



Too late or just in time?

In *The Art of War*, 6th century BC Chinese military strategist Sun Tzu examines how you can achieve your goal before the enemy does, despite starting late. The tactic of deviation- taking a long and circuitous route, and luring away the enemy - is sometimes what it takes to win the battle.

In Shanghai's convenience store market, Taiwan's President Chain Store Corp is aiming to overtake all the early birds despite being a latecomer. Nearly 6,000 stores are currently competing for customers in Shanghai. But President Chain Store did not launch its 7-Eleven franchise until this April, with just four stores as its vanguard.

Not that the company has been deliberately taking a long, circuitous route. A full decade had passed before it eventually got the go-ahead from Seven Eleven China (SEC) to open stores in Shanghai. SEC kept Beijing for itself.

"We are really coming at an opportune moment," says Jackie Su, chief operations officer of President Chain Store Shanghai, beaming with optimism. "We're just in time for a golden decade for Shanghai's convenience store market."

Timing is everything. Too early an entry and consumers may not have been fully ready for the kind of convenience stores imported from the west or Japan.

The Shanghai market did not experience explosive growth until about three years ago. Currently, most of the 5,000-6,000 convenience stores in China's

largest city are either controlled by the state or operated by the self-employed.

Of course, other franchise operators have also secured a footing: FamilyMart already has about 200 outlets and Lawson, 300. While most of its competitors have yet to start generating profits, President Chain Store sees room for newcomers who have something better to offer.

It is crucial to stand out from the crowd from the very beginning. Shanghai's 7-Eleven stores take at least 120 square meters, making their stores about twice as large as those of their local counterparts, making it possible to have a better mix of products on their shelves.

To get noticed amid the hustle and bustle of the metropolis, Shanghai's 7-Eleven stores-mostly located in commercial districts and near office buildings-have store fronts some eight metres wide. In contrast, some competitors tend to cater to residential communities and settle for back alleys to save on rental costs.

"Our strategy on store layout and location has paid off," Su says. Per store, per day "sales of our six stores are 1.8 times those of FamilyMart, two times

Lawson's, and three times those of local outfits.”

In spite of being well ahead in terms of per store/per day sales, President Chain Store Shanghai dares not ignore the importance of scale. It aims to build a franchise of 165 stores by the end of 2011, paying close attention to where the stores are located and their appearance.

The immediate goal is to increase the number of stores to 15 from the current six by the end of the year.

“Acquisition is certainly an option,” Su says. “But our principle is that at least more than half of a potential target's existing outlets are usable,” or should have the potential to be transformed into 7-Elevens in no time.



Shanghai's 7-Eleven stores are also differentiating themselves through the product lines they carry. Kuai can dao, or quick meal counter, serves hot meals freshly made by an in-house cook. For its main clientele- white-collar workers and nine-to-fivers- this has proven an appealing alternative to more upscale eateries and lunch-box vendors with suspicious sanitary standards.

Another 7-Eleven attraction is hao dun, or good stews, a service President Chain Store Shanghai has cooked up in conjunction with Seven Eleven Beijing. It is patterned after Oden, a Japanese winter dish stewed in a light, soy-flavored dashi broth, but carefully modified to cater to the Shanghai palate.

Differentiation doesn't mean entirely refraining from doing what the competition is already doing. Like their siblings in Taiwan and rivals in Shanghai, the 7-Eleven outlets also carry microwavable food in their freezers, giving those dining late some options.

For a cheaper alternative to Starbucks, there's the 7-Eleven's City Cafe, which serves freshly brewed coffee for take-out. With prices at about half those of Starbucks or the like, it is a convenient alternative for white-collar workers who want some caffeine on

the way to work or any other time of the day.

But not every success back home in Taiwan can be readily copied in Shanghai. President Chain Store figures the Shanghai market is simply not ready yet for its “ibon” e-platform for booking tickets and paying various bills. Its “icash” stored value card, on the other hand, is effectively blocked by China UnionPay's near total monopoly as the only domestic credit card organisation in China.

Incidentally, President Chain Store also operates the Starbucks, Cold Stone, Afternoon Tea and Mister Donut franchises in Shanghai, as well as in Taiwan.

The deployment of this group provides a significant strategic advantage in logistics. Still a relatively small cluster, Shanghai's six 7-Eleven outlets are already serviced by President Chain Store's unified distribution center located in Songjiang District.

President Chain Store is in no hurry to think of expanding beyond Shanghai, a market comparable to the whole of Taiwan in terms of scale. Shanghai's resident and transient population of around 22 million people nearly matches Taiwan's. Its land area is about one third that of the island.

On its home turf, it has taken President Chain Store three decades to get to where it is today with some 4,816 7-Eleven stores. It must prove itself to SEC in Shanghai first, before considering the rest of China.

President Chain Store's close attention to detail means it would be unlikely to expand much faster in Shanghai even if wanted to, in part because of the service standards it expects from its staff.

At the beginning, moving from trainee to store manager in two months was commonplace. But President Chain Store does not want to expand too quickly at the risk of allowing service standards to go downhill.

“We want properly trained college graduates to be our store managers,” Su adds. “They are young, zealous and readily motivated by the career plan we have laid out for them. Customers will know the difference.”

President Chain Store's 7-Eleven franchise in Shanghai aims to start making money in the fourth year after its long-overdue launch, that is, in 2012.

Find article at

<https://knowledge.insead.edu/strategy/too-late-or-just-in-time-1512>

Download the Knowledge app for free

