The Convenience &
Fuel Retailer's Guide to
Digital Transformation
in EMEA

PDI

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Introduction

Digital transformation isn't coming; it's here. According to the International Data Corporation (IDC), companies will dedicate more than 53 percent of their IT budgets to digital transformation initiatives by 2023. And in an unprecedented global crisis like COVID-19, that number is only growing. In fact, Nielsen believes "COVID-19 to be the unexpected catalyst for tech adoption."

From upgrading legacy systems to adopting AI-powered solutions, companies must embrace digital transformation to survive now and thrive in the future. This is especially true for businesses operating in the highly competitive, rapidly changing convenience and fuel retail market. Now more than ever, investing in the right technology is key to digital transformation success.

The right technology should enable you to do three things: focus on your customers, realize immediate improvements with incremental investment, and achieve the expected ROI by providing one version of the truth and end-to-end visibility across your operation. In turn, this operational efficiency enables you to navigate through times of crisis and make room to explore new business ventures and innovations.

This guide will take you through a simple, yet effective, approach to digital transformation, helping you evaluate market needs, industry readiness, and your organization's preparedness.

AI (Artificial Intelligence) the ability of a computer program or machine to think, learn and imitate intelligent behavior.

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Understanding digital transformation

There's been a lot of debate surrounding the definition of digital transformation, and pundits are still figuring it out. For now, most people agree with some version of the following: "Digital transformation marks a radical rethinking of how an organization uses technology, people and processes to fundamentally change business performance," says George Westerman, MIT principal research scientist.

Not everyone is at the same place in their digital transformation journey. Consequently, researchers have defined several possible stages—ranging from "early adopters" to "conservatives"—in an organization's digital maturation process.

As the debate about definitions and terminology continues, forward-thinking companies across industries realize that stagnancy in the digital age is not an option. The convenience and fuel retail industry is no exception.

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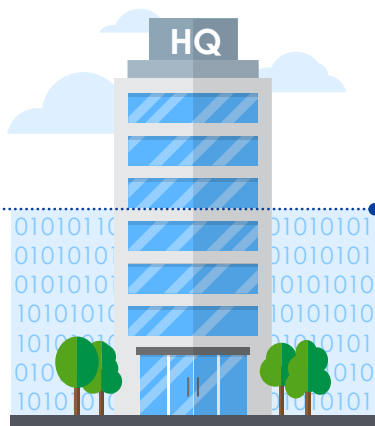
Digital transformation meets convenience

According to the Association of Convenience Stores, there were 46,388 convenience stores in mainland UK in 2019, compared to 49,918 in 2017. PwC's 2020 Global Consumer Insights Survey highlights the importance of convenience for consumers in the Middle East compared to their global counterparts; 35 percent of Middle Eastern consumers

UK Convenience Stores Down

7.6%

in 2019 from 2017

Through Technology You Can Grow and Prosper

make daily, or more frequent, micro-trips for groceries compared to 29 percent of consumers globally. The most recent "Quest for Convenience" report by Nielsen highlights South Africa's growing appetite for convenience, with 40 percent of consumers wanting products that make life easier and 36 percent welcoming more convenient products.

Location and growth rates aside, one of the biggest and most common challenges convenience retailers face is saturation. In a highly competitive environment, what can companies do to stand out? The answer is…transform.

Global trends like omnichannel retailing, foodservice, consolidation and rising labor costs are changing convenience retailers' business models. And disruptors like electric vehicles, online retailing, regulations, changing consumer expectations and the last mile delivery dilemma are now the impetus for new innovations. All of it is driving the need for digital transformation.

Even governments recognize the importance of digitalization and supporting the technology sector. In Europe, policymakers have pledged to work on digital transformation that puts people first, and in Africa, digital transformation has been named a major initiative by the African Union.

For quite some time, the convenience industry wasn't seen as technologically advanced or innovative. This perception, along with the industry itself, is evolving. Every year, we see new innovations and technologies. The advancement is necessary as consumers are more tech-savvy, demand more convenient and personalized options, and have less time to waste. Operators of all sizes need to reimagine the way they do business to meet the market demands and be equipped against possible crises."

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Ensuring a successful digital transformation

Step 1: Define the customer journey

Your customers should be the focus of your digital transformation, so the first step is to define what you want their journey to be.

The customer journey begins with what to buy and where to buy it. It continues through the forecourt, in-store, purchase, and feedback experiences. Knowing what the customer experience should be at each stage in the journey will help inform your technology mix.

Technology should ensure end-to-end visibility, increase efficiency, attract and retain customers, and provide a competitive advantage. But don't rush. The implementation process should be thoughtful, targeted, and incremental.

Step 2: Review the risks

It's easy to get caught up in the hype of new innovations or best-of-breed technology. True digital transformation, however, should connect people, drive efficiency and improve lives.

In the Harvard Business Review, Thomas H. Davenport and George Westerman (researchers in MIT's Initiative on the Digital Economy) outline four key lessons companies investing in digital initiatives should keep in mind:

- Digital transformation is not the answer to all problems. Success as a business depends on many factors, and your digital capability is just one of them.

- Digital transformation is not plug-and-play. It's an ongoing process that requires a well-planned implementation and the right balance of technology, people, and processes.

- Digital transformation needs to correspond to the readiness of your industry, and any initiative should be tied to value.

- Digital transformation requires balance. Invest in new technology where it's necessary, but you should also continue to optimize the old systems and processes that work well.

We often talk about the future of digital transformation. You've even read about it - cashier-less convenience stores with augmented reality features or driver-less fuel trucks moving around autonomously.

But digital transformation is happening right now in your region. It's time to act.

Today, the average person interacts with mobile apps, big data, and cloud infrastructure on a regular basis. And let's not forget about artificial intelligence. From our email spam filters to Google Maps, it's a part of our daily lives.

72% of web usage is expected to be mobile only by 2025
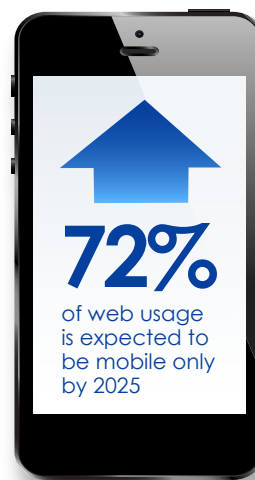
80% of enterprise workloads are expected to be in the cloud by 2025

The cloud infrastructure connects everything, like IoT devices, and produces a vast amount of data. This data can be leveraged to create smarter applications that use artificial intelligence and machine learning.

The industry impact is visible. Customers and employees are demanding a digital-first experience, and retailers must deliver. Investing in customer-facing technology and back-end business applications can help you achieve your goals.

IoT (Internet of Things) is a network of objects connected to the internet, such as computers and smartphones, that are able to collect and exchange data.

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Let's talk benefits: The payoff with digital transformation

So, you realize the need for digital transformation, but what's the strategy, and what are the benefits? While the answer will vary depending on whether your convenience retail operation sells fuel in the forecourt, we've identified a few fundamental areas you should evaluate. But we know every digital transformation journey is unique, so find the journey that best fits you and your business.

POS vs ERP: The great debate

The most common mistake retailers make is assuming that digital transformation must begin with the point-of-sale (POS) system. It's simply not true.

The POS collects the data, but a good enterprise resource planning (ERP) or back office system converts it into actionable insights that help drive the results you want. Let's examine a few examples.

The case for ERP and back office software

As reported from the 2019 NACS Convenience Summit in Europe, labor-related issues (i.e., labor shortages and rising labor costs) keep retailers up at night. But don't worry, there's hope.

Workforce management functionality is typically part of an ERP solution, but it can also be found in comprehensive back office solutions. It can help control labor costs by reducing overtime and optimizing staffing. It also improves your employees' work-life balance, which often increases productivity and lowers turnover. Last but not least, optimizing your staffing levels based on transaction data increases customer satisfaction by reducing long lines and making your convenience store what it should really be: convenient.

Another reported challenge is the shift toward fresh food retail. Consumers in Europe, and all over the world, are increasingly demanding healthier and fresher options. This makes inventory management more complex

Labor shortages and rising labor costs can keep retailers up at night

19% of shop owners in the UK work more than 70 hours per week

17% don't go on holiday each year

than ever before. Adding to the mix a sudden, global change in the way consumers interact with fresh food (i.e. contactless delivery, order and pick-up), and the need for a central management tool becomes even more evident.

Fast-moving consumer goods, including fresh food, account for a big part of a convenience retailer's inventory, and using outdated methods to manage it can quickly prove costly and ineffective. A sophisticated inventory management tool, which is typically found in an ERP or back office solution, can help reduce out-of-stocks. Using forecasting tools, it can predict inventory adjustments and automate suggested orders based on long-term historical trends, seasonal demand, holidays, events and promotions. Your customers stay happy, while you save money by controlling over-stocks, spoilage and waste.

You see, ERP and back office software go far beyond basic accounting capabilities, and we're just scratching the surface of what these solutions can do for convenience and fuel retailers. In addition to providing time-saving automation that reduces paperwork and manual entry, they connect, collate and centralize data from every part of your business. This provides the real-time insights you need to make the best decisions from the head office to the back office.

Maximizing traffic, engagement and revenue with loyalty

Loyalty is probably one of the hottest topics in the industry right now - and for a good reason. Compared to non-members, loyalty members are more likely to make an in-store purchase each time they fuel their vehicle. They also tend to spend more per store visit. This becomes even more important when consumer trips decrease during times of crisis. Retailers are no longer asking if they should do loyalty; they're asking how to do it well.

A good loyalty program profitably changes your consumers' behavior. Profitability is something retailers shouldn't forget when they make decisions about their loyalty and marketing strategy. Because if it's not profitable, it's not right.

Retailers should think about the entire marketing strategy, not just the loyalty program itself. Connecting loyalty, customer communication, mobile technology, and data insights to build a holistic marketing strategy helps ensure consumers are getting the experience they want with a retailer, at every touchpoint.

The right marketing solution helps retailers gain a competitive advantage, attract and retain more loyal customers, and drive profitable consumer behavior with offers and insights. Here are a few benefits:

- Increase sales with personalized loyalty offers that drive frequency of visits and wallet share.

- Engage customers using best-in-class digital channel tools and expertise.

- Improve profitability with a unified view of promotions and campaign effectiveness.

- Simplify and automate marketing operations.

A comprehensive and unified marketing platform designed specifically for the convenience retail and petroleum wholesale industry is a valuable tool in the implementation of your customer experience vision.

Adding loyalty is a big undertaking, and it can take a lot of time to get it right. When it makes sense, don't be afraid to seek help from experts with experience implementing and managing thousands of successful loyalty programs.

Power your fuel pricing strategy with AI and machine learning

Convenience retailers have long had a love-hate relationship with fuel. But nothing drives traffic to the forecourt better than this traditionally low-margin product. In a competitive and volatile market, fuel retailers need to fully understand market conditions to make better pricing decisions. Implementing a fuel pricing solution can help operators do the following:

- Create effective pricing strategies to maximize competitive and strategic potential.

- Quickly adapt to market changes and site needs.

- Collect and analyze data to rank sites in a micro-market.

- Assess site elasticity to develop site strategies.

- Utilize all available communication channels, including POS systems, pole signs, consumer websites and mobile applications.

The right fuel pricing solution automates previously manual and unreliable processes. Tools designed using innovative technology like artificial intelligence and machine learning can optimize profitability and reduce pricing complexity with integrated data and detailed analytics.

In addition to competitive prices at the pump, many convenience retailers are attracting and retaining customers by effectively combining their fuel pricing and loyalty programs. Pairing these strategies provides the flexibility to incentivize loyal consumers with various offerings ranging from discounted fuel prices to a free fountain drink after a certain number of fill-ups.

The offer compositions and communication channels used to drive the program should be designed with your volume and margin goals in mind.

Better BI means better decisions

For convenience and fuel retailers, acquiring actionable data and insights is key to their success. Rapidly changing consumer behavior, often driven by unpredictable external factors, calls for real-time adjustments to your strategy.

The amount of data collected can quickly become overwhelming. Use AI and machine learning algorithms to help harness this data along every touchpoint in the customer experience. Then, convert it into actionable insights.

You can fine-tune customer engagement preferences or promotion effectiveness by combining data from your loyalty program and ERP or back office. Spot POS-based purchasing trends to predict future shopper behavior based on market basket analysis, so you can stock the right products, boost basket spend and increase trips.

It's all connected. Using data in a meaningful way is fundamental to helping you achieve resilience and operational excellence to weather difficult times and thrive in today's digital economy.

> **BI** (Business Intelligence) combines business analytics, data mining, data visualization, data tools, infrastructure, and best practices to help organizations make more data-driven decisions.

Choosing the right partner

In life, you can't achieve success in a silo. The same is true for your digital transformation journey. You will need the right partners at your side to collaborate with you and help you achieve your goals. When it comes to choosing the right partner, certain criteria can prove helpful:

Unified technology solutions

Convenience retailers often employ disparate systems to manage different aspects of their operations that don't communicate with one another. A connected solutions portfolio can increase transparency and leverage different data sources to provide one version of the truth for your entire business.

This is a significant success factor that retailers shouldn't overlook. For example, integrating pricebook, loyalty and fuel pricing data into a single view can deliver more holistic insights to make better decisions that change customer behavior.

Integration with third parties

Having a wide partner ecosystem should be a requirement for any software provider you choose. Their ability to seamlessly integrate with other third-party systems, including POS providers, enables you to choose the best solutions to achieve your goals.

Specialization and industry expertise

The software you choose should be specialized for convenience retail. Convenience and fuel retailers, like you, have unique needs. You need a partner with a proven track record of delivering measurable value for businesses like yours.

Global reach, local presence

If your software provider has experience implementing solutions all over the globe, this will enable you to leverage their valuable insights and best practices. In addition, a software provider with employees in your region can support you better in times of need.

Cloud enablement

Cloud-enabled solutions allow 24/7 access from anywhere without the need for maintaining a burdensome IT infrastructure at your premises. On top of that, a partner that can provide a managed hosting solution helps you lower your risks and maximize your software investment.

Conclusion

The industry is changing and consolidating at a rapid rate, and to remain competitive, companies must change the way they do business. This highlights the need to increase operational excellence and sophistication while finding creative, data-driven approaches to stay ahead of the competition and provide exceptional customer experiences.

On your digital transformation journey, you need the tools and partnerships to ensure success. PDI can be that partner, helping you optimize and unify your operations to remove friction across the entire value chain. Solving these issues allows you to focus on what's really important: your customers.

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About PDI

PDI helps convenience retailers and petroleum wholesalers thrive through digital transformation and enterprise software that enables them to grow topline revenue, optimize operations and unify their business across the entire value chain. Over 1,500 customers in more than 200,000 locations worldwide count on our leading ERP, logistics, fuel pricing and marketing cloud solutions to provide insights that increase volume, margin and customer loyalty. PDI owns and operates the Fuel Rewards® loyalty program that is consistently ranked as a top-performing fuel savings program year after year. For more than 35 years, our comprehensive suite of solutions and unmatched expertise have helped customers of any size reimagine their enterprise and deliver exceptional customer experiences.
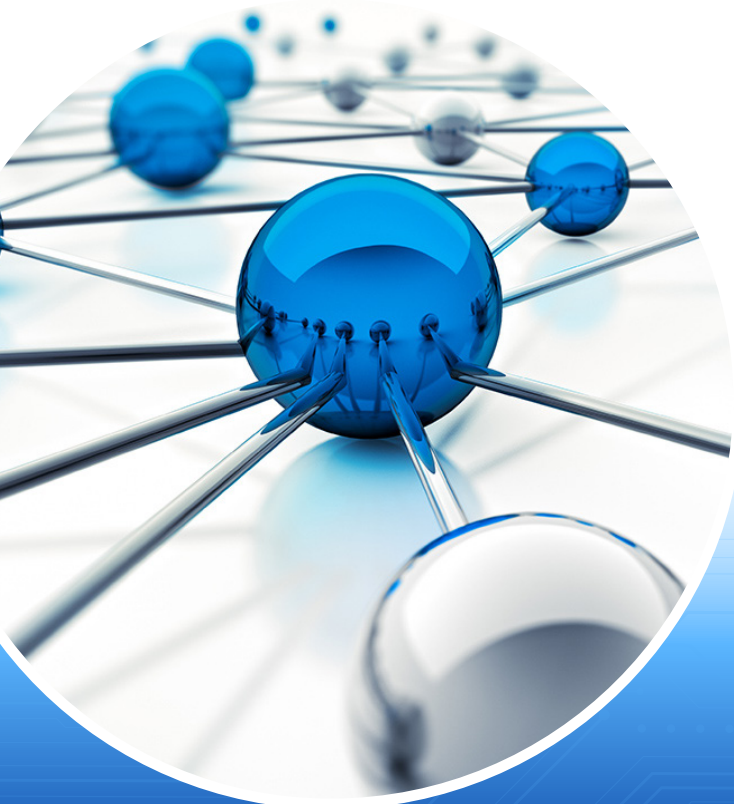
For more information about PDI, visit

www.pdisoftware.com

Interested in discussing PDI's partnership with fuel and convenience retailers in EMEA?

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