

The Future of Age Verification

October 2020

This is the future of age verification



PRESERVES EXISTING AGE-GATED OFFERINGS

Ensures you can sell ALL age-gated products, including full-line vape



ENABLES NEW REVENUE STREAMS

Opens the door to CBD, cannabis, sports betting revenue possibilities



ENABLES ONLINE SALES OF AGE-GATED PRODUCTS

Verification at point of sale and point of delivery to protect against cannibalization from new entrants



COMPLIES WITH MANUFACTURER SALES REQUIREMENTS

Future-proofs compliance should track, trace and limit become mandatory



INTEGRATES LOYALTY PROGRAMS

Enhanced targeting and digital couponing; no longer need to "card" your best guests



SMOOTHS DIGITAL TRANSITION

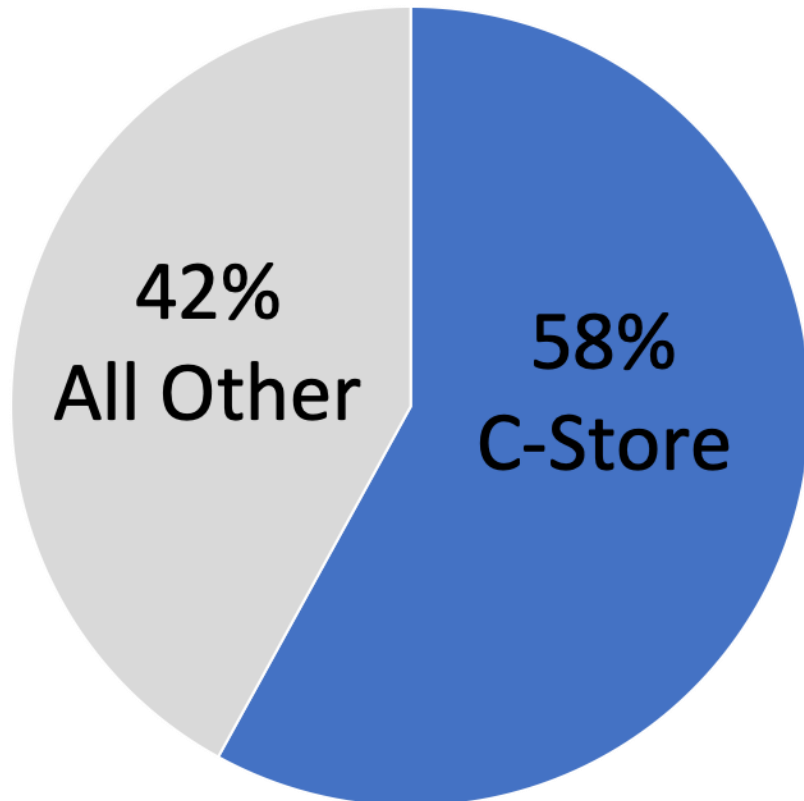
Embedded in base code; prepares for full digital ID standards

PROPRIETARY & CONFIDENTIAL

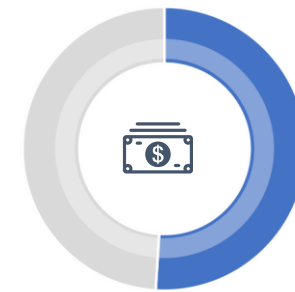
Convenience Stores and Age-Restricted Products Need One Another to Survive

C-stores are the Largest Channel for Sales of Age-Restricted Products

Age-Restricted \$ Sales by Channel, \$149.8B in 2019
excluding lottery ticket sales



C-stores Rely Heavily on Age-Restricted Products to Drive Trips and Market Basket



51% of all transaction \$ inside the store

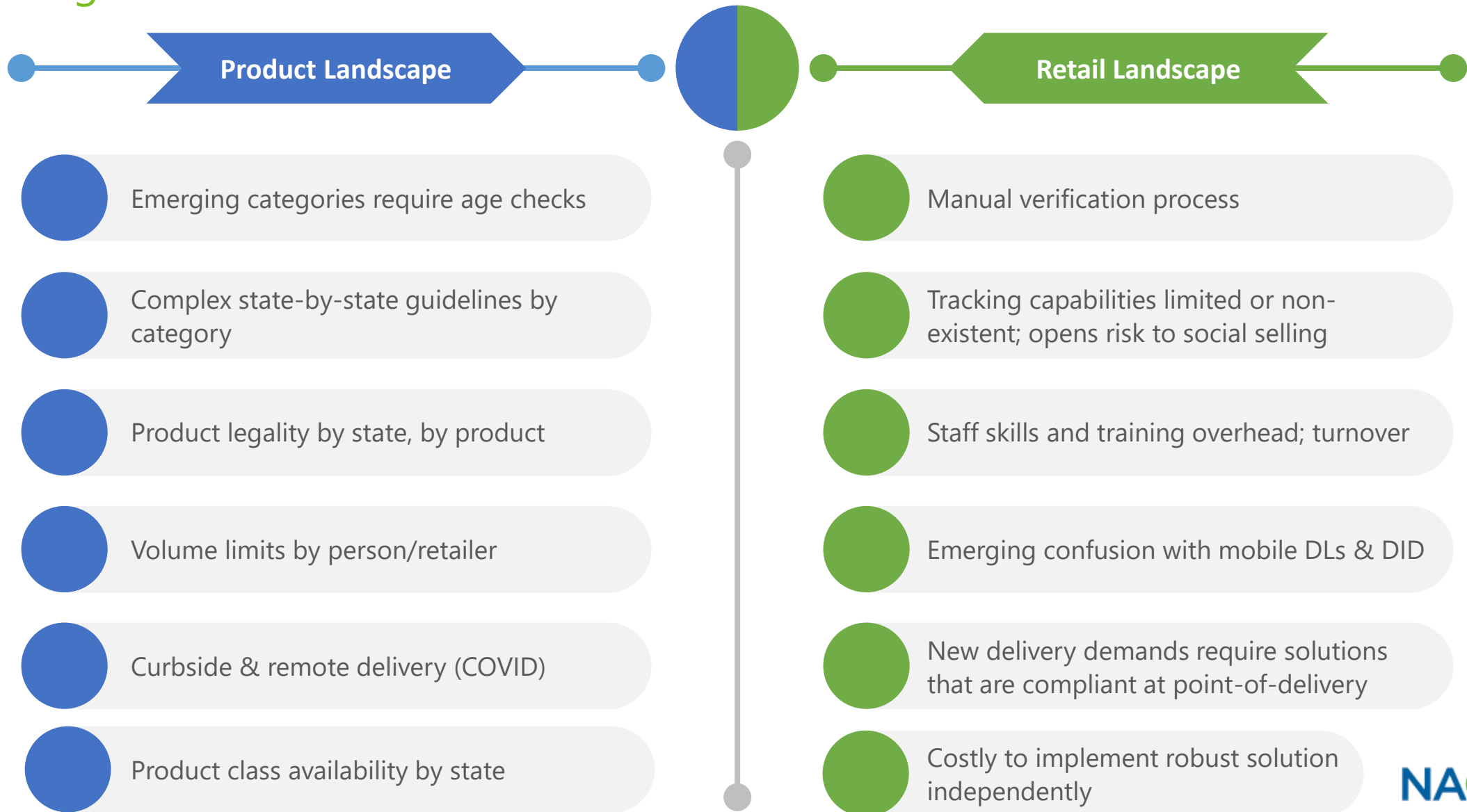


37% of all transactions include age-restricted products (54M transactions/day)



27% of all unit sales

Product landscape increasingly complex; inconsistent retail verification capabilities create high risk for human error



Consumers remain frustrated with underage access to age-restricted products, and lack confidence in c-stores' effectiveness to curtail the issue

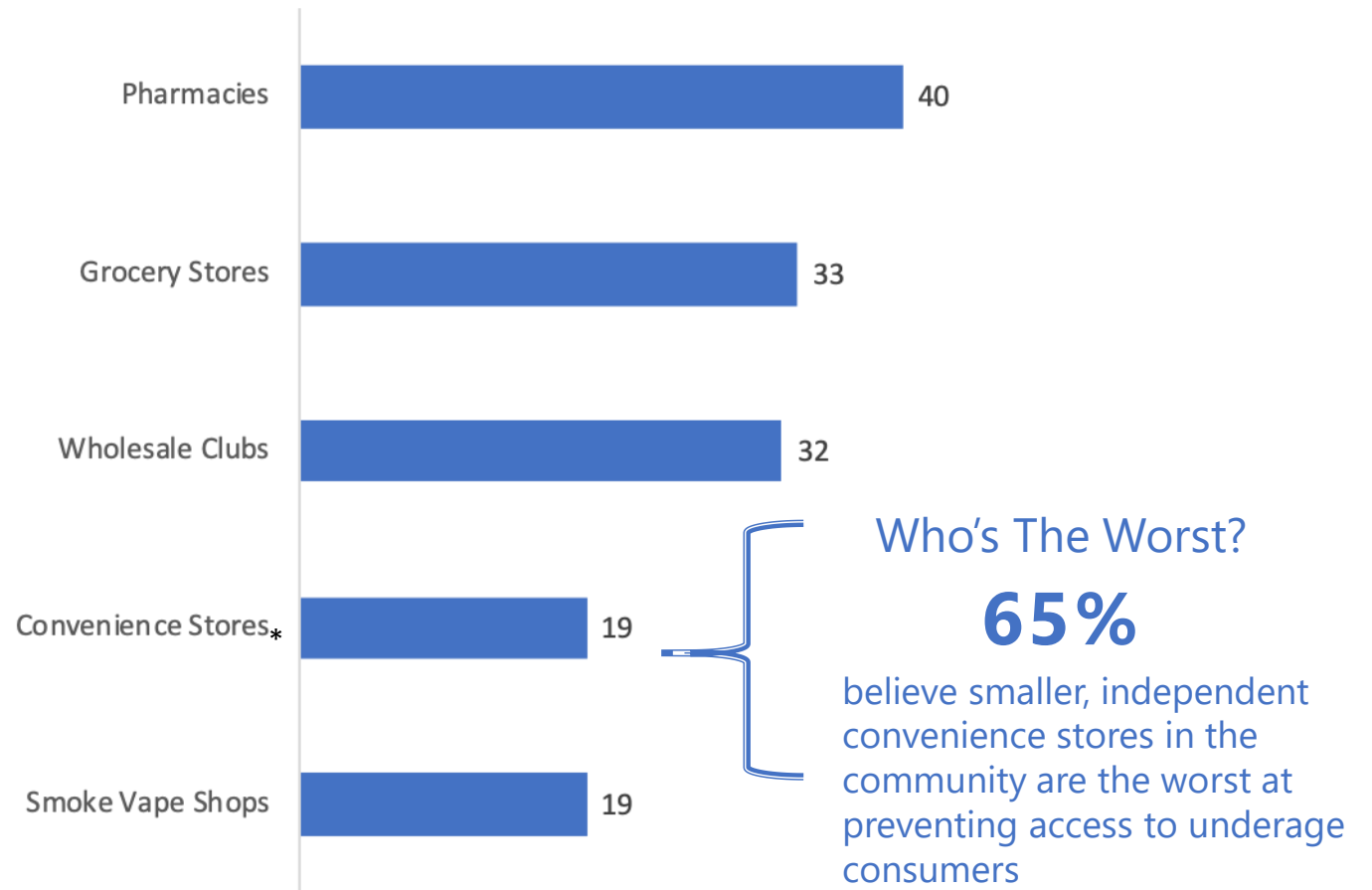


90% Agree sales of age-restricted products to underage consumers is a problem



60% of parents believe it is an Extremely Important or Very Important Problem

Perceived Effectiveness of Preventing Sales of Age-Restricted Products to Underage Consumers



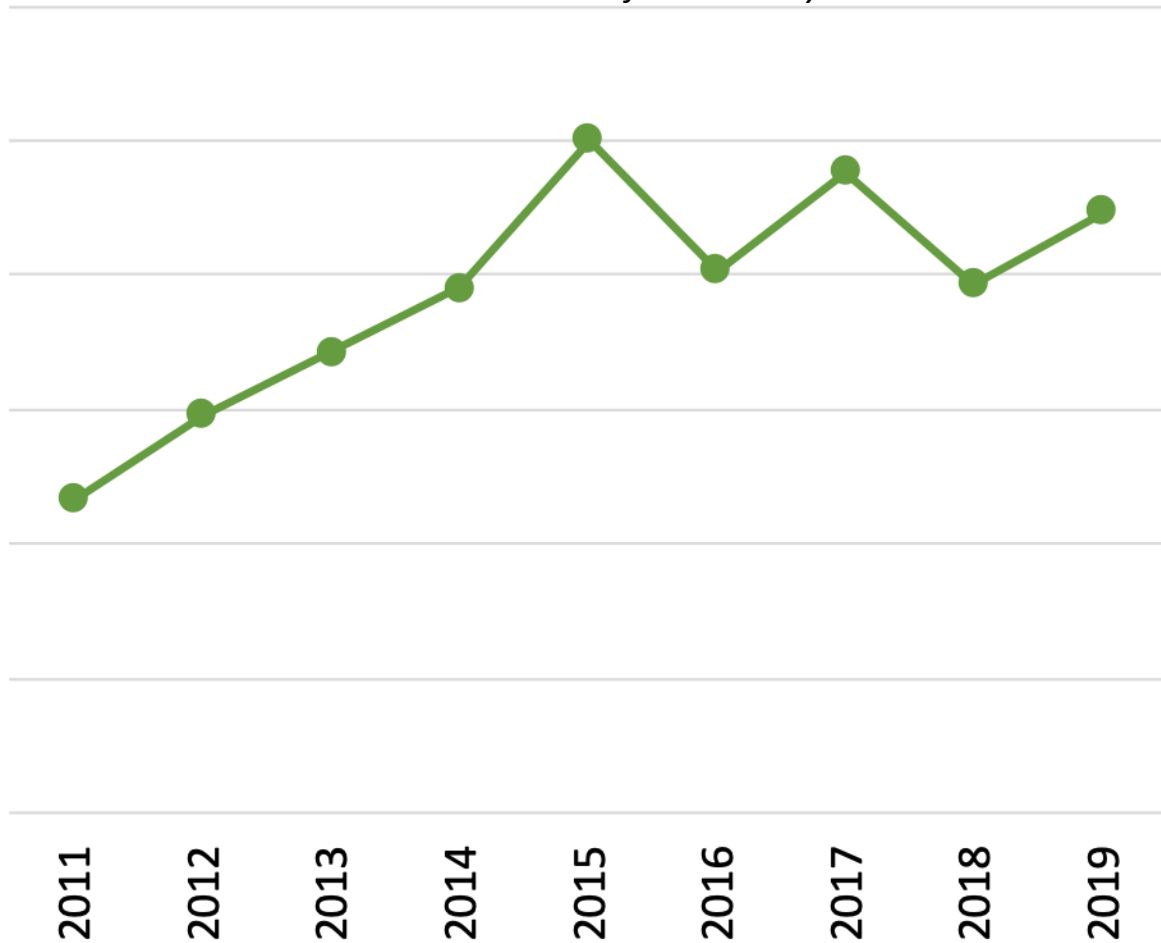
Source: NACS Consumer Age Verification Study; *represents average across all store types



The FDA continues to step up its pressure on underage product sales, resulting in additional negative brand impressions

Retailer FDA Failure Rates Since 2011

Incl involvement of minors only



F.D.A. Criticizes Walgreens and Other Retailers for Selling Tobacco Products to Minors

FDA threatens to fine Walmart, Kroger and convenience store chains for selling tobacco to minors

PUBLISHED FRI, APR 12 2019 • 5:50 PM EDT



FDA Announces Crackdown on Walgreens, 14 other National Retailers Selling E-Cigarettes to Kids

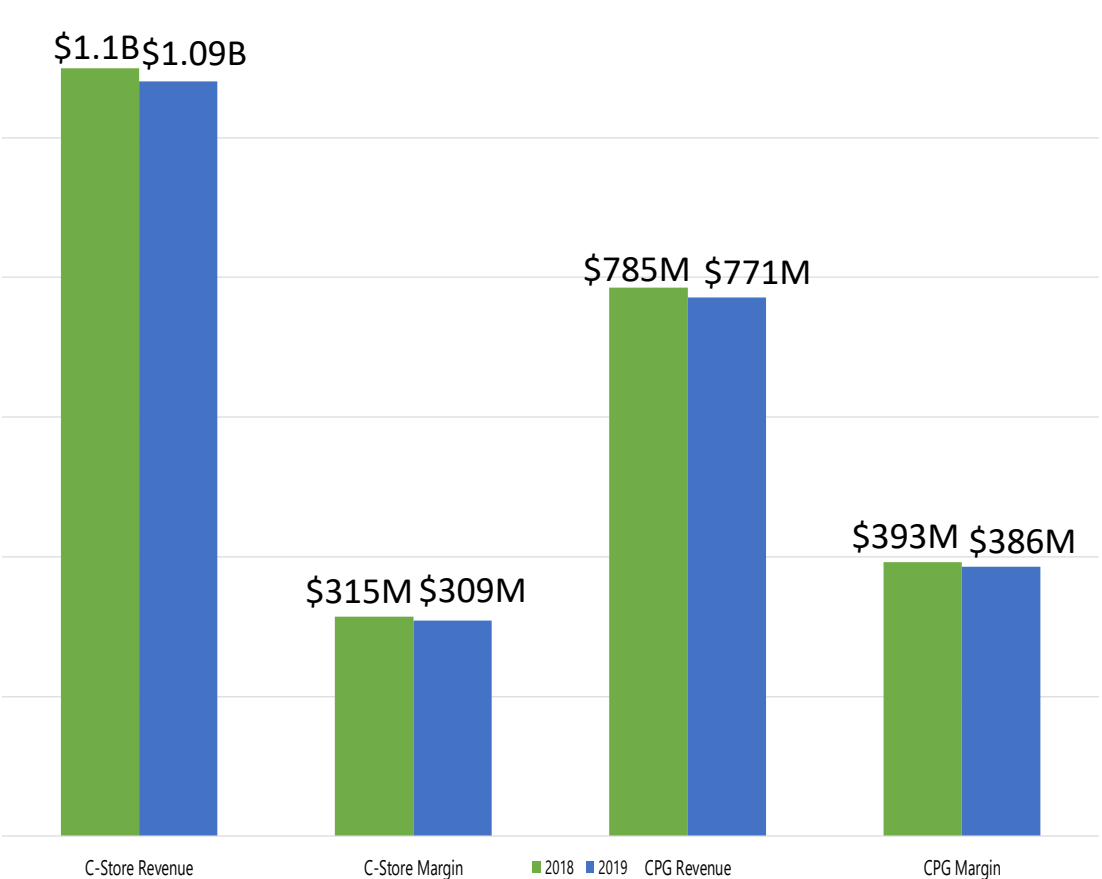
Inconvenient Problem: One in Four 7-Eleven stores caught selling tobacco to kids



Product bans are also being pursued. Various bans in effect across 3 states could result in a loss of ~\$1.3B* in revenue and ~\$360M* in margin alone for C-Stores annually

A Flavor Ban in a Single State is Financially Significant

Sales of All Flavored Tobacco & OTP in CA



With More States Implementing Similar Bans

C-Store Effect of Menthol Ban in NY and NJ

New York -34%

Lost Revenue 1st 5 wks: \$13M
 Est. Lost Annual Rev: \$135M

New Jersey -32%

Lost Revenue 1st 5 weeks: \$3.3M
 Est. Lost Annual Revenue: \$34.3M



*Assumes sales consistent with 2019; margin uses weighted average of 28.6%

We must move our industry to the universal, nationwide solution we need and consumers want

We Need It

Consumers Want It



UNIVERSAL APPROACH

All age-restricted products treated with equal gravity across all C-Stores



100% VERIFICATION

Verifying the age of every customer of age-restricted products is essential. Without verification, there can be no tracking



CONSUMER ADOPTION

Verification must evolve to be frictionless, and always maintain personal privacy and identify. Benefits must exceed cost of any inconvenience or concern



90% support a **nationwide standard** for age verification



78% favor a **mandatory/universal** "We Card" style approach to age verification

Source: NACS Consumer Age Verification Study, 2020



NACS is uniquely positioned to drive forward a solution most beneficial for our members, and industry

Most importantly, we **UNDERSTAND & SUPPORT** you, the retailer



Our guiding principles for this solution have taken into account the things most crucial to keeping retail operations running smoothly



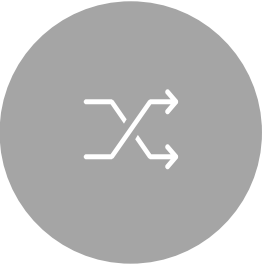
DO NO HARM

Must be equally frictionless and operate in the reality of retail operations



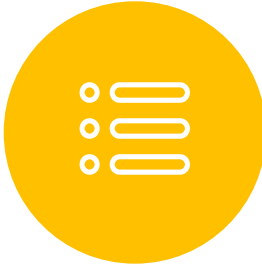
RELIABLE

Must be more reliable than existing age verification; operate in off-line situations



INTEGRATED

Must work within common retailer technology stack and be easy for tech vendors to incorporate



CONSISTENT

Operations and data flows must be standards based



EASY TO USE

Takes advantage of existing habits of both retailers and consumers



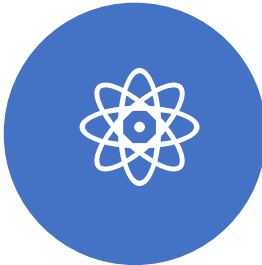
MAINTAIN PRIVACY

Must not increase data security or privacy risk, today or tomorrow



MINIMAL DOWNTIME

Distributed specification (POS) changes must be infrequent



EMBRACE DIGITAL FUTURE

Must embrace emerging digital identity standards and technology

We will pursue a phased approach to implementation

Make it standard



RETAIL-FOCUSED

- Adopt new retail processes; scan driver's license for 100% of age-restricted purchases
- Robust back-end consumer database, *personal data minimized*
- Access scalable & secure hosting system to tokenize, track, trace, limit & report
- All baseline capabilities will be available to retailers in Phase 1

PHASE 1
2020/21

Make it secure & flexible



CONSUMER-FOCUSED

- *Personal data eliminated @ POS*
- Launch consumer "ID Wallet" smartphone application to replace need for driver's license scan
- Retailers scan pre-verified "ID wallet" via unique QR code
- Data transmits to backend database and returns information in the same manner as Phase 1

PHASE 2
2021→

Lead digital ID revolution

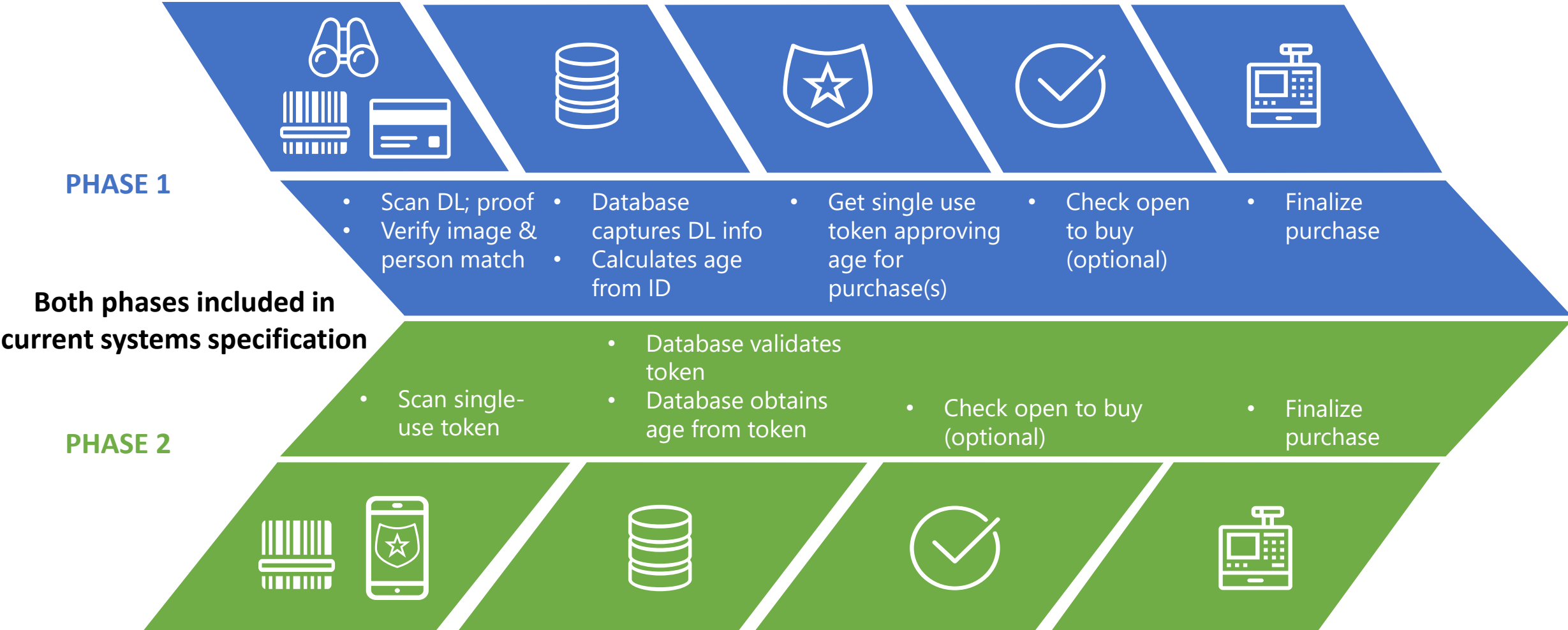


CAPABILITY EXPANSION

- Add retailer- and supplier-desired capabilities such as loyalty programs and 1:1 couponing
- Add consumer-desired capabilities such as payments tied to "ID wallet"
- *Drive interoperability with emerging DIDs; lower cost & complexity*

PHASE 3
2021→

Integration of this new approach will be relatively seamless at retail



Unlike current 3rd Party alternatives, our approach will offer an end-to-end solution that fits the specific needs of C-Stores

CAPABILITY	MANUAL APPROACH	NEW APPROACH	3 RD PARTY SOLUTIONS
Accurate age verification every time	✗	✓	✓
Unit sales limitations, In-sale, systemic	✗	✓	✗
Purchase authentication	✗	✓	✓
Integrate age verification in loyalty app	✗	✓	✗
Allow couponing and loyalty reward integration	✗	✓	✗
Support of emerging digital IDs	✗	✓	?

What We Need From You – Retail leadership will make this happen

Commit

- **Letter of Intent** — your company's commitment to eradicating under-age sales
- **Universal Implementation** — program deployed across all sites
- **Phase 2 & 3 Rollout**
 - Make verification at point of purchase and point of delivery standard practice – online and off
 - Make it a standard component of loyalty – verify every sale without friction

Communicate

- To your **systems vendors** that program support is important
- With your **age-restricted FMCGs** how important it is they support
- To your **peers** why this is important for them to support
- To your **customers** why you are participating, and establish your brand as a responsible seller