

Convenience
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Cenex Seizes Success

Company-owned Cenex Zip Trip stores feature a revamped look and a new line of fresh foods, while the Cenex-branded network is driving sales with a renewed retail design and a loyalty partnership with Cabela's.



ALSO IN THIS ISSUE:

Sustainable Steps for Conserving Energy34

Smokeless Sales are Surging38

Bettering Restroom Practices50



Cenex

SEIZES SUCCESS

CHS INC. IS SURGING into 2013 with exciting new convenience store designs for its two primary retail brands, an expanded food-service initiative and a successful loyalty partnership as it lays the groundwork to expand its c-store network.

At its 68 company-operated Cenex Zip Trip stores, CHS has been upgrading store interiors and exteriors for a uniform appeal from the coffee bar to the forecourt. Its network of about 1,500 Cenex-branded sites has been transformed as part of its Generation Image Renewal initiative, which modernized graphics, canopies and lighting. At 350 of those sites, dispensers will be additionally upgraded to incorporate a premium diesel offering.

Meanwhile, to keep pace with other c-store operators, Cenex's Cabela's

club loyalty partnership and strong community involvement are helping CHS keep close to its roots as a leading corporate citizen.

FARMERS CO-OP ROOTS

CHS Inc. started as the Farmers Union Central Exchange in 1931, providing energy products, crop inputs, grain marketing and other related services to U.S. farmers and ranchers through a co-op system. This core cooperative company later became Cenex, a combination from the last two words in its former name.

In 1998, Cenex merged with Harvest States Cooperatives to form Cenex Harvest States. A few years later, in 2003, the cooperative changed its legal name to CHS Inc., with Cenex becoming the name of the energy brand.

Cenex opened its first convenience store in 1988. Today, Cenex-branded sites are owned and operated by co-ops and independent dealers in 19 states. About 1,000 of its nearly 1,500 sites offer Cenex convenience stores in addition to the fuel brand.

As part of its plan to expand operations, CHS acquired 34 Zip Trip stores in 2008, and kept them as company-owned and operated stores. At the time, it owned a number of c-stores under various brands, but converted those over to the Zip Trip banner to gain traction in the communities it operates. Today, the 68 Zip Trip stores can be found in eastern Washington, northern Idaho, Montana, North Dakota, South Dakota, Wyoming and western Minnesota.

"Owning the Zip Trip chain was a good fit with our refinery in Montana,



Company-owned Cenex Zip Trip stores feature a revamped look and a new line of fresh foods, while the Cenex-branded network is driving sales with a renewed retail design and a loyalty partnership with Cabela's.

By Erin Rigik, Associate Editor

so it was nice to own and operate those facilities in and around that asset," said Doug Dorfman, vice president of refined fuels marketing for CHS. "From a retail perspective it's beneficial to own some locations so that we can try programs, promotions and floor sets, in order to implement those quickly."

ZIP TRIP FACELIFT

Cenex Zip Trip stores have been undergoing an interior and exterior reimagining since 2011—a project scheduled to be completed in mid-2013. "We already finished fueling islands and canopy faces a few years ago, so now we're focused on facelifts on the exteriors of the stores themselves, as well as resets and updated graphics on the interiors," said Dorfman.

Obtaining uniformity in the brand

also played into the company's rebranding strategy, said Ian Johnstone, general manager of Cenex Zip Trip Stores.

Stores received a new FlavorFusion multi-head soda machine that allows customers to add flavor shots; a f'real milkshake machine, an ICEE machine and a newly designed coffee bar featuring Boyd's coffee. "We had a panel that tasted coffees because we wanted to find a quality coffee product that people would drive past other stores to get to," Johnstone said.

Stores offered virtually no graphics prior to the reimagining. The makeovers added new graphics on cooler doors and hanging plexiglass directional signage. New LED message boards advertise food offerings.

The paint scheme changed to a

baguette and a blue motif with the fountain area highlighted in blue and the coffee area accented by a chili-orange color. Doors were given a natural finish, and black shelving was added to contrast the colorful walls.

Zip Trip painted the exteriors of the buildings where applicable so stores of similar style could carry a consistent look. Depending on the age of the stores, some received major overhauls, while others needed only new paint and graphics. While the Zip Trip logo, which is only four years old, remained the same, the signs were updated to provide a fresher store appearance.

FOOD FOR THOUGHT

The next step in bringing Zip Trip to the next level involved entering the world of fresh food. "We wanted to



COMMUNITY CENTERED

CENEX PRIDES ITSELF ON remaining highly involved in the communities it serves, offering its marketers numerous opportunities to drive traffic by engaging its customer base. "Everything we do is to bring awareness to the brand and try to bring business into our facilities," said Doug Dorfman, vice president of refined fuels marketing, CHS.

Backpacks For Kids. In 2012, Cenex Zip Trip stores participated in growing the Salvation Army's Backpacks for Kids Campaign in several states for the third straight year.

We're With You Campaign. In December 2011, Cenex launched "We're With You," which recognizes and rewards people nominated by others for making contributions to their local communities. As part of the campaign, it included the Tanks of Thanks program in January 2012 to award free \$50 fuel gift cards each month to people making a difference in their communities. Through Tanks of Thanks more than 5,000 people were recognized with gift cards in 2012.

Holiday Gift Card Promotions. CHS launched a holiday campaign in 2011 to maximize Cenex gift card sales through suggestive selling and merchandizing techniques. Boosted by aggressive marketing and retailer engagement, gift card sales at Cenex have increased each year since the brand first introduced them around 10 years ago, but it's only in the last few years that Cenex has made its gift cards a strong focus for the brand. Cenex is again focusing on gift card sales in 2013. It works to find unique ways to market the cards, even testing a scratch and sniff offering to draw customers' attention.

deliver a fresh quality breakfast sandwich made with fresh ingredients, and that proved difficult because, while we could source the products we were looking for, we couldn't get them at a price point that would allow us to offer customers the sandwiches at a value price," Johnstone said.

So Zip Trip turned to its distributor Core-Mark and together they found a breakfast sandwich made by a local supplier that Zip Trip debuted last year. Zip Trip now offers 3-5 varieties of short-code-life sandwiches in 2-3 different types, including a hoagie and a triangle sandwich. Deliveries arrive three times a week and sandwiches feature the Zip Trip logo. The company also experiments with limited time offers—such as green chili burritos, which were a big hit with customers—to give customers a constant variety.

Currently, Zip Trip is looking to expand its foodservice with a take-home dinner offering and it's again turning to Core-Mark for some guidance. The chain is now testing options that include macaroni and cheese, soups and chili, grilled chicken dip-pers and a smoked salmon, among others. In early 2013, the top testing items will begin rolling out chainwide to Zip Trip stores.

"We try to be consistent, but not all the stores are built the same way since many came from acquisitions," Johnstone said. "All the stores have a cooler case and can offer the sandwiches, but otherwise we will offer what we can at each store depending on the footprint."

In addition to short-code-life sandwiches, stores also offer an array salads and branded sandwiches in the cold case, which complement the roller grill program.

"We're working to build non-tobacco sales," Johnstone said. "We know people are leaning towards fresh and want to eat better. It's been a good balance. Our fresh food business is up 8-10% and we're constantly monitoring it for new ideas and bringing in LTOs.

CENEX SEES SUCCESS

CHS works to drive traffic and sales for its Cenex-branded locations with popular promotions and a strong loyalty program.

CHS partnered with Cabela's in 2009 to launch a loyalty partnership to benefit its fleet of Cenex stores. Cenex customers who use the Cabela's Club Visa at the pump receive double points redeemable for free Cabela's gear. In its first two years, the Cabela's CLUB Visa transactions at Cenex locations increased by 80%, resulting in \$152.8 million in new sales for Cenex marketers.

Fast forward to 2012 and Cabela's Club Visa transactions at Cenex locations have nearly tripled since the launch, resulting in \$284 million in new sales for Cenex marketers. Customers who shop at Cenex c-stores earned an additional 127.7 million reward points since the program was introduced about three years ago.

"As long as customers use their Cabela's card at a Cenex, they get the reward back. So it's an easy opportunity for the consumers. They don't have to do anything in addition to buying their fuel—just come to Cenex versus a competitor," said Dorfman. "CHS is extremely happy with the program. We support the incentive at no cost to our jobbers or retailers to offer the program."

Complimentary merchandising kits and local store marketing tools are provided to retailers.

As more retailers look to form partnerships with other businesses to drive sales, Dorfman noted loyalty programs today are an essential part of a successful business model. "I think the struggle in the industry has been how to offer that loyalty—is it loyalty cards, punch cards, something that rolls back at the pump?" he said. "We've seen a number of issues with that technology so our decision was to make this as simple a program as possible and provide the best value for the consumer, and we think we hit that sweet spot."

And when customers arrive at a Cenex-branded location to use their Cabela's loyalty card, they find modern stations with top quality lighting and newly refreshed signage. That's because back in 2007 CHS launched a major reimagining campaign that spanned 36 months. All Cenex retail stores underwent a major renovation to reinvigorate brand identity, increase consumer appeal and support the company's aggressive growth plans.

With the program now completed, the result is modern signage with a consistent image among all Cenex sites. During the renovations, changes included a new look for the canopy, signs and pumps. Sites were spruced up with brighter, more eye-catching paint colors and new lighting. Digital signage helped modernize older stores.

"The canopy design changed from our original two color 'tri-band' image to the new Generation Image, which is a brighter red and white that highlights our Cenex brand," said Dorfman. "We have stores that have been in the system for as long as the brand has been around, and we have new sites coming on board every day. The new image needed to appeal to all marketers."

CHS funded the majority of the costs associated with the upgrades and helped sites with grand re-opening plans and in advertising the new look to customers. Sites were able to remain open during the construction period.

New lighting was an optional upgrade that a large percentage of the network opted to add. Marketers had the opportunity to add a new style 3-D Cenex canopy logo that replaced older fluorescent sign cabinets. Also, customers with older model Scottsdale lights were offered an option to upgrade to LED canopy area lighting. The energy savings of these options can range anywhere from 40-60% over traditional light sources.

"Not only does the new lighting save our operators money, but also gives our canopy a modern look,

which is more attractive to the consumer," Dorfman said. "As with new canopy lighting, digital LED price signage is more efficient for the operator and offers a better, more eye-catching display for the consumer."

It also allows store operators to change prices on their signs remotely from the back office.

Cenex is now reimagining its dispensers at 350 Cenex-branded sites to incorporate premium diesel, a project scheduled for completion in 2013. "It's a product no one else is really offering and it's a requirement for new engine technologies for on-road and off-road vehicles," Dorfman said.

GROWING IN 2013

The Cenex-branded network has been busy growing at a rapid pace. Over the past four years from 2007-2011, Cenex added approximately 400 sites to its fleet. With both Cenex-branded and Zip Trip sites in top shape, CHS is prepared to continue growing both brands in 2013 and beyond.

The Cenex brand is scheduled to average about 50-75 new locations a year over the next several years. Zip Trip, which added about 2-3 locations in 2012, plans to add up to half a dozen stores per year.

"I think part of what differentiates our Zip Trip stores is the customer experience. We have very little turnover at our corporate stores, and our stores are very well run. We take great pride in the appearance of our locations," Dorfman said. "But we are also passionate about our participation in the communities in which we operate. We take a lot of pride in participating with the communities—whether it's supporting local sporting events, churches or associations. We are part of the communities."

As for Cenex, "We're not major oil. We have a lot of locations out in rural America so it's that connection to the community and the quality of our facilities that really differentiates the Cenex brand," Dorfman said. **CSD**



At a Glance: CHS INC.

CHS CAN TRACE ITS roots back to the Upper Midwest and Pacific Northwest in the 1920s. The Farmers Union Central Exchange, which later became Cenex, was established in St. Paul, Minn., in 1931. Farmers Union Grain Terminal Association, which became Harvest States, was founded in 1938, also in St. Paul. In 1998, Cenex merged with Harvest States Cooperatives to form Cenex Harvest States. In 2003, the cooperative changed its legal name to CHS Inc., with Cenex becoming the name of the energy brand.

Fuel Brand: Cenex. Over 350 locations also offer premium diesel.

Convenience Stores: 68 company-owned Cenex Zip Trip sites in seven states, and about 1,500 independently owned and operated Cenex-branded sites in 19 states. There are some 1,000 Cenex-branded c-stores.

Foodservice: Three Taco John's. Proprietary fresh sandwiches and salads are offered in corporate stores along with a roller grill program. The company plans to roll out a take-home dinner program in 2013.

Car Washes: Eight at Cenex Zip Trip stores, including one Tunnel Soft Cloth and seven Touchless.