

Exploration of Business Strategy of a Japanese Convenience Store: 7-Eleven

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Abstract—The 24-hour convenience store that has been developed in Japan since 1973, as a new form of retail industry, has long been trusted and supported by consumers because of its wide variety of products and convenience. With fast development momentum and increasing number, the convenience store has become one of the main formats of the retail industry today. However, due to the saturation of the domestic market, the industry has been suffering fierce competition among companies. At the same time, aging of population in Japan has also become an important factor hindering the development of the convenience store industry. Therefore, in the recently sluggish retail industry, the convenience store industry, which was still in a state of prosperity, has also experienced a stagnant development. This paper aims to introduce Japan's 7-Eleven company, which is the leader in the convenience store industry, to analyze the characteristics of its operations and explore that in this grim industry environment, what policies 7-Eleven should adopt and how to adjust the future business strategy to explore a new way for development.

Keywords—convenience store; 7-Eleven; few-children and aging; professional women; foreign visitors to Japan

I. INTRODUCTION

Japan's convenience store, 7-Eleven has been growing rapidly in the Japanese market since its introduction to Japan by Ito Yokado in the 1970s. By 2017, 7-Eleven's total sales in Japan reached a record high of 467.8 billion Yen and the number of stores reached 20,260. However, from its revenue data and new store data for the past three years, the situation is not very good. The upcoming saturation of convenience store market, the few-children and aging in Japanese society, and the development of the online shopping industry have brought a huge impact on 7-Eleven. The increase in Japanese professional women and the growing consumer demand for foreign tourists in Japan have brought new opportunities and challenges to 7-Eleven. By analyzing the existing characteristics and competitive advantages of 7-Eleven company, the author intends to explore the new business and future business direction that 7-Eleven should develop in this social context to offer a new idea for the development of convenience stores.

II. THE ORIGIN OF JAPANESE CONVENIENCE STORES

The convenience store (CVS) originated from the "Southern Continent Ice Company" in Texas in 1927. The

company's business hours were from 7 am to 11 pm, so it was officially renamed 7-Eleven in 1946, thus truly unveiling the prelude to the convenience store era. In November 1973, the Japanese retail company, Ito Yokado introduced the convenience store model to Japan and established the "Seven-Eleven Japan" company. The "7-Eleven Toyosu Store" opened in Koto-ku, Tokyo in May 1974 became the first convenience store in Japan. At first, Japan's convenience stores were not open for 24 hours due to legal restrictions before June 1975. Since then, taking advantage of the rapid development of the Japanese economy, the convenience store industry has been growing rapidly in Japan, and the convenience store giant, 7-Eleven has also become the largest chain retailer in Japan and the world.

III. 7-ELEVEN'S UNIQUE MANAGEMENT SYSTEM

7-Eleven is operated based on the concept of "modernization and activation of small and medium-sized retail industry" and "common survival and development" as well as the principle of full range of products, quality and freshness preservation, cleanliness and hygiene and affability for customers. In innovative manufacturing, distribution, sales and other aspects, the company continues to provide consumers with unique high-quality goods and convenient services. As a convenience store, the convenience of 7-Eleven is reflected in the convenience of site selection, time, and product types.

The convenience of site selection means that the retail industry needs good location and customer layers to build its own business circle system. 7-Eleven's shop locations are always concentrated in residential areas, commercial blocks, stations, and along main roads. They are tend to be situated at a distance of 300 radial meters from the center of the city's commercial street, 500 radial meters from the center of the residential area, and 1,000 radial meters from the suburbs. The convenience of time means 24 hours of operation, and it is open all year round, which allows customers to enter the store at any time. The convenience of the product category is reflected in the fact that although each store has an area of only about 100 square meters, it provides more than 3,000 kinds of goods and services. Among them, all kinds of fresh foods and beverages account for about 70%, and daily necessities, magazines and cigarettes account for about 30%. In addition, it also provides a variety of convenient services, for example, customers can purchase tickets, such as train or bus ticket,

passenger ticket and so on through the convenience store's IT system; can pay all kinds of public fees; can send and receive courier express. In addition, ATM is also available in the store. The scope of services covers all aspects of life, meeting the needs of customers in the business circle, and replacing and consummating the functions of other retail formats, such as supermarkets. Finally, it establishes an irreplaceable position in the retail industry, and become an indispensable part of Japanese life.

It is with its unique POS system and logistics system that 7-Eleven is able to achieve a complete range of products as well as quality and freshness standards. The full name of the POS system is Point of Sales, which means sales time. This system automatically records consumer-related information at checkout, especially for users who use credit cards, membership cards, and electronic payments. The information about the products they purchase relevant to the gender, age, season, climate, and regionality of the customers will be recorded and sent to the headquarters for big data analysis. The results of these big data analyses will be reported to each store on the one hand, providing data reference for each store purchase. 7-Eleven can analyze the purchase behavior of customers in different business districts by using the customer purchase information, purchase data, and sales status of various products collected from the POS system of each store. According to the hobbies of different business districts in different regions and the differences in consumer demand, the implementation of differential purchase order management is carried out to improve the accuracy of order delivery. Through the data of the POS system, the supply and demand relationship between the product and the consumer can be accurately grasped, so that the loss of sales opportunities caused by the shortage of goods in each store and the store loss caused by the unsalable goods can be avoided. On the other hand, 7-Eleven also continuously applies the customer purchase data collected by the pos system to the research and development of PB products (own brand products), and cooperates with first-class factories, first-class chefs, and well-known brands to develop PB merchandise of high added value. In particular, the store will focus on the development of fresh and fast food products that customers purchase every day, such as 7-Eleven's Japanese fast food, bread and cakes, fruit and vegetable salads, snacks and drinks. These PB products are developed and produced by a dedicated factory selected by 7-Eleven. The factory supplies separately for 7-Eleven, and the supplies will be uniformly purchased and sold by 7-Eleven. This unique cooperation model not only reduces the sales pressure and promotion costs of the factory, but also continuously develops and produces high-quality fresh food that meets the tastes of consumers, distinguishing 7-Eleven from other convenience store products. The hundreds of new products developed by 7-Eleven's exclusive factories each week are able to attract young consumers to meet their strong demand for new products, and at the same time attract more consumers to enter the store through their promotional effects.

In terms of distribution logistics, 7-Eleven implements the way of centralized stores and a small amount of high-frequency distribution. Centralized store opening means that 7-Eleven will simultaneously open about ten new stores in the

same area to form a dense store network. A small amount of high-frequency distribution means that each 7-Eleven store can order multiple items in a way of more than time and small amounts on a daily real-time sales status basis. These orders are distributed by the headquarters uniformly. The delivery vehicles are also divided into five types according to the temperature required for the freshness preservation of the goods. The number of times each vehicle arrives at the store every day varies according to the number of orders for each type of goods. Because the store is relatively concentrated, each delivery of each vehicle can reach all stores in this area in a short period of time, enabling multiple delivery throughout the day. The timely delivery of goods allows the store to replenish in time, avoiding the backlog of inventory and achieving the principle of "quality and freshness preservation". In terms of distribution costs, a single store has a small order quantity each time, but the order of ten stores in the same area can increase the efficiency of distribution and reduce the cost of single delivery. By adopting a mode of centralized store opening and a small amount of high-frequency distribution, it is possible to improve the efficiency of goods updates while improving the freshness of goods delivered, greatly boosting the efficiency of product sales and distribution. This kind of logistics system can not only allow customers to purchase the items they need in the store, but also the store will not lose the area of the store operation because of the establishment of the storage warehouse.

7-Eleven can effectively connect the relationship between the headquarters and the stores through the unique pos information system and distribution logistics system, realize chain operation and improve the competitiveness of the company.

IV. PROBLEMS AND OUTLETS OF JAPANESE CONVENIENCE STORE 7-ELEVEN

According to the "CVS Statistical Years Trends(2017)" report released by the Japan Franchise Association, the total number of convenience stores in Japan as of December 2017 has reached 55,322, and the domestic market has exceeded 10 trillion Yen. The 3 giants in convenience store industry, 7-Eleven, LAWSON and Family Mart account for about 90% of the market share, of which 7-Eleven was 36.8%, LAWSON was 28.2%, and Family Mart was 27.6%. At the same time, data released by 7-Eleven showed that 7-Eleven's total domestic sales in Japan reached a staggering 46,870 million yen in 2017, and the number of stores reached 20,260. However, from the overall operating conditions of 7-Eleven in the past three years, it is not under a pretty satisfying situation.

From the growth rate of 7-Eleven's domestic sales from 2015 to 2017, sales in 2015 increased by about 7% from the previous year, and increased by 5.2% in 2016 and 3.2% in 2017. The increase rate has been showing a downward trend. From the growth of the number of stores from 2015 to 2017, the store growth rate in 2015 was approximately 6.1%, in 2016, it was approximately 4.5%, and in 2017, it was approximately 4.3%. Comparing the growth rate of turnover with the growth rate of stores numbers in the past three years, it can be seen that in 2017, the growth rate of 7-Eleven's stores in Japan has exceeded that of turnover and the 7-Eleven stores have been

still growing in number. The latest data shows that the number of 7-Eleven stores in Japan reached 20,596 in August 2018, and 336 new stores have been added within 8 months. Although the number of new stores is still increasing, the growth rate of profits is not directly proportional to the growth rate of the number of stores, which conveys that the operation status of some stores has already had problems.

The same is true of the overall situation of the convenience store format in Japan. According to the "CVS Statistical Year Trends" report from 2015 to 2017, the growth rate of the overall convenience store business in Japan was 4.7% in 2015, 3.6% in 2016 and only 1.8 % in 2017. The number of convenience stores is increased by 2.9% in 2015, 2.8% in 2016, and 3.2% in 2017. It can also be seen that the growth rate of convenience stores in Japan has exceeded that of turnover. At the same time, the growth in the number of stores and turnover has slowed significantly, and the domestic convenience store market in Japan has shown saturation. In the future, the opening of new stores will not become the main way for companies to increase profits. There is no doubt that competition among convenience store companies in Japan will become increasingly fierce, and the industry development situation will become more and more severe. In this case, it's necessary for 7-Eleven to adjust its business strategy to develop other profitable channels for further develop.

The reason for this industry situation lies in the context of few-children and aging of Japan and the progress of online shopping industry. With the popularity of online shopping in Japan since 2001, online sales have risen sharply, reaching 13 trillion 74.76 billion yen in 2015 and surpassing the market size of convenience store formats. The convenience of online shopping in terms of time and space has attracted a large number of single-person males, professional women, child-rearing families and other consumer groups, which are highly coincident with the convenience store customer groups. In addition, the White Paper on the Aged Society published by the Cabinet Office of Japan showed that the working-age population aged 16 to 64 in Japan has accounted for 60% of the total population, and the aging population over 65 years old has reached 27.7% of the total population in 2017, of which the population of 65~75 years old accounted for 13.9%, and the population over 75 years old accounted for 13.8%. Japan's population aging ranks the top of the world today, and the problem is sure to continue to be worsened in the future. The number of main consumer groups in convenience stores, namely young men aged 20 to 40, is decreasing. From the point of view of the consumption frequency of convenience store customers, men were higher than women; young people were higher than the elderly. However, in recent years, middle-aged and elderly customers and female customers have been increasing in number. Therefore, in the future business, it is necessary to vigorously develop services for women and the elderly. Traditional Japanese women tend to resign from work after marriage and became housewives to support the entire family. However, due to the economic weakness in recent years, the voice of married women returning to social jobs is increasing. For professional women with limited shopping time, 7-Eleven can develop more types of semi-finished products such as meat and vegetables to help them solve the

problem of time-consuming and labor-intensive cooking. It is also possible to introduce business services such as housekeeping to free professional women from cumbersome housework. For elderly person with limited mobility, 7-Eleven can launch a door to door sales service, such as a shopping cart into the community, and a fixed-point delivery of daily necessities. 7-Eleven also needs to develop a network sales platform to create a shopping model that is not restricted by time and space to cope with the impact of online shopping. Customers can place orders through the network to be delivered by the nearby 7-Eleven stores. Integrated sales online and offline further enhances the convenience of convenience stores, and solves the problem of inconvenience for the elderly and limited shopping time as well as heavy housework for professional women.

V. FOREIGN VISITORS TO JAPAN BRINGING NEW OPPORTUNITIES TO 7-ELEVEN

According to data released by the Japan Tourism Agency, the number of foreign tourists visiting Japan has risen sharply year by year, reaching 28.69 million in 2017, an increase of 19.3% compared with the previous year, and the total consumption of visitors to Japan has reached 4 trillion 4,416.62 billion Yen, an increase of 17.8% compared with the previous year. Among the top ten foreign countries and regions, the total consumption of China Mainland tourists is 164.47 billion yen, accounting for 38.4%, the total consumption of Taiwanese tourists is 57.4 billion yen, accounting for 13.0%, and the total consumption of Korean tourists is 512.6 billion yen, accounting for 11.6. %, total tourist spending of Hong Kong is 431.6 billion yen, accounting for 7.7%, US tourists spending 250.3 billion yen, accounting for 5.7%, Thailand total tourist spending 1.25 billion yen, accounting for 2.8%, Australian tourists spending 111.8 billion yen, accounting for 2.5%, British tourists spending 66.9 billion yen, accounting for 1.5%, Singapore tourists spending 66.4 billion yen, accounting for 1.5%, and Malaysian tourists spending 59.7 billion yen, accounting for 1.4%. According to data from the Japan Tourism Agency, 66% of visitors to Japan in 2017 have spend at convenience stores so that convenience stores can be said to be the most frequent places for tourists to visit. The strong purchasing power of visitors to Japan has also brought new opportunities to its domestic retail industry.

Japan's major convenience stores are also taking the advantage to open new business for foreign tourists. After LAWSON introduced the Alipay payment system in January 2016, the mobile phone code scanning payment was more than 52,000 times in just two weeks, and the customer's single purchase amount was 1.6 times of that before the introduction. In addition, since June 1, 2015, LAWSON has implemented multi-language on the free Wi-Fi login page in the store. Besides Japanese pages, customers can also log in using English, Korean, and Chinese (Simplified and Traditional) pages. The Family Mart cooperated with Japan Post to open up overseas distribution business, enabling visitors to send EMS parcels in the convenience store in Japan, and the clerk will provide services for packing and filling out express orders. In this context, 7-Eleven has been introducing duty-free counters in stores in the tourist-focused areas of Japan since July 2015.

In August 2016, the telephone translation business was carried out in cooperation with the translation company Transcosmos. Currently, foreign language translation services for Chinese and English between 9:00 and 9:00 am are available for foreign tourists. In the future, 7-Eleven may consider building multilingual online shopping platform business, which prompts foreign tourists to place orders with mobile APP, and to pick up goods at nearby stores, further enhancing the convenience for foreign tourists and increasing the chances for foreign tourists online and offline shopping in 7-Eleven.

VI. CONCLUSION

In the Japanese retail market, where online shopping has brought huge impact and industry competition is fiercer, it's crucial for convenience stores to continuously develop new businesses and new customer bases to establish new competitive advantages. 7-Eleven needs to more rely on its superiority of the number of its own stores, POS system, logistics mode in the future business in the context of few-children and aging, the more married women returning to social posts, and the strong purchasing power of foreign tourists visiting Japan. It's wise for it to integrate online and offline resources to develop more services for the elderly, women and foreign tourists while strengthening the differentiation of commodity services.

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