

# A Brief Analysis of the Internationalization Strategy of Japanese Convenience Stores—A Case Study of Family Mart's Entry into Taiwan

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**Abstract.** This paper investigates the development of family mart in stages, and analyzes the key factors for Japanese convenience stores to enter the international market through the experience of family mart entering Taiwan. Firstly, the characteristics of Japanese convenience stores are summarized into five key points. Secondly, the development of family mart can be divided into three stages. For Japanese convenience stores into the international market encountered obstacles, family mart convenience stores have to overcome one by one, in order to successfully enter the Taiwan market. This paper points out that the key factor for the internationalization of convenience stores in Japan is that convenience stores are an indispensable industry for localization, so it is important to ensure good local partners.

## 1. The introduction

With the aging of Japanese children and the decline of the population year by year, the domestic market is shrinking, in recent years, the overseas expansion of large convenience stores has become active. One year later, 7-11 convenience stores ranked first in the domestic market set up a comprehensive investment company with Chinese business. Lawson, number two, has moved into Indonesia, Thailand, the Philippines and China. Family mart, in third place, is in three countries: Vietnam, Indonesia and the Philippines. Although a number of Japanese convenience stores have gone overseas, few have been directly involved in local operations and turned around. Family mart's "family convenience store" in Taiwan is one of the few successful cases, providing an important reference and inspiration for family mart to enter the international market. Therefore, this paper investigates the development of family convenience stores in stages, and through the experience of family mart in Taiwan, aims to analyze the key factors of internationalization of Japanese convenience stores. The research significance of this paper can not only provide enlightenment for the internationalization of domestic demand-oriented enterprises, but also is an indispensable empirical study on the internationalization theory construction of convenience stores.

## 2. Overview of family mart

Family mart, based in Ikebukuro, Tokyo, was founded in September 1981 and pioneered Taiwan in 1988. By the end of 2013, it had opened stores in 8 countries around the Pacific rim, with 13,017 overseas stores, about 1.3 times the number of domestic stores in Japan. It is known as the Japanese convenience store with the highest degree of internationalization. Taiwan accounted for more than half of the 5,337 overseas stores at the end of July 2014, or more than 2,900, due to store closures in South Korea.

The store management policy and characteristics of familymart can be summarized into five key points. (1) as a result of the promotion of franchising, there are more franchised stores than direct stores. (2) increase the gross profit by adding rice commodities, cooking bread and other Chinese cuisine commodities. As a result, the proportion of sales of Chinese cuisine commodity group has

been greatly increased (3) emphasis on the joint distribution system with manufacturers. (4) improve the efficiency of chain operation through the construction of information system. (5) attach importance to s&qc.

### **3. Entry period of family convenience store (1988 ~ 1993)**

#### **3.1 The birth of the family photo store**

Family mart moved into Taiwan in 1988. Taiwan was chosen as the first overseas destination because of its geographical proximity, cultural affinity and high economic growth rate. After a year of preparation, a joint venture company, family mart, inc. (hereinafter referred to as family mart) was established in August 1988. The first store, guanqian store, opened in front of the Taipei station in December 1988.

In this context, the focus of the local migration of family mart is (1) to promote the number of franchised stores and turn the loss into profit, (2) to build an information system, (3) to maintain infrastructure such as logistics, and (4) to introduce new services. In particular, the construction of information system is the focus of this stage.

#### **3.2 Local migration of Japanese convenience stores**

##### *3.2.1 Electronic ordering system*

First, the Electronic Ordering System was introduced in 1988 with the introduction of a pen scan called "familyline" by Japan's familymart, which started the Electronic Ordering System.

##### *3.2.2 Establishment of logistics branch company*

In Japan, although it attaches great importance to the joint distribution with manufacturers, the logistics infrastructure required for the development of convenience stores can only be improved by themselves since Taiwan has no intermediate circulation link equivalent to the wholesale in Japan.

##### *3.2.3 Introduce the franchise system*

Familymart officially introduced the franchise system in 1990. However, Taiwan and Japan's accounting system is different, Taiwan's inventory is the headquarters, so the Japanese franchise system can not be directly brought to the local. As a result, familymart has introduced a "franchise approach" and a "franchise approach."

##### *3.2.4 The introduction of Chinese food encountered difficulties*

Family convenience store, from the beginning began to introduce the Japanese "yoshikin" home steamed stuffed bun and kanto cooking machine, bento shelf, but did not form convenience store consumption habits of bento, the response is not good, so stop selling the above goods.

#### **3.3 Obstacles to turning a deficit into a profit**

The branch area expanded from Taipei city to taichung in 1991, with more than 100 stores, but that was only half of the original plan of 200 stores in three years. As a result, it failed to turn a profit in its sixth year. The initial investment of 25 million yuan eventually ballooned to 700 million yuan, and the accumulated deficit was larger than that of other convenience store companies joined in the same period.

### **4. Growth period (1994 ~ 2005)**

#### **4.1 Pre-growth period (1994 ~ 1999)**

##### *4.1.1 The promotion and profitability of the franchise*

In 1994, familymart opened its first store in kaohsiung, with a total of 192 stores. By the end of that year, its annual operating profit turned a profit. In February 1995, family convenience store no. 200 opened in danshui, Taipei. Within 7 years, the goal of "200 stores in 3 years" was achieved.

#### *4.1.2 Information system*

As mentioned above, Taiwan's accounting system is different from Japan's, in that the inventory is owned by the headquarters, so information systems that meet local needs need to be built. So family mart got a partnership with CTC corp.

#### *4.1.3 Introduce new services*

During this period, the family convenience store in the industry took the lead in the introduction of public fee payment service, which was introduced from Japan. First, in January 1998, the city of Taipei started the parking fee agency business, and in July 1999, the city of Taipei increased the electricity bill, the largest telephone company's telephone bill, natural gas and water bill and so on.

#### *4.1.4 Logistics and other infrastructure construction*

At this stage, apart from meat buns, Chinese food also sold rice balls, cold noodles, midnight snacks and sandwiches. In addition, in 1997, the seasonal commodities such as kanto cooking, traditional Chinese rice-pudding and salad were added, and the supply of commodities was always handled by the same "commissioned local suppliers" as in Japan.

### **4.2 Late growth (2000 ~ 2005)**

Since 2000, the number of convenience stores in Taiwan has increased gradually, and family mart has 1,011, ranking the second. In the later stage of growth, the number of franchised stores of family convenience stores continued to increase, and the development focus was on the strengthening of China food group and S&QC.

#### *4.2.1 The number of stores is increasing due to the promotion of franchised stores*

In the six years from 1997 to 2003, the number of stores of the company increased due to the promotion of the franchise store system, increasing by 500 every three years. In 2005, we introduced the concept of suburban shops in Japan, and started to set up shops with parking lots.

#### *4.2.2 Update of information system*

First of all, 30 million yuan was invested in the introduction of the new handheld terminal ordering system in December 2001. Previous sales data and order information need to be confirmed on the computer screen of the store, but these data can be confirmed on the terminal at hand after importing.

#### *4.2.3 Set up a logistics center and a publishing logistics subsidiary*

The logistics infrastructure is expanded according to the location and number of stores. First, the third taichung logistics center was established in 2000. In April 2004, a fourth logistics center was set up in northern Taiwan.

#### *4.2.4 strengthening S&QC*

As for strengthening S&QC, the feature of this stage is to improve service quality through enriching talent education, which includes the following three points. (1) introduced "Store Staff Training part-time certification system"; (2) carried out the name of "store quality personnel selection activities" of the company's internal competition; (3) set up a company named "family portrait enterprise university" internal education facilities, enrich the talent education.

#### *4.2.5 the beginning of image advertising and store reform*

First, in order to seek differentiation with other companies, began image advertising. The family convenience store was opened in February 2000 by Taiwanese entertainers. With regard to store reform, store 1,300 opened in December 2002 introduced the concept of "2nd generation store". Unlike existing stores, the shelves and cash registers are lower in height, the aisles are wider, the entrance and counter lights are brighter, and the advertising has been changed.

## **5. Maturity period (2006 ~ 2014 till now)**

### **5.1 Convert to new stores and strengthen Chinese cuisine commodity group**

Although familymart has used various methods to strengthen its Chinese product portfolio, it has remained in the single digits as a percentage of sales. Therefore, the conversion of new stores and the development of new products based on new ideas are introduced as new policies.

## **5.2 Expansion of logistics infrastructure**

As for the logistics system, in order to cope with the distribution of eastern Taiwan and outlying islands, the sixth yunlin logistics center was set up in central and southern Taiwan in September 2013.

## **5.3 Innovation of information system**

The third generation POS system was introduced in 2011, and was fully updated in 2013.

## **5.4 S&QC enrichment**

In terms of services, a variety of services have been added. Taiwan Shinkansen tickets will be available for the first time in December 2009. Delivery services were introduced in 2008.

## **5.5 Unification of private brand goods**

In addition, private brand goods have also been unified. So far, familymart has about 200 brands of private-label goods on the market, some of them imported from Japan, but many of them, such as fruit juice and canned goods, are produced in partnership with local companies in Taiwan.

## **6. Conclusion**

To sum up, the key for familymart to enter the Taiwan market lies in the following five aspects :(1) introduction of franchise store system; (2) strengthen the construction of Chinese cuisine commodity group; (3) attach importance to the establishment of logistics joint distribution system; (4) realize the efficiency of chain operation through the construction of information system; (5) attach importance to S&QC. Apart from capital investment, Japan also needs to give maximum support to the technology of local enterprises.

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