

Beyond the Big Gulp: An interview with 7-Eleven CEO Joseph DePinto

The global convenience store retailer is challenging retailing's status quo through business model innovation and out-of-the-box partnerships.



Technology is reshaping the nature of retailing as consumers increasingly want to move quickly and effortlessly between physical and online stores while enjoying the best of both shopping experiences. Although traditional convenience stores might seem insulated from this “omnichannel revolution,” consumer thirst to get everything on demand has created opportunities for companies that can cover the so-called last mile. And convenience stores, with their seemingly ubiquitous presence on urban street corners, are well positioned to meet the need.

Against this backdrop, 7-Eleven CEO Joseph DePinto has been at the forefront of changing customer expectations of convenience stores, an industry historically known for 64-ounce sodas, late-night snacks, and one-off transactions. DePinto, a graduate of the United States Military Academy at West Point, returned to 7-Eleven and became its president

and CEO in 2005, following a stint as president of video game retailer GameStop. Widely credited with instilling a culture of servant leadership at 7-Eleven, DePinto is helping to push the boundaries of innovation at convenience stores. Indeed, in July 2016 the retailer partnered with a technology start-up to make the first delivery to a customer's home in the United States by drone.¹

Heidrick & Struggles partner Tom Snyder sat down recently with DePinto at the company's headquarters in Dallas, Texas, to learn how 7-Eleven is adapting to an omnichannel world. In the following excerpts from their interview, DePinto discusses shifting customer demands, the company's key partnerships, and the greater role that distribution plays for the global convenience retailer.

¹ Lora Kolodny, “7-Eleven delivers by drone in Reno including, yes, Slurpees,” TechCrunch, July 22, 2016, techcrunch.com.

Heidrick & Struggles: What industry trends are you paying most attention to right now?

Joseph DePinto: It's always the case that if you're standing still, you're failing. In retail right now, we're pursuing R&D big time. To succeed, you have to be trying new techniques, assessing what's going on, thinking forward, and trying to understand the customer. This is not the time to shy away from risks.

We're living in a buyer's market, and it's worrying how quickly customers are changing and making new demands. They can immediately find out the prices of products at various retail stores and read about where service is best and where it is worst. They have instant access to information that could make or break a retail store. So we worry about keeping up with the customer, and we ask ourselves lots of questions: who do we need to partner with so that we're the first store to pop up when a customer searches "convenience stores" in Google Maps? How do we stay relevant and, true to our name, convenient?

Heidrick & Struggles: What strategy have you adopted in response to the buyer's market?

Joseph DePinto: Fortunately, at 7-Eleven we had a visionary chairman who anticipated the shifting omnichannel and distribution game. He got us off on the right foot, with the support of the rest of the board. You've got to have someone who isn't afraid to challenge the status quo or take a risk in order to make real progress. We've been lucky in that respect. Because of that support and vision, we've been able to create a strategy around loyalty and customer relationship management that centers on using our stores as distribution points.

To start, we formed a digital team that links with IT and marketing. We established a partnership with PayNearMe, a company that serves the tens of millions of Americans who are either unbanked

or underbanked. Through this partnership, we take income tax payments, provide ticketing through Greyhound Lines—it has opened up a whole suite of things that we can do for customers. Customers can come to 7-Eleven with a bar code, and we'll scan it, take the payment, and provide them the service. It really mobilizes this segment of the American public.

Our number one goal strategically is to develop our omnichannel capabilities so we can give customers convenient access to products and services—and not just through brick and mortar. I joked with Bastian Lehmann, the CEO of Postmates, about our company being the closest to the customer. "Yeah, you're pretty close," he said, pointing at a smartphone, "but that's closer." And I said, "Touché," because he's right. So we've started asking ourselves, "How do we engage with that?"

Heidrick & Struggles: What does it look like in practice—what services are you offering that you weren't five years ago?

Joseph DePinto: Other countries are ahead of the United States in many ways, and one of the most significant is delivery. In countries like Japan, South Korea, and Taiwan, where motorbikes are commonplace, they already have on-demand delivery. It's been happening for a while. Luckily for us, what we've been able to learn from these markets is that dropping off and picking up packages at our stores works, and it works globally. Because of this, we now have Amazon and UPS drop boxes at selected 7-Eleven stores.

We've also partnered with Postmates, an on-demand delivery company. Postmates couriers can come to our store and pick up products and deliver them to customers wherever they are. Say it's a bottle of water and a pint of ice cream. It can be 15 minutes from order to delivery in some urban areas. We're going to continue to refine that until it's almost immediate. That's where the world is going.

Joseph DePinto

Joseph DePinto has been the president and CEO of 7-Eleven, Inc., since 2005. Previously, he served as vice president of operations for 7-Eleven and held several leadership and executive roles at other companies. DePinto is known to the general public for his appearance on the reality TV series *Undercover Boss*.

Education

BS, engineering management,
United States Military Academy at West Point

MBA, Kellogg School of Management,
Northwestern University

Previous experience

GameStop Corporation

President

7-Eleven, Inc.

Vice president of operations

Thornton Quick Café & Market

Senior vice president and chief operating officer

And we're finding that we're getting a higher average ticket on these purchases than we are in stores. So customers are actually bundling products when they buy this way, possibly adding products for a friend or family member to their own shopping list.

I think things have evolved pretty rapidly, and certainly we're doing much that we weren't five years

ago, but the fact is, disruptions happen everywhere, in every sector. This is why we've gone out to Silicon Valley and started a corporate venturing arm, 7-Ventures: we're going to keep pushing the envelope and doing research so that we can provide what customers are demanding.

Heidrick & Struggles: How else are you harnessing your proximity to customers?

Joseph DePinto: We've mapped more than two dozen ways that customers can purchase products from us. How do they pay, order, and receive the product? Was one of our partners responsible for a portion of the delivery? Did the customer come to the store or not? There are many permutations to the process.

Say a customer purchases a product online, but they don't want the product delivered to their home because they are away during the day; they want it delivered to a PO Box or to a storefront that's on their way home. We've partnered with companies who will fulfill these purchases. The customer orders from 7-Eleven, our partner fulfills it, the customer receives their package, our partner gets their margin, we take a piece of it, and the whole process is convenient for everyone involved.

Additionally, we're assessing the viability of "dark stores." These are spaces that hold immediate consumables and other inventory that we can move to nearby stores quickly—for example, the second floor of a building with an existing 7-Eleven, where rent is cheaper.

Amazon is doing Amazon Prime right now, and while I think it's good, ultimately the consumer is going to want to order a product and receive it immediately. Big-box stores don't have the physical locations to be able to meet consumer needs in this way. We do.

Heidrick & Struggles: What challenges do you face in implementing these new services?

Joseph DePinto: We've partnered with folks who already understand the service model, and in that way we've saved ourselves a lot of trouble. But finding talent is always going to be a struggle.

We set out to find leaders who think broadly enough across the total supply chain because, as I've said, the game is changing. We brought in some talent, particularly in our merchandising, marketing, and IT functions. However, not only can talent be difficult to source but today's top talent also tends to move around quickly. Talented individuals are jumping between businesses after a year, a year and a half, sometimes even faster. They can do this because the demand is so high. While these top talents are with us, though, we put them to work: they're educating, developing, and training, and many do end up sticking with us.

Heidrick & Struggles: How do you see the retail industry evolving?

Joseph DePinto: It's important to note that we aren't doing this on our own. If retailers believe they're going to be separate, stand-alone stores and not participate in this kind of ecosystem where we're working together, they're missing the point. Ultimately, this is a distribution game—it's not just about having brick-and-mortar stores anymore. The question is, "How do you distribute the product to the end user efficiently and with high quality?" That's where it's all going. ■

About the author

Tom Snyder (tsnyder@heidrick.com) is the global managing partner of Heidrick & Struggles' Consumer Markets Practice; he is based in the Chicago office.

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