CONVENIENCE LEADERS
VISION GROUP

CLVG CONVENIENCE RETAILING

VISION REPORT

CURRENTS OF CHANGE

Volume 1, January 2023

From Convenience Leaders Vision Group

CLVG is part of the Vision Group Network, whose mission is to gather the best minds in the industry, put them in a virtual room, and let the ideas and opinions develop. The results are then made available to everyone in the industry through the CLVG Vision Report. This report will help you better understand current challenges, solutions, and opportunities while giving you access to different opinions and perspectives, regardless of the size of your business.

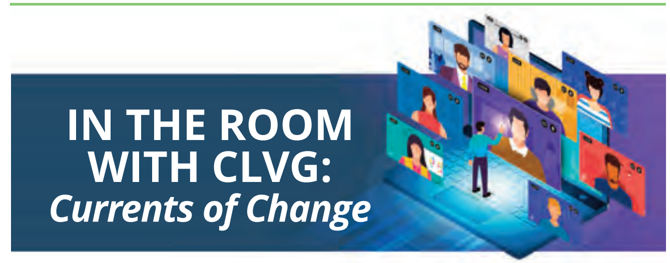
CLVG is made up of invited leaders of the convenience industry, and we have volunteered our time to help our fellow retailers, vendors and solution providers. The only reason we gather is to discuss, debate, and share our experiences and ideas. Each of us is offering our personal opinions. We are not looking for "group think" — we are promoting problem solving and looking to the future.

The **CLVG Vision Report** is comprised of two parts:

CLVG Views provides an overview of the conversation with additional research for extra context — something that cannot be done in real time.

In the Room with CLVG provides you with the entire conversation so that you can be "in the room" with us, rather than simply reading polished sound bites.

We highly recommend that you read both components.

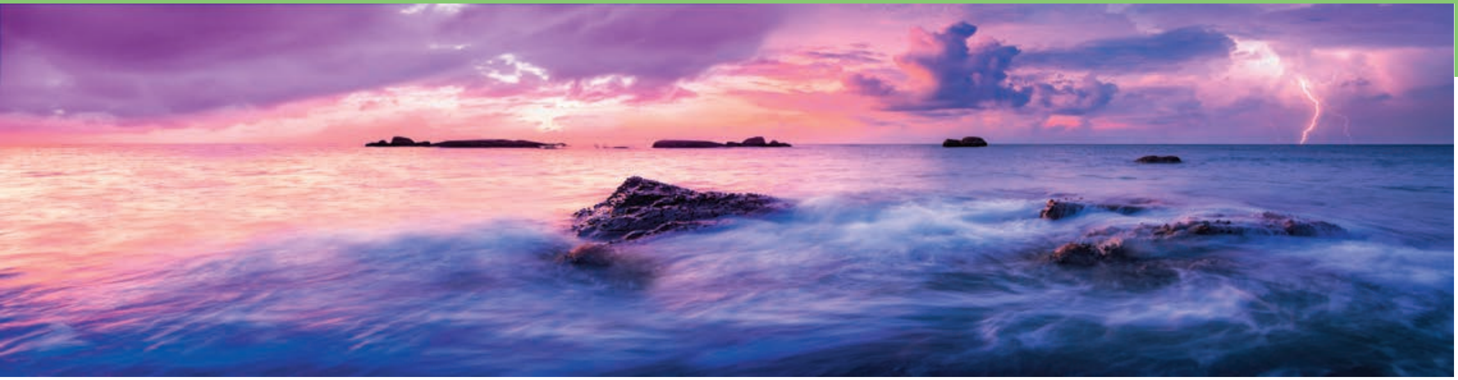


CLVG Convenience Retailing Views

Currents of Change

AN OVERVIEW OF A CONVENIENCE LEADERS VISION GROUP DISCUSSION

VOLUME I, JANUARY 2023



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Click here to view the complete **IN THE ROOM** transcript

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Much like scientists keep a watchful eye on ocean currents to keep the planet — and its inhabitants — safe, businesspeople vigilantly track their respective industries to protect their companies from pending storms. Tracking trends that touch the convenience store industry can prove a daunting task as the industry itself represents a conglomeration of many businesses. Consumers view convenience stores however they want to define it, whether that's a pizza place, a liquor store, a gas station, a coffee shop, or a breakfast bakery. Likewise, convenience retailing executives keep a pulse on the trendlines of each subset under their banner.

Understanding the nuances of broad trends and tapping a sounding board of other executives to discuss them can move the needle for all retailers. That is the premise of Convenience Leaders Vision Group and the CLVG Vision Report.

This report shares the collective insights and opinions from the members of the Convenience Leaders Vision Group; *en masse* this group of thought leaders own or operate thousands of stores in the convenience retailing space. This report explores topics coming to the surface and shines a spotlight on the views of CLVG thought leaders. Subjective? Yes. That's exactly the point. The intent is to generate fresh thinking, encourage debate and share ideas between not only CLVG members but the broader convenience retailing industry.

At the inaugural CLVG meeting on November 1, 2022, moderated by **Myra Kressner**, president of **Kressner Strategy Group**, Convenience Leaders Vision Group members discussed a broad range of topics impacting convenience retailing today. "And since we believe that a rising tide lifts all boats, the insights from these meetings will also be shared with the rest of the industry," she said.

One of the most pressing issues that surfaced repeatedly was the workforce. Conversations around that topic touched on

"We cannot become what we need to be by remaining what we are."

—Max De Pree

Anticipated:

Labor and alternative fuels will guide the next transition of convenience retailing.

everything from how to better develop store managers as a key retention tool to meeting employees where they are today in terms of shift schedules, earning tips, and more.

The prevailing mood among members of the collective CLVG is one of change in motion. Labor and alternative fuels rank among the convenience retailing discussion topics that will garner much attention in the year ahead. Those two topics may even guide the next transition of convenience retailing operations. Interestingly, the group debated several ideas on how to shift to accommodate the changing tide in the workforce. Less clear to the group was how to favorably carve out a solid economic model against another impending current: alternative fuels.

Opening the meeting, **Drayton McLane Jr.**, chairman of **McLane Group** and a prominent visionary in the industry, noted that the convenience industry is on the verge of its 5th stage of evolution. While change doesn't happen overnight, he said that he is amazed at the vastness of the industry today. The industry has moved from its start in selling ice and milk (stage 1), to expanding the grocery offer (stage 2), to introducing self-service gasoline (stage 3), to establishing food as a mainstay (stage 4). "If you like change — and I like change — focus on the areas where change is out there," he said.

McLane said that Gene Hoffman, well known in the food industry for building Super Valu and Cub Foods, once shared a quote with him, early in his career, that stuck with him. It was a quote credited to Max De Pree: "We cannot become what we need to be by remaining what we are."

"Enjoy where you are today," McLane advised. "But it's going to change again."

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Changing Work Schedules

Applying the Gig Economy to the Labor Equation

Labor issues continue to plague many industries, including convenience retailing. While the assumption might be that convenience store operators struggle even adding to its applicant pool, that's not the issue for Convenience Leaders Vision Group members. Indeed, they report it is less about getting potential employees through the door and more about keeping them once they are hired.

"We're not having problems getting applicants, we're having problems retaining employees," said **Kevin Smartt**, CEO of **TXB Stores**.

The message Smartt takes from the modern workforce has become one where personal life supercedes work, which at the c-store level can translate to something minor in one's personal life causing that individual to opt out of showing up for their store shift.

Adding to the thoughts around employees in the c-store space, **Jigar Patel**, CEO of FASTIME, added that the industry often serves as an early entry point into the workforce for employees. As such, he would like to see an aspect of mental health integrated into workplace strategies, which in turn could be a key factor in improving retention.

In the larger scope of workplace issues, millennials and Gen Zers rank work-life balance as a primary reason for working at their current organization, according to **The Deloitte Global 2022 Gen Z & Millennial Survey**.

Another issue c-store operators wrestle with today: meeting the desire among employees to work from home, almost an insurmountable request for brick-and-mortar store operators. The lack of flexibility inherent with store-level jobs in the convenience store industry, which requires employees to be at a physical location, means working remotely is simply not an option.

However, some flexibility may be on the horizon. CLVG members are considering adaptations at the store level to design a flexible workplace model, such as an abbreviated workweek. **Chick-fil-A's 3-day workweek test** certainly has made operators curious if the model has promise for c-stores. The Chick-fil-A structure is three days on followed by four days off. Early reports on the condensed schedule have been positive, to the extreme of 100% retention.

Another schedule variation idea that **Fouad El-Nemr**, executive vice president, **Nouria**, shared revolves around splitting up shifts. For example, creating two separate four-hour blocks of time that would allow a parent time during the day to pick up their kids from school and return to their store shift later in the day.

Tapping the evolving gig-worker economy could prove another solution for fulfilling the labor gap. Sheetz, and others, have already experimented with gig-economy solutions. Interested individuals sign up via an app for specific shifts and tasks, said **Joe Sheetz**, executive vice chairman of **Sheetz Inc.**, with the assignments generally being those that are the least-desired tasks

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Ongoing legislation around gig workers adds to the complexity of the labor conversation.

Takeaway:

Consider how to look at the convenience store workforce differently and try to deliver workplace flexibility to whatever degree possible, such as an abbreviated workweek.

at a store, such as unloading a delivery truck or stocking a cooler. It's allowed the chain to accomplish task work in a different way, Sheetz said, who admitted to being a bit skeptical in the beginning about joining the gig economy. "It's gone much better than I thought," he said. It can be an efficient approach to task work, he added.

As companies find a way to fit the gig-worker economy into its culture by using these temporary employees in short-term roles, it likely means those temporary employees skip the more formal corporate onboarding policies that would accompany customer-facing team members.

Ongoing legislation around gig workers adds to the complexity of the labor conversation. The Biden administration recently released **a proposal** that, if adopted, could increase costs of companies using gig workers. On one side of the argument, labor activists say the contractor model applied to gig worker status reduces companies' costs and at the same time denies workers healthcare benefits, overtime pay and more. Companies that rely on gig workers, such as Lyft and DoorDash, argue that the flexible schedules are what is inherently appealing to those who seek to work within the independent contractor model.

Adding to the confusion, at the same time that DoorDash staunchly supports gig workers, **the company has also added some full-time food delivery workers** to its payroll in December 2021 then turned around and announced 1,250 corporate lay-offs in December 2022.

The potential reclassification of gig workers as employees vs. independent contractors will continue in 2023. Those interested in going down the rabbit hole can follow the trail of **California's Proposition 22**, a ballot initiative that voters passed in November 2020. It continues to reemerge in discussions and debates around the gig economy defined by app-based workers. One California Law Review writer described the aftermath of Proposition 22 as **"murky as ever."**

Foodservice Tipping

Matching the New Takeout Foodservice Model for Tips

The labor subject could literally weave into every retailing discussion to date, from convenience stores to mass merchandisers and beyond. The conversation takes a slightly different turn when steering toward the topic of tipping and how the social norms around tipping in quick-service restaurants has changed, which in turn alters the discourse around tipping in the c-store foodservice realm. With foodservice leading operations at many convenience stores today, c-store foodservice employees identify as foodservice team members and seek the same perks that other foodservice employees receive today — namely, tips.

The notion of consumers adding tips for what is essentially counter service became much more prevalent during the pandemic, and even if **recent reports point to consumers easing up on off-premises tipping**, convenience store foodservice employees expect equal opportunity tipping.

The principle revolves around matching employees with like-to-like opportunities regardless of the foodservice segment. Simply put, c-store foodservice staff are keenly aware that they can work in foodservice somewhere else and receive tips. That has led some CLVG members to integrate tipping for foodservice transactions. **Smartt** shared with the CLVG group that he now allows tipping for service-oriented components of TXB stores. He reported that employees are happy and added that he's surprised at how many tips they get, which can range between $55 and $60 per week — a substantial amount for store-level employees.

The side challenge that has surfaced is how to make tips an equitable system for all employees. That's the current dilemma at some c-stores that have included tipping as a practice. Tips connect only to foodservice transactions, which aligns with what has become acceptable in the foodservice industry but leaves other employees inside the convenience store out of the opportunity to earn tips.

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The c-store model is challenging for tipping, said **Liz Williams**, president of **Foxtrot**, because it mixes different kinds of purchases into one shopping trip. Most store purchases, such as a 12-pack of beer, are not the kind of transactions that generate tips. Where tipping is becoming acceptable is areas where the service piece comes into play, namely in the foodservice space. She agrees that tipping has become somewhat the norm in fast-casual. "We're trying to figure out how to do that in an elegant fashion."

Technology, specifically mobile payment systems, has played a huge role in tipping etiquette today and tipping on takeout. The challenge with adapting that to c-stores is that point-of-sale transactions are not currently designed to accommodate a split ticket transaction where consumers can add a tip for some items and not others. Having a payment screen prompt customers to tip on their combined purchase of cigarettes and a made-to-order sandwich, for example, makes for an awkward checkout experience.

The tip culture conversation also extends to delivery drivers and continues to be **a debated topic** among consumers in how different QSRs set policies around that. Another consideration brought up by CLVG members when discussing potential policies was to make note of **Department of Labor rules around tipped employees** as the wage structure varies.

Top of Mind:

Navigating the tipping culture in foodservice today and how to apply that in a way that's equitable for both the foodservice team member and the more traditional c-store employee.

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Alternative Fuels

New Thinking Around How Electric Vehicles Fit into the Future

Throughout the country, more electric vehicles are on the road today. As traditional convenience store operators add EV chargers in their stores, they are finding some learnings. One of the biggest issues in the transition period is the lack of a consistent business model around it. EV charging stations are not limited to a specific retail segment. Quite the opposite; charging stations are being added to workplaces, parks, and, of course, homes.

The majority of EV customers charge their vehicles at home or work, notes **Varish Goyal**, CEO of California-based **Loop Neighborhood Markets.** The follow-up questions — the ones he's still looking for the answers to — center around how to make money on it: "When are they going to come to our store to charge?" he wonders. "What's the economic model?"

Adding to the EV quandary, many question if U.S. consumers will ever fill offices to pre-pandemic levels. With the work commute shifting to fewer days in the office, there is a direct impact to c-store volume. The debate bubbling up now is whether a recession could shift the power back to corporations as many **companies want employees to return to the office**, although it does not seem like employees are heeding the call to return.

With many questions and fewer clear answers, the EV picture remains fuzzy in terms of the exact role the existing c-store/gasoline structure will play. A question **Roy Strasburger**, CEO, **StrasGlobal** and president, **Compliance Safe**, asks himself: Is EV charging a false panacea for the convenience store industry? No one wants to go as far as declaring that exactly, he said, but no one wants to overinvest either. The truth will likely play out somewhere in the middle. No one doubts that EV is the wave of the future for the automobile industry, but at the same time uncertainty lingers as to how EV will play out with convenience retailing.

A **September 2022 Stanford study** published in Nature Energy examines the growth of EVs and the impact to electricity demand in the U.S. The study follows earlier research which provided insights based on a case study from a large-scale multi-charger forecourt in the U.K. The research focused on power and energy demand as it relates to EVs, with a proposed model based on traffic flow. The report includes algorithms of the sort that one expects to come out in scientific research, but while the math may read a bit like a foreign language to most, **the conclusions will likely be of interest** to convenience retailers: Daytime charging (occurring at either workplaces, some variation of the current fuel retailing structure or new infrastructure) would cause less stress on the electric grid (and subsequently not cause electricity rates to drastically increase) than overnight charging at home by EV users.

EV and the ROI is certainly a moving target. As more consumers opt for electric vehicles, the

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Adding to the EV quandary, many question if U.S. consumers will ever fill offices to pre-pandemic levels. With the work commute shifting to fewer days in the office, there is a direct impact to c-store volume.

As more consumers opt for electric vehicles, the electricity grid comes into play in the economic model and related home electricity bills during the highest-demand hours overnight will rise. For c-store operators and others hosting EV charging sites, there is also a high cost to installing charging stations.

The dwell time also varies for an EV customer, which creates a different kind of customer journey, said **Barbara Stoyko**, senior vice president of **Shell Mobility Americas, Shell Oil Products U.S.** It could extend the time spent in the store to nearly 40 minutes, she noted. "What does that mean for format of the store?" she asked, adding that accommodating those customers may mean some trade-offs when considering the impact to space and examining sales per square foot compared to customers actively making purchases instead of waiting for a charge.

Not Off the To-Do List Yet:

Understand the EV timeframe, the role convenience retailing will play and, most importantly, the return on the investment.

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Gray Matter

A Million Not-So-Little Things

CLVG members offer a peek inside the topics they continue to navigate in their businesses.

Store managers. In terms of the labor market, the thinking is to start with the store manager and understand their influence over the culture at any given store. **Annie Gauthier**, co-CEO and chief financial officer for **St. Romain Oil Company**, realized just how important store managers were to the success of a store after an employee-retention focus group session. That company was able to eventually move the needle on retention because of the effort they put into developing store managers.

Scott Hartman, CEO of **Rutter's Holdings**, agreed that quality store managers are a key piece to the retention puzzle. Employees will stay for a good manager, he said. "That's probably the biggest issue we have in the labor market today is we don't have enough well-trained, really high-quality management to talk to our people, listen to our folks and work their way through the issues."

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Elimination of logistics silos. Look to connect different business components in new ways. Stop viewing it all in silos, for example foodservice and fuel.

Reinvent the schedule. Possibly create a way employees can earn the shift they want. Meet employees where they are at in terms of how they choose to work.

Self-checkout. Progressive retailers have moved toward self-checkout kiosk-centric and frictionless, walk-out operations, CLVG members agreed, yet the format is far from universal in convenience stores today.

Last mile delivery. Food delivery, food locker pickup locations — anything that has to do with rethinking how and where customers receive orders make the 2023 to-do list. In a broader sense, some might call it the great revisualization of convenience. The narrative is expanding beyond the word "convenience" to better reflect how the industry serves customers as they move throughout their day.

Automating foodservice. Ideas range from the consumer side in terms of placing orders and picking up food to adding automated cooking platforms to reduce the intensity of labor on stores.

Different types of consumer journeys. How can stores best meet the needs of all of them?

Logistics. The secret sauce to convenience retailing? **Hal Adams**, consultant, former CEO, MAPCO and former president, retail operations, CST Brands, noted there is still much learning to

be had from understanding how to marry all the different businesses together more efficiently and effectively. Logistics also factor in when considering new ways to bring more healthy food into the c-store environment.

Legislation. There is a lot going on right now on the legislative front that will shape the future. New laws are being written and having your voice heard matters.

Gamification. **Gauthier** noted she is intrigued by the idea of meshing gamification together in some way that might benefit the workforce, for example, an app where employees can earn the right to choose the best shifts.

AI. How can the industry maximize this kind of technology to better support operations, including security functions?

New forms of gambling. New legislation in some states could soon impact convenience retailing. Is this a new opportunity on the horizon? **El-Nemr** will be closely watching how **sports betting in Massachusetts** develops in 2023 and how that might impact c-stores.

HQ-level employees. RaceTrac's headquarter-level employees were not exactly thrilled at first to return to the office, said **Natalie Morhous**, president, **RaceTrac**. She believes the team now feels the benefit to the culture piece that happens when teams are together. She believes companies are stronger when they are together on a regular basis.

Sustainability. As consumers become more attuned to sustainability on all fronts, it brings the issue of sustainable practices for convenience store owners to the forefront. Owners would like to identify some simple-to-execute ways they can address sustainability. The surrounding cities where they operate want it and customers want it now as well.

Dollar stores. Crossover industry segments continue to permeate traditional c-store sectors as retail blending intensifies.

Phygital (Physical + Digital). Younger consumers are more comfortable with augmented reality and virtual reality, said **Eva Strasburger**, president of **StrasGlobal** and CEO of **Compliance Safe**. "What are the expectations of Gen Z who spend all night on Roblox and are using AR on Google translator and doing all their ordering online when they step into a c-store?" she wonders.

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Convenience Leaders Vision Group Members

Hal Adams
Consultant, Former CEO, MAPCO and Former President, CST Brands

Henry Amour
President and CEO, NACS

Fouad El-Nemr
Executive Vice President, Nouria

Annie Gauthier
CFO/Co-CEO, St. Romain Oil Company

Varish Goyal
CEO, Loop Neighborhood Markets

Scott Hartman
CEO, Rutter's Holdings

Doug Haugh
Former President, Parkland USA

Myra Kressner*
President, Kressner Strategy Group

Drayton McLane Jr.
Chairman, McLane Group

Natalie Morhous
President, RaceTrac, Inc.

Greg Parker
CEO, Parker's Kitchen

Jigar Patel
CEO, FASTIME

Joe Sheetz
Executive Vice Chairman, Sheetz, Inc.

Kevin Smartt
CEO, TXB Stores

Eva Strasburger*
President, StrasGlobal and CEO, Compliance Safe

Roy Strasburger*
CEO, StrasGlobal and President, Compliance Safe

Barbara Stoyko
SVP Shell Mobility Americas, Shell Oil Products U.S.

Liz Williams
President, Foxtrot

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**Founding Member*

IN THE ROOM WITH CLVG: *Currents of Change*

Convenience Leaders Vision Group (CLVG) invites you to join us In The Room to experience our inaugural meeting, featuring Drayton McLane Jr., that took place on November 1, 2022. We are providing you with the entire conversation so that you can be “in the room” with us, rather than simply reading polished sound bites. **In the Room** will accompany each **CLVG Views**. We highly recommend you read both documents.

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Agenda

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Topic Reference Key

CLVG's mission is to increase the institutional knowledge of the retail industry by sharing our ideas and perspectives. For your convenience, we have placed topic indicators throughout the dialogue. Below is a key to the list of topics.

- Channel Blurring
  - Dollar Stores
  - Drug Stores
  - Grocery Stores
- Fuels
  - Alternative Fuels
  - Conventional Fuels
  - Electric Vehicles
  - Hydrogen
- Foodservice
  - Food Trucks
- Leadership
- Legislation
- Logistics
- Marketing
  - Cust. Engagement
  - Dwelling
  - Gambling
  - Merchandising
  - Subscriptions
- Operations
  - Customer Service
  - Security
  - Sustainability
- Technology
  - AI
  - AR/VR
  - Automation
  - Delivery
  - Online Ordering
  - POS
  - Self-checkout
- Workforce
  - Benefits
  - Gamification
  - Gig Workers
  - Labor Scheduling
  - Retention
  - Tips

Hot Topic

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Welcome and Meeting Rules

Myra Kressner

I am Myra Kressner, one of the Vision Group Network's co-founders with Roy Strasburger and Eva Strasburger, and I have the honor of moderating today's meeting. Welcome to the CLVG members on this call. I'll do some introductions, as well as Roy and Eva, momentarily, followed by each member's self-introduction, but hopefully everyone has had a chance to read the member profiles that were sent out late Friday.

But first, here are a few guidelines. As we have said, Convenience Leaders Vision Group is a member-based discussion group of convenience retailing leaders who have been invited to join these quarterly two-hour virtual meetings. This forum is designed for networking to cross-pollinate multiple perspectives on current issues and over the horizon disruption. And since we believe that a rising tide lifts all boats, the insights from these meetings will also be shared with the rest of the industry. So, thanks to all of you for making this commitment to learn and share.

Angelica Krott [VP of Technology, StrasGlobal] is going to put up a screen shot that reminds everyone of the antitrust statements and the publication acknowledgement that each member has signed. We are recording this discussion and we do want all members to actively participate, so please use your camera and keep it on as much as possible. Since we want frank and diverse discussions, if anyone wants to make any off-the-record comments, just let us know that what you're about to say, or what you have said is off-the-record. And for the sake of respectful conversation flow, please use the raised hand icon as often as possible, unless clearly members are having a discussion back and forth. I will do my very best to recognize everyone in order who wants to comment or to ask a question so that the conversation flows well and everyone who wants to speak is respected.

If you need to leave the meeting for any reason, you can either write a short note in chat, or just leave and return when you're able. We do know that Drayton McLane and Liz Williams did give us the heads up that they will have to leave about 30 minutes early.

Eva, Roy and I have also asked two of our support folks to join the meetings. Angelica Krott is on to assist any technical needs, and Mel Stevens [Consultant] will be an extra set of eyes and ears.

NEXT: The Introductions

The Introductions

Myra Kressner

To get started, a little bit about myself. I've been a student of food retailing and at the leading edge of innovative media and marketing communication in this industry and grocery and foodservice for about 40 years. I co-founded Retail Insights, which was the very first, for any industry, business to business video publishing company in the early 1980s and later sold to Progressive Grocer. In the early 1990s I co-founded CSP Business Media, recognized for introducing highly innovative media formats for the c-store industry such as the first daily newsletter, the webinar program, Outlook Leadership, etcetera. We acquired the Restaurant Business brands in the early 2000s. After CSP was sold to what is today's Winsight Media in 2012, I started Kressner Strategy Group in 2016.

I've enjoyed the opportunity to continue to bring value to the industry with innovations such as co-founding The Vision Group. It's also been rewarding to be very engaged with SUNY (State University of New York) at New Paltz for the last 10 years. I'm on the Foundation Executive Board, chair of the Foundation's Development Committee and have been a frequent speaker at SUNY New Paltz Women's Leadership Summit, the Hudson Valley Entrepreneur Hub and as a Hudson Valley entrepreneur member.

I'm also extremely proud to have created the SUNY New Paltz Kressner Family Autism Spectrum Program in 2017 and started an allied endowment in 2018. This program provides additional services at no additional charge, which is very important, for students on the spectrum, helping them succeed in college and prepare them for a career that they desire, and is being considered a pilot program for the SUNY system.

Roy Strasburger

Thank you, Myra. Good afternoon, everyone, welcome to the inaugural CLVG meeting. We're really excited about you being here and I think I know almost of all you on the call. I've been in the retail business for 40 years. My family owned and operated a chain of about 150 stores here in Texas. We sold those to 7-Eleven in 2012, but for the last 30 years, we've been involved in doing contract operations for other people where we operate their stores. We have done that in 33 countries and have been involved with about 6,000 units. Right now, we're really focusing on providing support to small operators and helping them become better businesspeople. That's one of the reasons we wanted to put this together. Eva came up with the idea about doing this during COVID as we were working on some COVID response plans and some other things. We have started to do this to create a gathering of information and the institutional knowledge of the industry so that we can share with others. So, I want to go back and just remind everybody that we are going to be recording this, sharing it with the industry, but also more importantly the antitrust statement went up for a few minutes and we are definitely not going to be talking about anything specific that would get anybody into trouble. But if someone does, we'll ask them to stop and we would appreciate it if you listen to what we have to say. So, anyway welcome everybody. I think this will be very good.

Eva Strasburger

Hi, everybody. It's great to see you all on screen. Typically, I would be seeing you at somewhere like NACS so, this is exciting. I first became involved in the c -store industry when I came to the United States back in the '80s. NACS looked very different back in the '80s and '90s at that stage. Some of you I can see are way too young to remember those times. Initially, I was involved on the client side with the international relationships we had through SEI. I'm presently President of StrasGlobal and CEO of Compliance Safe. Compliance Safe is a SaaS product where we protect your documents in the cloud and send you alerts when your documents are due to be renewed. I'm also interested in helping the small operators. We're working on two big initiatives to be able to do that, especially as we see so many of them starting to disappear with mergers and acquisitions. And I'm also exploring the phygital space, the physical and digital space, in our industry and how we can use mixed reality to compete and engage our customers more when they come to the stores, because that's how they're living their lives elsewhere. So welcome, everybody.

Myra Kressner—And so now we would like to ask each of our members to briefly introduce themselves. Drayton, I'm going to ask you to introduce yourself toward the end, because you're going to kick off our meeting, so, I hope you don't mind that. We'll do this alphabetically. So, Hal, would you please introduce yourself?

Hal Adams

Certainly. Good afternoon, everybody. Hal Adams, coming to you today from San Antonio, Texas. So, thanks for having me. Seems like it's a trend as I too have been in the industry for about 40 years, started as a graveyard clerk in Stop and Go #123 in Ventura, California. It was owned by National Convenience Stores, a company that I worked for many years, until we sold that company to Diamond Shamrock, Refining and Marketing, here in San Antonio and eventually became a part of the Valero family where I ran the retail organization for Valero for about 12 years. And then in 2013, we took the Valero retail organization public into its own publicly traded company CST Brands, and we ran 2000 stores in North America here in the U.S. and in Canada, until around 2017, when we sold to Couche-Tard. At CST Brands. I began as the Chief Marketing Officer and eventually became President of Retail and ran the retail organization for CST. After we sold the organization to Couche-Tard, I took a little bit of time off, walked across the country of Spain so I could clear my mind. And when I came back, I joined MAPCO in Nashville, Tennessee, a chain of 350 stores owned by COPEC, a Chilean company. COPEC had just purchased

MAPCO from Delek, and they wanted a U.S. rep to be CEO for the first few years of their organization to let them get their feet under themselves. So, I ran that company for three years and then in 2020, Carolyn, my wife, and I came back to San Antonio to the River Walk where we spend most of our time with our dogs and our adult children, and our soon to be, first grandchild. So, thank you for having me.

Fouad El-Nemr

Hi everyone, I'm Fouad El-Nemr. My dad started the business in 1989 and currently right now we're up to 150 gas stations and about 60 car washes in the New England area. I'm a second generation in the family business right now. I started full time after I finished my master's program in 2016. I really started at the age of 14, during the summer breaks when I was younger at middle school and high school, going to the gas station, learning all aspects of the business. But as I got older, I started off full time after my college career. I started on the finance side of the business, so I was very heavily involved with the CFO and the CEO of the company doing all different kinds of special projects and all things along the financial side of the business. A couple of years ago, I took over our wholesale operations division of the business and I'm head of the mergers and acquisitions of the company right now. We're going into our own Nouria fuel brand over the next couple of years where we're merging into that rebranding and going into our own Nouria concept store.

Annie Gauthier

Hi everybody. I'm Annie Gauthier and I'm a third-generation retailer down in Louisiana. I grew up next to our first fuel plant. I've been in the business about 40 years too, but only professionally for about 20 years. I never wanted to work in this industry. I wanted to get a PhD and teach British history until I realized I didn't want to wait for people to die or retire and then move wherever the jobs were. Meanwhile, I had gone to work part time for our state trade association and working on different legislative issues as an intern, fell in love with the industry, with the collaborations, just like this actually. I worked for our state association for three years then left to try law school, hated it, finished my first semester, took a sabbatical, then went back to work for the trade association. That was going into 2005, hurricanes Katrina and Rita hit, and I came home to work in my family's business full time and I've been here since then. We had 70 employees at the time. I was our first ever HR director and did bills of lading on the side. My two brothers and I bought the company from our parents in 2016. We now have almost 350 employees. We have 14 stores and two license locations, and we still operate a dealer network as well. But we've sold the bulk plant business. I'm honored to be here, and I know many of you and look forward to working with the rest of you.

Varish Goyal

Good afternoon, everybody. Varish Goyal with AU Energy. I'm also a second-generation family business. My dad started the company in 1978. Like Fouad, as you know, as you're growing up, you're constantly working in the stores. But I didn't start professionally until 2002. I never wanted to be in the business, like Annie as well. I did my undergraduate, got a medical degree and decided I didn't want to practice medicine. I came back and joined the family business and have been doing that ever since. We currently operate about 135 locations all within the state of California. We're predominantly a Shell-branded retailer and wholesaler although we have a few Chevron locations. My three uncles who started the business with my father are also active in the business, mainly on the operational side. My father passed away in 2018. That's when I took over as CEO. I have two younger brothers in the business as well. That's my background and my update. Thank you. Good to be here.

Scott Hartman

Hello, everybody, Scott Hartman, President and CEO of Rutter's Holdings. We are in New York and Pennsylvania. Our family farm this year is 275 years old, which is where everything started for our agricultural history. I am 10th generation family business … I've got a son who's in the business now, 11th generation. 51 years ago, I started working in convenience, so I've seen a few changes through the years and it's in my DNA. I did work outside of the business for Price Waterhouse for seven years. This is a time of year where I'm a little obnoxious. I'm a Duke Blue Devils, so Varish and I can compare notes -there we go (Varish gestures), and we'll just make sure Drayton's paying attention because if I say "Go, Phillies", I figure I'll probably get his attention and I can even say, "Go Eagles". That's it for me.

Drayton McLane—We're going to wipe you out [laughter].

Scott Hartman—So, this is the week that Philadelphia and Houston face off. So "Go Pennsylvania." How's that?

Drayton McLane—Go Astros!

Natalie Morhous

I'm Natalie Morhous. I'm with RaceTrac Inc. I am a third-generation family business member. I have worked in the business for 10 years, but it sounds like we all have a lot in common. I like to say I've really been in the business for 40 years. I joined the business after business school and I too, never, ever, thought that I would work at my family's company. But I have never looked back. I absolutely love our industry and retail and just everything that we get to do every day, the complexities of the business. RaceTrac has roughly 800 stores across two brands, RaceTrac and Raceway, and we are a family of companies with a trucking company and wholesale fuel purchasing company as well. I am the President and have been in that role about 3 1/2 years.

Jigar Patel (JP)

Hello everybody. My name is JP. I am a small retailer out of Fairhope, Alabama. We have three locations here. This year we rebranded under the name FASTIME and we are in the process of building our 4th location. Glad to be here. Looking forward to, you know, talking with all the industry leaders. Just to set the record straight, I'm a first generation.

Eva Strasburger—JP, it's probably worth mentioning your state association work.

Jigar Patel—Of course! So, we do have a regional trade association that I helped co-found back in 2011, 2012, and the whole reason why we co-founded it, and I think it also aligns with what we are also trying to do here, is to help the small business retailers. Back then it was the Mobile, Alabama, area and we started off with 25 stores.

It was just me and my friends who got together and said let's go and find better deals with the vendors. It started from there and has morphed into 10 states with almost 5,000 store members on the East Coast. We've now focused more on educating our members on best practices, how to become business leaders in their communities, how do we act legislatively and so, it's not only just a power buying group anymore. So, I'm very glad that I was a medium to bring that change to our industry and I hope to do the same here as well.

Joe Sheetz

I think most of you probably know about our company. I'm sure most of you know four or five of my relatives, so I think I'll just talk about me. I'm currently Executive Vice Chairman at Sheetz. I will be Chairman in 2023. Prior to that, I was CEO for eight years, prior to that, I was CFO for 17 years. Prior to that I worked as a financial HR consultant in the Philadelphia area.

I guess I'm second generation. If you consider Sheetz our business, it's really fourth generation since the original business was a dairy back in the early 1900s. But the generations are very big because the family is very big. So, a lot of uncles are younger than their nephews and all that kind of weird dynamic. So, we don't really talk much about generations because they intermingle a little too much.

Kevin Smartt

Hey, good afternoon, everyone, Kevin Smartt. I am CEO of TXB stores which used to be Kwik Chek. We went through a pretty major rebranding and are still in the process of rebranding. We're building new stores in Texas and are going around and rebranding our sites currently. I started off in the business, actually, I guess you could technically say I'm second generation, as a son-in-law, back in 1992 and I came in and just did a little bit of everything. I came to work for the company after working for Frito Lay in Plano for about five years. I guess, in our transition, my father-in-law had a different idea of how the business would move forward. If I was interested, he wanted to sell it to me. And so, in 1999, I started the process of trying to figure out how to borrow that much money. And in 2001, I completed a highly leveraged buyout and it's been super interesting for me, this journey over that course of time. I more than doubled the size of the company. Much like some of the others, we have a family of businesses. We have a trucking company, and a pretty large propane business in Texas. Several years ago, being that I live in Austin, Texas, now, I formed an investment company.

I'm CEO of that, as well, and we invest in technology startups and other businesses in the Austin market mainly. It's been fun and successful, and it's actually helped us find new opportunities within the convenience store world and some of those investments. I'm very fortunate. I got to wrap up my year as chairman for NACS not last year, year before and have had that great opportunity to work with so many people that are on this call. Joe Sheetz came before me. Varish is on the NACS board now and JP is on the board. It's been a great opportunity to work with good minds. I've also been in an industry study group for almost 20 years, I think. Varish is in that group with several other retailers spread out across the U.S. We meet three times a year and share financial best practices and that's been very helpful to me as well. I'm a big advocate of sharing. I think that's how we move the industry forward and I'm excited to be a part of this group. Thank you.

Barbara Stoyko

Good afternoon. My name is Barbara Stoyko and I'm the Senior Vice President for Shell Mobility Americas. For us, that means North America — Canada, Mexico and the United States. We have about 15,000 sites across those three countries, 13,000 of which, of course, are in the U.S. And you may have recently heard, we're back in the company-operated business. We acquired Landmark Industries and TPG in May. We now have 184 company operated sites in Texas and about 100 dealers, as well as, obviously, our wholesale network, and a number of joint ventures.

I'm actually 30 years with Shell as well this year. I started with Texaco as a chemical engineer at the refinery and after about five years I decided to do a cross-training assignment in retail. That was 25 years ago, and I never went back. If you've ever worked in refining, I'm sure you can understand that. I have found my home in retail. I had a number of global and local roles, but really up until the time of company operations in the last several months I've been focused on the brand, the fuels, customer insights, developing a top nationwide loyalty program, thinking about digital platforms and where the consumers are going in the future. Obviously, we're starting to dabble in EV, trying to figure out the EV charging game and what that means in terms of the convenience and customer journey. That is what we are up to and looking forward to it.

Liz Williams

I'll round us out here. So, Liz Williams and I'm thrilled to be a part of this. Thank you for having me. I'm with Foxtrot, which I'm imagining many of you have not heard of Foxtrot, but it is a modern-day corner store and cafe. Some might say a redefinition on convenience as some people know it. Totally the corner store as we don't have any gas or fuel. We're known as a Chicago-based company, but quickly expanding. We are in D.C., Dallas and soon to be in Austin, and known for having the kind of place you want to linger, that kind of coffee shop, beautiful spaces, but also having an e-commerce element of the business. A lot of prepared foods as well, in addition to the cafe and the market convenience element. So, lots of things going on. I joined Foxtrot just in the last year. Prior to that, I had experience early in my career at Boston Consulting Group.

I've always been a consumer retail junkie. I was there for about six years in Dallas and around the world. I lived in Asia for a year with BCG and then joined Yum Brands and spent 10 years there. One year doing corporate strategy at headquarters and then most of my career was with Taco Bell. At Taco Bell, I led the strategy and finance team. I was CFO for several years. So, a lot of experience in running our operations but also franchising and the asset light model of franchising. And then, I spent time, two years, running our international business at Taco Bell. I was President of International. I have dabbled in a couple of other fun concepts along the way.

Eva Strasburger—Liz, I think that everybody knows who Foxtrot is. It's always all over the press and shown as an example at the NACS meetings, so a lot of people are very impressed with what you're doing there.

Liz Williams—Yes, it is innovative, and the credit goes to Mike (LaVitola), our founder. I'm imagining many of you are in YPO groups. I'm the hired gun, not the generational entrepreneur or generational person, but certainly come in with a bit of the restaurant operating experience, not as much convenience experience. So excited to learn from all of you.

Myra Kressner—Thank you. Because this is our first meeting, we're doing these introductions. We won't be doing introductions at our future meetings. I just want everyone to know that. And now I have the privilege of asking Drayton to kick us off. When we talked a couple of days ago, you had some terrific stories that you wanted to share, so you could start with that or you could start with the World Series.

NEXT: The Presentation

The Presentation

Drayton McLane Jr.

Well, thank you, Myra, and it's exciting to hear from all of you. Y'all are so young and, boy, free enterprise, and the opportunity to create new things is just out there for the taking. So, I wish I could be young and compete with all of you. Myra, I have known for a long, long time: she, Paul Reuter and I jointly owned CSP magazine a number of years ago. I've been an admirer of hers. Roy, I have known since he was about two years old.

Roy's father and mother were very, very close friends of my wife and I. And then Roy's father was a great customer of McLane Company, and I learned a lot from him. And then Eva, I met when they married. I think she's the best thing to happen to the Strasburger family. A lot of excitement there as you went around and talked about all your different companies. You talked about Sheetz and you talked about the multitude of Sheetz, I could list about 15 of them that I've known over the years and Steve Sheetz and Louie Sheetz were the two I worked with many, many years ago. And Natalie, I called upon your grandfather in the early 1980s when RaceTrac consisted of cigarettes and a little candy, and that was it. And I remember I mentioned to him he ought to put it in groceries. He almost threw me out of the store [laughter]. And I called on her grandfather and then her father, Carl, he and I became very, very good friends. And then just going around the room, it was exciting to see what each of you are doing and what you're trying to do.

Roy and Eva and Myra asked me if I would just talk a little bit about where we are today. No matter where you are today.

Leadership

In 1972, I'd been in business about four years, and I went to a food industry meeting in Chicago and there were about 4,000 industry people from manufacturing to all types of retailing. Gene Hoffman, who was at that time the President of the Kroger Company, which for that time and even today, is the largest supermarket operation in America, Gene got up there and he started to say something I think about every morning when I get up. Gene came out and said **you'll never become what you want to be by remaining as you are.** May I repeat that, you'll never become what you want to be by remaining as you are. We have success today. To keep repeating the success we've got to change and change quickly. And so, I'm just going to talk a little about the convenience store industry—as I've seen it.

I got in business with my father when I got out of college in 1959. Our business in those days was called drive-ins, and they were just emerging. The convenience store business is going through, has gone through, in my view, four stages.

Merchandising

The original convenience store was started by 7-Eleven and it scaled as ice and milk. They were perishable, there were very few refrigerators in those days. And that was what started the first convenience stores and 7-Eleven. **So they sold milk, they sold ice and then they sold groceries** — and it was mainly small neighborhood grocery stores. And I can remember, even in the '60s and early '70s, there were a number of 7-Eleven stores that still had small shopping carts. Can you visualize a shopping cart at a convenience store today? And they had small shopping carts in convenience stores because people bought more than just snacks, they bought groceries.

As it emerged, **snacks became in the late '60s and the '70s a big part of this and these were non-perishable snacks. But, also other things that people could eat and enjoy because of transportation, as they would eat in their car.** I remember calling on 7-Eleven, their national merchandise manager, one day, and I was trying to sell them some kind of grocery product. And he said, "Drayton, put all that away. We don't want that anymore," and I said, "Bob, what do you want?" And he said, "When you come to us, I want you to visualize that 60% to 70% of what we sell somebody is gone within 30 minutes." That really shocked me, this was in the early '70s, that whatever we sell should be consumed in 30 minutes. That was revolutionary at that time. But look at what you're selling today and how quickly it's consumed. So, I went into snacks and a little food.

Conventional Fuel

And then I remember when Roy's father [Tommy Strasburger] came to me and said there's going to be a revolution in convenience, our business. There's going to **be self-service gas.** And I said, what are you talking about Tommy? And he talked to me about where the person will hop out of the car and pump the gas in the car to get it. In their own car! Well, I knew Roy's mother very well, and I knew my wife Elizabeth well, and I said Shirley and Elizabeth will never get out of their car and pump gas. That'll never happen. Great prophet I make — as it did. Gas became such a phenomenon. Just as you talked about, with Shell and other large oil companies getting in the business, gas became a real big driver.

Foodservice

Fourth one is when **prepared foods,** mainly driven by convenience stores on the East Coast and the West Coast, started selling prepared foods that can be heated in the store or just consumed like that. Having prepared foods made on-site was the next revolution in the convenience store business. So those are the four stages of convenience stores.

Electric Vehicles

Enjoy where you are today, but it's going to change again. And I just challenge you to look at what trends there are today, where are these **EV cars**? How is that going to affect the convenience store business of getting charged and will there be enough numbers in the next few years to really make a difference? And how are we going to get them charged and still get people to come to our stores? And so, retailing as you see it and as you do, is just all merging together with various stores.

Dollar Stores

Grocery Stores

I mentioned to Eva and Roy and Myra the other day, I think a concept you should look very, very closely at are the dollar stores, **Dollar General and Family Dollar** — there's a number of them. You talk about a lot of convenience stores—just look up the dollar stores numbers. Family Dollar, it's a public company, has over 15,000 stores. It's all happened in about the last seven or eight years. They have 15,000 stores! So, who are they really digging into? They are affecting the **supermarkets** pretty dramatically. They're affecting the mass merchandisers such as Walmart, Target and others. Are they going to affect convenience, or could you use some of the concepts they have? The beauty of the Family Dollar stores — they could put it in a quarter of a block, they could build their store and if they build it and it does not work, they just tear it down and move somewhere else. That's a fast-changing industry and you should look at it.

Look at the drug store, CVS, Walgreens, the first 50% to 60% of that store is a convenience store. It's not a drug store, it's a convenience store if you go look at the modern ones. So, now you got the drug store people. It's all blending together somehow. And I'm not sure how all of this is going to shake out.

Online Ordering

And then **online buying** of food is something that the big supermarkets initially didn't believe in and they were forced into it by Amazon. I was talking to the CEO of Walmart, a good friend of mine, and in their grocery department in 2021, 20% of their entire grocery business was online sales. So, what's the supermarket, or the mass merchandiser, going to do?

So, if you like change — I love change, boy, that's where we all get going — you just need to make sure you're working in some of the areas that the change is happening out there. From the drug store to the dollar store to the big, big discounters and then online business it's really going to be interesting. It will be slow; none of this changes overnight, but it will continue to change, and change differently.

Leadership

I always love change, I love the topic. At the McLane Company, I tell people, let's make this more complicated than it needs to be, and our people look at me like I'm nuts. And I say, you know, **if it really is complicated and hard, our competitors can't keep up with us. We'll out hustle them, we'll outthink them and we'll outperform them.** And that's why I think y'all ought to look at all these different venues that are occurring in the food industry.

And I didn't really touch on the fast-food business. Just look at the size of that industry, it's mammoth. We have some companies that manufacture food products and I'm just amazed at the vastness of that business and how many products they have.

Where does all this fit together? What's the next trend going to be? But I think that's why it's exciting that all of you are changing and trying to fit into this modern era of foodservice and online ordering and thinking through all of this as it's kind of all merging together.

I was in the distribution business for McLane Company; bought from manufacturers and sold to retailers. But it's all working together now in an interesting way. It used to be, there were a lot of secrets, but, boy, with technology there're no secrets today. It just flows.

So, Roy or Myra or Eva, any other comment? I promised them, there's one thing that an old man can do is talk too much and talk about something that happened in the past. I'm more excited about what we're doing today and how we're going to move forward, how we're going to use technology better to make all of this really, really shine.

Eva Strasburger Drayton, can you give us any insight, since you're in distribution, into how you're seeing all the supply chains and all that, change or function? What are you hearing from your side.

Drayton McLane Jr. You know, yesterday there was the food manufacturers and there was the **distribution** and there were the retailers — they've all merged together. Now, I think we've got to work to take cost out of the business. That was what Walmart did. I was involved with Walmart for a number of years, and that's what Walmart did.

Logistics

I remember what Sam Walton said one day, which really astounded me—this was kind of at the beginning of Walmart. Everyone was talking about their retail stores, and he told all their account execs, **don't say we're a retailer, we're not a retailer, we're in the logistics business.** And he said buying it right, distributing it and putting it in and running the store all runs together and the logistics and putting all that together is just as important as the retail store. He said we're not retailers, we're in the food logistics, and he wouldn't let them say they're retailers. So, I think you've got to start working more closely with the manufacturer and the logistics people and your retail stores. So, just in time inventory is even more critical today. That is the real deal. And with technology, you could do it like you've never done it before. It's amazing just some of the things I've seen Walmart and other retailers do.

Leadership

Did we get fired up about this?

NEXT: The Discussion

The Discussion

Roy Strasburger

Drayton, thank you. I think that's fascinating and a great perspective. Where we want to go with the conversation today, is to talk about, as you said, what is the fifth stage of convenience retailing? I mean we've talked about the first four and everything from logistics, which is the last mile aspect to it, to where the industry is going, because as we all know, the convenience store industry is a very fragmented industry, not only with ownerships, but how we all approach the business. And so, what we wanted to talk about today is where are we going to be, where do we think the industry is going to be, and where do we want to be, 5 to 7 to 10 years from now as far as convenience retailing, with everything that's coming up: home deliveries, EVs, labor issues.

Logistics

Drayton mentioned just in time delivery. We [StrasGlobal] were working really hard on **"just in time" delivery** until we started having supply chain issues. So, we kind of approach it now from a "just in case" delivery type situation of trying to stay ahead so that we have things on hand when we're going forward. But what is convenience going to be in the future as we're doing that and that's where I would love to hear some thoughts from everyone else.

Drayton McLane Jr.

Workforce

Customer Engagement

I'd like one more comment. I think one other thing is when COVID was so important to us and people were **working from home**, we loved to go downtown then because there was no traffic going downtown. So, people were staying at home, they weren't moving around as much as they had previously. I think that's another thing convenience needs to think about. **Will people, continue, to a significant amount, work at home versus the long drive to the office every day, which worked for the convenience store business**. So, where, does that fit into all of this? How can we deal with the changes in the way, here in America, we live and work.

Myra Kressner

I'm going to call on some folks. Kevin, do you want to share your thoughts on what Drayton's talked about or some of Roy's questions?

Kevin Smartt

Electric Vehicles

Sure, of course, I always think there are great learnings in the history of where we've been, and, of course, all of us being as involved as we are today, we sometimes see it come, full circle. But, you know for me, I'm really focused on **energy transition** in the country and where we're going. I know there's a viewpoint that it's a longer time frame than others think, but, even in Texas, our roadways are having more and more **electric vehicles** on the road. We're putting EV charging stations in our new stores, so we're learning as we go. And there are a lot of learnings around the EV consumer, proper layout and just things I think as an industry we need to be thinking about. But one of my biggest concerns is that in this transition period, there's no business model around it that's consistent from either city to city or state to state and that's a bit concerning to me when the mall or the post office, or whoever, can just put up EV charging stations and there are subsidies, or there's not subsidies. It's just very muddy waters right now. Of course, fuel has been important to our industry for a long time. We've all tried to diversify and enhance our food offerings and the whole facility offerings, quite frankly. And I think, as an industry, we've done a phenomenal job of it. But I'm just trying to really understand the time frame, what role we should play, how soon we should play it, in interstate markets, urban markets, rural markets. And again, rural markets, I think, are a lot further off than urban and international or our interstate for EV.

Workforce

Self-checkout

Retention

And then the modern workforce; management and direction. What does the **workforce** of the future really look like for us, and what things should we be thinking about? I think most of the progressive retailers have moved into **self-checkouts** and to kiosks and we all have apps where they can order food and do things. So, we're moving in a direction where it should be easier to run a more complicated store, but today, in the modern workforce era, it's not, right? It's still very challenging. You know, we're not having problems getting applicants, we're having **problems retaining employees**. And it feels like, for us, it was a transition during the pandemic. We feel like our employees want to work hard for us, but if there's any excuse for anything that needs to happen in their own personal life, it comes before work. It can be something minor, but it just supersedes working. So, we're finding a lot of challenges with this modern workforce. And so just understanding where it goes.

Technology

Delivery

Foodservice

Lastly, **technology** for us. You know, for a small company, I think we lean hard into technology. So, we're still trying to think through how we continue to enhance all aspects of our consumer touch points, where we use technology. There's a lot of challenges in that for a small company, but we're thinking about **food delivery** — we are trying to do it. We have it in about 85% of our stores today. We're putting in what we call food locker pickup rooms in our store. So, when you come in, if you've ordered on an app, if you've ordered DoorDash, you go up, scan your code in, your little locker door opens, you **get your food out**. You don't have to disrupt our employees or the customers in the store waiting to get their food. Just things like that. We're trying to rethink and visualize what the future should look like in convenience. Yeah, hopefully that touches on a list of things.

Myra Kressner That's great, Kevin. Thank you. Unless someone wanted to say anything, I'm going to ask Varish. What are your thoughts on either some of the concerns, struggles, opportunities, or direction that Kevin is taking, or things that Drayton talked about that you see for your business?

Electric Vehicles

Varish Goyal A lot of the stuff that Kevin talked about is also the same things that we're concerned with and are working on. To expand on the **energy transition** — I'm also not sure how to make money at it if you think about the majority of the EV customers — I live in **EV** central, where they all charge at home and at work. Many of you have probably heard me talk about this. When are they going to come to our store to charge? If you think about somebody coming to fill the gas tank up once a week, or twice a week, or depending on how much they drive. Well, if you're an EV customer, you may come to me once a quarter to charge, because the only time you're going to need it is if you're going long distance or something like that. **So, what's the economic model?** How does it actually work out that this is actually going to be a real profit generator for the industry? I think that's something that we need to figure out. Like Kevin said, we're installing **EV** charging units, and we're trying to learn and see how this new business is going to work.

Workforce

Employee Retention

On the modern **workforce** management: The work from home situation is big for us. In our markets, we have not seen volume return back to what they were pre-pandemic. I don't think they ever will. The interesting dynamic that will play out is with this recession coming up. We've noticed a lot of conversation around **companies really wanting their employees to come back** but not having the power to bring that back. And it'll be interesting to see if the recession actually leads to them having the power to bring them back or not, because that's a big play. I think with school opening up and people going back to school, that's been a good thing for our business. But I think going into work five days a week, at least in my market, is probably gone. We're not going to see people going back to work five days a week. I think we will be lucky if it is three. It's going to be somewhere in the two to three day a week model is what I'm seeing. So, in our markets, that's kind of the trend that we have to be considering, because that just drives down foot traffic at your location, from the fuel perspective as well.

Automation

Yes, we spend a lot of time and energy on **technology** trying to figure out how to provide or to operate these stores with fewer people, because labor is so difficult to get.

Labor Scheduling

It's interesting, we talked about work from home and **flexibility for the workforce**. Our staff doesn't get that flexibility. It's very hard for us, right? If you come in, you come in for 8 hours, you have shift work. So, the question really is, is there a model to provide our staff with flexibility as well? Does that help us in hiring, retaining, keeping folks? I don't have an answer how to do that. When you move to the store worker, whether it's a grocery store or a hardware store or dollar store or a c-store, those individuals don't have as much flexibility as the technology worker, the banker, or those of us in the room and on this call. So how that dynamic plays out is interesting.

Electric Vehicles

Alternative Fuels

Roy Strasburger

Varish, I think you've brought up two really interesting points. One is that I've been thinking that EVs are going to happen, but I think **EV** charging is a false panacea for the convenience store industry as a whole. To your point, exactly, if you're in an urban location, why do you need an EV charger at your site? People are going to charge it at the office, they're going to charge at home. If they're doing short trips, they don't necessarily need to come by unless they are in a situation where they can't afford to have a charger in a public housing place. But even if they do that, there's a lot of other EV opportunities, whether it's a coffee shop, a shopping center or someplace else. EV is going to happen. It's going to impact the business, but I think that looking at everybody putting in an EV charger is not the solution for what we're trying to do and that the industry itself needs to be looking at other **alternatives** when the internal combustion engine goes away.

Dwell

Workforce

The other point I think you make that is really interesting is this **working from home** aspect. When you walk into a Foxtrot or into a Starbucks, there's a lot of people who are "working from home" in those locations. It's almost that we're getting into a, I won't say class system, but it's getting into a differentiation of the **worker strata**, as you said. And I wonder what the social ramifications are going to be further down the line between those who can work from home and those who, basically, have to go to the factory assembly line because they can't do that. I think that's part of why we are seeing some of the unionization that's happening in Starbucks and Amazon, because of people seeing that differentiation in their workplace. I thought that you had a couple of really good comments there.

Hydrogen Fuel

Varish Goyal

Just to add on, we worked with Shell on building some **hydrogen** fueling locations. I think we have 7 or 8 operating. We don't operate them and we're more of a landlord setup in that case where we lease the property to Shell and Shell operates them. From what I understand, the best sites are doing about 40 cars a day, which is better than what we were doing about a year and a half ago. It's double, it went from 20 to 40. But it's nothing to write home about yet, but that's a model that's interesting. There was recently a Stanford research paper that was published talking about EVs and electricity generation and how it is a little bit of a red herring, especially if people are going to charge at home overnight. There's some real challenges with that and so maybe that pushes people to another type of fuel, which may be more beneficial for the industry, but that's above my pay grade.

Logistics

Hal Adams

I've heard three comments that really peaked my ears. The first one was when Drayton talked about **logistics** and the fact that logistics is really the secret sauce to the convenience retailing business. I think, hands down, that is absolutely correct.

Logistics

Foodservice

Food Trucks

I learned a lot about the **logistics** business from Drayton over the past — thank you for that, Drayton — and built a distribution center in San Antonio for Valero and CST Brands and saw the benefit of being able to self-distribute. But, what I really think is the secret sauce in logistics is how it can help our foodservice business. Now, we often look at **foodservice** as a separate component to convenience, as a separate component to fuel. And when we really learn is when we take all those businesses and put them together and say, how do these businesses all work together? Look at **food trucks**, and the explosion of food trucks in the U.S. and in urban areas, in the way that they're able to provide food in places that are unconventional. Look at their chefs and the really good restaurants that are creating quality foods in our urban areas, through food trucks, so that they can expand the walls of their restaurants to beer gardens and corners and urban areas, where people can't come to their restaurants. How do we put those really great chefs and the logistics of food trucks together with our organizations and get food to our stores so that we can be the food truck, on our corners, delivering that great food. And by the way, that helps the localization of our marketing efforts. So, we don't necessarily have to be selling the same stuff in all of our markets. We're selling the stuff that our markets enjoy, and these food folks are better at food than we are. So, let's bring them into our walls by using these logistic systems that we've become good at.

Workforce

Labor Scheduling

I was in your distribution center, Joe, when Louie was teaching us how to put together a distribution center. So, this industry knows logistics. We just need to put the businesses together and stop looking at them as separate silos. The other thing, when Varish was talking about **labor**, and keeping labor, and getting people to work. Just this morning, I was listening to a news show that said a Chick-fil-A store, just one — Natalie in your market — was testing a **three-day work week** for full-time employees where the employees work 12 to 14 hours a day and then get four days off. So, you either work Monday, Tuesday, Wednesday, or Thursday, Friday, Saturday. Chik-fil-A is closed on Sundays. They said that that since they've put that theory to test in this one location for one year, they have 100% retention of their full-time employees because their employees love having the four days off. So, how do we look at our workforce differently and try to deliver what is important to them so we raise our retention? Start with our full-time people so that we can build leadership teams around those folks.

Workforce

I started this business as a **graveyard clerk**. I worked the 11 to 7 shift. I thought I was the most important person in that store because although I didn't do that much business, I did all the ordering, got the store ready for the next day, I did any special favors the store manager wanted me to do before she came in for her shift in the morning, and I was her superstar. How do we make our graveyard employees, how do we make our second shift employees, the leadership of our stores rather than getting all the administrative stuff, all the ordering stuff, what we think is important to run the store, done during the day by the store manager? How do we get it done in the off shifts, so not only are we growing talent and making them leaders but keeping them engaged in their jobs so that they stay retained and utilize those hours.

Electric Vehicles

Alternative Fuels

The last thing is **EV**. Varish is very right. EV may not be for everyone, but alternative fuels will be for everyone. What will the alternative fuels be in your market? What will the **alternative fuels** be in rural areas? We might each have three or four different alternative fuels that we deal with, but we will have alternative fuels. I feel very energized by all that I'm hearing.

Workforce

Labor Scheduling

Eva Strasburger To address the comments on the **labor situation**. We were speaking to an operator the other day who's experimenting with **two to four-hour shifts** because he says people want flexibility, especially the millennials and the Gen Zs. They're willing to commit maybe two to four hours a day rather than a full day. They can look at the chart and plug it in, whether it's late at night or in the morning and he's seeing some interesting results from that as well.

Fouad El-Nemr We were looking at that too, today. We were actually at a meeting talking about **splitting up shifts** for the mom that has to pick up her child in the afternoon, then take them home and then they can come back to work. We were talking about two, four-hour shifts today during our leadership meeting. The concept, like you said, of the millennials changing.

Joe Sheetz I was just going to say that we've been doing that. We do such a big lunch business and obviously it's all prepared food. So, we've been doing **four-hour shifts** for a very long time because you need a lot more people at lunchtime. You don't need them before or after and it's the same thing. It's somebody who's putting their kids on the bus in the morning and coming in to work lunch and being done before they need to get home.

Gig Workers

The other thing we've experimented with recently are **gig workers**, where literally, somebody say's "today I feel like working" and they get on an app and they sign up for a shift. We're using them in very strategic ways. We're not putting them behind a counter, we're not putting them in the kitchen. We're having them help unload the delivery truck or stock the cooler, or frankly, doing things that most of the full-time workers in the store don't want to do anyway. It's gone much better than I thought. I was extremely skeptical. It's better in some markets than others, but it's letting us pick off a bunch of task work in a more efficient way than having full-time people work overtime or having to drag in part timers.

Gamification

Annie Gauthier Building on what a lot of you have touched on already, and I alluded to this last year at [NACS] Leadership Forum, I still think there's an opportunity and, like Varish, I don't have any answers for it, but to look at **gamification** and the **gig economics**

Subscriptions

Customer Service

Electric Vehicles

Labor Scheduling

Foodservice

Tips

and **subscriptions** and just wonder if there's some kind of way to mesh that together for the labor piece. I'm intrigued by what you're talking about, Joe. Picture an app where employees can earn their way into the right to get first crack at picking shifts that have values, instead of paying people by the hour or something where you just kind of blow it all up. Here's what it's worth for people to work for us at these different times. And the more shifts you pick up or the less times you change them or something, there's a way to gamify/incentivize, and to reinvent how people get scheduled and how they choose to work.

And also, of course, ensure that we have **customer service**. Like Joe, we're heavy in foodservice at all of our locations with prepared on-site food. So, trying to make sure that we have the right amount of people at the critical times and the in-depth training. I talked to Stephanie Sikorski at NACS about this and she got excited about an industry wide pool of workers that we could pull from. Maybe that is the way—I don't know.

But that's really resonating with me being a rural marketer in Louisiana. The **EV** thing, we're a lot further behind on the adoption curve than a lot of you guys. But like our neighbors in Texas, starting to see that pick up. Louisiana just finally got deregulated for EV this summer. So, it's starting to show up more here so we're exploring that right now. Those are the kind of things that are jumping up for me right now.

Myra Kressner Liz, you've been name checked a couple of times, so are there some things that you're doing you want to share?

Liz Williams I think the point that was made about the **12-hour schedules** is absolutely right. I think that schedule predictability is also the other piece. I've seen a lot of data over my career when you can have the same schedule and they love the predictability of it. That also is a huge driver of retention. The other thing that we're seeing lately, certainly more with the **food preparation** and real time in front of a customer, which is almost now the norm, is **tips, and wanting tips** to be part of it. We're trying to figure out how to do that in an elegant fashion. It's a little bit hard in the convenience model because when the customer is mixing service and buying goods and they come up to the counter and buy some expensive goods, it doesn't seem right to tip on that. But to tip on the service does seem reasonable. So, thinking through that as well.

Third challenge is there's a lot of competitors and these employees can get jobs that will offer tips, even if it's in the gig economy. You can tip your Uber driver, or, if you go to another coffee shop or even fast casual, you probably notice as you're checking out now that tips are more the norm.

Myra Kressner So, raise your hand or just verbally say if this is something that any of you, or others, are experimenting with.

Drayton McLane Jr. May I interrupt one moment? I will have to leave in about 10 minutes. Thank you for letting me be a part of your first program. I think it was a creative idea and it's through communications, I've always got ideas. I've already picked up a lot of ideas people have been talking about. So, I really challenge you, no matter where you are in the business today, that as **change is inevitable, we need to keep looking at it aggressively**. So, thanks for letting me be part of it today.

Leadership

Tips

Myra Kressner Thank you, Drayton. Kevin?

Kevin Smartt I was just going to comment on what Liz said about the **tips**. I've been a little old-school on that and I finally caved in. In our service-oriented segments of the store, we've allowed it and I'm really shocked at the amount of tips that the employees receive. And now seeing it, I definitely see the benefit in doing it. Our employees are happy. Our average employee in the food area is getting on average probably $50 to $60 a week in tips. You know, that's pretty substantial if you're working 30 hours a week and making $15 an hour. So, we're a proponent of it. We're just trying to figure out the fair, the equitable system, for the store side that's not doing the service work. We don't have a solution for that. But we do think tipping in the service area for food or whatever it is, is acceptable and the employees do like it.

Fouad El-Nemr Kevin, I have a question. Do you share **tips** with the rest of the associates in the store or does it only stay in the foodservice section?

Foodservice

Kevin Smartt That's what I'm saying. It stays in the foodservice section and that's kind of our **dilemma right now**. We're trying to figure out what the fair thing is to do on the store side. We feel a lot like Liz. If somebody comes up and buys a 30 pack of beer and a lot of product, it doesn't seem right just to charge them or ask them to tip our employees based on that transaction. But if they're in the kitchen and they're making the food and doing the whole **foodservice** piece of it, it seems to be an acceptable ask in the foodservice industry. We haven't figured out how to handle it on the store side yet. I'm sure there's probably some people that work for us that aren't happy or like to see it, but we haven't had any complaints yet from our store employees.

POS

Liz Williams I would just comment on point of sale. If you're talking to **point-of-sale** vendors, this is one challenge that a lot of point of sales weren't designed to do — to **split the ticket**. And I know this is really technical, to split a ticket, so you could tip on some things and not on others. But, to the point that was just made, it's really awkward to ask someone to tip on a $30 bottle of wine or beer.

Tips

Leadership

Natalie Morhous Kevin, you're not paying a **restaurant wage**, though, is that correct? I think I heard you say that they're making $15 an hour. So, you haven't put them on a restaurant wage.

Kevin Smartt Correct.

Natalie Morhous OK, so the **tips** are over and above the convenience store wage per hour.

Kevin Smartt That's correct.

Roy Strasburger Kevin, are you doing a **tip jar** or are you actually doing it on the receipts when people are paying out?

Kevin Smartt We do both. For anybody that's paying cash, there's the ability for them to put cash in a tip jar. We also have it on the pin pad so it prompts them and just says would you like to tip your server. There are some set amounts or they can customize it. Then we take all those tips in daily. It goes in our paperwork, and then our accounting department reconciles that and then puts it back to the employees in their paycheck.

Myra Kressner Scott, do you have any thoughts?

Scott Hartman Yes, a couple. I am enjoying the conversation. On the **tipping**, I would just encourage you to venture into your lawyer's office and HR department on wage and hour rules. We do have a bunch of those up here in Pennsylvania and if you do, you probably won't get the answer that you're looking for there.

I always say first of all, on any of the ideas, **make sure you got both feet on the ground. Stay true to who you are and what you think you want to do because there's a million different ways to make money in this industry.** So, trying to be somebody else isn't necessarily always right for you and your company. If you know what you want to do and you're successful, how do you build on your success versus always trying to copy others? I've been around long enough through 50 years of hearing that tobacco would disappear. Drayton, you probably remember those days, when they said that tobacco would be gone, sugar will be gone, lot of things will be gone, just like gasoline will be gone. But if you take that longer view of how things change in society and how some things get debated, we are not really as fast of a changing society as people who want to make big, bold statements want you to believe. So, if you ground yourself with two feet down, then you might not just be running off on the next big pundit who says cars will be gone or gasoline will be gone, or tobacco will be gone. And I remember at one of your Outlook meetings, Myra, one of your folks up on stage, who is a famous TV guy [editor's

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note: Wayne Rogers—the actor from "M.A.S.H."—bought a chain of c-stores], said if you don't own 300 stores by this date you will be gone and magically, he was from our industry instead of most people who had fewer stores. So, you always have to know who the pundits are and weed your way through them. I think that when I look at where we are as an industry, and this group is the place to do it, there's a lack of debate in our culture. There's a lack of debate in America today. **The ability to simply have a very frank discussion about what really works, what doesn't, why is it going to work, how do you justify that, allows you to weed through a lot of the muddle that's out there.** So, if you want to make an investment in EVs, have that discussion first about how are you ever going to make money in it, how long is this going to take? Is this another cycle like tobacco, where all of a sudden, wow, tobacco is still around, we still make money off of it? We call it nicotine now. So, you have to look at things a little differently. That would be the same thing with **EVs**. Looking at fuels — how do people fuel, how are they going to fuel in the future and get a vehicle around?

I still remember a World's Fair way back when they said everybody's going to be flying in cars and that was the early '60s. But anyway, you've got to just kind of weave your way through this and that's why I think if as a group, the ability to just ask the frank question, do you really think this is going to work? Have you really done the homework on it and have everybody be comfortable with it? You want new ideas, you definitely have to keep changing, and we're constantly changing too, but you want to have an onboarding of how those new ideas get vetted and know who you are, going forward. On the **labor market**—my two cents on that one is, it all starts with your manager. In the retail environment there are a million lousy jobs out there and we don't give the people in retail who work for us and are out looking for jobs enough of the credit that they talk to other people. They talk more to other people looking for jobs than we could ever imagine. And they're looking for the good manager. If they work for a good manager and you look at your stores, they will stay and do all kinds of things and work for less for a good manager than they will for a poor manager. Probably the biggest issue we have in the labor market today is we don't have well-trained, really high-quality management to talk to our people, listen to our folks and work their way through the issues. Some of it just starts with being friendly and then you go from there. We pride ourselves on being very at the top of customer service experience. I say it starts with your people but don't get caught up and think you have to change everything inside your people system if you haven't really stopped and looked at your managers themselves.

Again, I love new onboarding ideas. I remember onboarding tech to NACS back in the '90s, and I was told we don't do technology in convenience stores — get lost. It took a while to get technology going. Now, I'm sitting here listening to everybody talk about technology and it's great. But in the early '90s, nobody wanted to hear it from the NACS Board of Directors —

and they had cash registers. So, things do change. We listened to things about "is scanning going to work in the convenience store industry?" Hal, do you remember any of those meetings we went to? Will scanning work? And then people saying, "What the heck is a website?"

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So, you have to understand, looking back, we do change, but we're not going to change overnight. Our customers won't change overnight, and everybody out here has a different model and everybody I'm looking at right now is making money and doing it all a little differently. **So don't try to be somebody else. Be yourselves. Play to your strengths.** How's that?

Labor Scheduling

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Jigar Patel So many amazing points have been shared, I've been taking notes all along. So thank you very much. I didn't need to speak up until now at all as I was just absorbing all the ideas that I was getting from everybody here. A couple other things that I wanted to share from my perspective is that **labor** definitely is one of the biggest issues that all of us are facing these days. All of the ideas that were shared about the **schedule** that Chik-fil-A has put out; I think that they've done that at one of the stores nearby us as well. We saw a loss in employees at our store as well once they put that out that they're going to do the 12-hour schedule and you work three days off, four days on.

Technology

Automation

Foodservice

One thing we have started to work on the **technology** side more is how do we **automize** our **foodservice** operation because that's more labor intensive in our stores? How do we automize not only on the cooking side, but also on the consumer side where they can place the orders, pick up the food. Some of the ideas that Kevin shared about food lockers was really good.

Electric Vehicles

Dwell

The third thing is **EVs**. I always joke with all of our friends at NACS that are on the East Coast and the West Coast that whatever happens on the two coasts by the time it comes down to Alabama, where I am, it'll take at least five years. So, I have at least have five years to make all those changes. But **EVs**, to me actually, just doesn't make any sense at this point, because if I were to pump gas in my 30-gallon truck, it takes me five minutes, six minutes tops. To charge an EV at a fast charger takes about 20 minutes. So, I don't know if the consumer, being so convenient centric, has that **time to spend at a convenience store** and if we'll be able to spin that model and make any sort of profit. Those are some of the thoughts that I had, and I wanted to share with you.

Workforce

Annie Gauthier Just real briefly, I want to tag on what Scott talked about. It's the **manager** when it comes to labor issues. That's really been our big focus with our store managers this year and we started an employee retention focus group with our five lowest-performing store managers. We've been able to move the needle with some of them pretty dramatically. A lot of them just simply thought it was inevitable that team members won't stay.

Retention

Like Kevin mentioned, we're not having an application problem, but we're having a **retention** problem. But it's not universal for some of our managers. We looked at tenure, we looked at store size, we looked at the age of the store, we looked at urban markets versus rural markets and there was no consensus, no consistent thing except manager engagement as rated by our store employees and corroborated by our own eyes and our own anecdotal evidence. So, we push hard on those managers that they really make the difference. We've seen some pretty dramatic results and they're continuing that program. So that's all the shiny new things. But it is also the fundamentals of talking to the people in front of you. Some of our managers had simply forgotten that, if they ever knew, how big of a difference they could make. They thought the world had changed and they just had to live with it. So, they stopped trying to do the things they need to do to keep their people. We're focused on four things on that call: who did you hire recently? Who'd you lose recently? What do we learn from that? Who are your at-risk employees and what are you doing with them? And then just following up on whatever action items came from the week before.

Myra Kressner Liz, you need to leave in a few minutes. So, I just wanted to say thank you and glad that you've joined us. Do you have any closing comments before you need to leave?

Workforce

Liz Williams I agree with what Annie just said. Going back even to my Taco Bell days where we had 6,000 data points of **general managers**. The most predictive of a store performance is the quality of the general manager.

Eva Strasburger Liz, before you leave, I was going to say, maybe on the next call, I am really interested to hear about people who are maybe working at home, but are still very social, so, they're not actually working at home, but going to these co-working places and **hanging out** at coffee shops. So, I'd like to hear about whether you saw a surge after COVID, and if you're therefore building your stores to accommodate more of that side.

Dwell

Liz Williams Yes, we definitely see a lot of people working in our stores for sure. We can talk about that and creating that environment. Thank you all. Nice to meet you.

Electric Vehicles

Barbara Stoyko I just want to comment a little bit on the **EV**. I'm really enjoying this conversation. By the way, I'm taking several notes as I restart our company-op journey back in the convenience business. One of the things that might be interesting to talk about Myra, in relation to Liz's piece around the "**dwelling and the working**" inside the store, is the relation to EV. When you think about EV, often the dwell time is different, right? It's starting to converge back on a convenience journey, but it's still not five to 10 minutes. It's still 15, 20, 25 minutes, sometimes 40 minutes, sometimes longer. So, there's a lot of format discussions. What does that mean for the format of the store? How should we support it? Typically, a lot of stores, even large stores, don't have seating, but should they have seating? There's a lot of non-sales per square foot when you consume a lot of it with dwelling instead of buying. And, so, that trade-off of trying to make the economics work when people are doing a lot of hanging around and not as much active buying. So, that might be an interesting thing to explore.

Electric Vehicles

Legislation

In terms of the **EV** journey, I have to say, it is probably where Shell globally is making a big push on energy transition and on EV. I cannot say we've figured it out anywhere, just as a heads up. But I think in many markets I've been to, (we've spent a lot of time in markets in other countries), I would say it is a bit like going 10 years into the future when you go into London and you are looking at the Uber drivers, the taxis, those sorts of people. As **legislation** shifts, it shifts people who don't have the luxury to just charge at home overnight.

When you think about the B2B consumers, that last mile delivery piece, there are actually many use cases that don't necessarily match up with our picture of the consumer today, the B2C consumer who sleeps at home with their car in the garage and then goes 50 miles or 100 miles to work and back. I do think there is a case for that.

We've actually done a site in London, albeit just one site, with e-mobility only and food offer only, and the utilization there is about 30-plus percent, which is really high relative to the industry. The other ones I've got so far have like two people a day, right? That's the kind of numbers we're talking about and no gross margin at all. It's such a nascent industry, but don't count out that there will be different types of consumer journeys that will be in this market and not just between Dallas and Houston or San Antonio and so on, but also in some of the urban areas. The question is how do you best meet their needs and how do we figure out the economic model because, as I've said, we've yet to figure that out.

Scott, to your point. You know that saying that "we overestimate what we can do in a year and we underestimate what we'll do in 10 years" — I think that, whether it's the EV journey or the convenience journey, that's where we really are.

Natalie Morhous Just a couple of things that I would add. It is so interesting to listen to everybody's perspectives. The first point that I wanted to raise was just on the people issue and, specifically, as the group talked about working from home and the change of how we white-collar employees work. And I will just say, we've had a little bit of a different experience at RaceTrac. We were

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relatively early to **return to the office**, and we operate under **a philosophy that flexibility should itself be flexible**. So, we have not dictated days of the week and we ask people to work where they will do their job best. And a lot of people choose to be together because they want to be mentored, they want to be social, they want to be around each other. They do work from home. It is somewhat of a hybrid environment.

Early on, we had to pull teeth to get people back in the office and then people came back and started experiencing our culture and experiencing one another and a lot of people like that experience. And so that's what they do. So, I'm not sure I agree that the future work is work from home. I think human beings are social beings and that work is one place we socialize, and our organizations are better off and stickier when we can be together on a pretty regular basis. So that's just one slightly different perspective on that front.

Legislation

Electric Vehicles

The other point that I was going to make is that I do think, on a lot of the topics that we're talking about, where we can come together as an industry and really get ahead of some of these topics, is making our voice heard **legislatively**. So, whether that's at the state level or the federal level, it kind of depends on the issue, there is a lot going on that will shape how the future looks. We've talked a lot about **EVs**. At the state level, one of the biggest hurdles that we have to overcome, at least in the states RaceTrac operates in, is demand charges that make it very, very difficult to be profitable with electric vehicle charging. Also, in many of the states we operate, we don't have the ability to be transparent in pricing either. For example, we can charge by the minute but we can't charge by the kilowatt hour, and if you're at a slow charger in the back of a Walmart parking lot, that could take you hours upon hours to recharge versus a fast charger. You're expending a lot more energy at a fast charger, and I think we need to come together as an industry and advocate for transparency, in the way we have in fuel prices, so consumers know what they're getting.

Workforce

And the other thing we talked a lot about is **labor**. There is a lot going on **legislatively** related to labor as well, whether that's joint employer rulings or independent contractor rulings as it relates to gig workers and other things. We have to live with the laws that are passed, but I would encourage the group, as laws are being written, to make our voice heard and share a perspective that may influence how those laws are written to benefit all of us and even businesses beyond convenience.

Roy Strasburger Natalie, those were some really great comments and one of the highlights of the day is "flexibility should itself be flexible." I really like that, and I think that it actually sums up the c-store industry very, very well, in that whatever the opportunities are, whatever the challenges are, whatever the regulations are, we've always seemed to be able to figure out a way to work with them, not necessarily around them, but to work with them. And I think we're going to continue doing that. It's sort of what Scott was talking about tobacco, or hypermarkets coming in with fuel, or drug stores selling beer. These were all the big threats to the industry that we've been able to accommodate in one form or fashion.

But something that I want to get back to is what Barbara was talking about a moment ago creating the mobility opportunity for whatever the customer needs.

Electric Vehicles

Alternative Fuels

Eva and I had a chance to go to the NACS Singapore c-store summit back in July, and in Singapore their big issue in regard to **EVs** is not cars, but it's motorcycles and motor scooters, because 75% of the transit population travels by scooter in some form or fashion. So, especially when they're talking about delivery drivers; how do they recharge quickly when they're making their Deliveroo or Gopek deliveries because they can't afford to be down for 30 minutes while they're recharging their bikes. So, **battery swapping** for bikes is becoming a big deal. Eva and I saw that take place in Berlin at a mobility center where you can drive up, get your petrol and you can also charge your car. You could swap out your battery for whatever your bike used. And they actually had an e-bike rental center attached to it as well.

So that whatever your mobility needs were, you could figure it out. I can't remember who said it earlier, but it's not all about electrics; it's hydrogen, it's going to be alternative vehicles, not all about electric vehicles. It's going to depend on what meets people's needs and how we adapt to those things.

NEXT: **Closing Thoughts**

Closing Thoughts

Myra Kressner We have probably four or five general buckets that everyone has talked about in some way or other. Is there anything that we haven't talked about? I know, Eva, you've spent some time looking at digital and the opportunities, is there a discussion about the digital and physical space and opportunities that we see? Scott, you've raised your hand. Go ahead.

Scott Hartman I didn't mean to jump in on where you were going with your conversation, but just a suggestion for the group as we go forward: I value the differences of opinions. I really, really, do. That's how we run our company. So, with this group, I would just say, if you could try to tag people to be the other side of the debate on the subjects that we cover and challenge them to be the alternative thinker.

I think we could go deeper into some of the subjects as you're looking at new ideas, because you always need somebody who's willing to say no, or I disagree, or have you thought about this. And, too often, with the herd mentality in this world today, we're all running with the herd and the valuable ones are the ones that don't go off the cliff. Is that fair?

Myra Kressner I think that's an excellent suggestion.

Roy Strasburger Scott, I think you're exactly on point. Today's get together was our initial talk and we wanted to take a very broad approach to get people's perspective of the industry. Our plan is that each future session is going to have a topic that will have a subject matter expert give a presentation on, then we will open the floor up to discussing that topic. Today was much broader because we're getting to know each other and breaking the ice. But we do want to get into an exchange of ideas and come up with everyone's different perspectives. That's the whole reason we're trying to do all this. So, you are exactly on target as to where we hope that we're going to be taking this.

Scott Hartman Good. Good. I was on the debate team, and if you don't force somebody to say "you're tagged" or "you two people are tagged" to advocate the other side, you're missing a lot of the true value in trying to make informed decisions. So, I would just ask you to see if you can find volunteers that are comfortable to do that, too, on your subject because nobody is always right.

Roy Strasburger And I agree with you and we're not going to decide which side is right. We're going to decide what the various perspectives are because everybody's going to do what they want to do at the end of the day. But I think there's a lot to be said both ways, so I think you are exactly right.

Scott Hartman You've put together a great, smart team, so let's use all the brains for both sides. Great!

AR/VR

Eva Strasburger To follow up on that, we just had a meeting yesterday. We had around 15 people on screen, and we were talking about the **digital world** and mixed reality: everything from QRs to augmented reality and virtual reality. And what are the expectations of Gen Z who spend all night on Roblox and are using AR on Google translator and doing all their ordering online when they step into a c-store. Some of the responses were: "Just because you can, doesn't mean you should" or "We only go forward if we think this is solving a problem." However, if you've got that mentality of only looking at new ideas if they solve a problem, then, when do you decide to take a risk and say "Maybe mixed reality doesn't solve a problem but it's out there. Why are other people using it? Why do they think there's a need?" And opening up the mind to say, "Let's try it" rather than "We're not going to do it just because we can, since we don't see it solving a problem."

Leadership

That requires a bit more open-mindedness because, from my perspective, as a person coming in from overseas and having lived all over the world, there is a lot less nimbleness and innovation in the c-store industry. It doesn't excite me going into a store here as it does in Italy or in the Philippines. **What is it that we might be able to do to be a little bit more innovative, even if it's not necessarily solving a problem?** It doesn't have to mean investment. It doesn't have to mean energy and time. But there are ways to tweak it. Scott. I'd love to see a debate instead of everyone just saying "Yes, we should do this" or, "This is what we're doing."

Myra Kressner And I think we've seen a little bit of that today. But we can certainly take that direction as we move forward. I would say we could start to wrap up. Are there any closing comments that anyone wants to share? Scott said let's be very, very frank with each other. Are there "do wells," "could do betters," that you want to share, or suggestions for this group. Folks have already given us some, but any just initial feedback or thoughts about this, our group, the Convenience Leaders Vision group? Yes, Joe.

Joe Sheetz I think Roy summed it up pretty well; that it's a little early to be able to make those kind of comments, cause today was the get to know each other, get to understand the charge of this group kind of meeting. I think we'll probably learn a lot from that first big issue, whatever that is, at the next call. And we may at that point have several comments about ways to do it better.

Myra Kressner Good, thank you. Barbara, I think you sent me an email.

Leadership

Barbara Stoyko Yes, I just dropped a note. We use a methodology for brainstorming called "**divergent thinking**," and sort of to Scott's point, it forces you to think out, way out, as far out as you can get, and then you start to see some things that you think "oh now that's really interesting" or, "that plus this is really interesting". We could probably use a couple of methodologies to sort of force our thinking further if we want to.

Myra Kressner Great! We'll check that out. So, unless we have any other closing thoughts, we will get back to all of you very soon and hopefully you did also have a chance to see the tentative 2023 meeting dates. I think the next one that we did have scheduled was toward the end of January, but we'll of course be sending up the following note to you and then you'll hear more about everything that we just talked about on this call.

Eva Strasburger Myra, I was just going to say in closing, can we just ask everybody on this call what are two subjects they would most like to talk about or learn more about for the next call — and just see what the variation is?

Fouad El-Nemr So, I know Scott, you guys do it at your stores, but I don't know who else does it: **Gambling** in the store. I know Massachusetts is about to pass sports book gambling, sports betting. And I know there's a lot of slot machines starting to go in, too, and we just got our first casino in the state of Massachusetts. So, I would be interested to talk about gambling and where gambling is going to enter into the convenience store.

Gambling

Scott Hartman Yes, I agree. I've been telling folks for a while now. I think **gambling** is an underestimated consumer offer because we really don't look at lottery as gambling a lot of times, but that's the baseline. Once you get into other gambling, I think our stores will change significantly in the future when it comes to gambling. It's a great subject.

Fouad El-Nemr And I remember you talked about it, I think in '18 or '19 in Miami, at the Leadership Conference. A lot of the landscape's changed a lot since then.

Scott Hartman Good for you. I can't remember what I had for lunch yesterday [laughter].

Alternative Fuels

Delivery

Roy Strasburger Myra, or Eva, a couple of topics that I would like to throw out, and Kevin alluded to this, is the business model around **alternative fuels**. Whether we can talk about that a little bit more. I'm also still very interested in the last mile **delivery**. I know that a lot of quick delivery folks have been burning out recently, but I feel that the consumer now has an appetite, as it were, for that. So, there's probably going to be a niche to play. I don't think it's having their groceries delivered in 15 minutes, but it's going to be something that, I think, we've got to be aware of to keep our share of the customers' wallet. So, I'd like to talk a little bit more about that in the future.

Logistics

Hal Adams Tagging on Roy's comment on last mile delivery, I think it would be interesting to attempt to make that discussion a bit more broad and piggyback on Drayton's comment about **logistics**. There are so many hidden logistics costs in our business that we don't see on our P&Ls. Fuel delivery, chemical deliveries for car wash, just all kinds of logistic costs that we deal with. If we really try to peel back the onion and understand that they are logistics issues, that could help us solve some of the last mile delivery, some of the foodservice issues that we have, some of the other issues that we have. If it's a whole different subject, I'm OK with that, but it might be interesting to try to figure out how to have a broad discussion on logistics.

Alternative Fuels

Workforce

Jigar Patel So, two main topics for me from today's discussion. One, definitely, how to monetize **alternate fuels**? How to marry that with the logistics in our store where consumers are coming in for, let's say, 20 minutes charging their cars. What is it we're going to offer them and keep them engaged in our stores for that period of time? I would definitely like to look into that more and learn more from the group. Second thing is, the **labor market** is something that I feel that it's an issue that is just starting. I think it's just going to get worse as we go down the line. So, as convenience stores, many times, we are the first jobs for many people and play a big role in training them in how to be efficient in the workforce. So, I would like to see how, especially with Gen Z and millennials coming into workforce, how can we bring in the aspect of mental health into our workforce because, I think, that would be one of the biggest points for retention. Because mental health benefits are very widespread and people are looking for them. Everybody's offering them. What is it that we, as convenience store leaders, would do to bring that to our industry? And I think that would be a big retention point for us as well. So, I would like to see some discussion around that, too.

Kevin Smartt I had three things down that I would like the group to have conversation around.

Sustainability

One of them is **sustainability**. So, our companies are on the path of growth, and in a lot of the towns and areas where we're trying to get permitted currently, those cities are asking us, and want to understand, what we're doing to make our sites more sustainable. And, of course, I think it is high on a lot of people's list, the consumers' list, of being a good actor today and doing your part. So, I'd like to have a conversation around reasonable, easy things that as retailers we could do, that are low hanging fruit and then what's that next level of sustainability measures we should be thinking about.

We're putting in water capture tanks for irrigation in our stores to capture the rainwater off the roofs. Right? So, in new stores, that's pretty easy to do, so just things like that that we should be thinking about and talking about in the industry that helps our image.

Technology

AI

Security

Operations

Logistics

Sustainability

The second thing would be forward-looking **technology**. I think there's some emerging technology that is there today that can really transform our industry. One would be that we're testing in the store: an **AI** that lives on edge servers in the store, right? And this AI is just grabbing your current camera feeds. You don't have to put more cameras up and it takes in the camera feed, and it has many, many, use cases. The really important one for our industry is if anybody ever pulls a **weapon** of any sort out of their pocket, on the parking lot, or in the store, it immediately flags it and can send messages to law enforcement or to whoever it is. If there's **water** in the floor, it automatically highlights water being on the floor. It's a slip hazard, right? Gloves or hairnets come off in the food area, immediately it tells you. So, things that would make us safer, better operators — I think the technology is there today. I think this would be a really good conversation for us to have to help guide our industry, again, in that direction. And then, just last, because we're all talking about food, I don't remember if it was Hal who said it, is **logistics**. Our challenge is getting good food to our stores. It just hasn't meshed well with our current distribution system so trying to think through that, so we can serve flavorful, healthy food options in our stores, which I think is important as we go forward. So, I think those three things will maybe be good to have a conversation around.

Barbara Stoyko I'm just going to vote on the ones that I've heard so far because there were so many good ones. I'm really interested in the **logistics** discussion and the labor market discussion. I think **sustainability** is a really interesting one. We've done a lot of looking at that. We have not been able to get it off the ground, whether it's recycling at site or something else. It's just so difficult to do because we're trying to always think about what we can do, not just for our own company network, but for all of our wholesalers throughout the market. It's very difficult. Even things like biodegradable bags or cups or all those kinds of things. So, there's a lot of potential options. It's just very difficult to land a solution that is workable.

Myra Kressner Great. Anyone else? If there are no other closing comments — Roy, Eva?

Roy Strasburger Thank you very much. It's apparent from the last 15 minutes that you're all in on the spirit of what we're trying to do here, the sharing of ideas, coming up with ideas, the discussion of ideas. And, as I think we've all mentioned at some point or another, our goal is to help the industry and to share perspectives and this is a way of doing that. So, over the next three or four weeks, you're going to see an example of how we are trying to move that information out from this meeting and to the general public and the industry. We need your input on that as well. We really appreciate it because you're volunteering and donating your time to do this as is everybody else and we're all just trying to make the industry a better place. So, thank you very much for your time and for what you're doing.

Myra Kressner Thank you everyone and goodbye!

Convenience Leaders Vision Group brings together convenience retail icons and trailblazers through quarterly virtual meetings. During these sessions, members identify trends, challenges and disruptions in retail as well as possible solutions and opportunities. The group is committed to sharing its views and perspectives in order to advance the convenience retailing and mobility industry. CLVG operates under the Vision Group Network, which gathers the collective knowledge and ideas of its members to create a legacy of sharing within the retail community. For more information and to sign up for future Vision Reports, visit our website:

tvgsolutions.com/CLVG

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