

# Petrol PLAZA

## FreshStop, the South African retailer that understood new times

**In 2013, FreshStop was named International Convenience Retailer of the Year by Insight NACS. It now has 250 stores across Caltex stations in South Africa. We interview Joe Boyle, Director of FreshStop, to learn more about their business and South Africa's market.**

As many convenience stores around the world start investing in fresh food and healthier options, South African retailer FreshStop was already walking this path back in 2009. The brand recently reached a new milestone with the opening of its 250th store in Kempton Park, Gauteng. All their stores are located at Caltex stations in South Africa. In 2013, it was named International Convenience Retailer of the Year by Insight NACS Convenience Retail Awards.

When drivers arrive at a Caltex fuel station with a FreshStop store they are greeted by the slogan “Fill up, fresh up!”, bright green colours and images of fresh products all across the store windows. In many ways, FreshStop embodies the character of the modern convenience retailer, offering a wide selection of healthy products, including fruit and vegetables, alongside typical c-store products such as cigarettes and chips, as well as various food-on-the-go options such as burgers, chicken wraps and hotdogs.

### **Coming up with a new c-store concept**

When Chevron SA, owner of the 870 Caltex gas stations active in South Africa, asked grocery retailer Fruit & Veg City to develop a new, joint convenience store concept for its fuel station network, the FreshStop concept started taking shape. In those days, South African convenience stores were dominated by the Five C's: chocolate, coffee, carbonated soft drinks, chips and cigarettes.

“FreshStop had to mould its concept to fit into the fuel retailing world, as before we never sold chocolate bars, cigarettes or soft drinks,” explains Joe Boyle, Director of FreshStop. “We did some market research and we realized that many customers were interested in healthy products but also liked to indulge in some unhealthier things, so we came up with a mixed concept.”

What set FreshStop apart from its competitors, according to Boyle, was the fact they could use the distribution and buying power of Food Lovers Market and Fruit & Veg City to offer fresh products at reasonable prices. “We worked out a structure so we could get to the Food Loves Market distribution centres from our stores.”

## **Adapting to the needs of each location**

FreshStop is opening an average of 35 to 40 stores per year, with Caltex's 870 service stations still leaving much room for expansion. When a store operator wants to convert to FreshStop, the company evaluates the characteristics of the site and together with the operator decides the most successful format.

"Some stores are quite small, some have a kitchen and others are in between. In general, we try to work with what is there. We find that groceries are on the decline, while the food service area is jumping substantially. So we are trending more into installing food service stores," says Boyle.

The company also decides which food categories can work best for that store. Through building partnerships with other brands, such as Lavazza, and developing their own food offerings, FreshStop currently has twelve different food, beverage and breakfast options that they can install in a store: Crispy Chicken, Hooked On Fish & Chips, Grill 'n Go, Pizza Stop and Biltong Bar are just some examples.

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## **Offering all food options to the customer is key**

Although FreshStop has a strong focus on healthy food, they offer a large selection of traditional fast-food options. Boyle believes you can't turn your back on what the customer wants: "You need to give customers the opportunity to buy the healthier option one day, and the more 'comfort food' options the next."

Quick serve restaurants at service stations have become a strong trend in markets around the world and FreshStop is riding that wave like no other in South Africa, nibbling at the same time into the business of traditional restaurants such as McDonalds and KFC.

"We have the capacity to put a chicken shop, a burger shop and a hotdog shop in 20 square meters. We can use economies of scale when dealing with staff, or ordering for storage and production. We are starting to move into the market where we are able to compete in price and quality with traditional restaurants. It will still take us a few years to get the recognition of the big brands but we offer more options than most of them," explains Boyle.

Their latest store to open is the first to include a diner: "Customers can go in, buy their food, and eat right there if they wish to. If they need to charge up their phone or send an email, those facilities are also there for them."

## **Africanizing global trends**

Joe Boyle explains that they always keep a close eye on the trends that develop in markets outside of Africa, paying special attention to the U.S. Most of the current trends around the world, Boyle also identifies in South Africa.

Quality coffee has become an essential part of their business with 100 of their 250 stores offering barista coffee. They have even developed their own brand, Seattle. “It is unbelievable how many customers come in for that. Our Seattle loyalty program shows that on average customers are coming to buy coffee two times a week. If you are going for coffee to a fuel station twice a week, why would you go anywhere else to fuel your car?”

The rise of energy drinks is no stranger to FreshStop, which has installed 35 ‘energy drink zones’. “Because we are reducing on groceries, we increase the space for energy drinks, which are a little more expensive than others and have a good margin.”

As part of the trend towards healthier products, FreshStop has started offering fruit pressed juices – the availability of fresh fruits and vegetables due to their good distribution network allows them to offer these kinds of products for lower prices than cafes or bars.

“I think innovation and trends are fantastic but you can’t lose what c-store business is really about – convenience. Making sure that people can get the product they want as fast and convenient as possible. We need to ensure that people trust our industry,” says Boyle to finish the interview.

*Article by Oscar Smith Diamante*