

# Convenience Retail Seminar

9<sup>th</sup> March 2018

- 08:30 – 08:35 Welcome and overview – **Sanjay Vidyarthi**
- 08:35 – 08:55 Convenience Landscape – **Dominic Taylor**
- 08:55 – 09:15 Technology and what retailers need – **Emma Allen**
- 09:15 – 09:30 Retailer Q&A – Hosted by **Steve O'Neill**  
**Ralph Patel, Michael Dhaliwal, Sonu Dhaliwal and Dave Hiscutt**
- 09:30 – 09:50 General Q&A
- 09:50 – 10:00 Wrap Up – **Sanjay Vidyarthi**



**Dominic Taylor**  
Chief Executive

# Convenience Landscape

# Societal changes are altering our attitude to shopping

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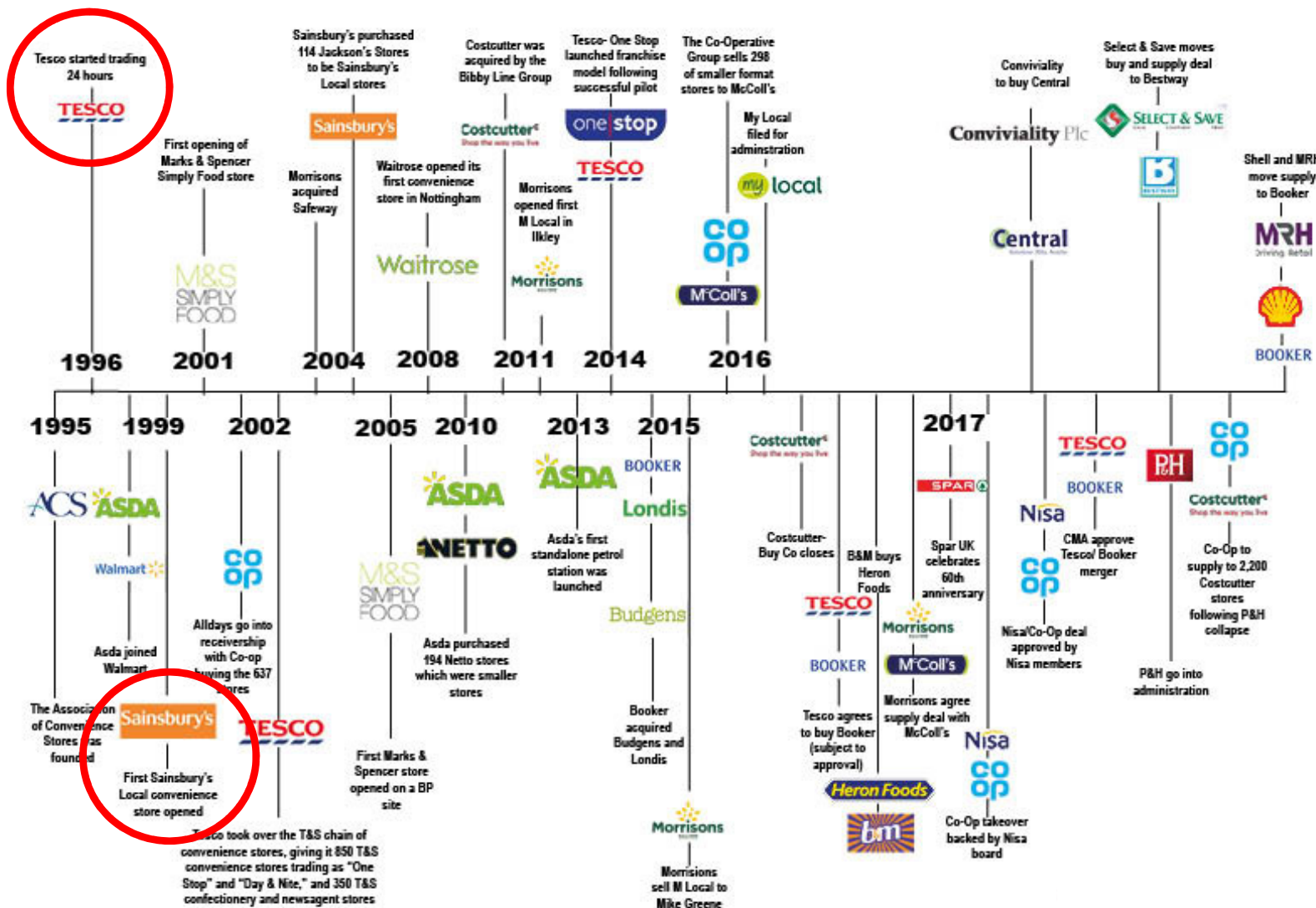
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- Shopping is entertainment – hence the rise in purpose built shopping centres like Westfield, with a dramatic impact on high street
- Shopping needs to be convenient – hence the explosion of online
- Consumers want to choose their evening meal at lunchtime – convenience critical
- Consumers want variety and choice, to include fresh and food to go

**Online is where it is at, and ... Convenience is the place to be**

# Resulting in significant change in the sector

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Much of the note-worthy change has been in retailer consolidation and new format launches

Convenience has adapted, survived and is thriving



# Driven by evolving shopper segments

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## Balanced Well-Beings

Are health conscious but are in-store purchasing a treat



## Ethical Idealists

Higher interest placed on ethical values and trust



## Cash-Strapped Families

Price-conscious, lower income families with children at home



## Cosy Night-In Cooks

Affluent couples with no children making a purchase for that night



## Lunch Hour Breakers

Full time worker buying Food to Go



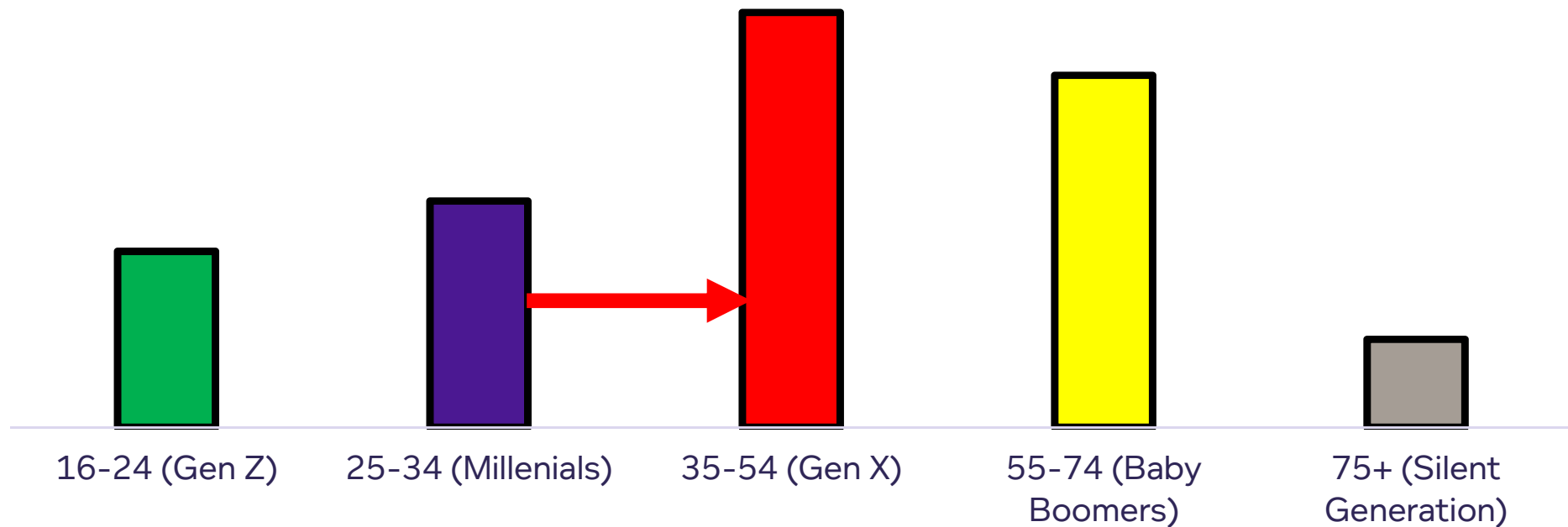
## Relied on Retirees

Retirees who have adult children living at home

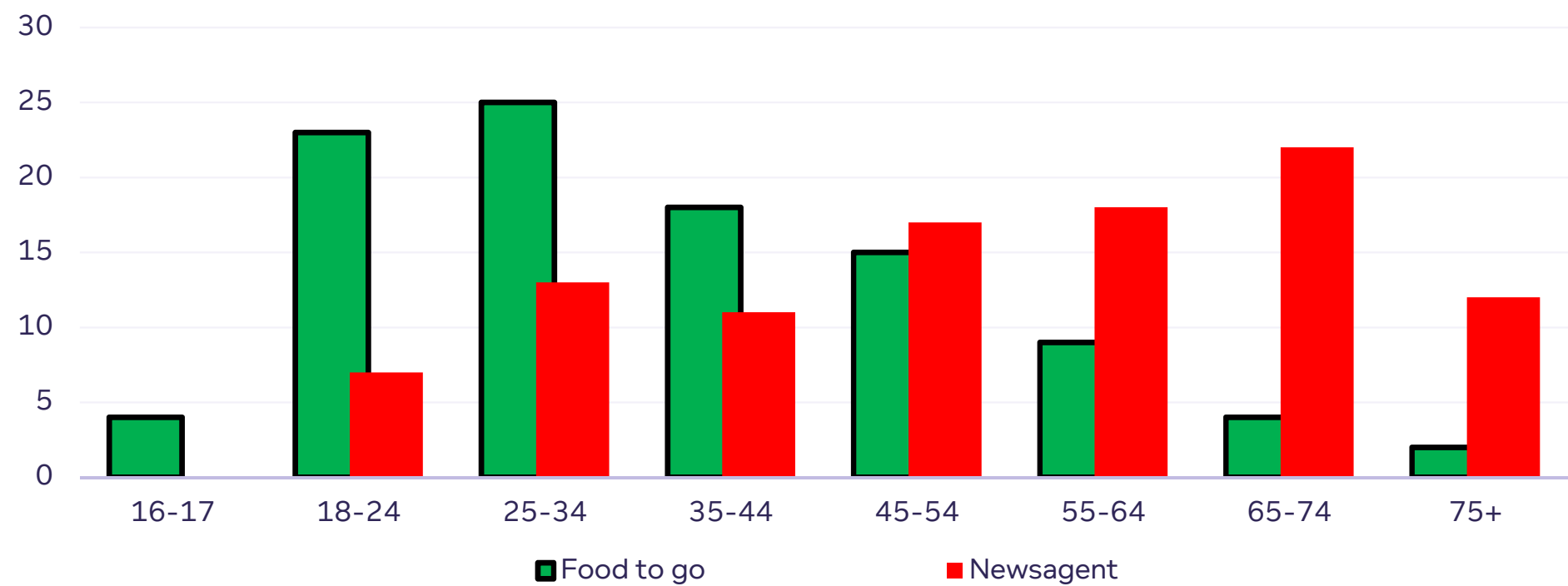
# Millenials will soon be the average shopper

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## Age profile of UK convenience shoppers



Food to go vs Newsagent driver to store



# With higher consumer expectations

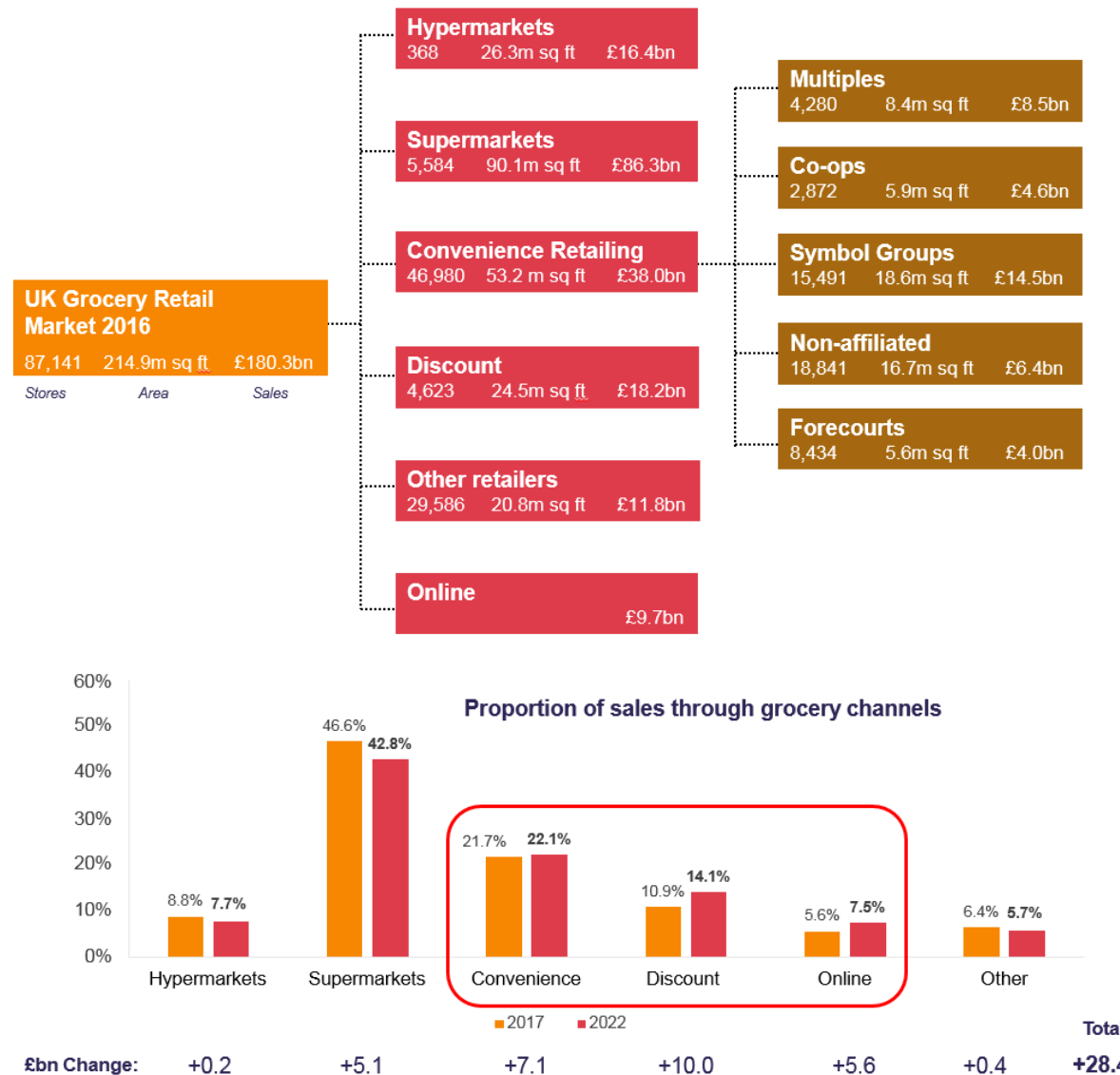
Consumers are becoming more demanding:

Factors	2017: % who are "very satisfied"*	% change between 2014-17
Speed of service	71%	-6%
Staff friendliness/helpfulness	70%	-9%
Ease of shop	67%	-6%
Product availability, i.e. not out of stock	59%	-8%
Range of products to meet your needs	50%	-9%
Value for money	46%	-6%
Clear signage in-store	45%	-7%
Prices	34%	-15%

- Expect welcoming environment
- Expect value
- Expect to have wide payment choice
- Expect a wide range of products and services
- Expect frictionless experience

# Grocery retail structure reflects these changes

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- Overall market anticipated to grow
- Operating cost pressure creating challenges
- Large formats continue to dominate share of sales
- Convenience, discounters and online will continue to make the most significant share gains
- 34k-37k of the convenience sector able to make localized buying decisions

# Convenience retail structure

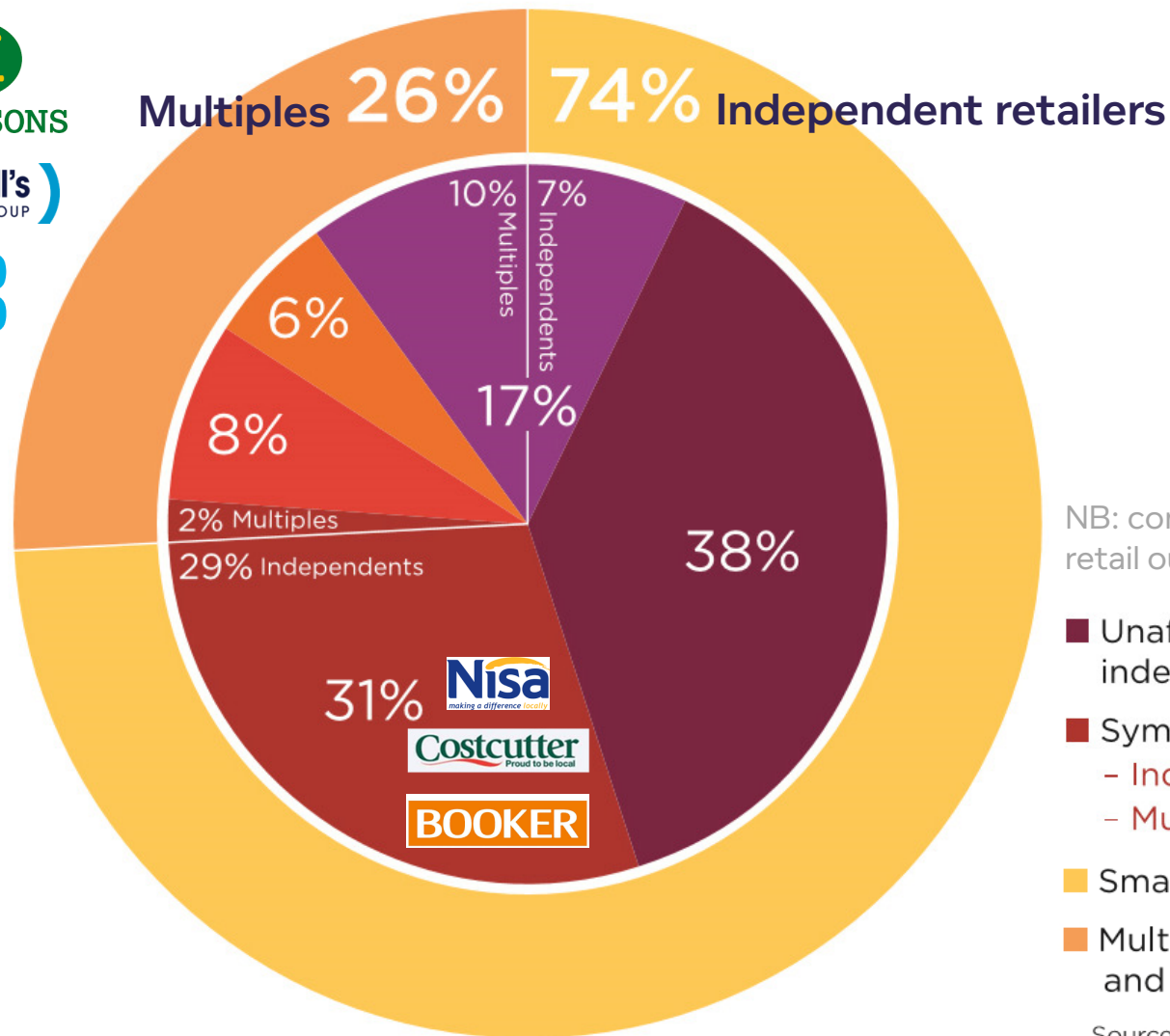
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**TESCO**

**M**  
**MORRISONS**

**McColl's**  
RETAIL GROUP

**co**  
**op**



NB: convenience is a sub-sector of >290k retail outlets in the UK

- Unaffiliated independents
- Symbol groups
  - Independents
  - Multiples
- Small businesses
- Multiple chains and co-operatives
- Multiples
- Co-operatives
- Forecourts
  - Independents
  - Multiples

Source: WRBM/Nielsen 2017

# Shops have a wide range of standards...

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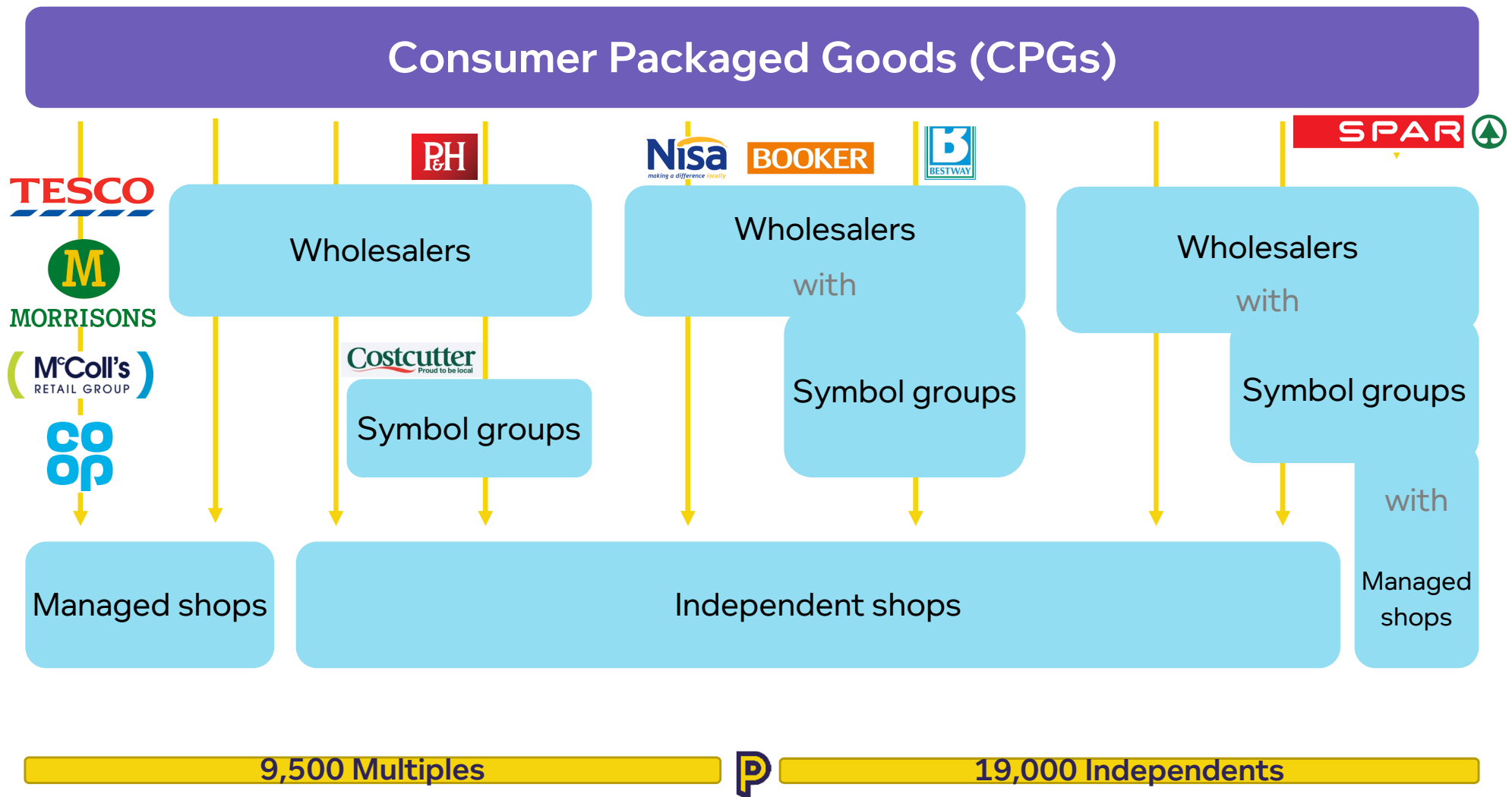
## ...and of technology

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# The convenience supply chain is fragmented and changing

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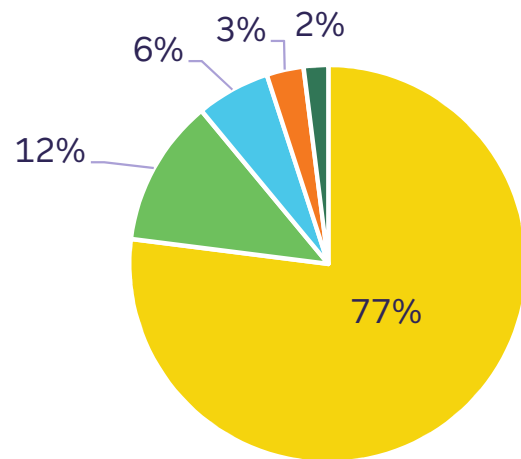


**PayPoint has a unique position in the convenience sector**

## Anatomy of a typical local store:

- c. 1000 square feet
- £1.2m p.a. turnover
- Annual gross profit of 20% of turnover
- Average investment of £6-8k on store
- Reported profit c. £20,000 p.a.
- Average basket spend of £6.28
- c. 10,000 customer transactions per month

## Average cost breakdown



■ Product for sale ■ People costs ■ Rent and rates ■ Energy costs ■ Wastage



- Change presents significant opportunity, driven by:
  - Changes in consumer demand
  - Supply chain evolution
- Convenience is the place to be, dominated by independents
- But independents need to rise to the challenge to compete with multiples
  - Technology
  - Environment
  - Range and value proposition
- This presents a unique opportunity for independent retailers and for PayPoint



**Emma Allen**

Head of Products: PayPoint One

# Technology & retailer needs

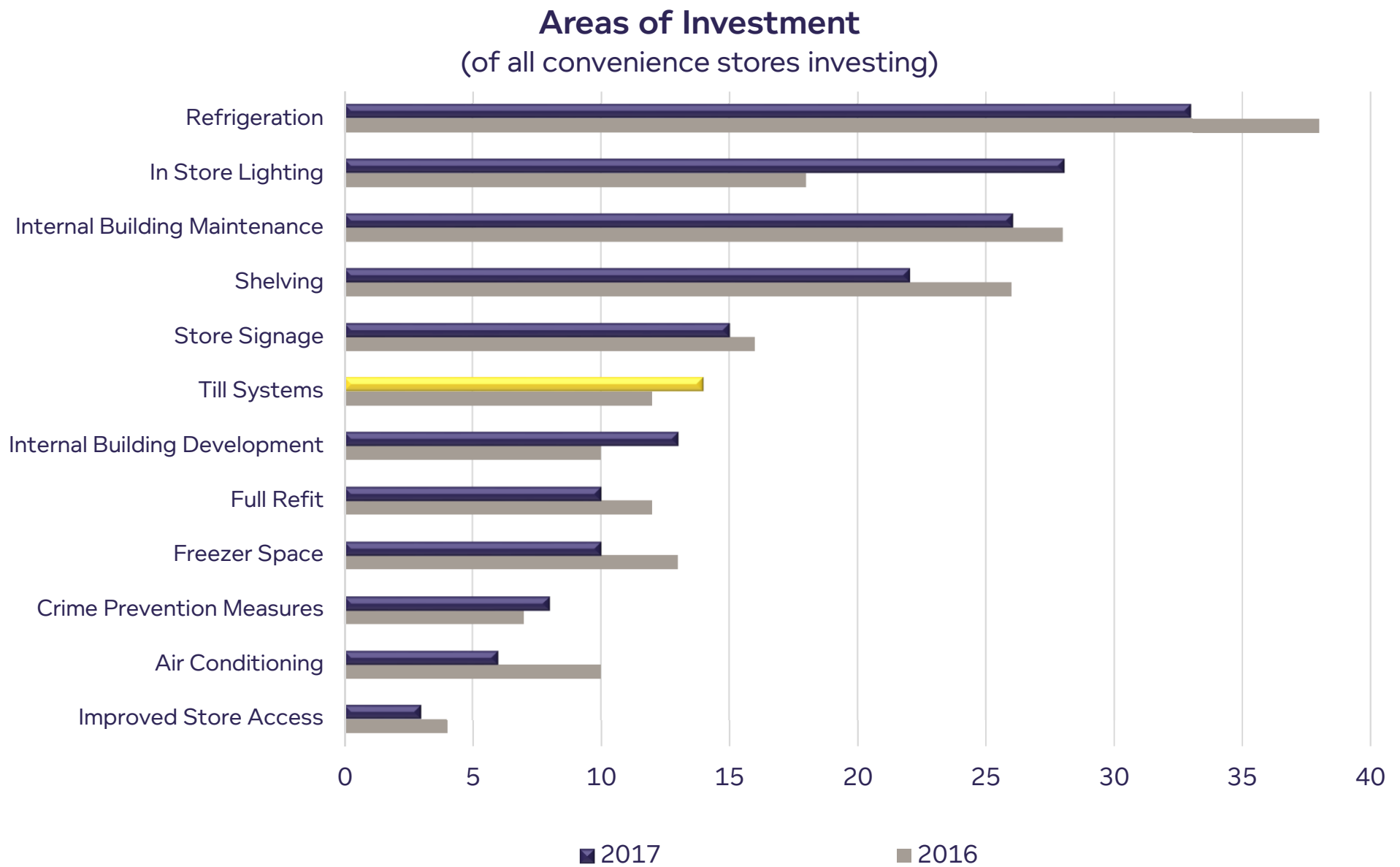


# Convenience store imperative for success

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# Many competing priorities for investment



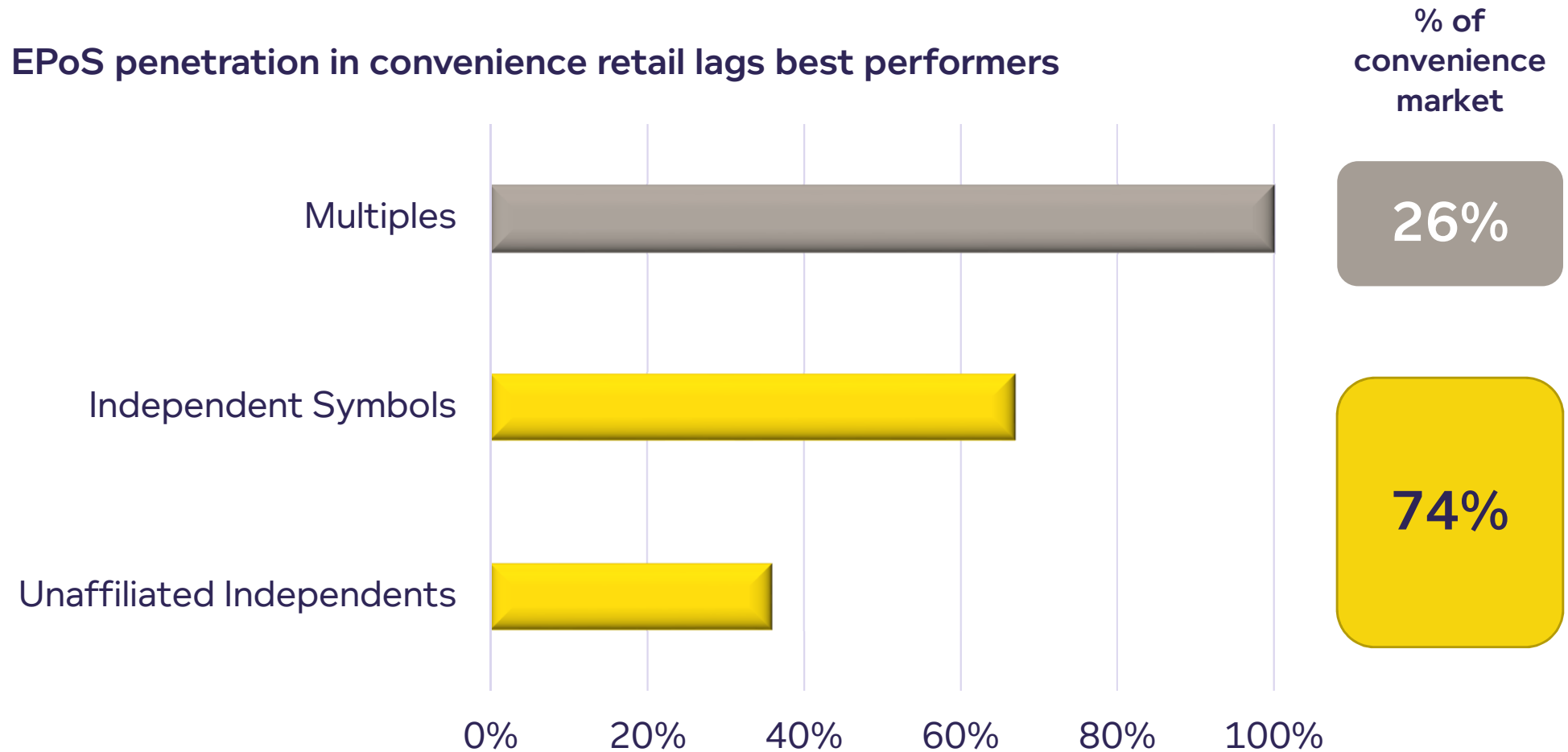
# Benefits of using an EPoS store system

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# Not all convenience store retailers use EPoS

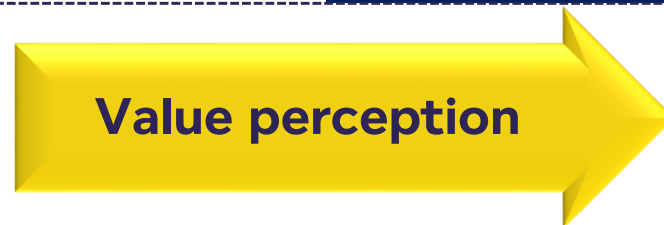
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# Driving adoption needs a change in mind set

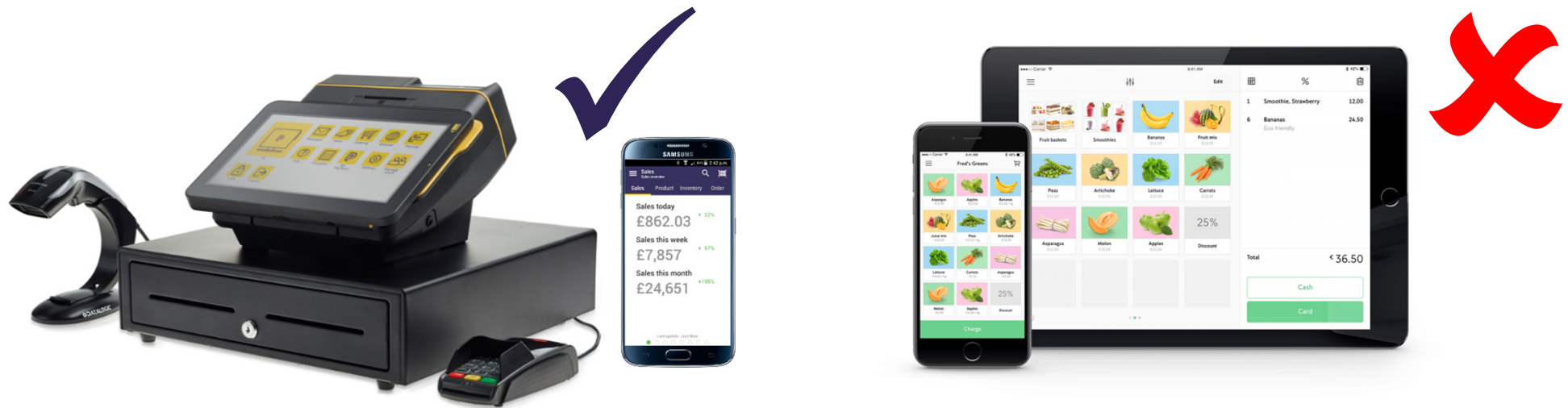
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	'Old Playbook'	'New Playbook'
<b>Entrenched behaviours</b>	Use instinct to run the business	Insight based decisions
<b>Best practice</b>	Handed down through generations	Savvy peer-to-peer knowledge sharing
<b>Store efficiency</b>	Manual processes	Tech supported operations
<b>Regulation</b>	Inefficient business practices	Smart compliance with new regulations
<b>Technology</b>	Use low tech or no tech	Innate cloud based systems
<b>Cost</b>	High upfront investment	Pay-as-you-go pricing models



# Choosing the right EPoS system

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## High volume retail requires:

- Ruggedized hardware that can withstand constant use
- Integrated scanner to read barcodes
- Secure cash drawer
- Customer facing display to show amount payable.
- Integrated PIN pad for quick and accurate payment handling

# Meeting the needs of convenience retail

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	PayPoint One	RDP	Oracle	EPoS Now	Clover
Product, price & stock management	✓	✓	✓	✓	✓
Integrated news management	✓	✓	✗	✗	✗
Wholesaler links	✓	✓	✗	✗	✗
Cloud-based, real-time remote access via web	✓	✗	✗	✓	✓
Mobile app access & control	✓	✗	✗	✗	✗
4 hour hardware swap	✓	✗	✗	✗	✗
No upfront costs	✓	✗	✗	✗	✗

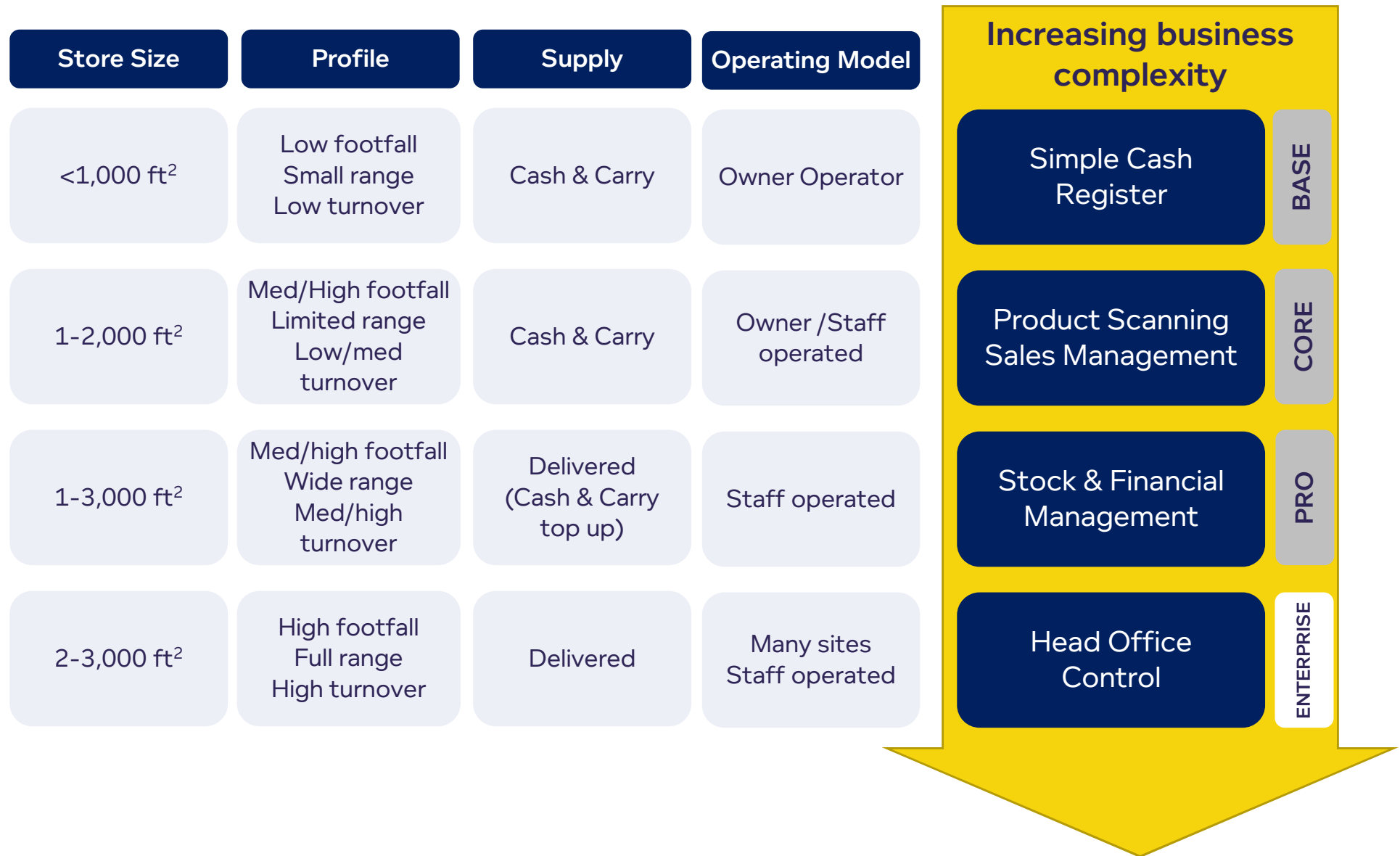
**App video**

**Available at**

**<https://www.youtube.com/watch?v=bvtYv90zHBE>**

# One size does not fit all

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# Typical financial benefits: £20k stock investment

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## Margin

Average achieved margin

**15-20%**

## Stock Turn

Best practice

**< 1 week**

15% margin  
per stock turn

**£3,000**

3 weeks

**£69,333**

return p.a.

20% margin  
per stock turn

**£4,000**

2 weeks

**£104,000**

return p.a.

1 week

**£208,000**

return p.a.

Product	Min	Av	Max
Coca Cola	£0.56	£0.70	£1.00
Milk 4 pints	£0.89	£1.25	£1.85

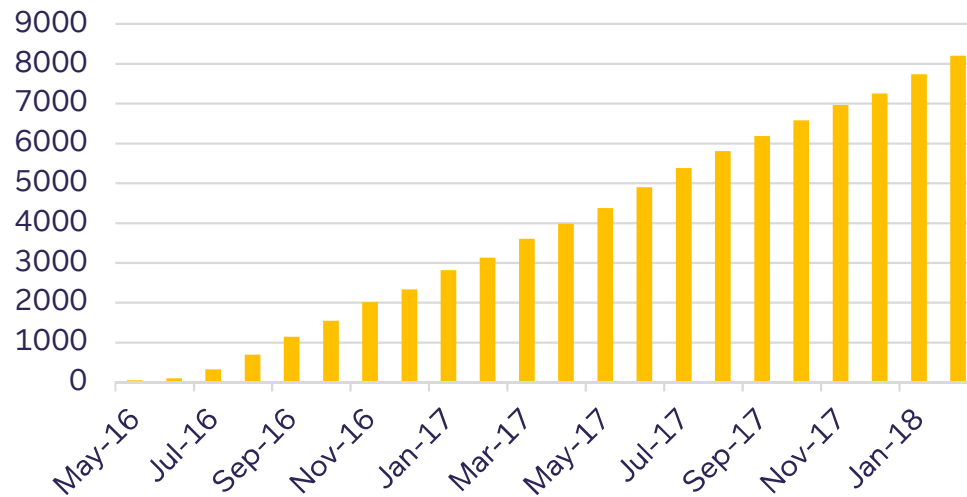
# Typical financial benefits: £1.2m annual T/O

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## Over 8,000 stores now use PayPoint One

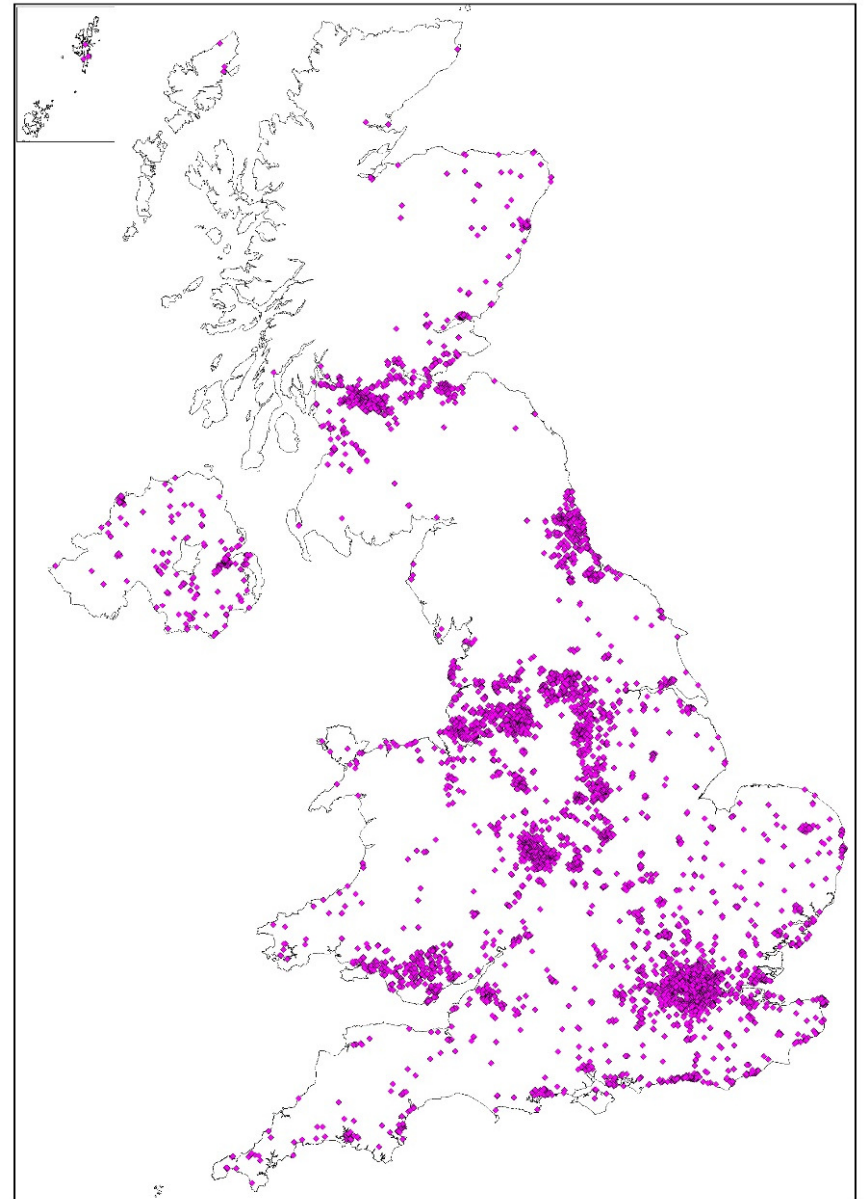
PayPoint One - Live Count By Month



**183m baskets processed**

**£2.1bn value processed**

**£6.24 average basket value**





Example Audience	Data Insight
Retailers	Store performance benchmarked against 'retailers like me'
Consumer Packaged Goods	Brand performance tracking
Commentators	Industry trends

- The convenience channel will become ever more important in the delivery of critical products and services to consumers in local communities
- Independent retail entrepreneurs will drive differentiated offers in smaller format stores
- Technology will form an essential role in innovating the convenience proposition and operating model
- The existing supply chain has the potential to be disrupted further, presenting opportunities for CPGs and new entrants, driving value to retailers and their customers

**PayPoint is uniquely placed to assist and benefit from these changes**



# Retailer Q&A



# Appendix



Name: Ralph Patel

Store: The Look In, Woodmansterne

PayPoint in store

Uses Rapid yellow terminal

Size: 500 sq ft

Ralph started his working life in Personnel (HR) and worked for companies like Quaker Oats, London Borough of Hackney and the Metropolitan Police.

He bought a newsagents in Wallington in 1986, which was a run down store in need of an overhaul. With an investment of over £40 K in 1992, he developed the store from 400 sq feet to just under 1000 sq feet, introducing expanded ranges of alcohol, fresh fruit and veg.

In 2006, he moved to Woodmansterne to take up a store which had been closed due to the previous owners negligence. The store was just under 500 sq feet and easily managed by him, his wife and their extended family.

In 2015, Ralph was elected National President of the NFRN (National Federation of Retail Newsagents) for a one year term and has been actively fighting the independent retailers' corner across the industry and parliament.



Name: Michael & Sonu Dhaliwal

Store: Premier Mardley Stores, Welwyn

PayPoint & Collect+ in store

Uses PayPoint One EPoS Pro

Size: 1,200 sq ft

Michael started working in his parents shop over 30 years ago with his brothers and sisters – a real family affair. After leaving school, his current store became available about 4 miles from the original store.

In 2003, he got married to Sonu and she joined him in running the current business. 5 years ago, they decided to join Premier (Booker) - it was a good move for them, costing £35k but resulting in a high quality store with an improved range and great service. They knew they had to move with the times, particularly in terms of how stores are meant to look.

One of the most important factors for Michael and Sonu is the technology – they can see how this is changing the sector and they have embraced the changes. They were one of the first stores to trial PayPoint's Rapid terminal in 2004 and were also involved in the development of PayPoint One. They have now moved one to PayPoint One EPoS Pro and starting to see the benefits in their store.



Name: Dave Hiscutt

Store: Londis Weymouth

PayPoint in store

Uses own EPoS

Size: 2,200 sq ft

After an early career working in retail and hospitality around the UK, Dave has run the Londis Weymouth town centre store for the last 8-9 years, part of a group of stores owned by Steve Bassett.

Dave's role within the business has developed over the years and he now helps support a multi-site operation, currently consisting of 6 stores but with a clear desire to expand the portfolio further. His store currently turns over in the region of £2.4 million gross per year (inclusive of services).

Dave has a keen interest and ability in all retail related IT solutions and is often called upon to sit on IT forums for Booker. Dave keeps up with all the latest technologies and also develops solutions himself, firmly believing a good and inventive use of data is at the centre of a successful business.

His store has received many industry accolades over the years, including being the current Overall Best Store in the Independent Achievers Academy 2017.