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The disappearing convenience of convenience stores

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Headline: Commentary: The disappearing convenience of convenience stores (Updated)

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You've just pulled another late shift in the office. Minutes away from home, you realise it's close to midnight. You remember that you've run out of milk for the children. There isn't a 24-hour supermarket near you, so you decide to go to the convenience store around the corner instead.

When you get there, however, the store is shut – with the lone cashier on break. If only the store was automated and self-service, you'd be in and out within minutes, you think to yourself.

RISE OF E-COMMERCE

Convenience stores have long been the quick go-to for newspapers, cigarettes, and snacks. But as retail evolved, so did the corner shops, offering a wide selection of the most frequently purchased categories.

Relative to the larger formats of supermarkets like Cold Storage and NTUC FairPrice, or superstores such as Giant and Sheng Siong, chain convenience stores such as 7-11 or Cheers are located within the close vicinity of shoppers and are often open 24 hours.

They also offer an often-cheaper alternative to F&B outlets with their small selection of ready-to-eat food such as sandwiches, fresh baked goods, rice sets and instant noodles with hot water dispensers.

This format has also thrived in Singapore in its independent version in the form of mom-and-pop run mini-marts and provision shops.

But the pandemic and consumer behaviour changes caused by COVID-19 lockdowns and fear of contraction of the virus even after measures were eased have had some serious consequences for the convenience store industry.

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In August, mini-marts and convenience stores logged a 3.9 per cent year-on-year decline in retail sales, extending the previous month's 5.4 per cent fall.

The era of explosive growth for Internet and mobile commerce has led to existential crises for some industries in Singapore, and indeed, around the world. They have also led to exciting opportunities for new ones.

Newspapers, bookstores, music stores, department stores, and indeed malls, have all been affected in profound ways. Some key players have shut down, unable to adapt.

In Singapore, we have seen the exit of several big names, including Borders and Robinsons. At the same time, a host of new players across various platforms have grown in reach and sophistication, including Shopee, Lazada, Deliveroo and Grab.

The convenience store format may well be the next sector to feel the impact of technological changes.



HOW DID THE PANDEMIC CHANGE CONSUMER BEHAVIOUR

The most major change is that consumers have begun getting used to purchasing a much bigger basket of goods and services online.

In particular, grocery stores, which remained a brick-and-mortar stronghold even in the face of the growing e-commerce trends, have suddenly felt the heat from competitors on online multi-product platforms such as Amazon and Shopee as well as from dedicated grocery stores such as RedMart.

The diversification of other logistics and delivery services such as Grab, Foodpanda and Deliveroo into groceries has meant a sudden influx from a very unexpected source of competition.

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This trend has affected the larger grocery stores, which have all aggressively tried to move online, while also revamping the look and feel of their brick-and-mortar stores to provide a superior shopping experience.

The smaller format convenience stores may well be next.

ARE CONVENIENCE STORES LOSING THEIR RELEVANCE?

Online shopping platforms offer a much bigger variety of items that can never be matched by convenience stores.

The ease of tapping orders on a phone and having them delivered within hours also reduce the incentive to make that trip even to the convenience store nearby.

The ready-to-eat foods in convenience stores now face competition from hawker centres and food courts that were pushed by the pandemic onto food delivery platforms.

In addition, on the supply side, the sudden manpower crunch means that convenience stores are sometimes not able to provide the continuous 24-hour operations that characterised the format.

All this diminishes the essential convenience of convenience stores.

10-MINUTE DELIVERIES, WALK-OUT TECHNOLOGY

There are several ways for the convenience store operators to continue to stay relevant.

In India, some firms have been offering “rapid delivery” services, with small orders being promised with “10-minute delivery”.

The automation of some food and beverage services that we see around Singapore such as automated baristas and vending machines offering sandwiches and hot meals could also see a presence in convenience stores, not just for coffee but for other customisable products such as salads and shakes, and popular items such as bubble tea.

The result may be a revamped convenience store that becomes a seamless part of the online and offline shopping experience for the average Singapore consumer.

Automated unmanned store formats that eliminate the need for staff may also be a fresh new business model. Over the last few years, several such unmanned convenient stores have popped up in Singapore. However, they have yet to become the norm in the heartlands.

Pick & Go, founded in October 2019, has four such outlets in Singapore. There is also Octobox, which has a handful of unmanned stores. In May, Cheers launched a hybrid store with manned and unmanned sections at Nanyang Technological University (NTU). It also has an unmanned and cashless store in Tampines.

Such unmanned formats have additional benefits in terms of the data that can be collected. Entry and exit times of shoppers and customer-specific information provided by the app can further help optimise both supply and marketing planning.

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Of course, location will continue to be critical for convenience stores. The consideration of the immediate neighbourhood of the store should guide the design and assortment of each member of the chain.

Convenience store patrons from residential locations in the city or heartlands, and in tourist, commercial, industrial, or school areas, and in petrol stations differ in their needs.

Convenience store chains that can match the needs differentially in these locations while maintaining the strengths in supply chain management across the country, can continue to stay relevant and even thrive in the new normal.

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