

## Convenience Retail

**Each week, we serve more than three million customers and 70,000 business customers who are looking for ways to make life easier.**

The opportunity to meet the needs of our customers is becoming significantly wider than the traditional purchase of fuel and the odd item in store. That is why our ambition is to become a world-class convenience retailer. It is about exploring what our existing capabilities, footprint and technology can do while at the same time discovering new capabilities and technologies which will add value to the lives of our customers.

2017 was a transformational year for the Convenience Retail business, and we are energised and encouraged by what we have achieved so far.

With new stores, new formats, a vastly improved offer and the launch of high street retailing, we are building an inviting shopping experience underpinned by digital enablers and convenient services for customers.

Our overall fuel sales volumes remained steady in a competitive market, with volume continuing to grow across total premium products, while, as expected, sales of base unleaded petrols continue to decline. We continue to transform our in-store offer and operating model with a focus on the customer experience, value-for-money deals and engaging marketing.



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<http://microsites.caltex.com.au/Annualreports/2017/>



The Foodary at Newcastle, NSW;  
one of Caltex's first non-petrol sites

Our large-scale petrol and convenience retail network continues to be one of Australia's largest, and with more than three million weekly customer transactions, we are well placed for the future. In 2017, we added 38 stores to the network including 17 new to industry sites and 21 new to Caltex stores. In addition, we also completed 24 major property projects including five knock-down rebuilds, 12 major upgrades and seven Star Mart to The Foodary transitions. All this while, transitioning 46 additional retail sites through the acquisition of Milemaker Petroleum, which added key stores to our previously under-represented position in Melbourne, Victoria and its outer suburbs.

#### Reinvigorating our offer

As our customers' needs and wants evolve, we continually focus on making a difference for customers and building a shop offer that gives them a reason to come to our sites — whether that be to fill up their vehicle, enjoy a barista-made coffee or have a digitally enabled experience to enjoy both.

We are continuing the investment in our core Star Mart network by offering unique-to-market products such as Frozen Oak. With more than 550 Star Mart stores, we are attracting customers to return with seasonal campaigns showcasing the breadth of our offer while continuing to explore new ways of merchandising. A Voice of the Customer program is giving us insights straight from our customers, which helps improve our offer and find new ways to add value to our customers' lives and those of our team members. This program will be rolled out nationally in 2018.

We opened our first The Foodary in January 2017 which delivers barista-made coffee, fresh food, quality grocery products and services such as parcel pick-up for customers on the move.

The Foodary was named as one of the top three retailing concepts globally in 2017 by independent strategic market researcher Euromonitor International. The report *What's New in Retail: Emerging Global Concepts in 2017* highlights the evolution and reinvention of the retail environment around the world and recognises The Foodary for its stand-out convenience, quality and commitment to reinventing service station forecourts in Australia.

Through a new and refreshed format, we have achieved an in-store sales up-lift averaging 35%. Caltex has also seen a strong acceptance of fresh food and barista coffee. With an enticing offer, we are encouraging customers to shop with us more often.

**By the end of 2017, we had opened 23 The Foodary stores, which included the opening of our first non-fuel standalone location in a transport hub in Newcastle, New South Wales.**

The acquisition of Nashi in January 2017 brought seven stores across Melbourne to the Caltex network and marked our expansion into high street retailing and fresh food, with a commercial kitchen facility making fresh food, daily. In December 2017, we opened the doors to our first Nashi store in Sydney, with plans to continue to roll this offer out by utilising former ticket booths in several key locations across Sydney train stations.

The Foodary and Nashi are bold departures from what Caltex has done before and illustrate our proven track record of delivering new solutions for our customers.

January marked our expansion beyond the petrol and convenience space and into high street retailing via the acquisition of grab-and-go Nashi Sandwich and Coffee Bar and its seven stores in Melbourne. The purchase of Nashi provided Caltex with an immediate high street presence in the fresh food space and a commercial kitchen facility that makes fresh food daily.

Late in 2017, our first Nashi store in Sydney opened on Clarence Street at Wynyard station in the Sydney CBD. A partnership with Transport for NSW will deliver exciting new developments in train station locations during 2018 for both Nashi and The Foodary. By repurposing the ticketing booths at key locations including Bondi Junction, Chatswood, Parramatta and Kings Cross, we'll be reaching out to meet the changing needs of our consumers, wherever they travel.

## Case Study

# Nashi



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## Finding new ways

Caltex's Freedom of Convenience vision means that many of the experiences our customers have with us need to be underpinned by technology. Our customers are becoming digitally savvy and, over 2017, we trialled a new FuelPay app across 13 locations. FuelPay allows customers to fill their vehicle and pay via the app. FuelPay will be rolled out across our sites nationally in the first half of 2018.

With more than 70,000 businesses relying on the reach of our network and the reliable supply of fuel and other products, the StarCard offer was reinvigorated. This included partnering with Australia's number one loyalty program Qantas Business Rewards and leading accountancy software provider Xero to deliver a differentiated proposition for Australian business. Against the backdrop of a declining card market, more than 9,000 new accounts were opened, which equates to a 125% increase year on year. This growth led to an additional 400,000 transactions and increased the proportion of our Vortex Premium fuel volume sales within the card base from 39% in 2016 to 55% in 2017.

To enhance the Caltex brand, we have continued key commercial sponsorships with the Football Federation Australia, including naming rights for the Caltex Socceroos, and also a broader partnership with the Westfield Matildas. Both teams had a successful 2017, with the Caltex Socceroos securing their spot at the 2018 World Cup, and the Westfield Matildas taking out the inaugural Tournament of Champions. We are proud to help develop the next generation of Australian football stars.

We also continued our partnership with the Red Bull Holden Racing team, including 2017 Virgin Australia Supercars Champion Jamie Whincup and Shane van Gisbergen, as well as AutoBarn Lowndes Racing with Craig Lowndes. The Red Bull Holden Racing Team achieved second place in the team championship at the Virgin Australia Supercars Championship.

## Looking to the future

In 2018, Caltex will continue focusing on customer experience, reviewing our operating model and delivering technology to drive more value for our customers. We'll continue to improve The Foodary format while working with our suppliers and partners to achieve our ambition to become a world-class convenience retailer.



