

Marketing Beverages Beyond Refills

Dispensed beverage marketing programs can work harder to drive sales

When it comes to beverages, convenience store retailers really do have an edge on the competition and a real value proposition for consumers. By offering a broad array of popular brands, in a variety of flavors and package forms, at compelling price points, convenience stores truly have a beverage offering to satisfy any thirst for consumers on the go.



By Jacqui Cintron, Whirley-Drinkworks!

On the surface, beverages are a business driver for convenience retailers, representing the second highest-selling category (foodservice, which includes dispensed beverages) and the third highest (packaged beverages) behind tobacco. According to *Convenience Store News* Industry Report data, dispensed beverages contribute more than 30 percent of foodservice sales and

an average of 57 percent gross margin.

When you drill down a bit further, however, the fact is your dispensed beverage marketing programs for coffee and fountain soft drinks could be working harder for you — driving incremental sales, profits, visits and customer loyalty.

Based on data from our top 25 convenience store chain customers (approximately 20,000 stores), the upside potential is enormous. If these chains sold one mug per store per day, and customers purchased refills once a week, the total potential sales would be upwards of \$745 million, equating to more than \$25,000 in annual store sales and in excess of \$14,000 in gross profit margin. This is not a far-fetched proposition when you consider the current average mugs sold per store per day is 0.3 to 0.5, and average refills are three per month.

BEVERAGE MARKETING BEST PRACTICES

The business opportunity in the dispensed beverage category does not begin and end with the decision to

feature a refill product or discount offer.

A well-designed and executed beverage refill program can drive increased store sales in excess of 25 percent. These promotions are normally anchored by a reusable vessel or custom product with a compelling retail price point and refill offer.

There are three key components that define best practices in the marketplace:

- Program development;
- Product selection; and
- Program execution.

PROGRAM DEVELOPMENT

Most quick-service restaurants (QSRs) do not promote a refill program, so this is a point of differentiation for you. While most convenience stores do offer a refill program for coffee or fountain beverages, most do not leverage the mug or product as a promotional vehicle that can keep their brand top of mind with customers.

The most successful refill promotions in this channel work best because they have resources dedicated by the category, merchandising and operations teams; in other words, a totally consumer-focused program.

For example, the successful ROO Cup program at Kangaroo Express (now in its fourth year) and the 7-Eleven Mustache Straw (which drove consumer awareness and interest through well-executed in-store merchandising) integrate marketing using social media



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and mobile marketing to engage customers and industry media communication.

Understanding your business objective is the key to success. Do you want to drive visit frequency or traffic against a specific daypart? Introduce a new product? Attract more visits by women and kids?

Once you are clear about your objective, the next step is to develop the right core offer, including margin for your company and a compelling offer for your customers (e.g. a \$5.99 mug retail with 50-cent refills for the 100 days of summer; a Happy Hour discount from 2-6 p.m.; or a custom straw for frozen carbonated beverages to drive purchases among kids).

When considering your objective, it is also recommended that you don't "hot price" your disposable cups during the promotional period. Why sacrifice margin on disposables when you can drive traffic to your beverage refill program?

In addition to promoting your core offer, consider inserting discount coupons into the mug to drive breakfast traffic or trial of a new snack offer. This provides your customers with immediate gratification and lets you partner with food vendors to co-promote new products.

PRODUCT SELECTION

Refill programs are also a very effective way to promote your brand outside the store and build consumer loyalty. Consumers understand that convenience retailers need to feature their brand on the refill mug, but this mug is also a reflection of their taste and personality.

Size, style, colors and graphics are key drivers of the purchase decision, so the design

of your mug deserves strategic thought and consideration. Paying attention to current trends in colors and graphics, and creating an attention-

grabbing design that your customers would proudly carry with them are table stakes to making your dispensed beverage marketing programs work harder for you.

Consider a unique custom product design as a great way to bring your brand to life and differentiate your beverage program.

COMMUNICATION & EXECUTION

Once your objective has been defined and you have selected the right promotional product, it's time to plan for best execution. One of the most important and yet most commonly overlooked best practices is in-store execution.

Commit to merchandise and promote the program in your stores. Your refillable mugs should be in a display positioned properly and neatly in a highly visible part of your store near the beverage center, with clear signage at eye level to have the greatest impact.

At your point-of-sale (POS), the refill discount is what drives value to your consumer and should be front and center. Keep other information simple, concise and readable.

A best practice in the area of execution is to have marketing communications involved and be sure to integrate social media into your program. Are you leveraging your website, Facebook page, Twitter or foursquare accounts to stay connected with your customers?

Your refill mug program can be used as a fan-building promotional item. Consider including your Facebook address or Twitter handle/hashtag on the mug artwork as a way to gain new followers. Create contests and special offers around your refill mugs to engage your current followers, and support your social media campaign with in-store POS as an additional awareness-building component.

Why not use your refill program to build traffic and sales across dayparts? Capitalize on



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the opportunity around afternoon snacks by featuring a beverage category such as iced coffee or frozen beverages to encourage trial, or

offer a bounce-back coupon good for a snack item and/or a beverage when customers purchase a breakfast or lunch deal.



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Happy hour is a concept that Sonic and Taco Bell are promoting extensively in the QSR category, and convenience stores can use this idea as well.

Millennials are the biggest opportunity for future growth. Besides looking for deals, this generation is “socially conscious,” so promotions that support charities or the environment will resonate with them. You can create promotions that contribute to a nonprofit cause or promote “choose to reuse” refill programs that are a great way to minimize use of disposable cups, and an easy way for your customers to feel like they are doing their part to be more environmentally focused.

At the end of the day, the very nature of refill promotions is consistent with the essence of convenience — good value, quick in and out, and satisfying a consumer need.

To be successful, all it takes is establishing a clear objective for the program, designing a refillable mug that your customers will be happy to carry with them, and committing to promoting and executing the program with distinction. You may find the results to be very refreshing! **CSN**

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Editor's note: The opinions expressed in this column are the author's and do not necessarily reflect the views of *Convenience Store News*.