



# Better Eats at Your Neighborhood Gas Station

## **(How C-Store can win the Patron's Stomach in today's economy)**

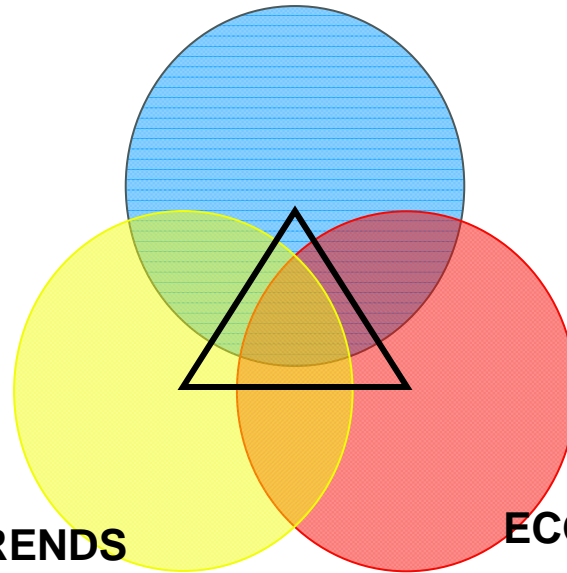
Josh Halpern  
National Sales Director

Brian Young  
Director of Culinary

# The Question We Will Answer Today



DEMOGRAPHICS



FOOD SERVICE TRENDS

ECONOMIC REALITY

**How can C-Store drive Increased Food Service Sales through Emerging Trends in Today's Economy?**

# C-Store's Current Environment



- **Margins are eroding**
  - Pain at the Pump
  - \$7+/carton Incremental Cigarette Tariff in 2009
    - Cigs are now 34% of sales, at only a 15% Gross Margin
    - They are also still the fastest growing category
  - 21% Higher Credit Card Fees in 2010 vs. 2009
- **Prepared Foods are THE new Cash Cow**
  - 8% of Total In-Store sales, but at a 38% margin
    - Average In-Store gross margin for C-Store is 26%
    - More profitable than Beer, Ice Cream, and Salty Snacks

# C-Store's New Frontier



Above: Raceway in NJ, Right: Wawa in PA



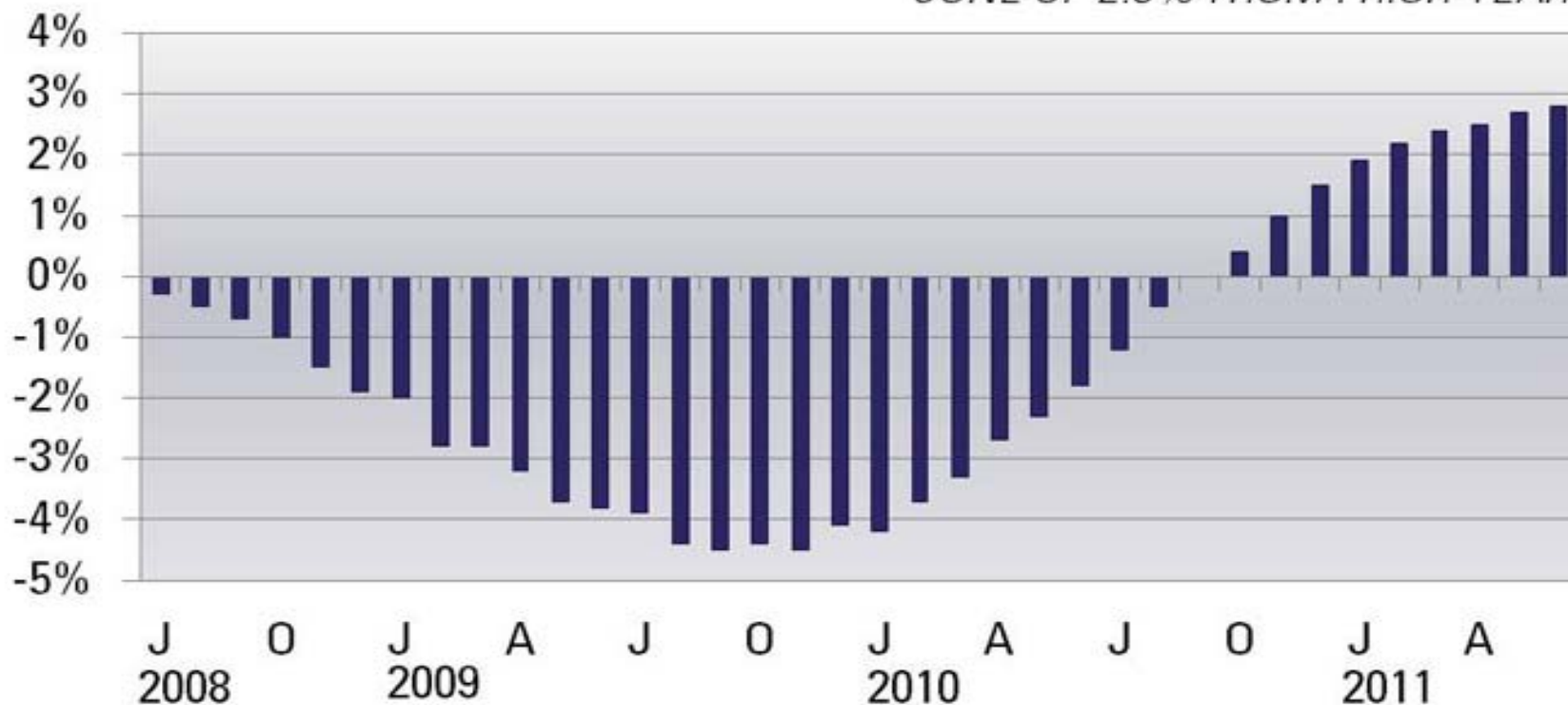
- Foodservice is growing faster than Balance of Store,
- \$11B in Pre-made Food Sales, \$23B including Beverage Bar (Fountain Drinks)



# Food-Away-From-Home is FINALLY rising

*12-Month Moving Average (Foodservice & Drinking Places Real Sales)*

*JUNE UP 2.8% FROM PRIOR YEAR\**



Source: U.S. Census Bureau

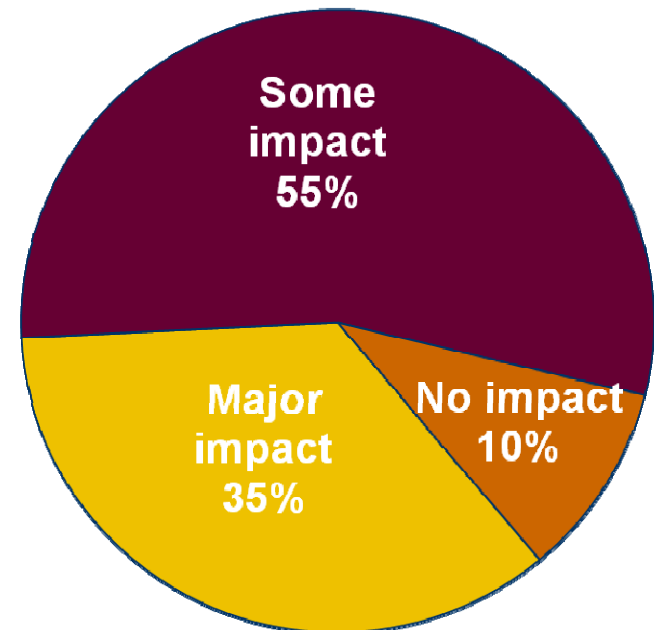
\*Subject to revision

# The Economy Impacts Consumers:

The Beginning of 2010



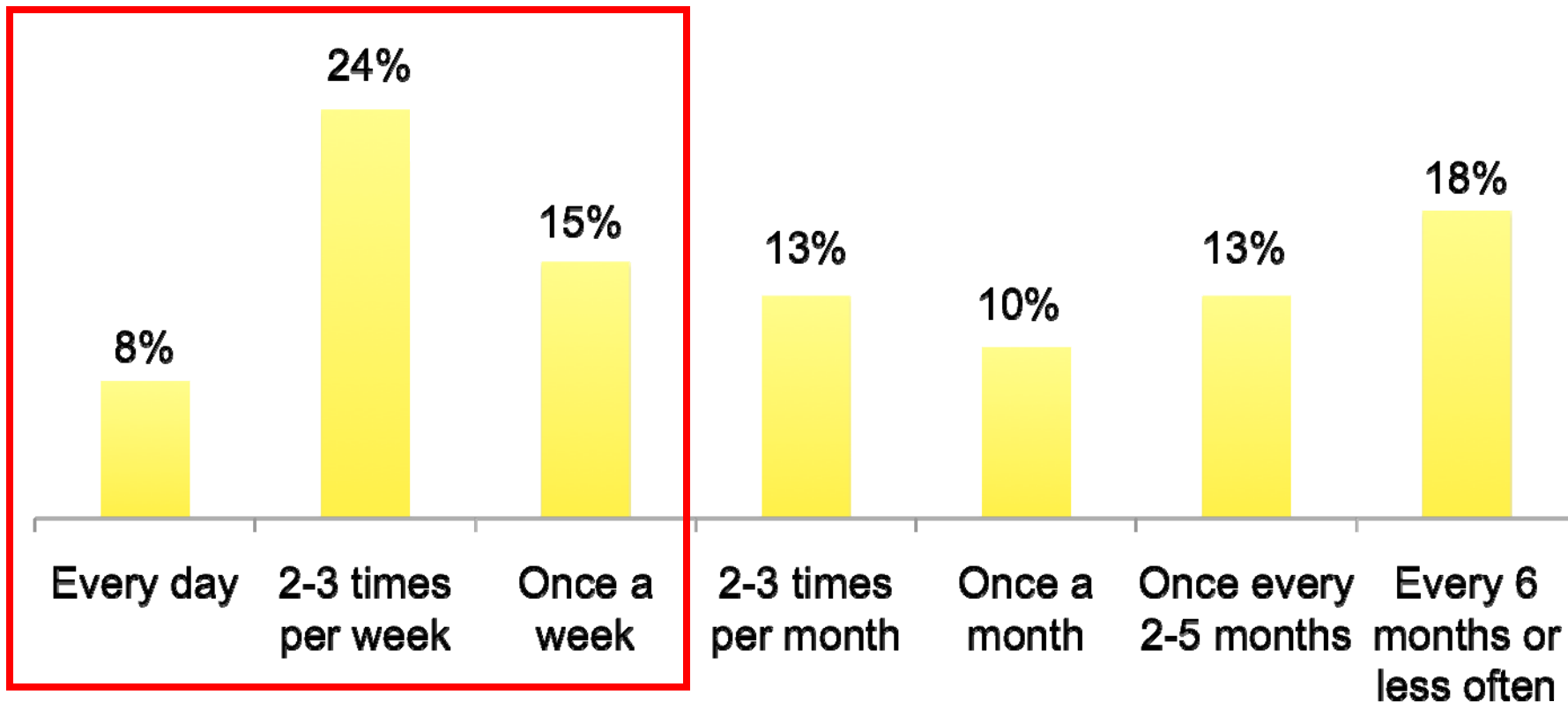
***“To what extent has the current recession directly affected your household?”***



Source: Technomic Consumer Research



# Almost Half of Consumers Eat at a C-Store Meal Weekly

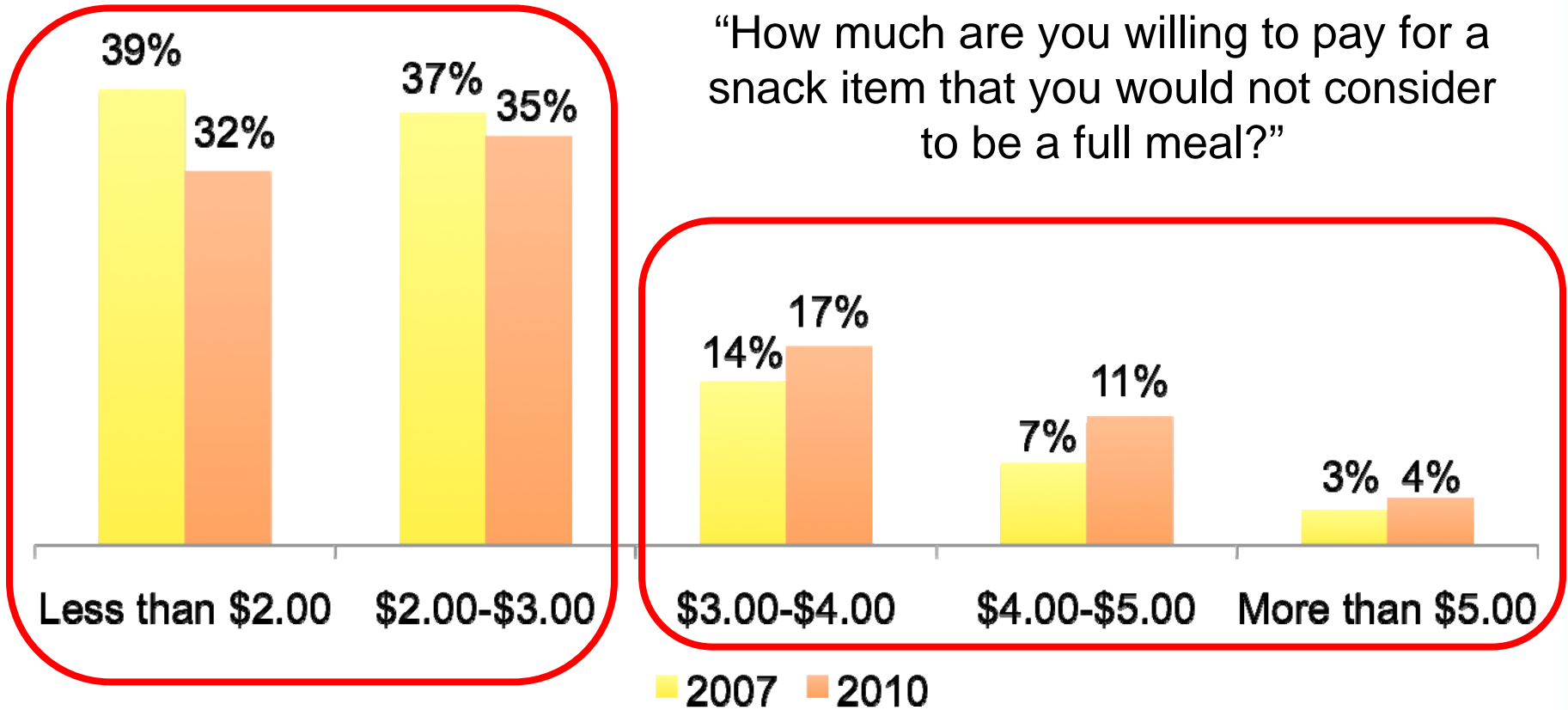


*Technomic C-Store Report*

# The New Luxury is in Snacking



“How much are you willing to pay for a snack item that you would not consider to be a full meal?”





# New Product Emphasis a Key Sales Growth Strategy



Sales Drivers	% Utilized*	Future Emphasis**	
		Increase	Decrease
New products	53%	84%	5%
Increase price promos	34	62	26
More "specials"	29	73	19
Increase advertising	28	76	5
Menu bundling	22	75	15
Increase menu prices	17	36	27
Smaller portions @ lower prices	15	68	22
New services	14	87	6
More LTOs	13	73	20
Reduce menu prices	12	45	49

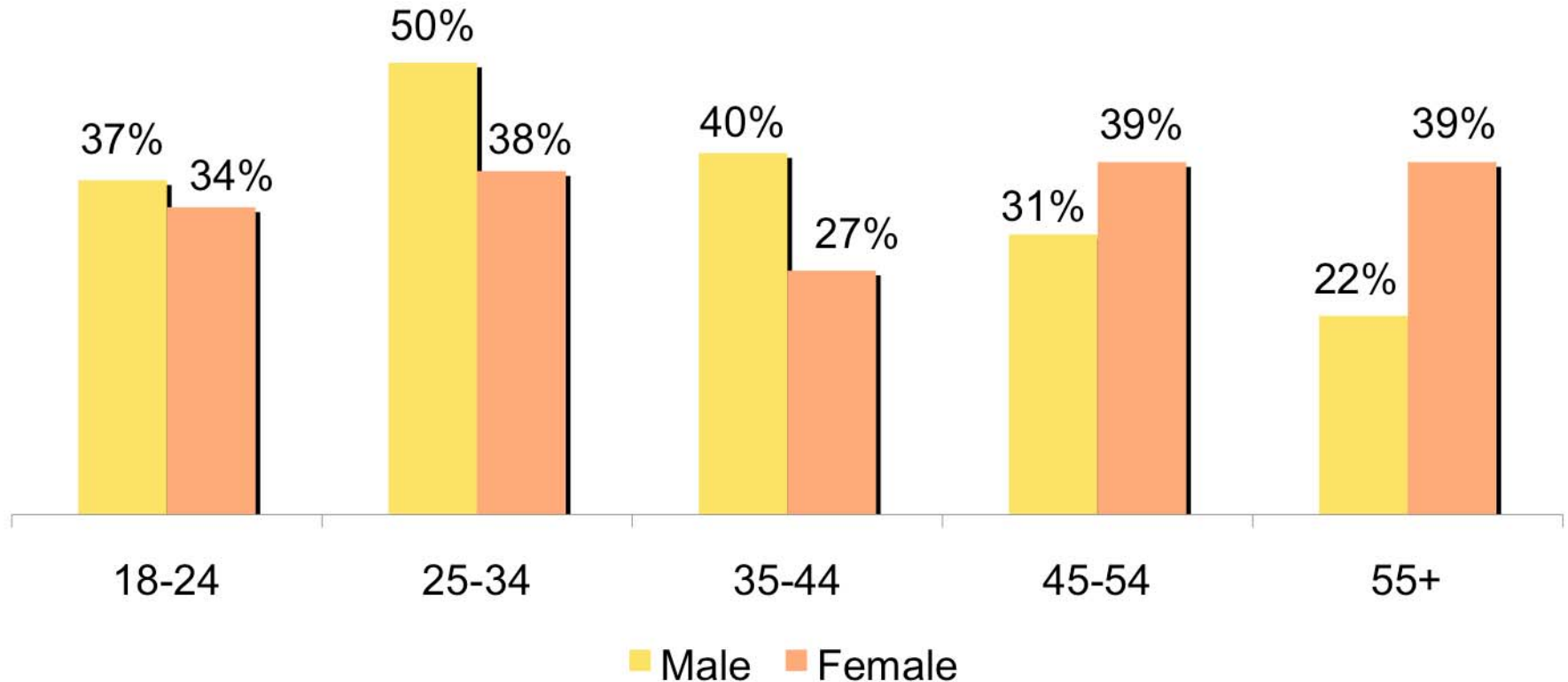
\*% Operators utilizing during recession \*\*Base: Operators using each tactic Source: Technomic Operator Survey, May 2010



# Willing to Spend

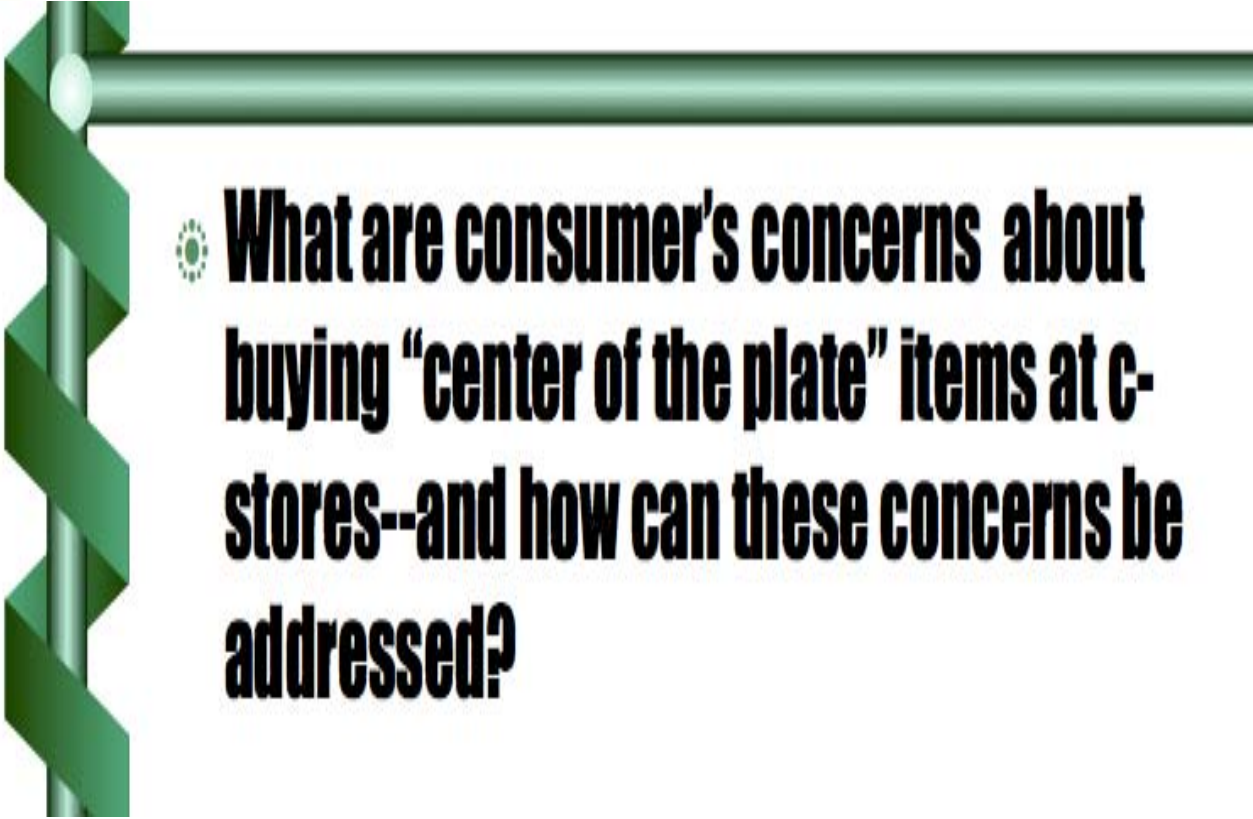
“Willing to spend more on meal featuring new/unique flavors”

(Top two box = agree and agree completely)



*Technomic Flavor Report*

# C-Stores Capture Culinary Credibility: 1999 Consumer Concerns

A decorative graphic on the left side of the slide, consisting of a vertical green pole with a white ball at the top, wrapped in a green ribbon that spirals around it. A horizontal green bar extends from the pole to the right.

• **What are consumer's concerns about buying "center of the plate" items at c-stores--and how can these concerns be addressed?**



# Cleanliness Addressed



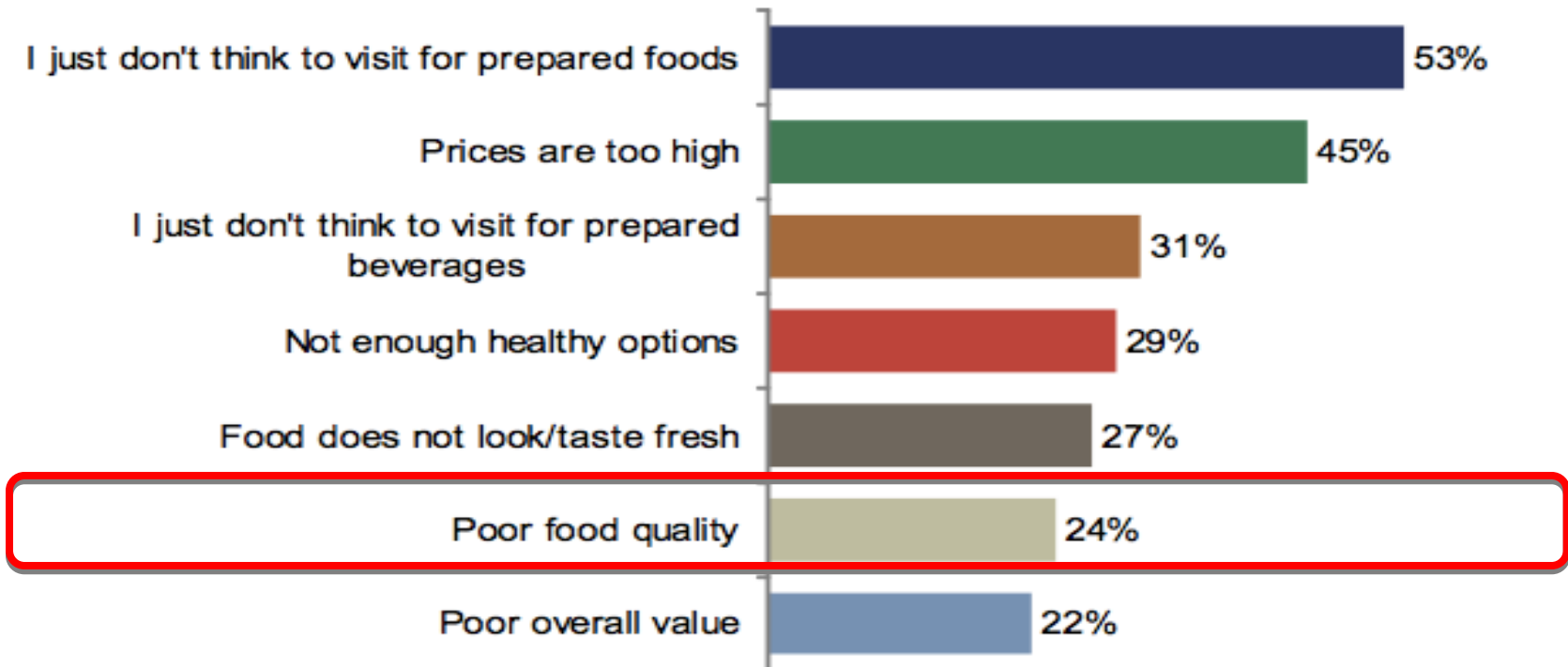
Madisonville  
, TX

# C-Stores Capture Culinary Credibility: 2010 Consumer Concerns



*Why don't you visit convenience stores specifically to purchase foodservice items?*

**ONLY 24% SAID POOR FOOD QUALITY**

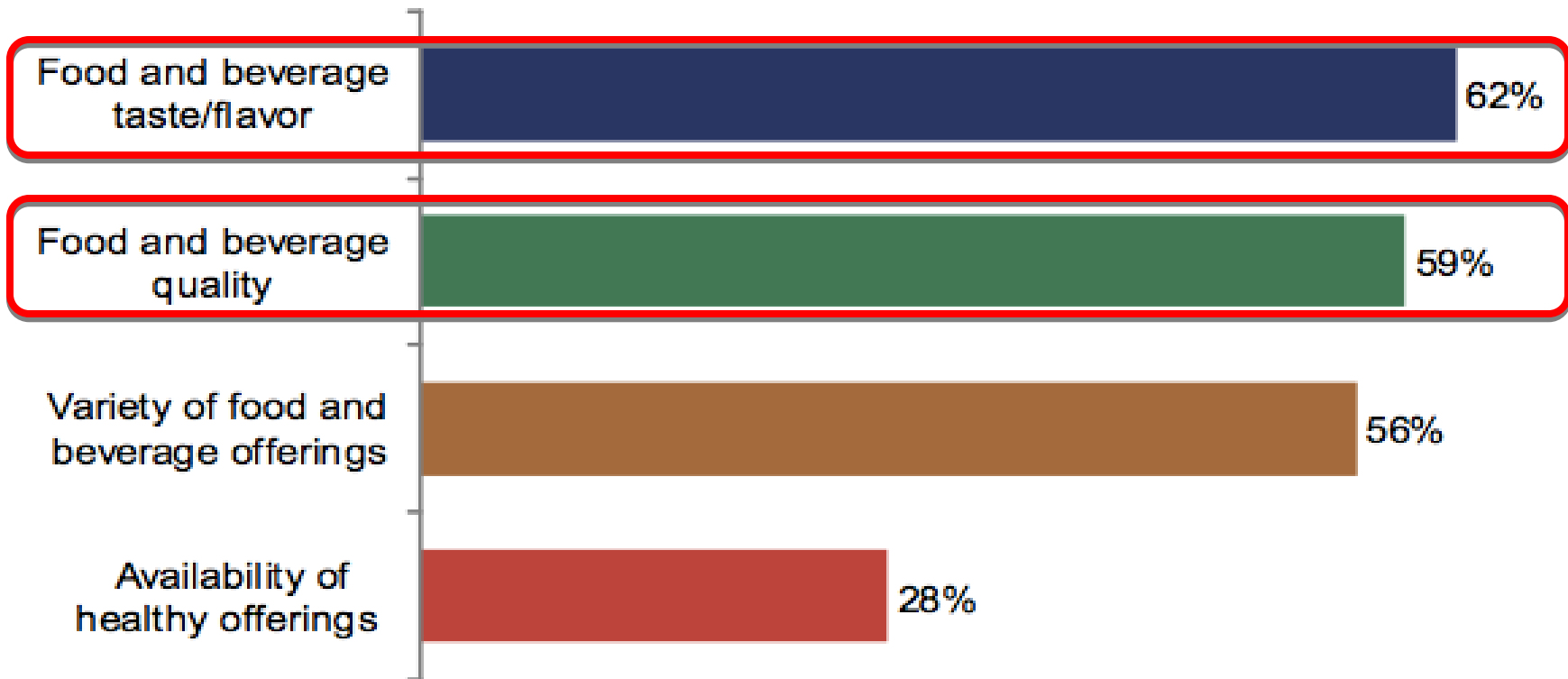


# Quality and Flavor –High Favorable



*Thinking in general terms about convenience stores that offer prepared foods, how would you rate these locations on the following attributes?*

The 2010 Consumer Point of View



# Open, Fresh, Real



-Fuel City-  
Dallas, TX

# Challenging Traditional Operators



Watauga, TX





# Brian Young's Bio

## Experience

- Executive Chef of Tavern on the Green** (Highest grossing single unit restaurant in USA)
- Executive Chef of Citarella**, Gourmet Grocer, NYC
- Chef De Cuisine at Le Bernardin in NY**, Number 1 Zagat, Top 25 World Wide
- Trained at The Quilted Giraffe, NY
- Trained Le Laurent, Paris
- Attended Le Cordon Bleu, Paris



Director of Culinary  
Development  
French's Foods

# Culinary @ French's



## Ideation and Recipe Development-Foodservice

-National and Regional Chains, Contract, Military, Ingredients for other manufacturers



## Study Food Trends

- Insights
- Industry
- Retail

## Growth of top 30 flavors of ingredients on restaurant menus, Q4 2009-Q4 2010



Flavor of Ingredient	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	% Chg. Q4 2010 vs. Q4 2009
<b>Garlic</b>	<b>2,506</b>	<b>2,558</b>	<b>2,633</b>	<b>2,608</b>	<b>2,727</b>	<b>8.8%</b>
Seasoned	1,725	1,777	1,856	1,909	1,945	12.8%
Spicy	1,618	1,630	1,689	1,694	1,732	7.0%
Chicken	1,036	1,094	1,068	1,079	1,114	7.5%
Sweet	793	808	911	927	948	19.5%
Honey	842	852	883	861	862	2.4%
Smoked	784	820	839	864	915	16.7%
Vanilla	559	581	631	643	643	15.0%
Parmesan Cheese	562	551	600	648	655	16.5%
Herb	528	596	606	608	635	20.3%
Sesame Seed	571	561	600	622	609	6.7%
BBQ	536	561	596	616	611	14.0%
Chipotle Pepper	471	491	555	575	591	25.5%
Buttermilk	440	481	483	513	527	19.8%
<b>Mild</b>	<b>460</b>	<b>484</b>	<b>494</b>	<b>445</b>	<b>447</b>	<b>-2.8%</b>
Tomato	431	451	466	484	484	12.3%
Chocolate	414	442	486	484	483	16.7%
Tangy	388	417	432	440	449	15.7%
Lemon	397	406	426	444	447	12.6%
Cajun	375	368	416	434	434	15.7%
Basil	400	381	363	402	413	3.3%
Hot	358	371	373	378	371	3.6%
Butter	330	347	354	372	381	15.5%
<b>Zesty</b>	<b>383</b>	<b>367</b>	<b>346</b>	<b>341</b>	<b>344</b>	<b>-10.2%</b>
Savory	318	338	323	369	385	21.1%
Onion	325	328	344	338	349	7.4%
Cinnamon	316	326	338	344	344	8.9%
<b>Applewood-Smoked</b>	<b>246</b>	<b>285</b>	<b>321</b>	<b>345</b>	<b>356</b>	<b>44.7%</b>
Raspberry	276	278	298	287	299	8.3%
<b>Cheese</b>	<b>263</b>	<b>263</b>	<b>280</b>	<b>253</b>	<b>340</b>	<b>29.3%</b>

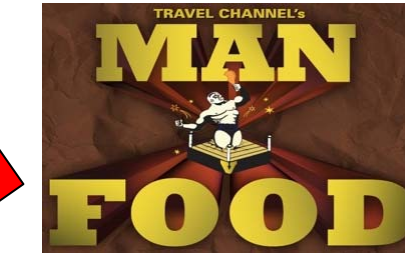
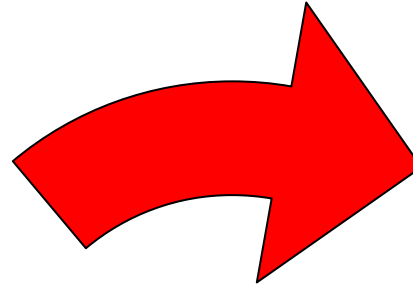
Garlic is the most popular flavor associated with ingredients on restaurant menus and continues to grow at a steady pace. Out of the top 30 overall flavors of ingredients, applewood-smoked and cheese have seen the most significant increase over the last 5 quarters.



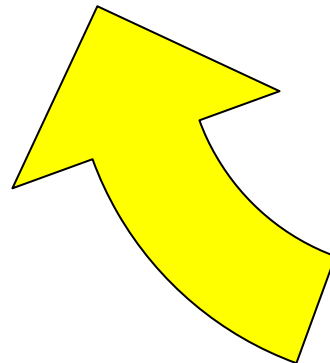
# Flavor is the Engine of Innovation



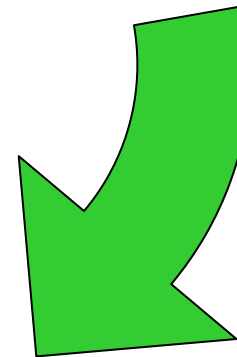
Introduced  
by innovative chefs



Influenced  
by media  
(social)



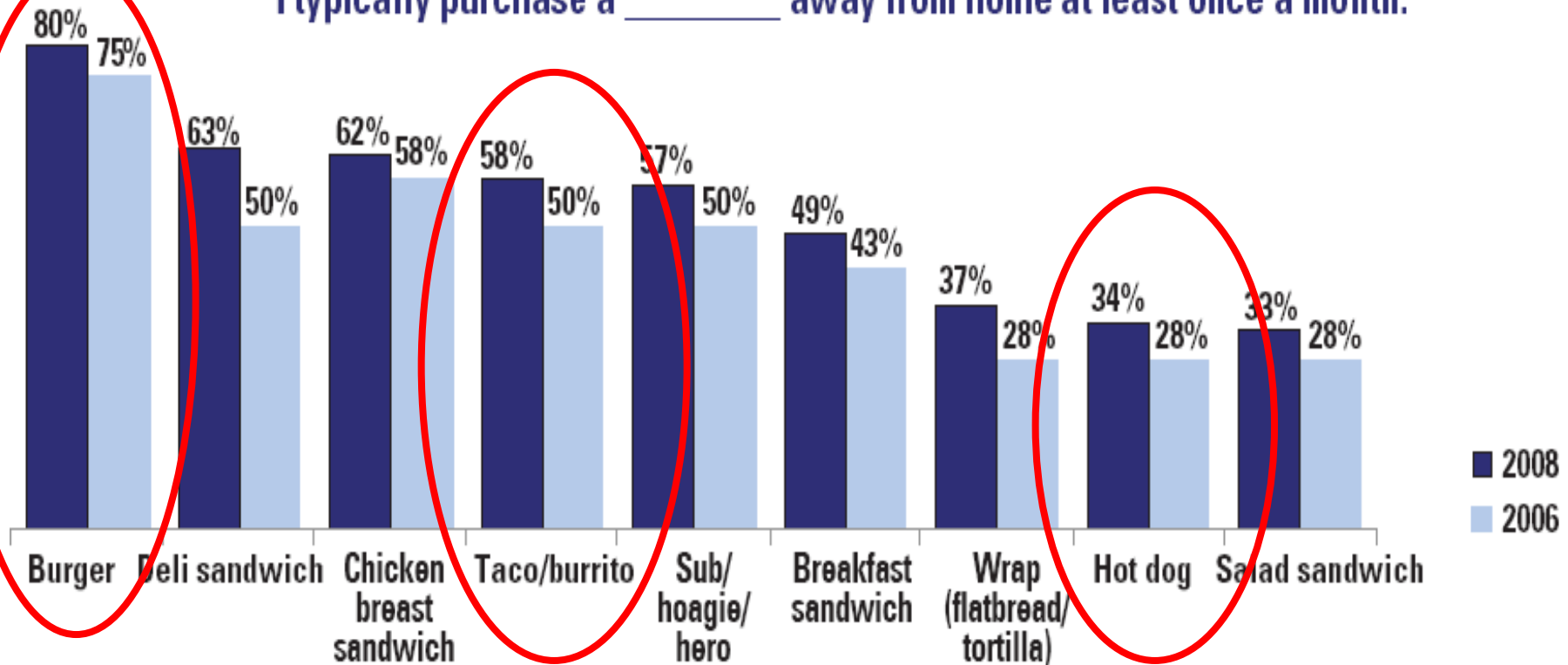
Driven  
by consumers





# Classic Format is Reassuring

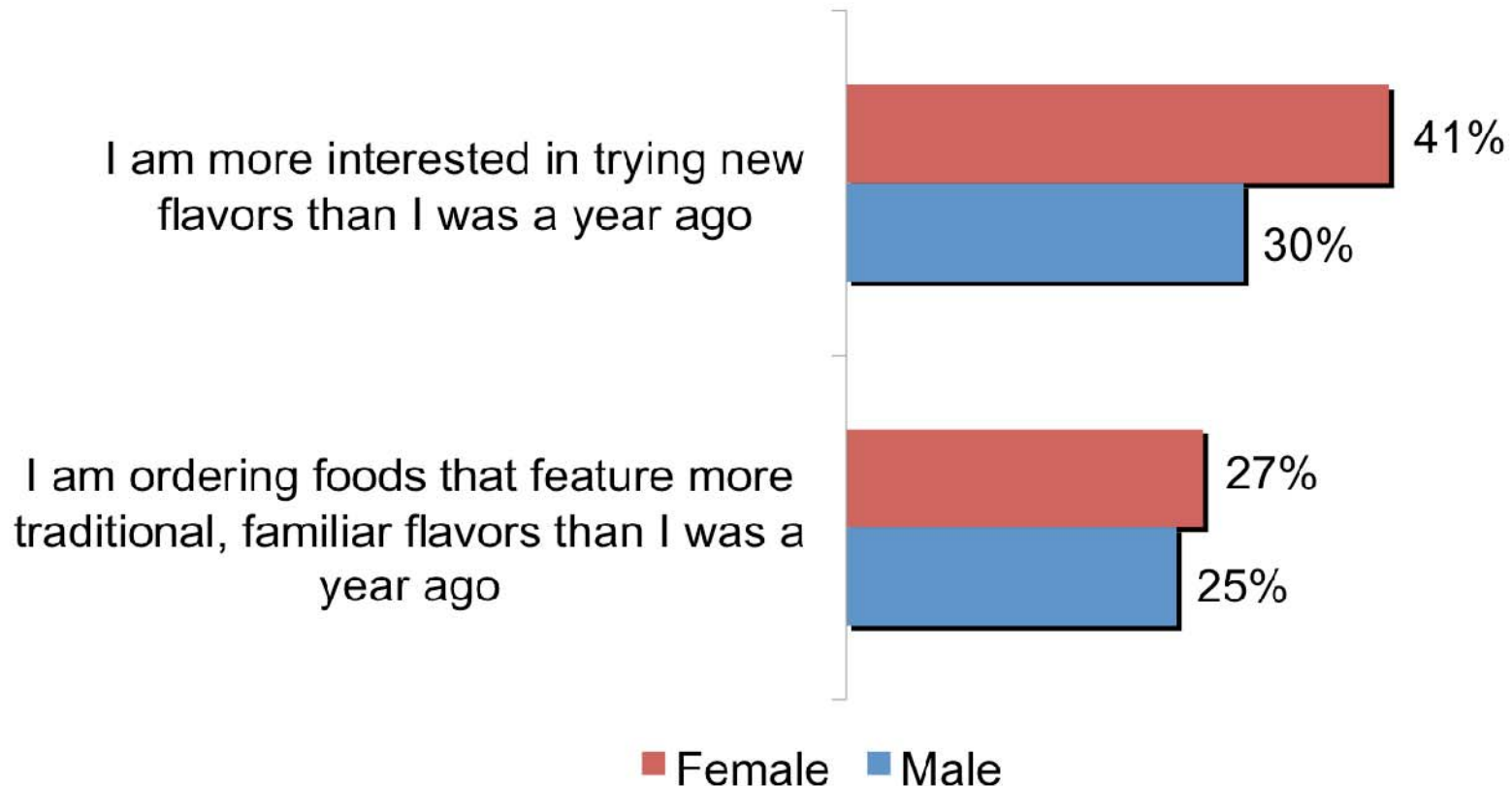
I typically purchase a \_\_\_\_\_ away from home at least once a month.





# But new flavors are key

*-Indicate agreement or disagreement with the following-  
(Top two box = agree and agree completely)*





# New Flavors drive Repeat Sales

*“If you try and like a new flavor on a menu item at a restaurant, how likely will you be to...”*





# New Flavor Mashups

*BBQ Classic*



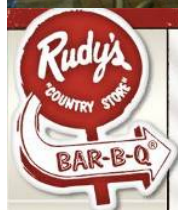
*BBQ- Contemporary*



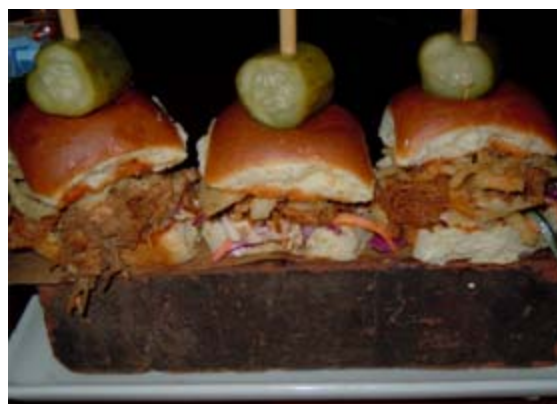
Brooklyn,  
NY

-Brandt Ranch  
Beef Brisket-

Chili jam, aioli,  
Bao, pickled  
red onion, bone  
broth



Frisco, TX



-Three  
Little  
Pigs-



# Great Innovation, Informality and Value



<p><b>Spicy Thai Chicken Sausage</b> with Sriracha Mustard and Sesame-Seaweed Salad 12.50</p>	<p><b>Smoked Portuguese Linguica</b> with Smoked Paprika Dijonnaise and Castelino Cheese 12.00</p>
<p><b>Bell Pepper and Mozzarella Chicken Sausage</b> with Pesto Genovese, Roma Tomatoes and Fresh Mozzarella Cheese 12.50</p>	<p><b>Mandarin Orange and Teriyaki Chicken Sausage</b> with Chili-Soy Sauce Mustard and Sesame Chili-Paprika Cheese 12.50</p>
<p><b>Foie Gras and Sauternes Duck Sausage</b> with Truffle Sauce Moutarde, Foie Gras Mousse and Sel Gris 18.50</p>	<p><b>Sausisson Alsacienne</b> Bacon Sausage with Creme Fraiche, Caramelized Onions and St. Paulin Cheese 18.00</p>
<p><b>The Atomic Ribeye Steak Sausage</b> Great like the original ribeye, but it's done small! With Horseradish Cream Sauce, Appleswood Smoked Cheddar Cheese and Crispy Fried Onions 18.00</p>	<p><b>Smoked Cranberry and Cognac Chicken Sausage</b> with Seed Curry Mustard and Cranberry Cheddar Cheese 14.00</p>
<p><b>Merguez Lamb Sausage</b> with Spicy Harissa and Haloumi Cheese 14.00</p>	



# Trends

- 1 Food Trucks
- 2 Farm to Fork
  - Organic, sustainable, celebrity farmer
- 3 Better For You-Health/Medically sensitive
- 4 Indulgence

Higher awareness by younger consumers for better quality at low price

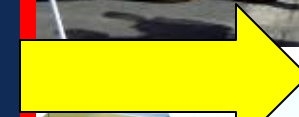
# 1. Your Next Competitor: The Mobile Food Truck



**Fresh, Innovative, Cheap, Convenient, Hip**

Proliferation

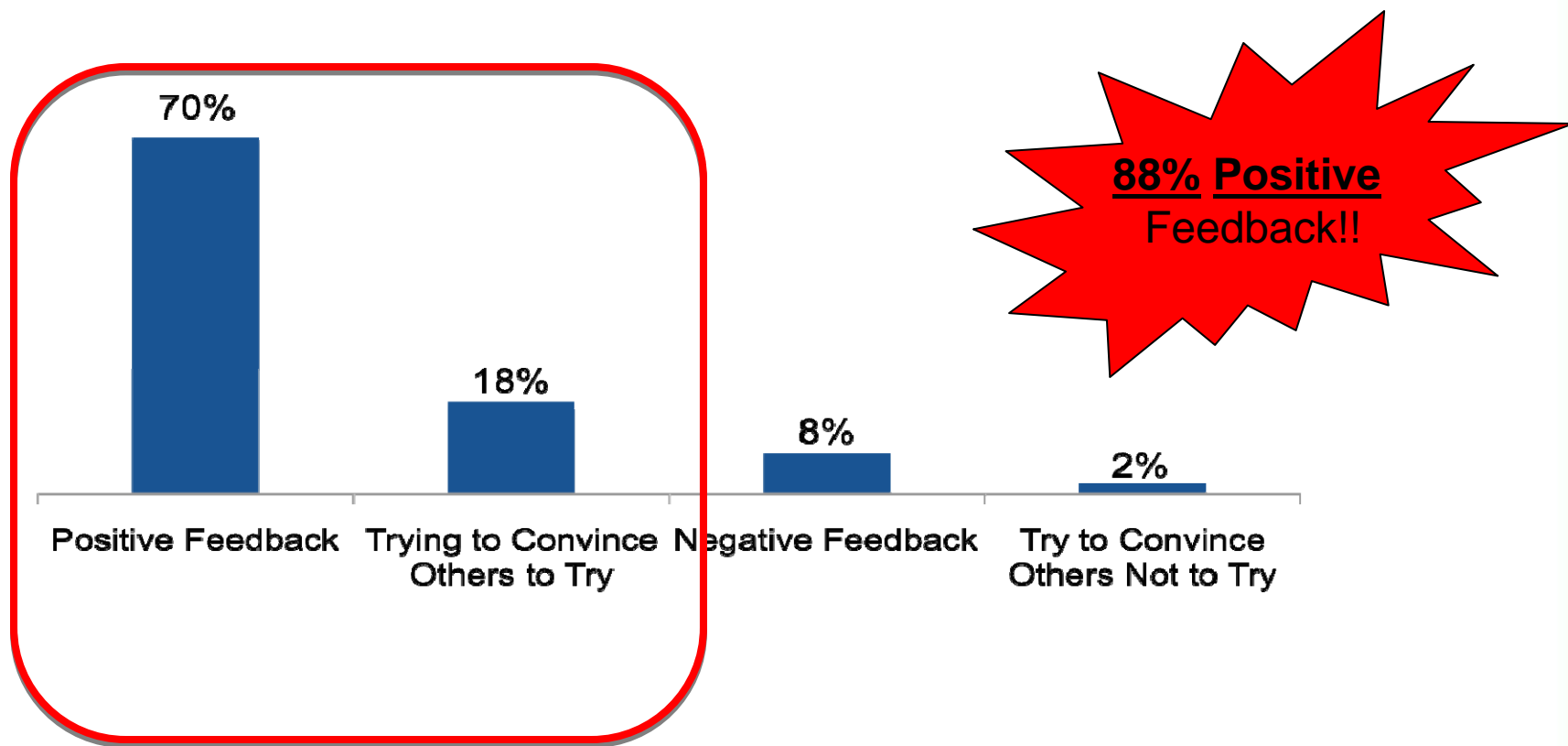
- Low barrier to entry
- Social Media Awareness
- Independent
- High quality, Low price





# MOBILE Validity

Thinking back to the last time you can remember a co-worker mentioning Mobile Food Vehicles, what statement best describes the conversation?



Source: Technomic 2011 Mobile Food Vehicle Study

# The hottest --Kogi Taco



Los Angeles, CA





# Haut Dogs

*Hot Dogs*

*Phoenix, AZ*



*-Aiko- Mango chutney, diced jalapenos, red onions, fresh cilantro, and mayo*



# Unusual

*Ethnic Influence*

*Las Vegas, NV*



*-Tamago- Fuku-patty with fried egg and crispy onion strings. Finished with Teriyaki and Furikake*

# High Quality Seafood



*-Shrimp Bruschetta-*

*Sautéed shrimp with a Mediterranean tomato sauce. Served on toasted French bread and topped with feta cheese and basil*

*Orange County, CA*



# Red Velvet Pancakes

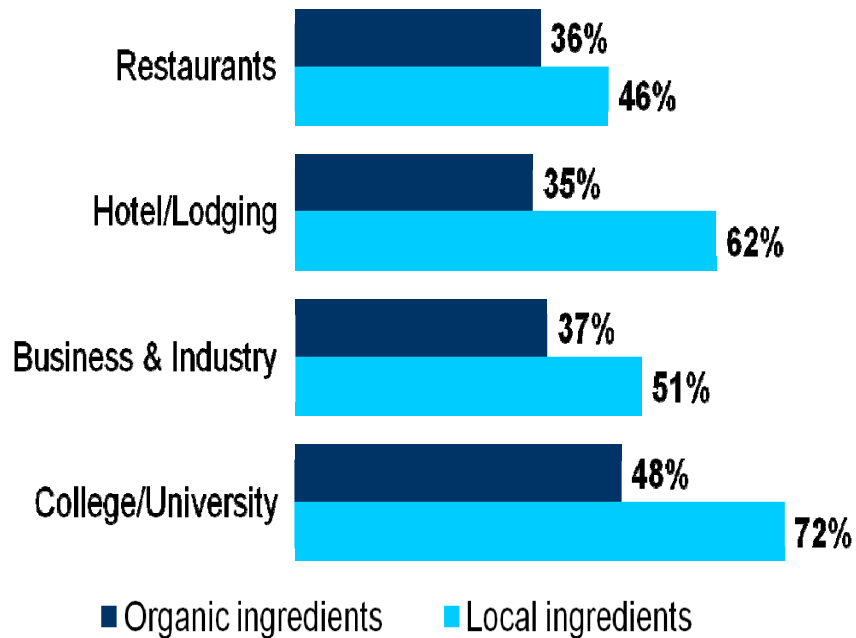


Orange County, CA

*-Red Velvet and Chocolate  
Chip Pancakes-*

# TRANSPARENCY-Sustainable

*Operators EXPECTING TO USE MORE organic and local ingredients in the next 12 months*



*-BL & Fried Green T Sandwich-  
Fried Green Tomatoes From Gott's  
Garden*

# Celebrity Farmers



Chicago, IL



## Where Our Food Comes From

Snug Haven Farm, Paoli, WI - Bill Warner provides us with winter tomatoes & spinach.  
Spence Farm, Fairbury, IL - Nationally renowned growers Marty & Kris Travis provide specialty crops & heirlooms.  
Tallgrass Beef, Bill Kurtis' grassfed beef.  
Three Sister Garden, Kankakee, IL - Frontera's former chef, Tracy Vowel grows organic produce.  
Seedling Orchards, South Haven, MI - Peter Klein's organic fruit orchard.  
Maple Creek Farm, Waukesha, WI - Tom Mueller's naturally raised suckling & full-grown pork.



-Pibil-

Wood-roasted suckling pig with achiote, black beans, pickled onion, and habanero salsa

# High Quality as P.O.D



*Chicago, IL*

*-Sergio's Special-*

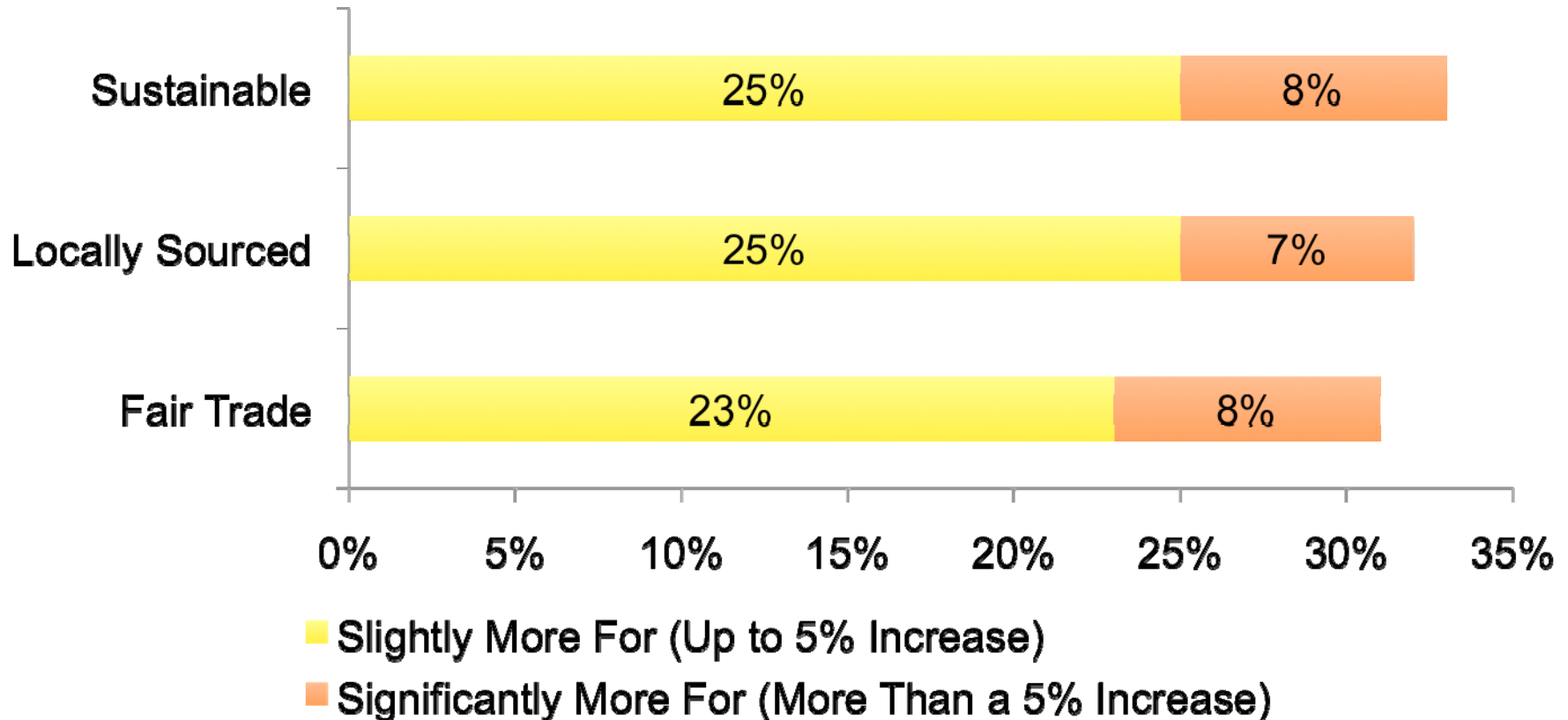
*French Madrange ham and Swiss Gruyere cheese with avocado, sliced jalapenos and a tasty mango chutney...*

*Served on an organic bretzel baguette*



# Higher Margin

**“Makes me more willing to purchase and am willing to pay...”**

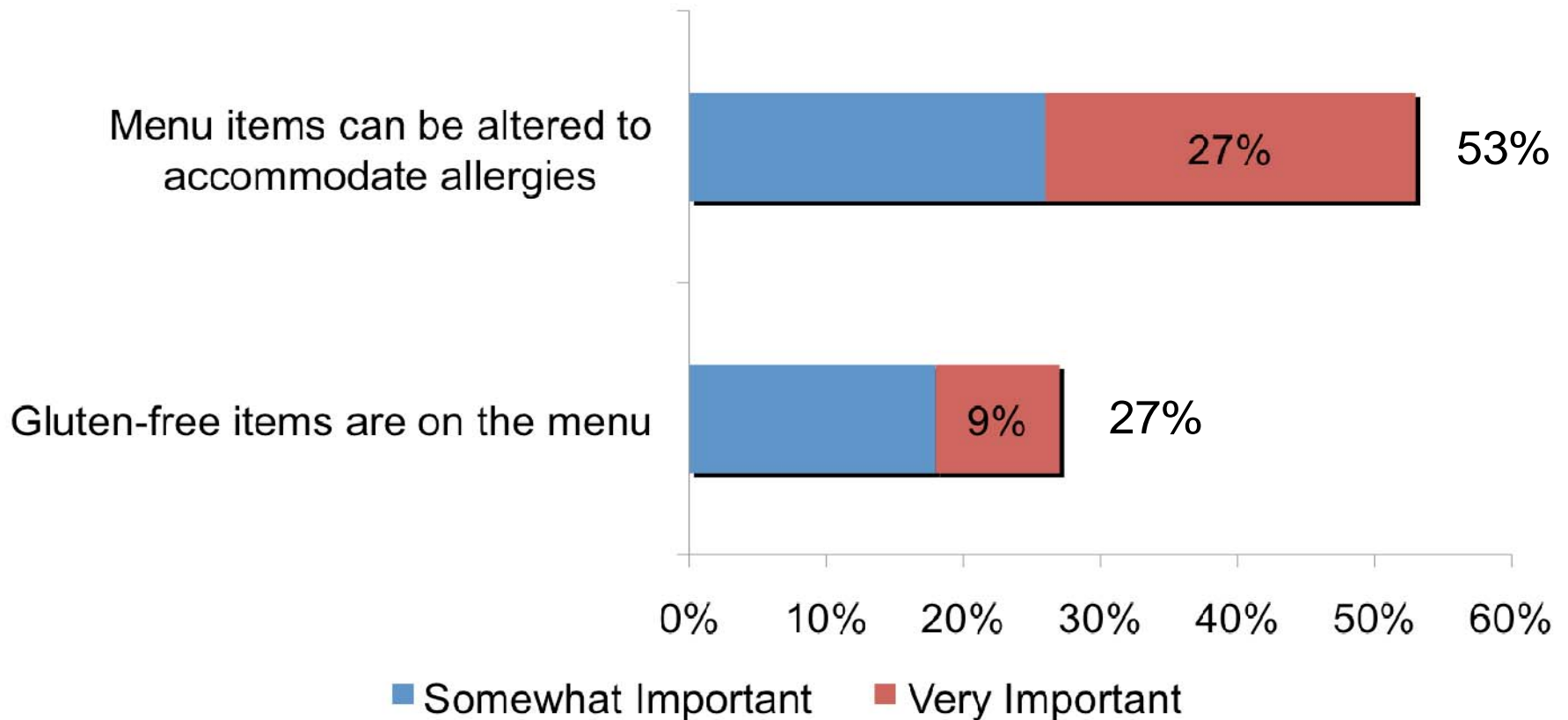


*Technomic College and University Report*



## 2 HEALTH

-Importance of Food Factors When Selecting Restaurant-  
(Top Two Box = "Very" or "Somewhat Important")



# Gluten allergy



*The Nutritional Approach*



Boston, MA

**-Gluten Free Rolls-**



*“My girlfriend has a gluten allergy, and they did a terrific job accommodating her needs!”*

In Partnership with the Gluten-Free Restaurant Awareness Program® a Program of the Gluten Intolerance Group®. For more information visit [www.glutenfreerestaurants.org](http://www.glutenfreerestaurants.org)





# Health Claims up 72%

- While consumers may not be fully embracing eating healthfully, they are looking for restaurants to take small steps to improve the “healthy halo” of their offerings, whether by adding whole grains, providing more salad options or cutting fat
- Restaurants are taking steps toward “better-for-you” (BFY) menu items
- Small additions to menus—or even deletions—are helping to elevate a brand’s positioning with consumers
- Thanks to sites like HealthyDiningFinder.com and others, it is easier to make health-minded decisions on where and what to eat

62%

Of restaurant goers report that they will eat more healthfully at restaurants in 2011

72%

Increase in “healthy” menu items claims over past two years





# Super food Smoothie

*Fresh and Flavorful*

*New York, NY*



*-Mambo #6-*

*Mango, Pineapple, and Strawberry*

# Inspiration from retail

- Healthy by Association crosses restaurant segments and is even drawing inspiration from retail
  - Jason's Deli promotes its food as having no high-fructose corn syrup (HFCS), trans fats or pesticides
  - Taco Bell quietly reduced sodium at 150 units in the Dallas market
- Consumers are also experiencing more healthful options in retail
  - Pepsi HFCS-free Pepsi Throwback has achieved about \$41 million in sales in just over a year
  - Heinz now offers a HFCS-free ketchup, Simply Heinz
  - ConAgra dropped HFCS from its Hunt's brand ketchup



Source: Mintel Global New Product Database



# Counter Trend-INDULGENCE

- For every trend, there is a counter-trend
- Consumers may be embracing the new levels of transparency and health improvements to menu items, but they still want to enjoy the dining out experience
  - Will want to ignore all the new information on the menu
  - Will still want to indulge
- New calorie count disclosure mandate allows for such indulgence
  - No calorie count and nutritional disclosure required for limited time offers (LTOs) on the menu for 60 days or less per calendar year

10 M

Double Down sandwiches sold at KFC in its introduction

64%

Of restaurant goers prefer restaurants that have unique signature offerings

## Where it's occurring?

- While operators will feel pressure to add healthier menu items, they will also want to keep launching the indulgent menu items consumers love
  - Look for the LTO menu to be where they can take advantage of disclosure exemptions
- This is one trend that restaurant operators have shown an enthusiasm to embrace at all levels
  - IHOP—Cheesecake Stuffed Pancakes
  - Denny's—Fried Cheese Melt
  - Sonic—Tex-Mex Footlong Quarter Pound Coney
  - KFC—Double Down



Source: KFC



Source: Denny's



# Summing it All Up

- C-Store has met the needs of the consumer over the last 10 years and has been rewarded with profitable sustained growth.
- To stay ahead, focus on 1-2 emerging trends, and introduce innovation into menu offerings to keep consumer fully engaged.