

Thank heaven, it's 7-Eleven for the future

Convenience store chain reinventing itself in Plano

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By MARIA HALKIAS / The Dallas Morning News

PLANO – The attendant takes an order at the drive-through window, pours coffee from an airtight dispenser, and scans an electronic sticker for payment. He also prints out a map to assist a lost customer.

7-Eleven Inc. thinks it's time to reinvent the convenience store.

The pioneer in quick-stop retailing has been experimenting with the drive-through and other timesaving concepts at its laboratory in Plano as it seeks to distinguish itself from the competition.

The Dallas-based chain has also recruited systems specialists at Electronic Data Systems Corp. to help speed up its processes.

The store of the future, which is on Preston Road adjacent to EDS' headquarters in Plano, has its grand opening Friday. 7-Eleven and EDS employees, as well as unsuspecting shoppers, are the Plano store's guinea pigs.

"Whether it's a new, fresh sandwich, a better way to provide a great cup of coffee or a fast way to pay for a purchase, we'll try it all in Plano," said Gary Rose, 7-Eleven's senior vice president of operations.

The store of the future is equipped with several new devices, including an ice machine in the back room that automatically fills dispensers with no help from the staff. A coffee bar with 21 spouts has airtight dispensers that keep the java from burning. Also, through the backroom wall and hidden from customers' view are 42 tentacles that continuously feed the drink machines with syrup.

Whether the store's innovations will be integrated into 7-Eleven's 22,000 stores worldwide will depend on costs, customer reaction and employee feedback.

"Creating a state-of-the-art store in the Dallas area allows us to work with suppliers and technology providers to experiment with ideas that could be expanded in North America and, possibly, globally," Mr. Rose said.

Same-store sales

Jim Keyes, 7-Eleven's chief executive, is big on technology moving the business forward. He credits the company's retail information systems, and the way employees are using them, for the chain's ability to increase same-store merchandise sales for 53 consecutive months.

Tuesday, 7-Eleven said its November same-store merchandise sales increased 5.1 percent, on top of a 5.6 percent gain the year before.

"This company has the ability to innovate and bring new things to the market. They have quite a bit of proprietary product, and to me that's what retailing is all about," said Jonathan H. Ziegler, a retail analyst

at Deutsche Bank in San Francisco.

The increasing emphasis on fresh foods sets 7-Eleven apart, he said.

"They're competing with everyone, drugstores and supermarkets. But Jim Keyes is very focused on who his audience is and what they want. He calls it dashboard dining," Mr. Ziegler said.

The timing of 7-Eleven's foray into the future comes as competition is stepping up well beyond the mom-and-pop convenience store operators. Companies with deeper pockets are the competition now.

Major oil companies have turned into convenience store operators, while supermarkets are joining the gasoline race with pumps – and, in some cases, full-fledged convenience stores – in their parking lots. Albertson's Inc. just opened its 200th Express Fuel Center, and Wal-Mart Stores Inc. is adding more pumps to its parking lots.

The world's biggest convenience store operator is responding by combining the latest technology with its marketing expertise and on-the-go food recipes at the store of the future.

"It's a very self-contained shopping experience," said Walter Lammert, an EDS enterprise architect working with 7-Eleven.

For almost a decade, EDS has been collecting sales data and turning that data into usable information for 7-Eleven, but now the service provider has its foot in the front door.

Mr. Lammert is among a group of EDS executives who are signing up to work in the store, red coats and all, to experience innovations such as the drive-through firsthand.

About 200 EDS and 7-Eleven employees will test a new payment method called VIP, for virtual instant payment. VIP participants will attach a sticker that holds 256 bytes of memory to their work ID badges or some other card. The sticker, which Texas Instruments Inc. calls a transponder inlay square, is about twice the size of a postage stamp but hardly thicker.

EDS is also providing a wireless handheld device, called the store manager's portal, which eventually will connect store managers with 7-Eleven's intranet.

Initially, it will be used to print out directions and maps for lost customers, in either English or Spanish, and maybe a coupon for their next stop.

At any time, a 7-Eleven store manager can check to see how many Snickers bars have sold this week, how many bags of Frito-Lay sour cream and onion chips are moving with the combo sandwiches, or more sophisticated queries such as what happened to coffee sales the last time temperatures fell below freezing.

The store includes a carwash that talks back and new gasoline pumps. Although there are only two tanks underground, the system blends five grades of octane vs. the usual three.

It also has one of three digital gas price signs that 7-Eleven is testing in the Dallas market. The signs are visible half a mile away and may someday allow 7-Eleven, which sold more than \$3 billion in gasoline last year, to manage its pump prices with little effort.

"We'd be able to change prices on the sign, dispenser and inside the store all at once from a central location, without going outside on a cold, freezing day," said Ron Fulencheck, 7-Eleven's central division gasoline manager.

The tall, slender pumps improve visibility from inside the store and are being prepped to eventually allow customers to select and pay for their morning cup of coffee, a doughnut and a newspaper while they fill up.

The idea is that some customers will want to swing around to the drive-through and pick up their purchases, never stepping into the store.

Shoppers expect to get in and out of a convenience store quickly. It's not exactly a place to browse: The average 7-Eleven customer is in the store for less than two minutes and spends less than \$4. The typical 7-Eleven store carries 2,500 items, and 70 percent of a store's sales are from merchandise, with the rest coming from gasoline.

Food and drink

Food and drinks are the biggest item categories, representing about 60 percent of merchandise sales. Sales of fresh food are among the fastest-growing in the stores.

7-Eleven has been quietly nibbling at fast food chains' market share with its own combo meals and daily delivered fresh-baked goods and sandwiches.

It's borrowing a feature from the McDonald's stores of the world by trying the drive-through.

For now, the canopied appendage is only attached at the store lab; a former McDonald's supervisor was hired to help design the window operation layout and train employees.

7-Eleven customers keep coming back for their favorite Slurpee, which the store lab dispenses from a six-barrel machine, and for hot dogs, with a dozen condiments including chili and cheese.

The chain that branded the basic fountain drink by making it oversized and giving it the registered name of Big Gulp has added a new feature that lets customers customize their sodas with a splash of lemon, vanilla or cherry flavorings.

Vanilla Dr Pepper drinks are hot sellers so far.

That marketing bravado is being applied to some new foods that are going to be tested at the store lab, such as warm, soft pretzel creations – one filled with jalapeno and another with cream cheese.

7-Eleven is also testing a new breakfast item, the co-branded Pillsbury Scramblers, which are biscuits stuffed with scrambled egg and cheese.

The first customers of the store of the future lab give it high marks so far.

Jayne Doyle of Plano has a secret passion – cherry Slurpees – that gets her to a 7-Eleven store at least three times a week. The idea of satisfying that craving in the privacy of her SUV is appealing to this mother of five who, on a stop last week, had no children in tow.

"I didn't know this one had a drive-through window. Next time I'll use it," she said as she juggled keys, change from a \$20 bill, a straw and the Slurpee.

Michelle Smith of Frisco hadn't noticed the drive-through, either, but when it was pointed out, her reaction zeroed in on her two errand-averse teenagers.

"If I tell them to go out for a gallon of milk, they whine, but if I can tell them where to go without getting out of the car, they will love this," she said.

"The drive-through will be good for young mothers with the babies in the car seats, too. I like it. I like it."

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