

A 7-Cs Framework of Convenience Store Competency

Pui Yuk Chan

Department of Finance and
Decision Sciences

Hong Kong Baptist University,
Hong Kong

03414426@hkbu.edu.hk

Xinping Shi

Department of Finance and
Decision Sciences

Hong Kong Baptist University,
Hong Kong

xpshi@hkbu.edu.hk

Sheung Man Yuen

Department of Finance and
Decision Sciences

Hong Kong Baptist University,
Hong Kong

syuen@hkbu.edu.hk

Abstract

This study develops a framework of the core competency of convenience store operation and explores the constructs of it. 7 Eleven and Circle K, two typical convenience stores in Hong Kong, are used as the empirically studied targets. The objectives of this study are 1) to identify the constructs of core competences of convenience store operations from marketing, logistics and supply chain management perspectives; and 2) to establish a 7-Cs framework of core competency for convenience store operations, and discuss its theoretical and managerial implications.

1. Introduction

According to National Association of Convenience Store, the definition of convenience store can be defined as a retail business with primary emphasis placed on providing the public a convenient location to quickly purchase from a wide array of consumable products (predominantly food or food and gasoline) and services.

7-Eleven pioneered the convenience store concept back in 1927 at the Southland Ice Company in Dallas, Texas. Nowadays, leading convenience store chains, such as 7 Eleven and Circle K, provide quality fresh food, beverages, trendy consumer items and services around the clock.

2. Core Competencies

According to Prahalad & Hamel [6], core competencies of a corporation are collective learning and intangible assets in the organization, especially, coordination of diverse production and service skills (business know-how), the synergy of marketing and logistics management knowledge in routine operations, relationship development and management, and integration of multiple streams of technologies and techniques.

An ultimate important agenda for an organization is to build up their unique core competences from competitors in its operating industry. Every company has the potential to build its core competencies but failed to do so because top management is unable to conceive its company as anything other than a collection of discrete business. The

acceleration of retailing competition in global wide scale has changed the nature of retailing since the 1990s, and the competition between Wal-mart and K-mart is a typical example.

Today, convenience stores are using competitive advantages derived from many spectrums, such as excellence in customer services, effective information technology and systems (POS, ERP, VMI and WMS), supplier management, combined push and pull strategies, quick responsiveness to market and customer changes, regional supply chain network and using third party logistics service providers. Those competitive advantages differentiate some leading chain stores from others. Thus, continuously striving for excellence makes these leading chain store sustainable development and build up their unique core competencies [1]. However, little research was conducted to reveal what are the core competences of convenience stores, and how to develop them into sustainable organizational strength. This study attempts to fill the literature gap by addressing and exploring these issues.

Case studies are carried out in two leading local chain stores (7 Eleven and Circle K) in two ways: 1) analyzing contents of publications such as annual reports, corporate websites, industry reports and newspaper articles; 2) interviewing some store managers and division supervisors of the chain stores in Hong Kong.

3. Research Framework – 7Cs Model

In Figure 1, a 7-Cs theoretical framework for specifying the core competencies of chain stores has been developed based on the case studies and literature in areas of marketing, logistics, service and supply chain management. It is comprised of two parts: the constructs of 7-Cs; and the relationships among the constructs.

In the framework, 7-Cs constructs of core competencies are: *convenient location*, *customer value*, *customer costs*, *customer commitment*, *customer relationship management*, *connection*, and *communications*.

Convenient locations (or *place* in one of the “4P” in marketing management), is regarded as “convenience for the customers” – satisfaction of customers’ choices of

purchase in a convenient approach. For the convenience stores, “place” incorporates what can be the most critical decisions concerning “location”, reflecting shoppers’ preferences for short travel journeys, easy access and approach. For example, a location oriented strategy adopted by 7-Eleven is based on location analysis, and the rule of “convenience to customers”, analysis of current sales records, forecasting the customer flows of the “individual visiting scheme” – tourists from the mainland China, as well as urban planning to catch local community and residential development. Recently, 7-Eleven aggressively acquires stores located in the mass transit railway network (i.e., MTR and KCRC) in Hong Kong, to capture intensive customer flows and provide convenient services for customers [3].

Customer values are regarded as the provided products and services - the bundle of products, services, satisfaction, and customer perceived benefits. Innovative product and service development, such as promotion package, member privilege, free delivery, and collaborative partner alliance can also enhance received values of customers of 7-Eleven and Circle K services. Other value-added service facilities, such as micro-wave lunchboxes, photo printing services, mobile phone battery charging service, photocopying and faxes services are pioneered and introduced by 7-Eleven and Circle K chain stores in Hong Kong [5].

Customer costs may refer to the price that customers paid for products and service, however, what convenience stores charged as “customer costs” represents the actual costs that customers have to pay in a pleasant way, including transportation costs, inventory costs, distribution costs, carriage costs, and customer time costs. 7-Eleven had several successful marketing strategies in order to increase sales and inventory turnover, such as use of newspaper and breakfast coupons, etc. Recently, 7-Eleven launched the sales promotion for Hello Kitty 30 year anniversary celebration in Hong Kong. Customers can get a free Hello Kitty magnet with buying more than HK\$20 at a time. This sales promotion campaign attracted more customers, delivered some extra customer perceived values that customer cannot get elsewhere. Thus, customers are willing to shop at 7-Eleven, and in this way, total sales and profits increase sharply and meanwhile reduce the average of customer costs.

Customer commitment is defined as the customers’ belief and loyalty to the chain stores’ overall services, and the intention to repurchase goods or reuse services provided by the stores. Excellent customer commitment is achieved by reliable goods quality, availability, customer confidence and positive buying experience, defect-free and fake-free goods, friendly service staff and environment. For example, 7-Eleven has developed customer commitment in some local community premises, service staff have good relationships with residents, and treated such commitment as their unique business

characteristics. In addition, it has introduced an ICS service guideline, i.e. in-stock, cleanliness and speedy service to enhance its customer commitment. 7-Eleven has also implemented a customer service appraisal and training program in order to improve the individual staff’s performance.

Customer relationship management refers to the buyer-supplier relationship management in chain stores. It is an interdependent relationship, and the management of it requires constant search for win-win solutions on the basis of mutuality and trust [2]. 7-Eleven has developed a positive service image in local retailing industry, and it has won customers’ trust in the past years services. Staff of 7-Eleven also participates in Good Salesman Competition organized by Hong Kong Retailer Association in order to motivate the staff to excel its service to customers. When 7-Eleven launches some relationship management programmes, it often wins customers’ participation and support, and through such programmes, it becomes more closer to customers, and knows more about customers’ concerns, needs and comments than its business competitors, in such a way, 7-Eleven enhances its relationships with customers, it is not effective, however, for 7-Eleven to use customer relationship management software to analyze customer profiles and identify targeted customer niches, and thus to design some tailored-made programmes, because usually the operational nature of chain stores does not have detailed customer profiles.

Connection refers to the physical and virtual network with suppliers and other chain stores. For chain stores, it requires just-in-time supply and speedy turnover of their inventory. In this dimension, information system, at least POS system becomes a critical issue for sourcing products, keeping close touch with suppliers and processing information. Convenience stores attribute a significant part of its success to a comprehensive store information system installed in every outlet and linked both to suppliers and the distribution centers. Graphic order terminals, scanner terminals, store computer with well-established ISDN network and point-of-sales system has allowed convenience stores to better match supply with demand [4].

Communication does not only refer to advertising, it also includes marketing surveys, public relations events, exhibition, direct mail, e-mail, internet, marketing database and loyalty schemes for customers. Through those communications, customers have more channels to know the chain stores’ services, goods, and the latest service development and coming events, chain store’s service becomes transparent and accessible.

The success of convenience stores has been founded out due to supplying the products that customers want, in the right sizes and quantities, at the right time and in the right place. Several rules are followed for sourcing: daily

necessary products such as bread and milk, light and tidy product such as battery, high turnover products such as newspaper, customer favorable products such as drinks, high qualified products such as P & G and Coca Cola etc. 7-Eleven and Circle K also categorized the products in different value, i.e. high, middle and low value in order to have different marketing and inventory strategies.

Overall, we proposed twelve propositions in the framework for specifying the relationships among the constructs. Table 1 provides the framework and proposed relationships.

Table 1: 14 proposed propositions of in the framework among the constructs

Propositions
P1: Customer commitment enhances customer values;
P2: Convenient location strengthens customer value;
P3: Communication enforces customer values;
P4: Connection enhances customer values;
P5: Customer relationship management enforces customer values;
P6: Convenience location strengthens customer values;
P7: Customer commitment enhances convenience location and vice versa;
P8: Customer commitment reduces the customer cost and vice versa;
P9: Communication is affected by customer costs and vice versa;
P10: Communication strengthens connection between the store and its customers and vice versa;
P11: Customer relationship management is enhanced by connection and vice versa;
P12: Convenience location enhances customer relationship management and vice versa;
P13: Customer commitment enhances communication and vice versa; and
P14: Convenience location enhances connection and vice versa.

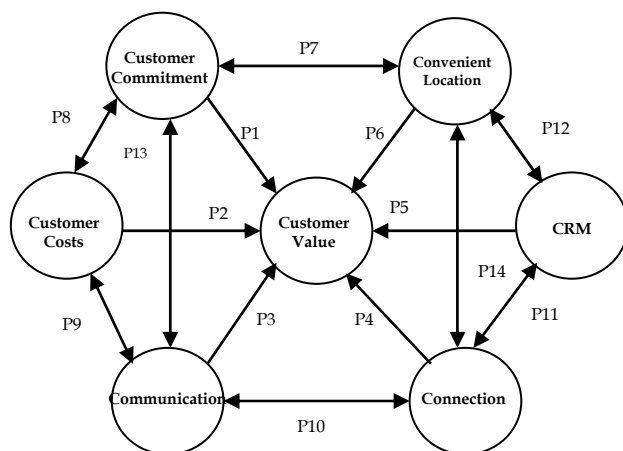


Figure 1: A 7-Cs framework of convenience store core competency

4. Recommendations

In order to maintain the competitiveness of 7-Eleven in convenience store industry, several recommendations are provided.

4.1 High Qualified Customer Services

Redefining the role of customer service in retailing business to go beyond the store level, and come into the supply chain, creates many new issues for retailers. It is suggested that 7-Eleven must place an ever increasing reliance on the performance of their supply chain partners. Convenience stores expect complete order fill, short and reliable order cycle time, accurate and timely information, and rapid error correction on the part of vendors and warehouses. In order to achieve these goals, 7-Eleven needs to establish closer relationships with their supply chain partners, encouraging excellent communication channels and quality.

4.2 Management of Retail Technologies

There have been many significant changes in the use of information technology in retailing to provide improved customer service and inventory management. The growth has been so tremendous that it is difficult, but essential, for retailers to keep abreast of advances. In the future, opportunities for further technological advances and increased efficiency and utilization of information technology lie in improving integration of these different technologies.

It is important for convenience stores to carefully consider modular capabilities and compatibilities of internal information systems in order to make investment in such technology. Logistics, merchandising, stores, finance, and all the functional areas should have a shared information system so that consistent and accurate information available throughout the organization. If the firm's information system is not functioning well internally, there is no point in linking up with external partners.

4.3 Integrated Supply Chain Concept with Trust and Information Sharing

Convenience Stores are to integrate supply chains and supply chain technologies into their company. Top retail management must realize that logistics can be an important contributor to customer service and profitability if it is integrated with other functions. Internal interdependencies must be managed through sharing of information and responsibility within the company functional departments.

In addition, top retail management must accept that

supply chain partners have a major impact on each other's operations, depending on the systems that they have in place. Channel partners with very unique, complex systems may have excellent internal integration and flow of information. However, the complexity and uniqueness of the system may make it very difficult for an outside partner to interface with the system.

Trust and alliance building are very important in supply chain information exchange. The retailer may share proprietary information with the vendor which can help the vendor to provide better customer service to the retailer. However, information sharing requires confidence that the information will not leak to competitors, or be used as leverage by the vendor against the retailer.

In the next phase of this research, we will send out survey questionnaires to companies to evaluate the degree of criticality and importance of the factors identified in the interviews and site visits. With a better understanding of the issues in core competencies, management will be able to make critical decisions and allocate resources that are required to make convenience store operations an excellence.

5. Conclusion

This framework provides a conceptual guidance for research on core competencies of convenience stores, and for further empirical and industry presence. It has potential to develop a benchmarking scale for convenience store in evaluation of chain store

performance. The scale can also provide a preliminary foundation for facilitate research in SCM operations in wider spectrums of convenience store industry. Finally, knowledge of core competencies can contribute to managerial and business innovation and planning for operation strategies in convenience stores.

Recommendations for further research and operation strategy are suggested based on these outcomes, such as innovative products and services development, information technology, for the core competencies of convenience stores.

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