

EBOOK

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# Subscription Services in the Convenience and Retail Fuel Sector

Trends, Examples and Challenges for the Future



**REBAR**  
— TECHNOLOGY —



Subscriptions are exploding, even showing up in places you'd least expect, like fast-food chains and movie theaters. Convenience stores (C-stores) and energy retailers are no exception. The retailer benefits are tremendous—new and recurring revenue, higher customer loyalty, more frequent store visits, and incremental sales are just a few of the opportunities out there.



Implementing subscriptions, however, is complex and fraught with hurdles. Factors such as pricing and bundling, consumer enrollment, benefit redemptions, renewals, payment collection, and more need to be considered, planned and carefully implemented.

In this eBook, we'll review the growth of subscriptions and share forecasts for the future. We'll explore recent C-store examples, review early successes, and lay out a step-by-step list of some of the key factors to consider when implementing subscription programs.

As reported by the *Washington Post*, “Subscriptions boomed during the coronavirus pandemic as Americans largely stuck in shutdown mode flocked to digital entertainment and signed up for regular home delivery of boxes of items such as clothes and chocolate.”

The subscription market, valued at around **\$650 billion USD in 2020**, is expected to reach **\$1.5 trillion by 2025**, making it one of the fastest-growing global industries. In fact, the average consumer already spends about \$273 per month on subscriptions according to West Monroe Partners. While many of those are linked to digital services, consumers are also

leveraging subscription models for everything from maintaining a diet to purchasing everyday household items. Subscriptions are rapidly growing in more traditional brick-and-mortar operations too, including convenience stores (C-stores) and energy retailers. Many are experiencing great success.



Subscriptions provide longer-term loyalty while leading consumers up the value chain, encouraging them to add additional items to their carts or accounts. For consumers, subscriptions are a great way to establish convenient buying relationships and/or buy into exclusivity, increasing their connection to their favorite places, products and activities, while taking advantage of a great price point.

### HERE ARE SOME OF THE BIGGEST REASONS C-STORES ARE ADDING SUBSCRIPTIONS:



#### A New Source of Revenue That is Recurring and Predictable

Subscription programs create new revenue for C-stores, but they also create a stream of recurring and predictable revenue that makes for more reliable forecasting and can even lead to higher company valuations. According to John Warrillow, author of *The Automatic Customer*, a recurring business's value can be up to eight times that of a similar business with very little recurring revenue.



#### More Frequent Store Visits and Incremental Sales

When consumers enter a C-store to take advantage of subscription benefits, they are likely to add additional items to their shopping carts. Often those upsells can bring more value than the subscription itself. These additional purchases are important to any C-store retailer but may be increasingly important for energy retailers. That's because, due to several factors including the increase of electric vehicles, consumers are making fewer stops to refuel. This trend is likely to remain, too. According to the electric vehicle website EVAdoption, the growth of electric vehicles could reach nearly 30% of all new car sales by 2030, up from 3.4% today. Subscriptions are a great tool to bring customers back into energy retailer C-stores, and also spur greater at-the-pump loyalty.



#### Higher Customer Loyalty

Subscriptions can drive higher C-store loyalty. According to a recent *Forbes* article, "Retention is key for subscription businesses. It is typically cheaper to retain existing customers than continually recruit new ones." Subscriptions help ensure your customers keep coming back, again and again, to get the best value for their subscription money. Increasing customer retention by just 5% can boost your profits by 25% (per research done by Bain & Company). Keeping your customers, and keeping them happy, is vital to the success of any C-store. As you'll see in the examples below, subscriptions can also breathe new life into legacy loyalty programs.

## SUBSCRIPTIONS BEYOND C-STORES

The endless potential for new subscription programs provides a great opportunity for creative businesses. In addition to the multiple C-store subscription programs outlined later in this eBook, here are some other recent subscription innovations in related industries.



### Retail

Retailers are realizing the benefits of subscription models. Following in the footsteps of Amazon Prime, Bed Bath and Beyond has introduced BEYOND+ where, for a \$29 annual fee, customers save 20% off all their purchases, and get free shipping for online orders.

### Automotive

Designed to be a convenient alternative to leasing, automotive subscription customers pay an “all-in” monthly fee including vehicle access, insurance, maintenance and servicing (and potentially roadside assistance). This market is growing at a CAGR of 22.8%. Currently, consumers pay for their own gas, but energy retailers should obviously be very aware of this trend.



### Quick Serve Restaurants

Taco Bell recently made news when it introduced its Taco Lover's Pass, allowing consumers to pay \$10 per month to get a taco every day. According to the company, when testing the program in Tucson, Arizona, they found that 20% of subscribers were new to the Taco Bell Rewards loyalty program. Recently, restaurant company Sweetgreen rolled out its Sweetpass. For \$10 per month, customers save \$3 off of every \$9.95 on one order per day completed on its website or app.



**Consumers are becoming very comfortable with paid subscription models, so your audience is not only ready for such a relationship in convenience and retail fuel, but will likely soon expect such an offering to be available.**

People understand that subscriptions with recurring payments unlock enhanced features. They enjoy the exclusivity and control in the overall interaction. And thus far, subscriptions have demonstrated great value for both the C-store and customer.

The options for C-store subscriptions are nearly limitless, providing significant opportunities for forward-thinking, creative enterprises. And because your subscription audience is generally your most loyal customer base, you have the freedom to experiment, test and succeed or fail quickly. This way, you can innovate without a significant risk of losing customers.

**HERE ARE SOME RECENT UNIQUE AND/OR UNEXPECTED EXAMPLES. WHAT ARE THE OPPORTUNITIES FOR YOUR STORES?**

### C-Store Subscription Examples

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#### Cumberland Farms Coffee Cup-Scriptio

Through their mobile app, Cumberland Farms recently created an opportunity for customers to get up to two cups of coffee every day, including the brand's Farmhouse Blend and Bold hot and iced coffee, for \$25 per month. In addition to coffee, hot chocolate, hot tea and regular cappuccino drinks are included. The daily coffee offer is expected to drive increased store visits, incremental sales and create greater at-the-pump loyalty.

#### Sheetz Fryz Subscription

Pennsylvania-based Sheetz just introduced a new subscription around their own "fryz" through their Sheetz mobile app. For \$9.99 per month, customers can stop in and get a free bag of "fryz" every two hours, with no limits. The company has also introduced a beverage subscription for \$14.99 per month, allowing unlimited self-serve drinks every two hours as well.

#### Circle K Sip & Save

With around 9,800 locations in the U.S., Circle K recently decided to take its Sip & Save program national after a successful pilot program in more than 100 stores in the Augusta, Georgia, and Columbia, South Carolina areas. For \$5.99 per month, shoppers get one beverage per day, up to a 64 oz. cup. Circle K has also had a successful car wash subscription program for years.

#### BPme Rewards Price Match

For \$0.99 per month, BPme Rewards members can subscribe to an optional service that scans nearby gas stations' prices when they buy fuel at BP. If a lower price is found, the subscriber receives a discount (up to 5 cents per gallon) on their next fuel purchase. In March of 2022, the company announced further enhancements to the BPme Rewards program, including an expansion of their Price Match subscription service and a partner offer with SpotHero.

#### 7-11 7NOW Gold Pass

Through its 7NOW app, launched in 2018, the company added the Gold Pass subscription option in early 2022, and introduced it nationwide. This new offering provides customers, for \$5.95 per month, with free 30-minute delivery of more than 3,000 in-store items from hot food and drinks to household goods, snacks and groceries. In addition, orders over \$10 get additional freebies such as a Slurpee®, and Gold Pass orders also unlock double loyalty reward points.

#### RaceTrac Rewards VIP

The 550-location company first introduced its subscription program in 2020. Drivers pay \$2.49 per month to save 10 cents per gallon on their first 40 gallons of fuel purchased that month, and 3 cents per gallon afterward. The program does a good job of demonstrating instant savings as a value proposition, by allowing consumers to instantly unlock program benefits with payment remittance, rather than making them feel as though they're working toward benefits through activity-based earning.

## TAKING C-STORE SUBSCRIPTIONS TO THE NEXT LEVEL

A subscription program can be a powerful tool to target high margin products, enhance your offerings or unlock new consumer segments, but success depends on a comprehensive solution to a complex environment. Working with an advanced platform like Rebar, delivered with the capability and expertise to integrate all your current systems and technologies, your business can consider enhancements like bundling, offer tiers, and more.



## A Case Study: **Panera**

Similar to many of the C-store and retail fuel examples listed above, in late February 2020, Panera began selling unlimited coffee and tea subscriptions to their customers for \$8.99 per month. Before launching its subscription model, they did a trial with 150 cafes over three months. The results they published were sensational. Here are some of them:



The frequency of visits by subscribers increased by more than 200%.



35% of the time, coffee pick-ups also included a food order.



The subscription renewal rate was between 90% to 95%.



The fast-casual restaurant signed up 800,000 members during its first few months of launch. Many of those subscriptions were from a free trial, but 8 months after its launch, the “Unlimited Sip Club” boasted 500,000 fully paid subscribers. Among those subscribers, about 35% of them were new customers (according to [restaurantbusinessonline.com](http://restaurantbusinessonline.com)). Panera also saw an opportunity to pilot a digital only drive-thru lane, using this captive audience as the test group.



Panera described the results as a “staggering” success.

## PAID SUBSCRIPTIONS MAKE A DIFFERENCE

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A 2020 [McKinsey survey](#) on loyalty programs found that members of paid loyalty programs are “60 percent more likely to spend more on the brand after subscribing, while free loyalty programs only increase that likelihood by 30 percent.”

## C-STORE AND RETAIL FUEL SUBSCRIPTION CHALLENGES

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In a true subscription-based program, consumers pay to unlock value that they otherwise would not have access to, and the overall experience provided must deliver incremental benefits to consumers such that they continue to feel validated in paying the premium to engage with your brand in this specialized fashion. In fact, [research by McKinsey](#) reveals 40% of all subscribers to any type of service cancel, and more than a third do so in less than 90 days. So, it's important to get it right.

In addition, success requires more than the introduction of a different payment model and building the right offer, custom-tailored to your target consumers. Factors such as pricing and bundling, enrollment, benefit redemptions, renewals, payment collection, integrations and more need to be considered and carefully implemented.

### HERE ARE SOME OF THE BIGGEST SUBSCRIPTION ISSUES YOU NEED TO ADDRESS, BEFORE LAUNCHING A SUBSCRIPTION PROGRAM:

#### One Offer vs. Tiers

Is your subscription one-size-fits-all, or will there be tiers, with an extra cost for extra benefits? By offering tiered options, C-stores and fuel retailers can deliver multiple packages with different features and price points, potentially broadening membership appeal to a greater number of consumers.

#### Bundles

A simple membership like free coffee or free fries are options, but often subscriptions include layers of products or benefits. One great example is Amazon Prime. For one price you get free shipping, video streaming, Amazon Music, exclusive deals, online photo and video storage, and much more. Is one product at your location attractive enough to build a subscription around? Are there other offers or services you can bundle together? For example, perhaps your membership provides daily coffee, a gas discount, and a weekly car wash, all-in-one.

#### Enrollment

Is it easy to enroll in the program? Is membership online only, or available at the store level, too? Do customers have to belong to your loyalty program? Do they need a mobile app? Are there any other barriers to joining? Are cashiers upselling daily customers to the membership? You want to reduce friction in signing up but also discourage abuse and track details.

#### Redemptions & Renewals

How does the new member redeem their subscription? Do they need to show a membership card, or provide a phone number at the register? How do you limit improper redemption by members' friends and associates? In addition, how do you track subscription renewals, as different members will have different enrollment dates? And what new emails will be triggered by subscription-related actions?

#### Incentives

You may be tempted to assume your product or service is attractive enough on its own to gather a following, but often customers need an extra incentive to sign on. What can you provide to attract new members? Incentives like free trials, free gifts, contests, early bird rewards, or exclusive access to special offers are just a few thought starters.





## Payment frequency

Is your subscription weekly or monthly, or even annually? Is there a cost-benefit advantage for the consumer to pay a yearly subscription, rather than more frequently? Does your technology support the ability for customers to choose the frequency that works best for them? Consider the pros and cons of more and less frequent billing, as well as offering customers the choice. You can learn a lot from subscription providers that have C-store and retail fuel experience.

## Fulfillment and Qualifications

In the case of the Sheetz Fryz Subscription, customers can get a free bag of “fryz” every two hours. But when limits are placed on redemptions, there needs to be an easy way to track sales to enforce those limits at the store level. You want to avoid placing complicated obstacles in front of your front-line employees, so how can you make redemption uncomplicated, but enforceable?

## Taxes

Although the customer pays a subscription fee that covers the cost of goods, the products themselves are still subject to sales tax. As stated in a blog post from tax consulting company [Peisner Johnson](#), “Subscription fees are often subject to discounts and payment plans. The tax base varies if you pay it monthly, annually, semi-annually or whenever there’s a blue moon. The frequency and discount don’t matter so much. But whenever you do receive pay it’s critical to make sure that the tax is getting paid along with it. Your taxability also depends on what states you’re delivering to...While that sounds simple, it can get complicated pretty quickly.” Make sure your subscription planning covers your taxes, and not just your product costs.

## Billing

Subscriptions can add complexity to your billing, introducing challenges and problems you’re likely not used to. Cards can be rejected during automatic renewals due to insufficient funds, card cancellations, payment stoppages, and so on. You’ll also have to deal with address changes, email changes, and other account changes. Can your customers change those on their own, or must they go through the C-store, call a phone number, or visit a customer portal? A payment partner like Rebar can help you navigate through many of these problems, including how you notify customers of payment failures, how to automatically update expired card data, how chargebacks are handled, and even how you will handle early subscription cancellations.

## Integrations

C-stores and retail fuel companies must ensure that their subscription platform is built for their unique needs, communicating with their full tech stack, including loyalty platforms, POS, forecourt controllers, acquirers, ERP systems, etc. Off-the-shelf solutions don’t often cut it, and a fully customized build can be prohibitively expensive and time-consuming. That is why Rebar has focused on a “best of both” platform approach, which is valuable for C-store and retail fuel clients.

## Data Value

In addition to all of the benefits of a good subscription program, C-stores and retail fuel companies can generate valuable data from these programs, which can be used for ongoing improvement and new strategic initiatives. What data will your program generate? How can you generate the most valuable insights? And finally, how will you use this data?

## Scalability

Growth, ongoing improvement and continual evolution are important aspects of any successful subscription model; however, we have seen C-stores and retail fuel companies build programs on systems that just didn’t have the capability to scale. And now, they are faced with the need to refactor in order to expand or adjust their program. Think in advance about how your subscription offer might evolve and don’t lock yourself into a technical box that limits your growth.

## Resources

A subscription billing platform will require a billing operations team to manage details such as chargebacks, compliance and more. C-stores and fuel retailers can either hire an in-house team or outsource that to a competent and experienced partner. If that partner is the same company that helped develop the overall strategy and implemented the platform and integrations, it can be even more efficient.





# Get Your **C-Store or Fuel Retailer Subscription Program** Started

While there are many challenges to starting a subscription plan and many questions you need to consider, don't let them make you pause. The benefits can far outweigh the obstacles. A proven partner can go a long way to ensuring the success of your program. At Rebar Technology, we have helped merchants from enterprise to SMB develop their subscription billing, and few understand how to anticipate, navigate or avoid subscription obstacles as well as we do.

You'll find there is no better pairing than Rebar Technology and W. Capra Consulting Group, to help bring C-store and retail fuel subscription programs to market. Our subject matter expertise and decades of experience in the areas of recurring programs and convenience and energy retailing make us your perfect partner.

W. Capra was founded by former convenience and energy industry executives, leveraging extensive experience and leadership in identifying, integrating and delivering technology solutions for clients. As an expert in subscription services, as well as data science and strategy support, our organizations work closely with C-stores, fuel retailers and non-traditional retail competitors. We help companies everywhere implement and then optimize their subscription programs.

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**We can do the same for you. Contact us to learn more.**