

Convenience Store Business Model and Success

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Abstract. This thesis starts with the Japanese convenience store 7-11 and analyzes the success of convenience stores and their irreplaceability compared to supermarkets. And then discusses with the actual situation of the Chinese market: First, the cross-regional expansion of international convenience stores from Taiwan, China to Beijing, Shanghai and Guangzhou and the emergence of local convenience stores with the river as the dividing line. The development of convenience stores in China today is analyzed and what needs to be improved, from the management of business strategy, store size and number to supply chain and logistics. Through the research and collation of store data, we arrive at a serious status quo of localization of convenience stores in China, as well as a unified integration into a comprehensive, nationally popular convenience store.

Keywords: Convenience stores, Chain management, Localization.

1. Introduction

1.1. Background

Convenience stores are ubiquitous shopping places in everyday life, and the miniature size of the store with a full range of daily necessities gives customers the desire to come and shop. Unlike supermarkets, convenience stores are small enough to meet the needs of specific groups of consumers, and they can efficiently purchase the goods they need in a limited amount of time. Convenience stores and supermarkets distinctive difference makes it has its own unique positioning and indispensability in the market. Stable consumer groups and successful marketing strategies have made them thrive since their creation.

1.2. Related research

Hussain and Siddiqui proposed four dimensions around the impact of shopping experience on the choice of a particular store: accessibility, ambience, environment and service staff finally concluded that shopping fun has a constructive impact on the choice of a store, and this study focuses more on the actual behaviors of the shoppers when they shop at the destination [1]. Kee et al. analyzed the 7-11 Convenience Stores in Malaysia 2019-2020. The financial performance of 7-11 convenience stores in Malaysia for the years 2019-2020 was studied to measure their ability to generate revenue, in general the performance was down due to the epidemic, in the later years managers will take measures to increase market position and revenue while focusing on the needs of the customers [2]. Liu analyzed local retail stores by comparing the different business models of 7-11 convenience stores in the U.S. and Taiwan, and concludes that socio-cultural is a determinant of consumer behavior, and that the Taiwanese market is aware of the consumer's need for extended shopping hours, thus offering goods and services when other establishments are not open, which differentiates them from other stores and thus increases sales [3].

Shaphali Gupta , Divya Ramachandran initiated a study of the retail industry in emerging markets based on triangulation methodology, one is the demand for personalization and customization by the consumers two is the transition from product centric to customer centric with the advent of e-commerce, analyzing the digital footprints of the connected consumers and progressively realizing the marketing decisions based on the customer's profitability, both past and present, which in turn shifts the strategy and helps in transforming the retailers [4]. Focusing on 7-eleven, Matthew's study investigated how product line product lines vary across Asia - China, Hong Kong, Japan, South Korea, Macao and Thailand - depending on where the business is located, and the results showed that the

merchandise sold in each store varies according to each country's unique culture and type of traveler [5]. Y sato conducts a study on the completely different business strategies of 7-11 and family mart large convenience store chains in China, digs deeper into the characteristics of the team management strategy of family mart and compares it with that of 7-11, which is managed separately, and comes to the conclusion that the differences in strategies stem from the different international management experiences and the different perceptions gained, and finally, analyzes the strengths and weaknesses of the two management styles [6].

IK horo and T Ruppenthal in the German region research from the retail store owner's point of view to look at the causes of food waste over the shelf life, spoilage of consumer purchasing behavior and over-ordering, so the most effective strategies to prevent food waste have sales and management strategy optimization; accurate planning and ordering, even if the price reduction of fast-expired food ideas, both to avoid waste and did not reduce the economic loss [7]. Docken Charles, Vincent obedglu, and Gldeon Nkuruzlza establish the mediating role of perceived service quality in the relationship between retail climate and supermarket retail store patronage and obtain positive correlations: retail climate directly affects customer patronage, and perceived service quality conceptualized in terms of tangibility as the most important indirect effect, which acts as a partial mediator [8]. Under the background of Vietnam's economic development, Tian focused on the research of local convenience retail stores, even in the face of large market competition, they are not inferior, so on the importance of brand management and the impact of brand management on the performance of each business: Vinmart and Familymart are both One type of store has a completely different brand strategy and the brand management capabilities of both companies are enormous [9]. Andri interprets consumer behavior by analyzing Indonesia, a country with a large population. Understanding the level and structure of consumption is an indispensable business opportunity for businessmen. The traditional market is the most concentrated choice for the public, but the emergence of convenience stores has changed consumer behavior to meet needs in a more comfortable way [10].

1.3. Objective

The purpose of this paper is to specifically study and analyze the operation of internationally renowned convenience store brands and China's unique localized convenience stores in recent years, and to compare them in terms of sales volume, size, and distribution in order to explore the position of convenience stores in the Chinese market.

2. China Convenience Store Market Development Status

2.1. Market size

The total number of stores of China's convenience store TOP 100 companies exceeded 170,000 in 2022, a year-on-year increase of 7.20%. Among them, 32 enterprises have more than 1,000 stores, an increase of 5 stores from the previous year. The number of stores of these enterprises showed a positive growth trend, accounting for 67% of the total.

Table 1. Top 10 Convenience Store Enterprises with Stores in China, 2022

rankings	Convenience Store	Number of stores
1	Meiyijia	30008
2	Easy Joy	28606
3	uSmile	20600
4	Tianfu	6970
5	Lawson	5641
6	Furong Xingsheng	5398
7	Red Flag	3561
8	7-11	3319
9	Shizu	3316
10	Family Mart	2666

Among the leading convenience store brands in China, Meiyijia, Easy Joy and uSmile are in the top tier of the industry. Among them, state-owned enterprises have the largest scale and the largest number of stores, with Sinopec's Easy Joy and PetroChina's uSmile facing a nationwide layout and operating mainly around gas stations, which rank among the top three convenience store brands, and Meiyijia ranking first in the industry with 30008 stores.

2.2. Participating companies

There are fewer major listed companies in the convenience store industry, mainly unlisted companies: Easy Joy, Meiyijia, Kunlun Haoke, Tianfu, Red Flag Chain, Lawson (China), Family Mart (China), 7-ELEVEN, Full, Jianfu, Convenient Bee, 365, Suguo, Everyday, Easiest Station, Tangjiu, Suning Xiaodian, Hejiahuan, Jinhujiao, Xinjiayi, Zhongye Aimin, Century Hualian, Xintiandi, Wudongfeng, Xishiduo Rainbow Micro Wow, etc.

In terms of sales, according to incomplete statistics, in 2020, Easy Joy, Meiyijia and Kunlun Haoke convenience stores ranked the top three in terms of sales with 80.6 billion yuan, 27.749 billion yuan and 22 billion yuan respectively, while others, such as Century Hualian, Whole Family, Red Flag Chain, Hebei 365, 7-eleven, Lawson and Shizu etc., also ranked relatively high in terms of sales.

2.3. Urban distribution

At present, the cities that have gathered 7-11, FamilyMart, Lawson three major Japanese convenience stores are Shanghai, Beijing, Guangzhou, Shenzhen, Hangzhou, Chengdu, Dongguan.

According to the 2022 China City Convenience Store Development Index, Xiamen, Taiyuan and Dongguan ranked in the top three in terms of convenience store development index. It is worth noting that Xiamen has been ranked first in China's urban convenience store development index for three consecutive years.

From the point of view of the regional distribution of China's convenience store industry chain enterprises, the convenience store industry chain enterprises are mainly distributed in the Guangdong region, followed by in Sichuan, Beijing, Jiangsu, Anhui, Fujian, Shanghai, Zhejiang and other regions; the rest of the places, Shanxi, Shaanxi, Henan and other provinces, although there are enterprises distributed, but the number is relatively small. In other words from the geographical distribution, the eastern coastal region has the largest number of convenience stores, the most representative region is Guangdong Province has about 160,000 convenience stores; followed closely by the central region and the western region; and in the southwest and northern regions, the number of convenience stores is relatively small.

Table 2. Regional Distribution of Convenience Stores in China

Region	Convenience Stores
Beijing	Convenient bee, Easy Joy, Kunlunhaoke
Hebei	365
Shanxi	Tangjiu, Jinhu
Jiangsu	Suguo, Suning, Century hualian
Shanghai	Lawson, Family mart, Xishiduo
Zhejiang	Shizu
Fujian	Jianfu
Shanxi	Everyday
Sichuan	Red Flag, Wudongfeng
Hunan	Xinjiayi

2.4. Business Model Analysis

For convenience stores, in the Chinese market, both Chinese and foreign capital, are constantly laying out to expand their market share, and the business model can have two options: chain stores and franchises.

711 convenience store is an internationally recognized chain brand, currently in China there are two types of franchise models: type A and type D. Type A is investment management type, which requires the franchisee to invest more money and energy, but also has a higher gross profit share. type D is entrusted with the management of the type: the franchisee and relatives need to participate in the operation of the store by the headquarters of the designated, the joining fee is lower, but the gross profit share is also lower.

According to the experience shared by some franchisees, the profitability of a 7-11 convenience store depends on many factors, such as the location of the store, the flow of people, the structure of the goods, the rate of attrition, the cost of labor and so on. Generally speaking...the turnover will be higher in business districts or popular places, but they also have to face fiercer competition and higher rent. Open in the community or remote places will have a lower turnover, but also can save some cost savings. Some franchisees say that 7-11 convenience stores can make money, but not a lot of money. If you just want to start a small business to support yourself or your family, then joining a 7-11 is a good choice. If you want to make big money or have a heavy amount of room for growth, then joining 7-11 may not be a good way to go. Because 711 headquarters has a lot of regulations and restrictions on the franchise, such as goods, decoration, training, security deposit, etc., and Dan in the contract period will urge the franchisee to continue to open new stores. If the franchisee does not rent and sell provisions or do not renew the contract, the headquarters has the right to take back the store and security deposit.

3. Trend Outlook

In summary, the franchise has a mature system, business model, supply chain advantages, brand influence, store location and professional team to support store operations. The advantage of the supply chain is that new products and seasonal goods are regularly updated and eliminated, do not have to worry about product quality issues and returns, especially with the cooked food supply chain of the brand company has more advantages. The real supply chain management is the end-to-end procurement, production, shelves sold real-time dynamic management rather than the procurement of single board management. In the manufacturing industry, the supply chain management model is led by dell's direct sales model of zero inventory. Jingdong small store and Suning small store opened a lot of stores, with the time and disappear a lot, the reason is that the underlying structure of the management did not do a good job, just in the use of capital to promote.

The interests of convenience stores and suppliers in the supply chain are closely related. In the pursuit of cost savings and win-win today, close cooperation with suppliers is an inevitable choice. From strengthening competitiveness, resource sharing, risk sharing, cost savings in the supply chain will greatly improve operational efficiency.

Compared to Japanese brands, led by 7-11 and Lawson, local Chinese convenience stores such as Golden Tiger are competing to catch up with the market by adapting to local conditions in order to maximize benefits. Because they are mainly located in second-tier cities, they have adopted a strategy of downgrading consumption: lowering costs to meet the market demand for cheaper products, thereby significantly increasing sales. In the post-pandemic era, China's economy is recovering rapidly, and in addition to capturing market share and increasing brand awareness, convenience stores should make some adjustments to ensure that they don't lose money. From the convenience store managers, should be aligned with digital artificial intelligence, convenience stores can gradually expand unattended 24-hour self-service. Not only maximize the savings in employment costs, but also improve efficiency and queuing during peak periods. But it should also weigh the pros and cons, do not over-expand the store if you face losses, but also damage the brand image and reputation. In addition, the ratio of franchise and chain stores to be able to control, one is not too much constraints on the franchise business, its business situation should be timely attention; two is the chain stores to do a good job with the franchise, such as in the extreme case of shortage of goods lateral to help avoid being overtaken by competitors.

From the investment point of view, organizations or individuals can refer to the convenience store's financial statements for risk prediction to determine the proportion of additional investment, but also to a certain extent to support the growth and development of the local emerging convenience store brand. In short, the convenience store in China's market is irreplaceable, it has a variety of advantages that supermarkets can not meet consumers, time-saving and efficient and all-inclusive, so the convenience store industry is confident that the development of the boom, but also to rationalize the operation and site selection, customer-centric, to enhance brand value.

4. Conclusion

Based on this paper, there is some preliminary convenience store market layout and share around the comparison of local share of convenience stores in China. Weighing the business model analysis of convenience stores and franchises to get the management of the conclusion, for the working population of directly-managed stores more stable and considerable, but if you want a certain percentage of the return on investment, you may want to consider franchising as a store manager for the independent convenience stores to control the cost, adjust the logistics supply chain and employment management in order to maximize the benefits of using the convenience store brand. In addition, so far China has not yet appeared a monopoly of convenience stores to achieve an even distribution throughout the country rather than the localization of convenience stores. In short, it may be possible to consolidate the localized convenience stores in different regions into a nationalized convenience store that is a debatable future boom.

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