

Analysis of FamilyMart Convenience Store

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ABSTRACT

There are a total of 1445 FamilyMart outlets; the number is overwhelming compared to the number of others convenience stores; thus, this paper attempts to analyze the reasons for the success of FamilyMart and provide more suggestions for improvement. This paper would also include a real example to illustrate how dense the number of FamilyMart outlets is: the real example is about a subway station in Shanghai where three FamilyMart convenience stores are situated; there is one at the midpoint and there are two at the endpoints. All of these three stores have more than a few customers. This paper also includes some information that was found online; the information shows that the number of FamilyMart convenience stores has been stable in recent years; Thus, FamilyMart can try to open more stores near Shanghai. These cities do not have to be metropolises or a developed city so the rent of lands in those second-tier cities will be much lower than first-tier cities; therefore, the risk of opening stores in second-tier cities will be much lower. In addition, these second-tier cities are situated in the territory of Yangtze River delta would have a potential market, since Xi Jinping, Chinese president, enacted the strategy of integrated regional development of the Yangtze River Delta in 2019. With the rapid development of the e-commerce economy, some real economies still occupy a very important part, such as Family Mart. This article mainly studies the current situation of FamilyMart in Shanghai and the expected future strategy of FamilyMart. The following conclusions can be drawn FamilyMart has a trend to spread their outlets to those areas near Shanghai.

Keywords: FamilyMart, Convenience Store, Strategy, Shanghai

1. INTRODUCTION

FamilyMart is an international chain of convenience stores; actually, FamilyMart is a Japanese brand of convenience store founded in 1981. After decades of spread and development, FamilyMart has been the second-best convenience store in the world, just behind Seven Eleven. In 1988, the first FamilyMart store was opened in Chinese territory; apart from this first FamilyMart store was opened in Shanghai in the June of 2004. Nowadays, FamilyMart has been introduced to many different cities and countries. Take China as an example, FamilyMart has its stores in most of the developed cities like Shanghai and Guangzhou, Shenzhen, and so on. Especially in Shanghai, there are

over 1300 FamilyMart stores; before FamilyMart established its first store, there were many other convenience stores that also aimed at the promising market. Currently, there are many essay writers considering FamilyMart as their research objective, but most of them mainly focus on management mode of FamilyMart; thus, this paper will mainly focus on why FamilyMart could stand out from the competitive market? At the end of the paper, some personal suggestions to FamilyMart would be included: how can FamilyMart further spread their outlets after they get success in Shanghai.

2. HISTORY OF FAMILYMART IN SHANGHAI

Table 1. Timeline of FamilyMart’s Development in Shanghai [4]

Time	Event
2004, May	FamilyMart founded its subsidiary called Shanghai Fumanjia Convenience Co., Ltd.
2004, July	FamilyMart established its first store at subway station in Shanghai.
2005, December	The number of FamilyMart outlets hit 100.
2009, August	FamilyMart signed an agreement cooperating with Shanghai metro.
2016, April	FamilyMart opened store in Shanghai Disney land.



Figure 1. FamilyMart stores open at subway stations

Why did FamilyMart choose Shanghai as the beginning city to enter the Chinese mainland rather than other developed cities like Beijing?

Mitsuyoshi Harada, the vice president of FamilyMart in 2004, claimed that there were many small roads and alleys in Shanghai, so customers were more likely to stop by convenience stores for quick purchases; moreover, Shanghai had the biggest purchasing power, high dense population, and shopping culture compared to other cities in China . [8]

FamilyMart is not like others convenience stores, FamilyMart stores are hybrid in Shanghai which means

some outlets are franchised stores while others are under ownership model. For example, Seven Eleven convenience stores in Shanghai were all under a franchise model. By contrast, FamilyMart pays much more attention to the market of Shanghai; it’s quite common that a company wanted to enter a new land and the company would cooperate with a joint venture. It’s the same as FamilyMart, FamilyMart cooperated with Taiwan's Ting Hsin International Group to help them get success in the Chinese mainland.[1]

D. The increase of FamilyMart outlets in China is relatively stable in recent years.[5]

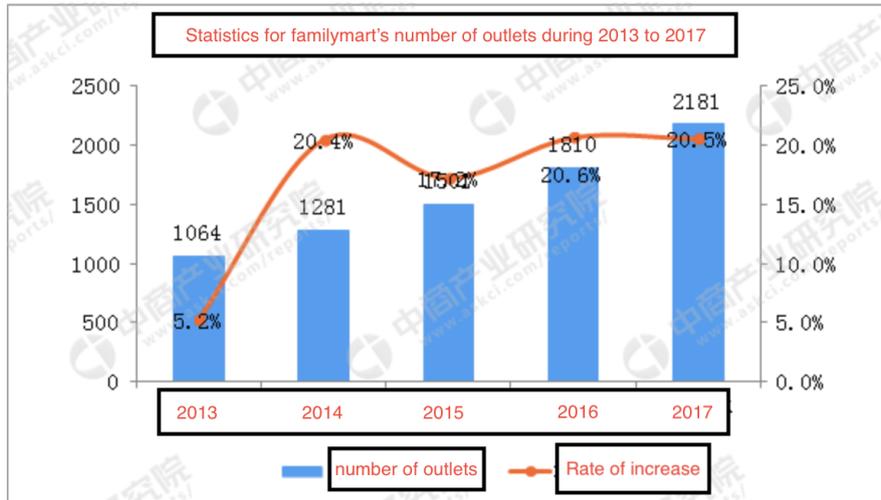


Figure 2. Statistics for FamilyMart’s Number of Outlets Stations During 2013 to 2017

3. STRATEGY FOR CHOOSING LOCATIONS OF STORES

In this part, the study would include a real example to illustrate the strategies that the FamilyMart used in Shanghai



Figure 3. The place this paper chose is the subway station of Jiangwan stadium.

There are three FamilyMart stores at the subway station, and they are situated in different locations of the Jingwan stadium; thus an assumption is needed to better explain the example: Jingwan stadium is a straight line. In addition, there are 13 exits in this station.

The first FamilyMart store is near exit 3. As this paper mentioned before, if the station is a straight line, the first FamilyMart outlet is at one of the endpoints of the station.

The second FamilyMart store is near exit 6: it’s the same as before, if the station as a straight line, the second store is at the midpoint of the station.

The third FamilyMart store is near the exit 11; it locates at the another endpoint of the station.

These three stores are less than 100 meters apart from each other; however, there are still many customers who

stop by to have a quick purchase in each store: some of them even sit in the stores and had a break after they bought snacks or drinks. In addition, the location choice of each store at the subway station is quite clever. After these three are established, customers are able to find a FamilyMart store in one minute if the customers are at the subway station. To sum up, the strategy of choosing location for FamilyMart’s outlets is pretty successful and clever. It can maximize the word “convenience.”

4. COMPARISON BETWEEN FAMILYMART AND ITS COMPETITORS

Table 2. The Number of Outlets of Different Convenience Store in Shanghai

Convenience store	Number of outlets in Shanghai
FamilyMart	1445
Seven Eleven	114
Lawson	179
C-Store	288
alldays	93
Quik	416

What are FamilyMart’s advantages compared to other convenience stores in Shanghai?

Firstly, it’s the most obvious that other well-known convenience stores including Seven Eleven and Lawson are outnumbered by FamilyMart. Even though all the convenience stores are added together (excepting FamilyMart), they are still far away from the number of outlets of FamilyMart; therefore, FamilyMart stores are much more accessible than the other convenience stores so students can enter the convenience stores and have a quick purchase before they catch classes; white collar

workers also can have a quick purchase before they go to company. [3]

Secondly, FamilyMart has two slogans: the first slogan is “seeing FamilyMart as your own home.” Thus, FamilyMart has gradually reduced staffs in the stores. Around two years ago, there would be at least one staff as the cashier; lately, cashiers were gradually replaced by machines and customers pay for their items consciously on the machines. In addition, there are microwaves near the machines so customers can use these microwaves to warm their foods. These can give customers a feeling of home.



Figure 4. The Photo of a Customer Buying Items via Machines

Thirdly, FamilyMart issued a new slogan recently “FamilyMart is your shelter from the rain and the wind.” (Interpreted from Chinese) Therefore, FamilyMart store is a place where customers are free to go and

FamilyMart stores would provide desks and chairs for customers. In this case, the idea is similar to Starbuck’s idea: they intended to be the third place—after home and work.



Figure 5. Familymart Provides Desks and Chairs to Customers.

Fourthly, FamilyMart opens its stores for 24 hours everyday, which means FamilyMart would never close; actually, this idea is related to opportunity cost: if customers want to buy some items, they can just go to convenience stores rather than some shopping malls which are farther away; thus, customers can use the time they saved from going to shopping malls to do many different things like playing video games or finishing their work.

Does FamilyMart have any weaknesses?

Firstly, the floor area of most FamilyMart stores is not quite big, so it's hard for FamilyMart to set many desks or chairs in their stores; therefore, it's hard for FamilyMart to be a shelter for customers from rain and wind. In addition, some FamilyMart stores can't provide wide varieties of items because of the restriction on the size of their stores so it's quite important for them to observe which items are sold the best and which items are sold the worst.

Secondly, the price of items that are sold in FamilyMart is surprisingly high compared to others which are not so famous convenience stores or some big shopping malls.

Thirdly, the present staffs were reduced because of the presence of machine which enables customers to pay their bills independently; thus, the desks in FamilyMart were not quite clean since there are not many staffs who would clean the desks.

FamilyMart's potential threats

Some convenience stores like C-Store, provide more diverse products than FamilyMart did; therefore, if there is a C-Store near to a person, customers will more likely go to C-Store rather than FamilyMart. However, the huge difference between the number of FamilyMart stores and the number of C-Store make C-Store can not really threaten to FamilyMart.



Figure 6. C-Store Outlet

5. WHERE CAN FAMILYMART FURTHER SPREAD THEIR OUTLETS?

Referring to inferences, FamilyMart is at a period of maturity because the number of FamilyMart stores in Shanghai is relatively stable in recent years. During the period of maturity, it's quite hard for FamilyMart to continue increasing the number of their outlets in Shanghai; FamilyMart has met a limit of its maximum

outlets. Thus, this paper does not suggest FamilyMart open more stores in Shanghai; instead, FamilyMart can invest more money in training their employees like what Starbucks had done before. As a result, employees can provide better service for customers. In addition, FamilyMart can use the money earned from Shanghai to establish more stores in other cities. These cities can be some relatively undeveloped cities near Shanghai like

Suzhou in Jiangsu province or Jiaxing in Zhejiang province.

Why do not recommend opening more stores in some developed cities like Beijing or Shenzhen?

This paper does not recommend FamilyMart to open more stores in some developed cities because FamilyMart has already missed the best time to enter these developed cities. Other convenience stores have gotten a head start in other developed cities. [4]

For example:

Firstly, Seven-Eleven opened its first store in Beijing in 2004.

Secondly, Seven-Eleven opened its first store in Pearl River Delta (Shenzhen and Guangzhou and Zhuhai etc) in 1992.

Why do this paper recommend to open more stores in some undeveloped cities like Suzhou or Jiaxing?

Even though these cities were not so developed now, they are promising cities. In the 1st China International Import Expo (2018), the Chinese President declared a new national strategy which is integrated regional development of the Yangtze River Delta. Therefore, these cities in the region of the Yangtze River Delta would have a promising future. Therefore, if FamilyMart can open more stores in these areas, it would be a good choice.



Figure 7. Yangtze River Delta Economic Region

Taking Jiaxing as an example

Jiaxing is situated in the midpoint between Shanghai and Hangzhou.

Distance from Jiaxing to Shanghai is 85 kilometers

Distance from Jiaxing to Hangzhou is 76 kilometers

Thus, Jiaxing is situated in a good location.[7]

According to the chart, Jiaxing's permanent resident population increased steadily before the integrated regional development of the Yangtze River Delta was enacted. In the year of 2019, the permanent resident population in Jiaxing skyrocketed which means FamilyMart can get more potential customers.

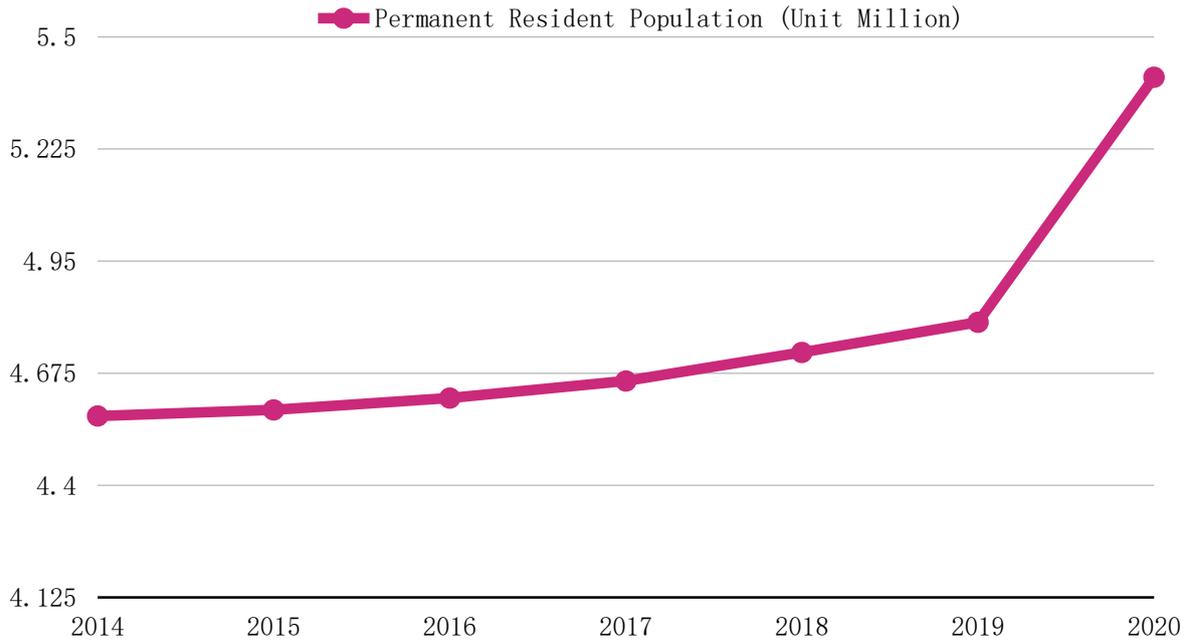


Figure 8. Permanent Resident Population of Jiangxi Province

Overall, GDP of Jiaying is in an upward trend; the growth rate of Jiaying’s GDP has slowed down a bit probably because of the Covid-19 because during the first half of 2019, residents quarantined in their home at the most of time. Thus, they had to stop working. It’s the main reason why the GDP has slowed down bit in the year of 2019.

The enactment of integrated regional development of the Yangtze River Delta has remarkably prompted the development in Jiaying, although we can’t figure out that in the chart of GDP because of epidemic.[6]

On the another hand, store rents would be much lower than the rent in Shanghai or other developed cities. Rent in Shanghai is several times of the rent in Jiaying. Therefore, FamilyMart has not need to invest a huge amount of money to open outlets, which will hugely decrease the risk of opening stores in Jiaying.

Jiaying is not the only suggestion for FamilyMart to open their outlets. FamilyMart can also open their convenience stores in Suzhou, Wuxi, Xuzhou, Zhenjiang, Yangzhou, Nantong, Qinzhou, Huaian, Yancheng, Lianyungan, Huzhou, Shaoxing, Taizhou, Jinhua...

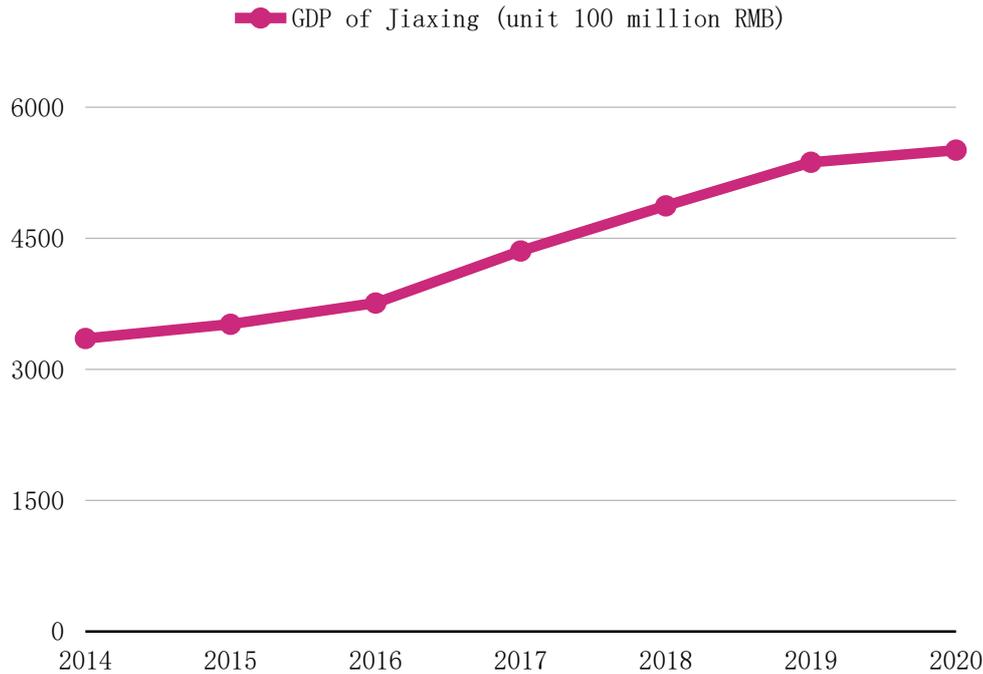


Figure 9. GDP of Jiangxi Province

All of these cities have been first-tier city, but they all share the benefits of the enactment of integrated regional development of the Yangtze River Delta. FamilyMart cannot cover all of these cities at the same time, so this paper recommend FamilyMart can cover these cities one by one in order.

6. CONCLUSION

The success factors of FamilyMart are mainly composed of the high density of its outlets in Shanghai and a sense of home; however, it's quite hard for FamilyMart to further spread their outlets in Shanghai since its number of outlets has already hit the maximum. Instead, FamilyMart can consider opening stores in other cities near Shanghai since they are not so developed right now; thus the rents in these places would not extremely high. In addition, the region near Shanghai is benefited from the enactment which was published in 2019: integrated regional development of the Yangtze River Delta.

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