



THE MARKET

The convenience store industry is a \$290 billion business. Traditionally, every convenience store was approximately the same size with similar layouts and product offerings. Today, the industry is facing increased competition from other retail sectors. Unique store formats, layouts, and innovative products and services are the key differentiators for c-store retailers. Traditional product categories, such as cigarettes, packaged beverages, beer, and snacks, still dominate. However, new service offerings, such as prepaid wireless phones and fresh foods, are emerging in response to consumer demand.

ACHIEVEMENTS

7-Eleven is redefining convenience retailing through its use of technology, a network of commissaries and distribution centers, and the ability to meet the ever-changing needs of its customers. The 7-Eleven evolution is supported by a successful strategy known as **Retailer Initiative**, which applies the company's proprietary technology for inventory management that captures even subtle shifts in buying patterns and allows 7-Eleven stores to serve a diverse customer base.

Another success driver is the **Model Market** program, where franchisees and store associates use advanced training, and time- and labor-saving equipment and tools, and apply effective merchandising techniques.



Fresh ideas, fresh foods, fresh strategies — 7-Eleven's obsession with freshness has led to an expansion of the company's Big Eats Deli™ sandwiches to include a deluxe lineup featuring artisan breads and gourmet meats and cheeses. Other



additions include griller sausages and Hot Pockets Brand grill snacks.

The strategy is working. Last year, annual sales worldwide reached \$36 billion, and every day 20 million customers shop the global network of more than 26,000 stores.

HISTORY

Since 1927, 7-Eleven has built a proud tradition of customer service, innovative merchandising, and forward thinking. One innovative idea came from a Southland Ice Company employee who started selling milk, eggs, and bread from the ice dock in the evenings and on Sundays, because other retailers were closed. Joseph C. Thompson, one of the founders and later president and chairman of The Southland Corporation, recognized the potential of this concept and began selling products at his other ice dock locations — and the convenience store industry was born.

This growing chain of neighborhood convenience stores became known as 7-Eleven in 1946,

to reflect its 7 a.m. – 11 p.m. hours of operation. 7-Eleven's growth exploded in the 1960s, with the opening of more than 3,500 stores before the end of the decade and the introduction of the 24-hour convenience store concept in 1963.

Today, 7-Eleven is the largest chain in the convenience retailing industry with stores operating throughout the United States and Canada, as well as 18 other countries and U.S. territories.

THE PRODUCT

7-Eleven is committed to product innovation, and the company continues to introduce new products and services that are **"First, Best and Only"** available at 7-Eleven.

For example, the company introduced the **Diet Pepsi® Slurpee®** drink, the first zero-calorie version of the semi-frozen beverage (per eight-ounce serving), as well as Crystal Light® and SoBe® energy flavors for its health-conscious consumers.

As the first retailer to offer hot coffee-to-go nearly 40 years ago, 7-Eleven sells more than 1 million cups in the United States each day. Today, the company offers Café Combinations, or 1,300-plus ways to design the perfect hot beverage with a selection of flavored coffees, cocoas, cappuccinos, toppings, flavor syrups, steamed milk, and other condiments.

The company made history once again with the launch of **Speak Out™** Wireless, which confirms 7-Eleven as the first retailer to develop its own prepaid wireless product. Speak Out Wireless is the first prepaid cell phone that's ready to use out of the box with a preprogrammed phone number and a precharged battery. The prepaid wireless program's cost is 20 cents per minute, days, nights, and weekends (half the national average cost) and offers the first 120-day airtime balance expiration.

Growth is in the cards for 7-Eleven with introductions of the **7-Eleven Convenience Card™**, which is a stored value card that customers can load with cash for quick and easy payment of store purchases, and the **E-Cash** prepaid MasterCard that will evolve into a Smart Card capable of everything from buying a Slurpee beverage at a 7-Eleven store to making Internet purchases or swiping at the fare turnstile as a mass transit pass.

Vcom®, which stands for "virtual commerce," is 7-Eleven's in-store interactive customer service kiosk that goes beyond typical ATM services.





opens doors to tremendous integrated marketing opportunities, from product development and incentive programs to brand promotion and publicity.

BRAND VALUES

A defining brand value for 7-Eleven is its commitment to education and its support of the **Education is FreedomSM** foundation (EIF). Jim Keyes, president and CEO of 7-Eleven, founded EIF on the premise that every young person deserves the opportunity for a higher education. EIF focuses national attention and resources on students who have shown academic promise and leadership, but need financial assistance and guidance to attend college. Donations from top global companies and spare change placed in canisters at 7-Eleven stores helped EIF award more than \$1.5 million

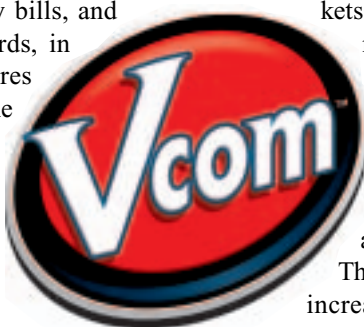
in scholarships since its inception in 2002.

At the heart of the 7-Eleven brand are the company's five fundamentals: *assortment, value, quality, service, and cleanliness*. Employees, franchisees, and licensees execute the five fundamentals in their stores every day to provide quality products and meet their customers' needs.

7-Eleven franchisees and licensees also extend the brand into the communities and neighborhoods they serve by becoming involved with service organizations, such as the American Red Cross and the Muscular Dystrophy Association. In fact, the company's 28-year-old canister program has contributed more than \$100 million to numerous charitable service organizations.

7-Eleven has been through many transformations and continues to change with the times, but the simple idea of giving people "what they want, when and where they want it" remains the same.

Customers can cash paychecks, transfer money, purchase money orders, pay bills, and purchase prepaid phone cards, in addition to standard features associated with an ATM. The initial rollout is complete with Vcom kiosks currently in 1,000 7-Eleven stores in 25 markets.



RECENT DEVELOPMENTS

Taking a Fresh Approach — Big

Eats Deli fresh sandwiches, **Go-Go TaquitosTM**, and bakery products, such as **Dreammm[®] Donuts**, are just a few of the items that compose 7-Eleven's fresh food program, a key point of differentiation for the company. Franchisees and store associates electronically send in their daily orders to the commissaries and bakeries. The items are prepared using 7-Eleven's proprietary recipes and strict guidelines, and the packaging is time- and date-stamped. Next-day deliveries are managed by the company's 23 combined distribution centers, which support 80 percent of the stores in the United States.

Building a Better Model — 7-Eleven's winning Retailer Initiative Strategy is reinforced through the

company's Model Market program. In model markets, franchisees and store associates take responsibility for ordering every item in the store, a task that long ago was delegated to suppliers. Only the best practices in team building, people development, equipment and resources, and strategy execution apply in the model markets.

The results indicate double-digit increases in sales, reduction in inventory, improved inventory turnover, and a subsequent improvement in store results. To date, there are nine model markets, representing nearly 600 stores. The model market rollout is continuing across 7-Eleven stores nationwide.

Technology Takes It to the Next Level — 7-Eleven's Retail Information System (RIS) is a state-of-the-art resource that gives franchisees and store associates

the power to make decisions that impact their stores, including item-by-item management, where deleting slow-selling merchandise and introducing new items at every store, every day, remains a top priority. The RIS tool provides detailed sales data and key indicators of sales for any item, such as the time of day it was sold, the package size, and product flavor. This allows for customized product mixes based on customers' purchases, emerging trends, seasons, demographic preferences, and even specific product requests.

PROMOTION

A lively mix of radio, television, and print advertisements keeps the 7-Eleven brand and its products fresh on the minds of customers. "Oh Thank Heaven for 7-Eleven" remains the company's most enduring advertising theme. Developed in 1969 by the Stanford Agency, the slogan appears on the majority of 7-Eleven advertisements today.

Additionally, the company sponsors Andretti Green Racing — a winning Indy Racing League team featuring team CEO Michael Andretti and champion driver Tony Kanaan. The racing sponsorship



THINGS YOU DIDN'T KNOW ABOUT 7-ELEVEN

- Of all U.S. retailers, 7-Eleven sells the most *USA Today* newspapers, *Sports Illustrated* swimsuit issues, cold beer, cold single-serve bottled water, cold Gatorade, fresh-grilled hot dogs, single-serve chips, and money orders.
- The most Slurpee beverages in the world are purchased in Winnipeg, Manitoba, Canada; in the United States, it's Detroit; the most hot dogs are sold in Washington, D.C., coffee on Long Island, nachos in Colorado, Big Gulp drinks in sunny Southern California.
- 7-Eleven has the largest ATM-service network of any retailer in United States.
- In 2003, 7-Eleven stores sold almost 35 million gallons of fountain drinks, enough to fill 80 Olympic-size swimming pools.
- If you lined up end-to-end all the Big Eats bakery items made each year for 7-Eleven, they would extend 8,800 miles.

