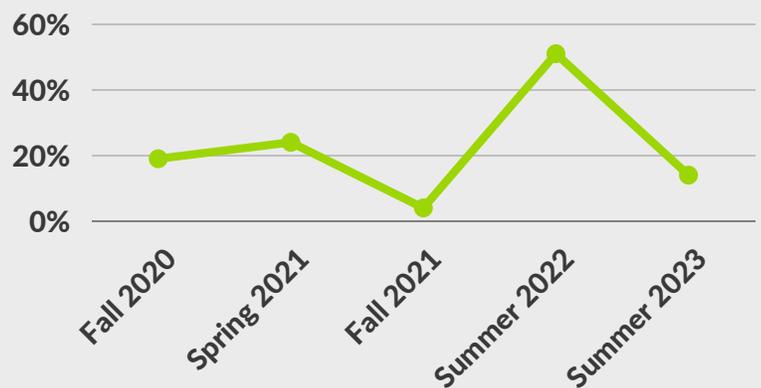
When it comes to **how** consumers order food, digital ordering accounts for roughly 40% of restaurant sales¹. But the reported use of alternative shopping methods at convenience stores remains lower.

Despite the spike experienced last summer, just 14% of respondents surveyed report using alternative shopping methods to make a purchase from a convenience store, such as ordering online for pickup or delivery.

Looking at the data on the next page, of the consumers who have recently used an alternative shopping method when completing a purchase from a convenience store, 57% report using a 3rd party app for delivery.

Have you used an alternative shopping method to make a purchase from a convenience store?

% of respondents reporting having used an alternative shopping method to make a purchase at a convenience store.



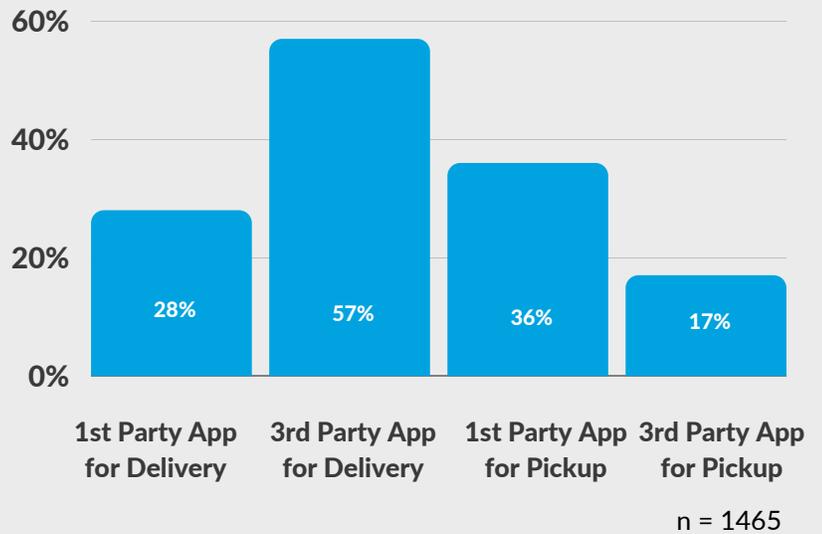
Fall 2020 n = 1400, Spring 2021 n = 1236, Fall 2021 n = 1920, Summer 2022 n = 1559, Summer 2023 n = 1465

¹ <https://www.zippia.com/advice/food-delivery-industry-statistics/>



Which alternative shopping method have you used?

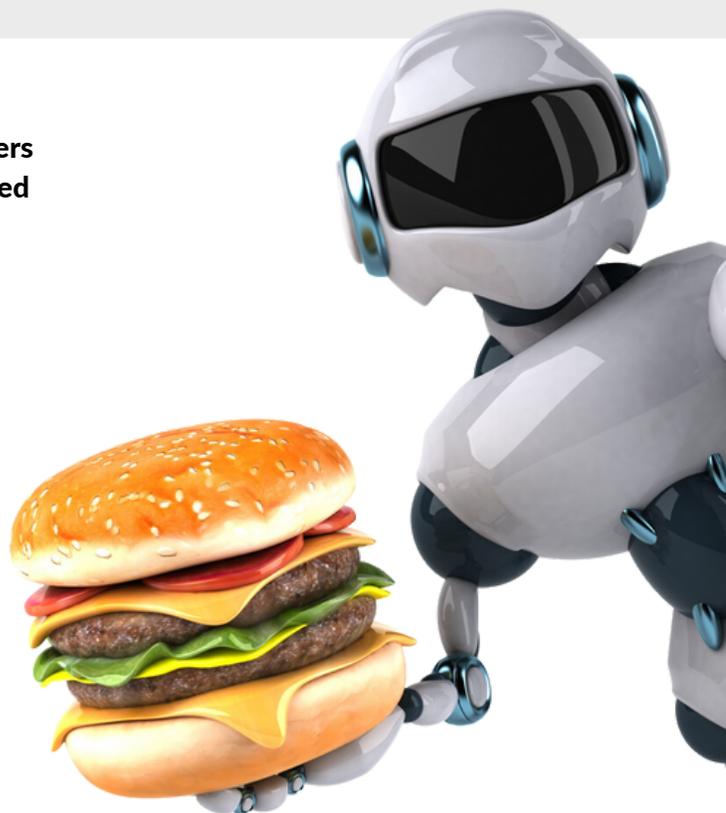
% of respondents reporting which alternative shopping method to they have used to make a purchase at a convenience store.



In quick-serve restaurants' continued pursuit of consumers looking for a fast, quality meal, many brands have invested heavily in new and innovative technologies.

Taco Bell opened their Defy™ location in Brooklyn Park, Minnesota in June of 2022 with **the goal of reducing service time to 2 minutes or less**. For context, that's less than half the average service time we found across 10 major QSR brands, including other Taco Bell locations, in Intouch Insight's [22nd Annual Drive-Thru Study](#).

Taco Bell is leveraging technology to provide a contactless experience in order to achieve this goal. Guests place their order through two-way audio and video technology and their food is delivered to them using vertical lifts.



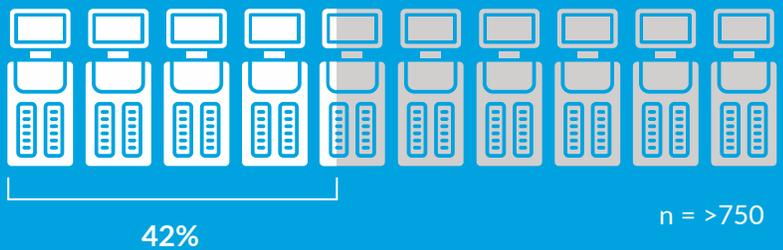
McDonald's opened a test location in Fort Worth, Texas later in 2022 that provides a similarly contactless experience. Here guests place their order via an app or use a self-serve kiosk on-site. Employees then prepare these orders and they are delivered to the customer via a food and beverage conveyor.

While it can vary drastically from brand to brand, convenience stores as an industry have not yet widely adopted this type of customer-facing technology to the same extent as quick-serve restaurants.

Data from the field

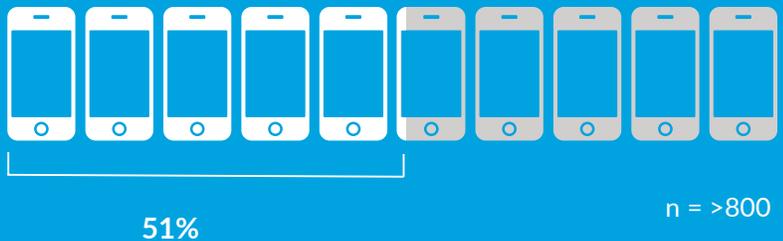
While some brands have implemented **self-checkouts**, half the brands we visited provided this option at 30% of their locations or less. Overall, only 42% of the convenience stores we visited had self-checkouts available.

% of convenience store locations visited that offered self-checkouts



We noticed a similar trend with **digital orders**. While a few brands had the option to place a digital order at most of their locations, only 51% of the locations we visited provided this option.

% of convenience store locations visited that offered option to place digital order



As convenience stores continue to compete with quick-serve restaurants for market share around prepared food, increased availability of customer-facing technology to provide quick and convenient service can help even the playing field.

Fuel

As seen previously, fuel remains the #1 item consumers purchase during a typical visit to a convenience store. But the popularity of electric vehicles (EVs) is growing.

The International Energy Association predicts that electric vehicles will account for 18% of the car market in 2023 - up from 4% in 2020.¹ This is expected to increase significantly in the coming years, with S&P Global Mobility forecasting that electric vehicle sales in the United States could reach 40% of total passenger car sales by 2030.²

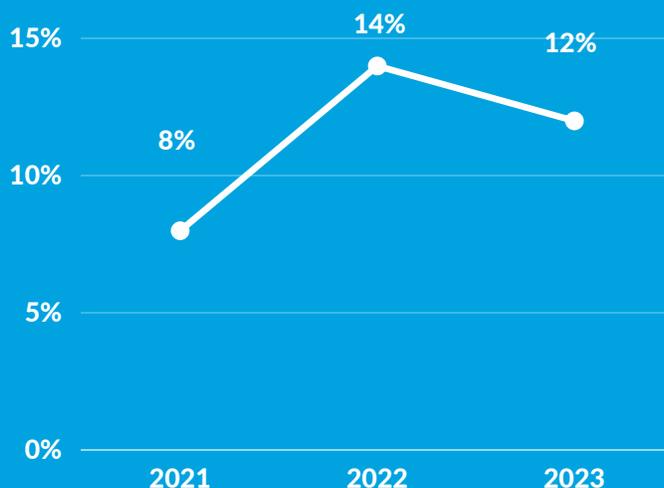
Data from the field

Intouch Insight conducts annual audits across various convenience store brands. As part of this, we have tracked how many locations are equipped with EV charging stations.

Fewer of the locations visited this year had charging stations with 12% of all locations visited offered this amenity.

Given the forecast for EVs to make up 18% of the car market by the end of this year, it will be vital for investment in this technology to continue in order to keep up with demand for charging stations.

% of convenience store locations visited that had EV charging stations

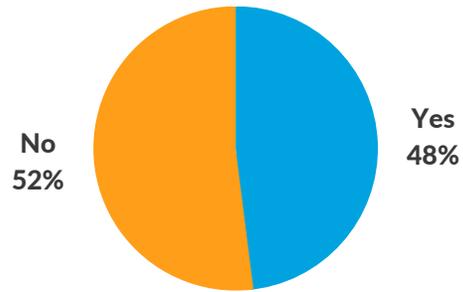


2021 n = >550, 2022 n = >550, 2023 n = >800

1 <https://www.iea.org/news/demand-for-electric-cars-is-booming-with-sales-expected-to-leap-35-this-year-after-a-record-breaking-2022>
2 <https://www.spglobal.com/mobility/en/research-analysis/ev-chargers-how-many-do-we-need.html>

Just under half of consumers reported they would consider an electric vehicle as their next car. The leading reasons consumers would not purchase an electric vehicle is that they are more expensive to purchase followed by there not being enough charging stations. Meanwhile, the leading reason consumers like EVs is they can save on fuel costs.

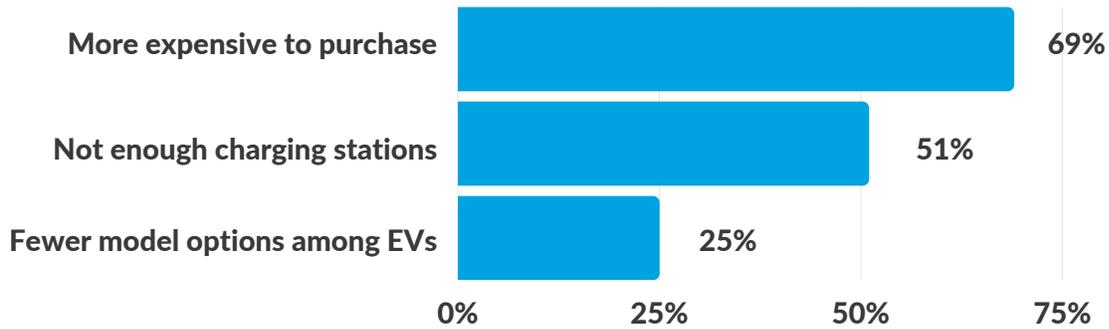
Would you consider purchasing an electric vehicle as your next car?



n = 1183

Why wouldn't you purchase an Electric Vehicle?

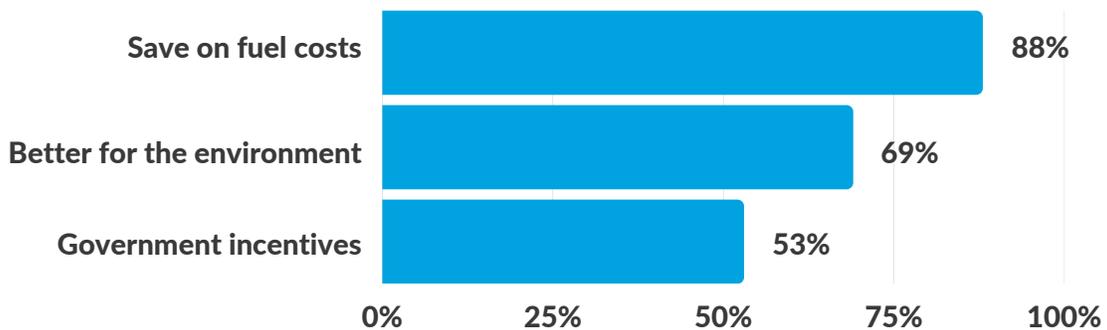
% of respondents reporting why they wouldn't purchase on electric vehicle.



n = 1183

What do you like about electric vehicles?

% of respondents reporting what they like about electric vehicles.



n = 1183

The growing demand for EV charging stations has created a new battleground to be found against quick-serve restaurants.

Some quick-serve restaurants have started preparing for the increased adoption of EVs – recognizing the need for charging stations has not yet been filled. Taco Bell, for example, began installing EV charging stations at select locations towards the end of 2022 and Subway has announced their intentions to install EV charging stations at some of their new and newly remodeled locations in 2023.

Convenience stores have the opportunity to win the loyalty of these consumers' before they go elsewhere to power their new EVs. If C-Store can stay ahead of the demand for EV charging stations, current customers who make the switch to an EV will have no need to look for an alternative service provider.

Alternately, since fuel is currently the top reason customers visit C-Stores, if customers begin to go elsewhere to power their vehicles it is likely to have an impact on the sale of other goods provided by C-Stores such as food.



The Future

Technology is continuing to evolve in new and exciting ways. Brands that can effectively capitalize on these advancements in ways that enhance the customer experience will come out on top.

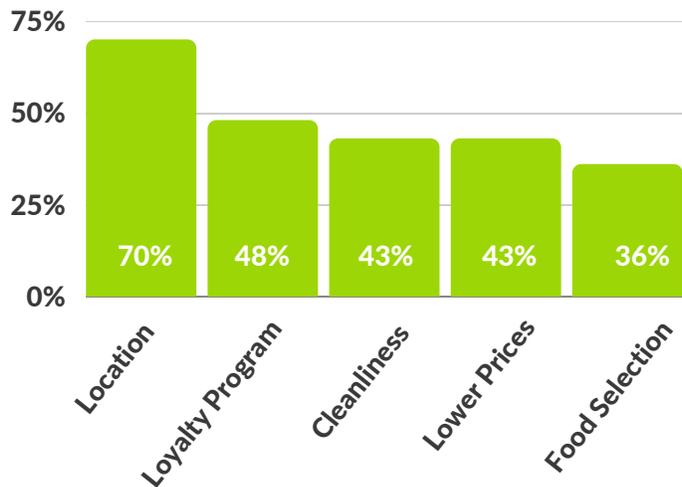
Loyalty programs are a major opportunity for convenience stores. When asked why they choose one convenience store over another, consumers ranked loyalty programs as the **leading factor behind location**.

But loyalty might be an even bigger component than these results suggest. Nearly three-quarters of consumers say they are either likely or extremely likely to go out of their way to shop at a store where they are a loyalty member over one where they are not.

This means that while location might be the #1 factor, loyalty programs can still trump convenience.

What are the top reasons you choose one convenience store over another?

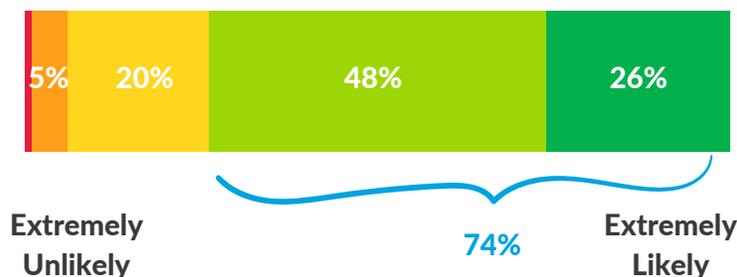
% of respondents reporting why they choose one convenience store over another.



n = 1465

How likely are you to go out of your way to shop at a store where you are a loyalty member over one you are not?

% of respondents reporting the likelihood of to go out of their way to visit a store where they are a loyalty member.

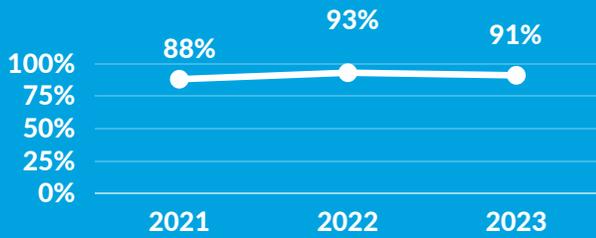


n = 1183

**Data
from the
field**

Due to the importance of loyalty programs for convenience store brands and the growth in technology in this area, we have tracked the availability of these programs over time. While program availability peaked in 2022 at 93%, we have seen a steady increase up to 99% for accessibility of these programs through mobile loyalty apps.

% of convenience store locations visited that offer a loyalty program



2021 n = >550, 2022 n = >550, 2023 n = >800

% of convenience store locations visited where the loyalty program was reported as accessible through a mobile app



2021 n = >550, 2022 n = >550, 2023 n = >800

While having these programs is the first step, without promotion, adoption is likely to lag. This year, 81% of locations visited had documentation to promote the program, down from 88% last year, and there is still tremendous room for improvement around in-location execution with only 26% of cashiers being reported as having mentioned the program to the customer.

% of convenience store locations visited where there was in-store promotional material for the loyalty program



2021 n = >550, 2022 n = >550, 2023 n = >800

% of convenience store locations visited where the cashier mentioned the loyalty program

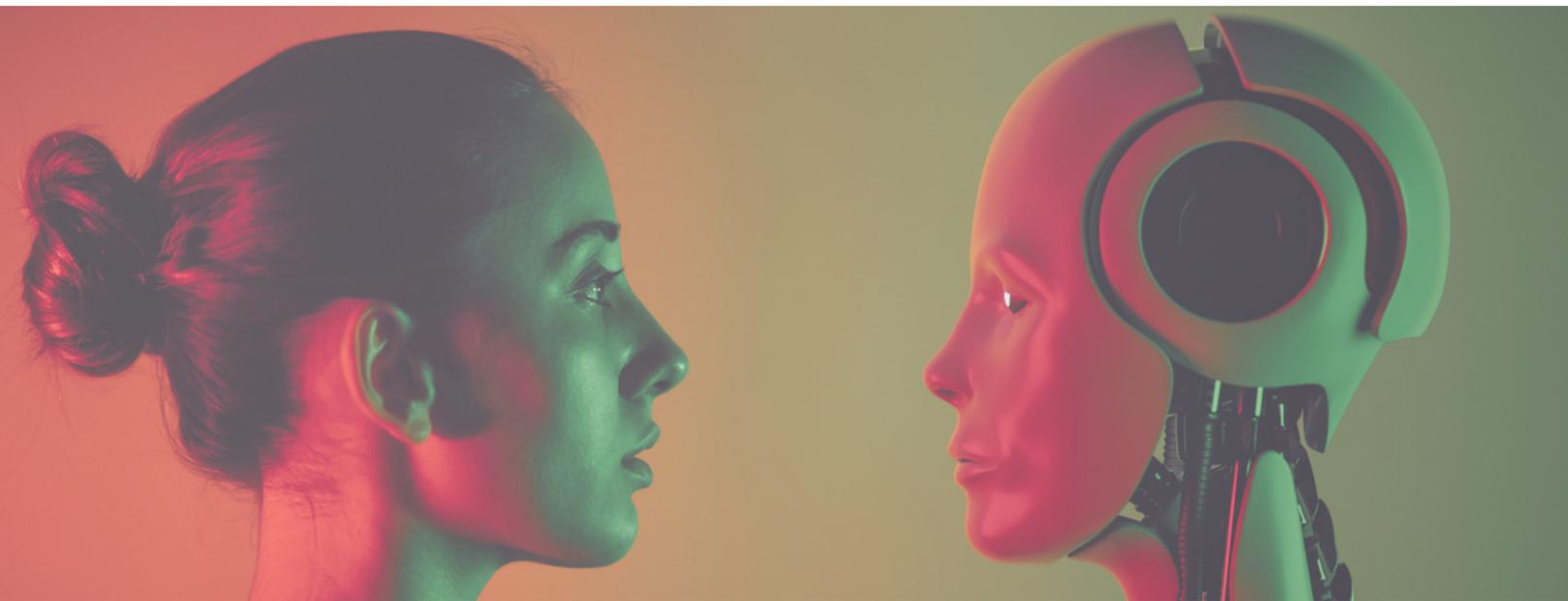


2021 n = >600, 2022 n = >600, n = >800

As brands continue to invest in loyalty apps, they will need to ensure a smooth transition between the digital and physical experience. Our [2023 Emerging Experiences](#) report found that while quick-serve restaurants have consistently high scores for users making a purchase via their apps and websites, there is a major opportunity for improvement when it comes to customers entering a location to pick up their digital order.

We found that the most common comments from shoppers picking up an order were how the staff interacted with them - whether it was required as part of the pickup process or not. A negative in-person experience then translated into an overall lower satisfaction score despite a positive digital experience.

Convenience stores predominantly deal with consumers on-site. This means that if a customer is using an app to complete a purchase, they will most likely be picking up their items. **As a result, their in-person experience at that location will be just as important as their digital experience with the app.**



Another hot topic for 2023 has been the use of artificial intelligence (AI) in customer interactions. This type of technology presents clear benefits for brands looking to offset ongoing labor shortages by reducing the need to staff on-site as well as building consistency in their customer experiences.

AI will always follow approved scripts whether that's giving the most up-to-date information or always capitalizing on upselling opportunities. Naturally, brands have been testing it as another piece of customer-facing technology to improve guest experiences - with quick-serve restaurants leading the way. Wendy's, for example, made headlines in Q2 of 2023 when they announced they would be partnering with Google Cloud to implement Wendy's FreshAI to take customers' orders at select drive-thrus.



AI presents an interesting opportunity for convenience stores looking to engage with customers at the pump. For example, AI could be used to promote the latest offers to consumers while they pump fuel or even take their food order and send it to the kitchen. This way the staff inside can get a head start on their order – cutting down on wait times and getting customers back on the road faster.

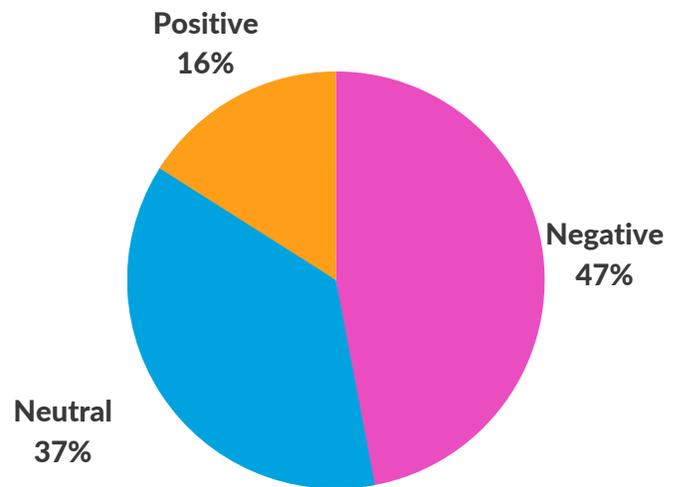
But AI is still in the early adoption phase and consumers are not yet on board. Only 16% of consumers feel positively about AI-enabled drive-thrus while nearly half don't like it at all.

A key concern is the frustrations when interacting with AI. Intouch Insight received comments from consumers such as, "Many times AI can't understand certain words and it's often difficult and frustrating to correct errors." and "AI gets stuck in a loop and is not able to navigate itself out of it."

Another common concern is security. Consumers saying, "Who is housing this information? What is the security attached to my profile? There have been too many data breaches for me to feel comfortable at this stage." and, "It feels too much like 'big brother' is watching. Creepy."

Brands looking to leverage AI will need to ensure a smooth rollout and maintain a strong voice of customer programs to quickly address ongoing consumer concerns.

How do you feel about brands AI-enabled voice technology automating drive-thru order taking?



n = 1225

Insights in Action

Customer expectations and consumer sentiment is constantly changing. As convenience stores continue to expand and improve their offerings and new ways of engaging with customers, ongoing measurement will form the key to success.

- ▶ By expanding the availability of customer-facing technology to provide quick and contactless service, convenience stores will be able to continue to compete directly with quick-serve restaurants and increase their share of the prepared-food market.
- ▶ If convenience stores can stay ahead of the growing demand for electric vehicle charging stations they will be able to retain customers who convert to electric vehicles and continue to drive them towards other offerings such as snacks and prepared food.
- ▶ Loyalty apps are a great opportunity to win repeat business but without ensuring a smooth transition between the app experience and the in-person experience the overall customer experience will suffer.

Whether your brand is focused on any or all of the above or introducing emerging technology like artificial intelligence, the only way to make informed business decisions is through consistent measurement.

Customer experience measurement is the best way to quantify the impact of your efforts and identify other areas for improvement. Intouch Insight provides brands with the tools and services that enable them to ensure they are delivering consistent customer experiences across all their locations.

[Contact Intouch Insight today](#) to discuss how we can help you exceed your customers' expectations.



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