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Artificial Intelligence powers convenience stores

In the following Whitepaper you will learn the mechanisms adopted globally by convenience stores to consolidate their relevance in the midst of the pandemic and the importance of new digital technologies such as Artificial Intelligence.

The market size of the convenience store industry in the United States has grown 2.3% per year on average between 2016 and 2021. Measured by revenue, **the market size of the convenience store industry is $33.2 billion in 2021 and is expected to grow by 6% in the remaining of the current year.**

Although pandemic restrictions significantly affected commuting in 2020, causing an estimated 10% to 15% decline in fuel demand, convenience stores continue to offer comfort and security, with customers increasingly relying on them to purchase grocery items and avoid crowds.

The growth in consumer and service demand has increased the issues and challenges for convenience store staff.

Let's consider the case of Carla, **Store Manager of one of Latam's leading convenience stores**, who is responsible for overseeing the daily operations of a store, making sure it runs smoothly and efficiently. Her duties include motivating sales teams, creating commercial strategies, developing promotional material, controlling product supply and training new staff, among others. Her role requires resolving day-to-day conflicts as quickly as possible.



For example, there are problems with the assortment and a customer complains about the lack of stock of a soft drink. Or problems arise from a 2-for-1 promotion that has ended but the promotional material has not been updated in the store. **Her goal as a manager is ultimately to optimize the customer experience and ensure the profitability of the operation.**

In the world of convenience stores, there are thousands of ¨Carlas¨ with similar problems. Here are the mechanisms adopted worldwide by convenience retailers to facilitate the work of their employees and improve the customer experience:



Accelerating digital transformation

Convenience stores were working to fine-tune their mobile shopping and delivery platforms, and **the pandemic has forced companies to accelerate the shift from legacy systems and innovate using sophisticated technology** to improve and personalize the shopping experience and data analysis.



Improving personalization to avoid the loss of customers

Digital technology and integrated shopping experiences enable data collection, allowing the design of promotions and shopping experiences that reflect customer preferences. **With AI, retailers are able to examine large amounts of consumer behavioral data to provide personalized recommendations.**



Innovate and optimize store design

Smaller store formats and layouts that facilitate quick and easy service are the key to efficiency in convenience stores. Around the world, **retailers are working on innovative store designs to regain lost market share and consumer loyalty.** These concepts also address the need for social distancing and contactless transactions to manage shoppers' health and safety concerns.

Optimizing the Supply Chain

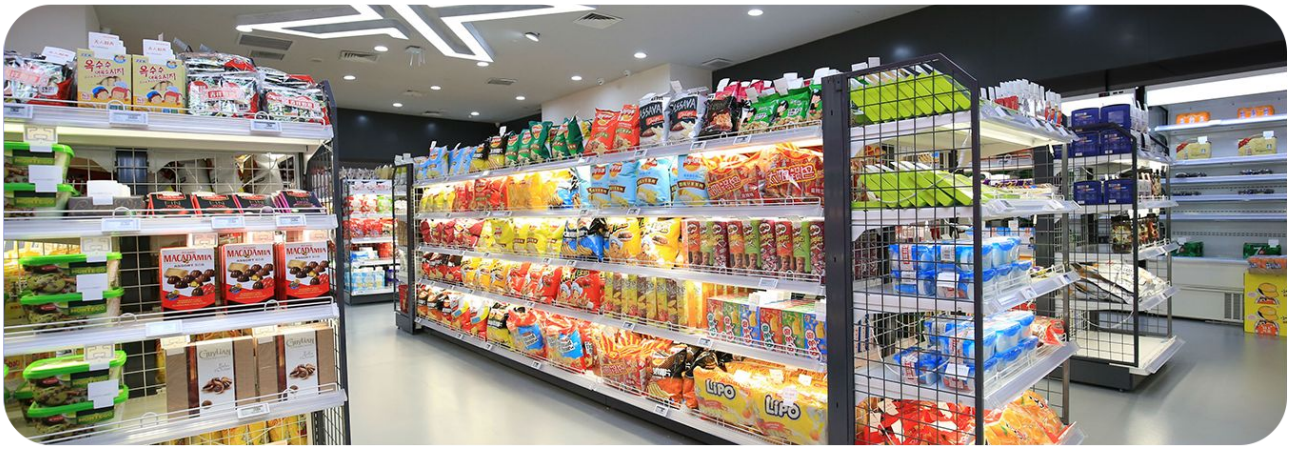


Today, **there is a need to improve demand forecasting, communication with suppliers, avoid stock-outs, and place orders in advance and in the right volumes.** Being able to track orders, shipments and deliveries across all channels while centralizing data, avoiding product shortages and identifying customer patterns is a challenge.

Integrate your operations with last-mile services



Last-mile distribution service offers the opportunity to expand a store's sales scope, but it also brings operational and implementation challenges. **Retailers must perform a cost-benefit analysis of partnering with any third-party provider**, and the data captured through last-mile orders must be accessible to facilitate the day-to-day work of the retailer's sales force.



BUSINESS CASE

We present two business cases where the implementation of Prisma in retail has contributed to improving profitability and addressing typical retail issues.

CASE #1:
Leading C-store chain in Latin America

The largest C-Stores chain in Latin America needed to standardize its pricing decision process. To achieve this, it had to capture large volumes of market data and be able to incorporate pricing strategies to improve the store's overall image. From Prisma, our recommendation was the implementation of the Pricing and Assortment modules.

Rapidly, using transactional and market data, store segmentation and SKU sensitivities were established. Through our powerful algorithms, we found consumer behavior patterns to adjust product grouping. We implemented A/B tests to validate and invalidate business hypotheses, for example, whether customers in road stores are willing to pay more than city customers. Category strategies and roles were set up so that managers could receive pricing and assortment suggestions consistent with each strategy.



By broadening the scope and competitor data, Prisma was able to improve the overall price picture, avoiding aggressive pricing on known value items such as dairy products and increasing prices on Snacks and Sweets, achieving a 10% increase in gross margins. We calculated the number of SKU display days per store and aligned this value with supplier lead times, reducing inventory and stock levels by 20%. The implementation was successfully completed in only 3 months, which led to the expansion of the project in another 8 countries within LATAM.

CASE #2:
Important Fuel retailer in Mexico



In 2017, the Mexican government deregulated the fuel market, enabling fuel retailers to make proactive decisions on pricing and promotions. During the regulated context, in the largest fuel chain in this country, only 2 price analysts made one decision per week dictated by the government authority and this was replicated in 500 Service Stations. After deregulation: 80 new brands emerged, international brands established themselves, and an aggressive daily price competition began. This is why they decided to implement a powerful Price Optimization platform to address the new sophistication and complexity of the market.

First, an exhaust service station segmentation was carried out based on purchase occasion, intensity of competition and traffic flow. 250 diverse “trade areas” were defined in this process. Then, a relevant competitor's classification was made based on the volume of sales and belonging to an economic group or international brand in order to establish differentiated strategies for them.

In parallel, it was necessary to develop an interface with the Department of Energy to automatically capture the prices of 12,000 stations throughout Mexico every day. We use Anomaly Detection algorithms to validate the quality of the information. Differentiated strategies were defined by product and trade area, and we measured price sensitivity. As a result of the “Gasolinazo” protests, margin guidelines were defined to avoid damaging the company's price image.

Currently, analysts follow Prisma's automatic suggestions to change the price of the 250 listings on a daily basis. After 6 months of production start-up, the company has improved its profitability rates.

Artificial Intelligence empowers convenience stores

Although the outlook for the future is uncertain, convenience stores are in a critical position for a post-COVID world. Retailers will need to work closely with their suppliers and employees to create shopping experiences that match consumer demands, as well as to protect themselves from the economic losses caused by the pandemic.

It is essential to have technological tools and resources that collect and analyze consumer data to integrate and personalize the customer experience, optimize supply chain times and maintain agility and flexibility while facilitating the daily work of employees.

Prisma is a SaaS platform that provides retailers with a proven process to optimize prices, promotions, inventory, assortment and space planning within the same platform. By combining business rules with sophisticated machine learning algorithms, Prisma generates suggestions that help retailers make better decisions and increase profitability.