

Red Apple Markets Inc. fully believes in the constant implementation of change. From its creation as an oil jobbership founded in 1920 by Clarence W. Beasley, the company has worked to continuously improve itself for its own good and for the good of its customers. Based in Ashoskie, N.C., Red Apple Markets today is a division of Beasley Enterprises and a family-owned company. It operates 42 Red Apple convenience stores with a solid footprint throughout northeast North Carolina and southeast Virginia.

Over the past few years, Red Apple has improved its c-stores by implementing leadership training for store personnel, upgrading its technological equipment and renovating its facilities. The newest measures on the drawing board are an automated loyalty program in about half the company's stores and the rollout of unbranded Red Apple gasoline at several locations. With so many new programs and processes popping up, the chain has kept its customers on the edge of their seats wondering what's next.

"The focus strategically has been to solidify our footprint in this part of the world," said Adam Coleman, vice president and COO of Red Apple Markets. "We looked around for some time for a loyalty program that we could manage that was fully customizable and something we could create on our own and choose the direction that we wanted to head with it." The result was the Red Apple REWARDS program.

"It's pretty much changed the overall direction of the company," Coleman said.

After an extensive search, Red Apple settled with Norfolk, Va.-based Outsite Networks Inc., a loyalty and media technology company that specializes in retail petroleum, c-store and quick-serve restaurant markets, to launch Red Apple REWARDS. Outsite's Fidelis Loyalty and Media system provides customers with an RFID (radio frequency identification) key tag that can be used to earn free rewards and points each time they purchase gas at the pump or buy items inside the store.

With a new loyalty program in place, Red Apple Markets hopes to win customers in its North Carolina and Virginia markets

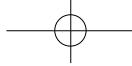
By Alison Embrey

SOUTHERN SUCCESS



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The loyalty program test launch began with 10 stores in March 2004, and the company has since added another 16. Audio speakers at the pumps at these stores broadcast customized messages that promote the loyalty program and entice customers inside the store with special deals.

Customers benefit from the loyalty program in many ways, including monthly random \$1,000 rewards to generate excitement. Red Apple recently started promoting double-points Wednesdays to attract customers during off-peak drive times. "In most of our units, Wednesday was probably the quietest day of the week. It's now the busiest day of the week," Coleman said.

Everybody Wins

While the customers reap the REWARDS, Red Apple's vendor relationships have also strengthened since the program's introduction, said Coleman.

"Our system can change not only the buying habits of customers, but naturally as our sales have in-

creased, so have the movements of our vendors," he said. "In the end, they're the suppliers of our product. They're no different than customers, and we need to take care of them as well."

Red Apple's REWARDS vendor partners receive priority in all in-store promotional and marketing, creating incentive for healthy competition. At the end of the day, the REWARDS program is a threefold success — the customers see lower prices, Red Apple sees sales increases and its vendors see more movement and a return on their investment.

It's All in the Brand

In tandem with its attempt to keep customers coming back through its loyalty program, Red Apple is looking to expand its brand credibility to include the Red Apple logo on the gasoline canopy. The company, which has historically operated under the Texaco, Amoco and Citgo banners, has switched some of its branded gasoline stations over to unbranded Red Apple Gas.

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"We decided to change the chain to primarily unbranded Red Apple Gas," Coleman said. "In the end, we'll probably end up with something like 70 percent unbranded and 30 percent branded Citgo." All of the chain's Amoco stores have already been switched to Red Apple Gas, and the company is planning to convert its remaining Texaco stations once its licensing agreements expire.

Opting for a red and black color scheme reminiscent of its Texaco sites, Red Apple wanted to make an impact in its local communities.

"As we transitioned the business out into a lot of rural communities, we understood that you tend to be all things to all people. You're a grocery store one minute, a tobacco store the next, a fuel store the next," Coleman explained.

"We wanted to make sure that people had that attraction to come to the stores on the outside, that they have the best fuel available at the

best price. We tell customers that we can't do a lot about the gas price, but we can resonate that savings back to you on the inside of the store when you're a loyal customer."

Inside and Out

Red Apple has been just as inventive on the inside of the store. In implementing a new foodservice program, the company looked no further than a local restaurant chain called Gardner's Barbecue. "It's very, very popular and people come from miles around to eat this barbecue," Coleman said.

The company went through its food wholesaler, U.S. Foodservice, and negotiated to get Gardner's barbecue sandwiches in all of its stores — and has seen nothing but success.

Coleman said the company thinks of itself first and foremost as a grocery and deli operation. In addition to the popularity of the Gardner's Barbecue items, Red Apple has also developed its own proprietary fried chicken recipe, which has proven very popular.

Trying to capture younger customers, Red Apple has introduced a 4-foot section called Kid Zone in its stores. With colorful signage and a mix of snack and confectionery items, the chain hopes to attract kids and tweens who will grow up to be loyal Red Apple customers.

In the coming months and years, Red Apple has its eye set on nothing less than full-speed improvement. Expanding the reach of its loyalty program and promoting its new unbranded gasoline are only the beginning for this ambitious chain.

"It's pretty tremendous stuff that we're doing," Coleman said. "Even in the most rural, isolated places, it's quite surprising what opportunity is out there." ■

