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ENDCAP

SUBSCRIPTION ECONOMY

By Bruce Horovitz

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Somewhere around age eight, I joined the subscription economy. Of course, it wasn't called that way back in the early 1960s. But with Mom's assistance, I started subscribing to a magazine called *Highlights*, which I first discovered while nervously waiting for a check-up at the dentist's office.

The magazine was a wonderful distraction because it was filled with games, puzzles and stories that kept my mind off the fast-approaching march to the dentist's chair. Once I started receiving *Highlights* at home, the magazine's monthly arrival in our mailbox with my name stamped across the label was clear proof this it was, indeed, mine.

Thanks to Amazon and other savvy online retailers, the subscription economy has become less about magazines and more about receiving anything, from razor blades to meal kits to ground coffee to water filters, with the digital tap of a finger. Which probably leaves many c-store owners, managers and vendors wondering: Is this evolving subscription economy something that will ultimately hurt me—or possibly help me?

Answer: If you don't start paying serious attention to it—perhaps even figuring out some simple ways for it to help you—there's a good chance it will overtake you in the coming decades. Consider this: Over the past five years, subscription businesses grew their revenue more than 15% annually, which is nine times faster than S&P 500 company revenues and four times faster than domestic retail sales during the same period, estimates Tien Tzuo, CEO of the cloud-based subscription management provider Zuora.

“We are becoming conditioned to believe that the ultimate convenience is going online and finding exactly what we want—and with a few keystrokes, it shows up at your door.”

What exactly is the subscription economy? At its simplest, it's a daily, weekly or monthly contract consumers make to pay an agreed-upon amount to receive a product or service. Typically, the product shows up at your front door. The real driver behind the digital subscription is having it arrive at your home without having to jump in the car. In other words, the subscription economy is about convenience.

Convenience? Wait. Isn't that supposed to be our specialty? Amazon is on a mission to turn the retail industry on its head—taking the c-store world on the same bumpy ride with all other retailers. So, c-store owners who want to lessen the bumps need to figure out ways—even small ways—to show their customers that they can be just as convenient as, gulp, Amazon.

“We are becoming conditioned to believe that the ultimate convenience is going online and finding exactly what we want—and with a few keystrokes, it shows up at your door in a few days, or even a few hours,” says Doug Stephens, founder of Retail Prophet, a retail future consultancy.

There is no “simple” fix for the competition that Amazon presents to c-stores, says Stephens. “But there are certain ‘table stakes.’” For one, every c-store has to at least have a discussion about delivery, he says.

At the same time, c-stores need to think about how to appeal to a growing population of millennials who are less interested in owning and more interested in sharing. The same group equates multitasking with convenience, he says. So, the trip to the convenience store might be twinned with a quick workout at an adjacent fitness facility or with a manicure at an adjacent nail spa.

The auto industry is being forced to make similar decisions as the c-store industry, says Stephens. “They are preparing for a world where fewer people own vehicles; more people share rides and more people own electric vehicles.”

Perhaps that’s why 7-Eleven has tried several efforts to adjust to the Brave New World. It has partnered with Door Dash, a delivery service. And it has installed Amazon Lockers for package delivery at some locations.

But the solution doesn’t have to be this complex, says Greg Smith, head of retail marketing at Partner & Napier, a brand strategy agency. Smith suggests that making an occasional customer a regular customer has the same bottom line effect as enlisting a “subscriber.” That, he says, can be easily done with effective loyalty programs that reward customers and encourage them to return. “Just give them a reason to create frequency,” he says. C-stores can even compete with subscription meal kit suppliers like Blue Apron, he says, by providing very high quality, prepared meals that folks can quickly and efficiently pick up on the way home.

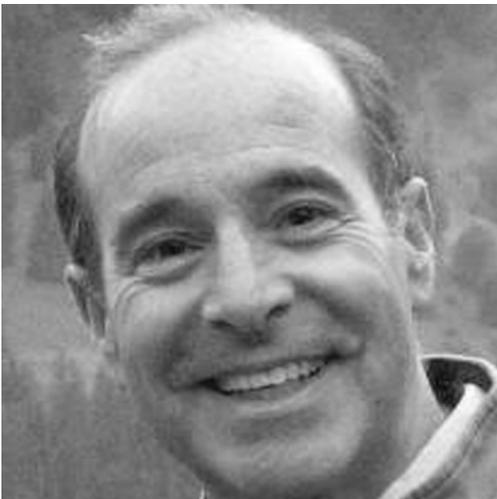
To be successful in a subscription economy, Smith says, it won’t just be about how c-stores use their interior space, but their exterior space, too. Perhaps the exterior can become something of a transportation hub linked with car and bike sharing, he suggests.

No, c-stores can’t go one-on-one with Amazon, but they don’t really have to. They just need to keep finding innovative and creative ways to compete with the new 500-pound gorilla of convenience. Or, perhaps, some savvy entrepreneur will create a new c-store business model.

Just as Airbnb came up with a new model for the hospitality industry and Uber came up with a new model for transportation, someone will ultimately come up with a new model for c-stores, says Stephens. “It takes a lot of creativity and courage—and even a willingness to put your current model out of business,” he says.

I’d wager my copy of *Highlights* magazine that there’s at least one taker out there who’s ready to lead the c-store industry back toward being even more convenient.

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