



A Study on the Competitive Advantage Strategy of Convenience Store (CVS) in Japan: Focusing on 7-Eleven*

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Abstract

Purpose – This study aims to analyze 7-Eleven's specific competitive advantage strategy according to changes in the Japanese convenience store industry by selecting 7-Eleven, a leading company in the Japanese convenience store industry, as a representative case study.

Research design, data, and methodology – Due to the current COVID-19 situation, fact-finding such as interviews with key managers through visiting surveys was not possible, so this case study was carried out based on the literature such as official and unofficial data collected from the companies through e-mail and articles that have been published outside.

Result – As a result of the analysis, the researcher found that five competing strategy factors, such as dominant strategy, innovative logistics system strategy, information system development strategy, joint product development strategy, and direct communication strategy have closely maintained the mutual relation to form a combined strategy focusing on the franchise development strategy.

Conclusion – The competitive advantage of 7-Eleven is thought to have secured its competitive advantage by combining the five competitive strategies complementarily for rapid response to change, cost advantage, and differentiated advantage. The management implications specified in this study can be considered a reference for establishing a competitive strategy for sustainable growth of the convenience store industry in the fierce competition and saturated market environment of Korean convenience stores.

Keywords: Japanese convenience store, 7-Eleven, competitive advantage strategy,

JEL Classification Code: L1, L21, L26, L28

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1. Introduction

As is well known, Japanese convenience stores (Convenience Store, "CVS") have been introduced from the United States in the 1970s. They have provided high convenience to customers such as long-time business and one-stop shopping and product development. They have continued to grow independently by operating the franchise system.

In general, the retail industry refers to department stores, supermarkets, and CVS. Still, the CVS industry has maintained its growth by continuously increasing the number of stores since the mid-1990s, despite the decline in sales of the entire retail industry due to the recession. Meanwhile, in the 2000s, when the number of stores exceeded 40,000 due to the mass opening of CVS companies, the number of stores increased, and sales slowed for a while, but in the 2010s, it showed growth again (Sudo & Masuda, 2014).

However, in recent years, many changes have been seen in the CVS industry. According to the Japan Franchise Chain Association, the number of seven major convenience stores, including 7-Eleven, Family Mart, and Lawson, decreased by 0.2% in 2019 from 55,620, the first time since 2005 (Kim, 2018).

As of the end of February 2020, the total number of stores of the top three CVS companies, including 7-Eleven Japan, Family Mart, and Lawson, has reached more than 50,000 while the sales growth rate of existing stores is rapidly decreasing. At the same time, the number of companies closing each year is increasing. The difficulties are getting worse. However, despite this difficult situation, 7-Eleven maintains a consistent competitive advantage, accounting for more than 44% of the total sales of the Japanese CVS industry (Akimoto, 1998; Nagai, 2017).

Therefore, the purpose of this study is to analyze 7-Eleven's specific competitive advantage strategy according to changes in the Japanese CVS industry by selecting 7-Eleven, a leading company in the Japanese convenience store industry, as a representative case study. In particular, this study examines the process of establishing core competencies that are the source of continuous competitive advantage of 7-Eleven, which has not been relatively studied so far. The reason is that 7-Eleven continues to maintain its competitive advantage. However, notwithstanding the era of more than 50,000 stores in the CVS industry in Japan, analyzing how 7-Eleven can continuously maintain its competitive advantage is believed to contribute greatly to establishing strategies for the Korean CVS industry's competitive advantage.

Due to the current COVID-19 situation, fact-finding such as interviews with key managers through visiting surveys was not possible, so this case study was carried out based on the literature such as official and unofficial data collected from the companies through e-mail and articles that have been published outside.

First, Section 2 considers 7-Eleven's outline and business development process. Based on this, Section 3 examines 7-Eleven's specific competitive advantage strategy according to the CVS industry changes. Section 4 is the conclusion of this study.

2. Literature Review

2.1. History of 7-Eleven

7-Eleven is the world's first CVS and is officially designated as '7-Eleven'. The Southland Ice Company, founded in Texas in 1927, is the parent. Initially, ice was mainly sold according to its name, but by taking advantage of the time opening from 7 am to 11 pm, it began to sell simple foods such as bread and milk. Later, this developed into a convenience store (Kim, 2009; Rhie & Lee, 2018). At the time, such long business hours were unprecedented, so it became a hot topic, and from 1946 the company changed its name to 7-Eleven, which was derived from business hours. After 7-Eleven entered Japan, it has developed even more than the US mainland. Eventually, after the Japanese supermarket chain Itoyokado bought a large number of Southland shares, the headquarters of Southland changed its name to 7-Eleven Inc. After that, in 2005, Itoyokado purchased all remained shares and became a completely Japanese company. Now, 7-Eleven US is a subsidiary of 7-Eleven Japan.

2.2. 7-ELEVEN JAPAN

7-Eleven Japan is a global retail company headquartered in Chiyoda-ku, Tokyo. As of February 2020, it is operated by 8,9598 employees centering on CEO Fumihiko Nagamatsu, and the total sales of all stores in Japan was 5 trillion and 10.273 billion (Table 1 and 2).

Table 1: Corporate Profile

Company Name	SEVEN-ELEVEN JAPAN CO.,LTD.
Head Office	8-8, Nibancho, Chiyoda-ku, Tokyo 102-8455, Japan
President	Fumihiko Nagamatsu
Date of Establishment	November 20, 1973
Capital	17,200 million yen
Number of Employees	8,959(as of February 29, 2020)

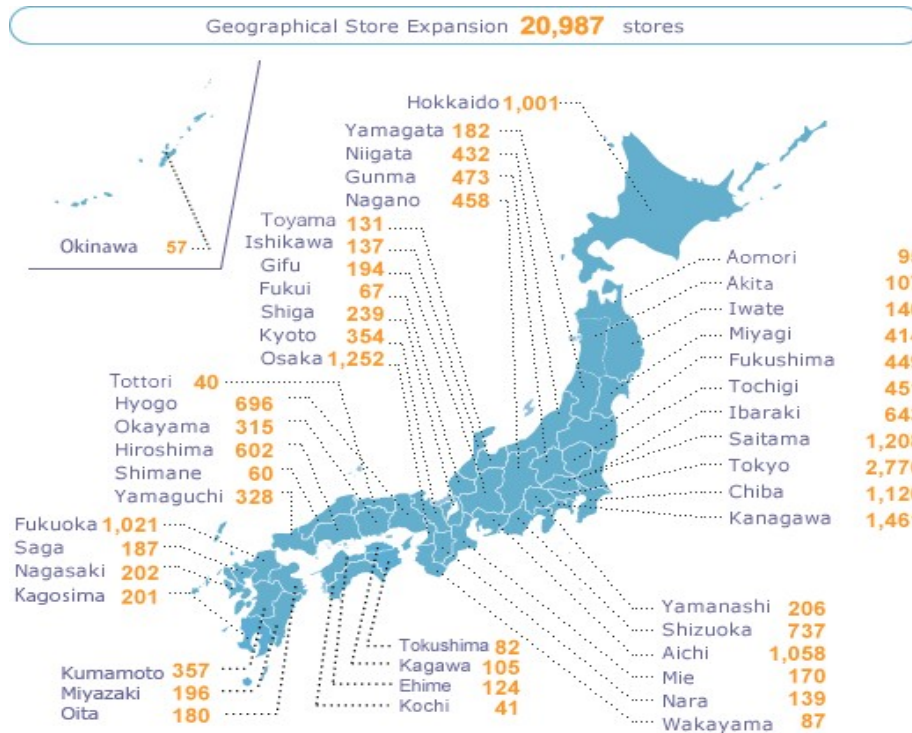
Source: Seven & I Management Report (2019)

Table 2: Results of the Year Ended on February 29, 2020

Total Store Sale in Japan	5,010,273 millions yen
Revenue from operations	887,625 millions yen
Operating Income	253,980 millions yen
Ordinary Income	262,249 millions yen
Net Income	169,695 millions yen
Number of Stores in Japan	20,955

Source: Seven & I Management Report (2019)

7-Eleven's predecessors are from Yokado, founded in 1958 after Yoshikawa Toshio opened a boutique in Asakusa in 1920, and Yoku Seven (later 7-Eleven Japan), founded in 1973. In May 1974, the parent company Itoyokado opened its first 7-Eleven Toyosu store in a joint venture with Southland. In particular, in this process, the scale increased to the extent that in 1991, it bought the Southland headquarters, whose management was worsened.



Source: Seven & I Management Report (2019)

Figure 1: 7-Eleven Domestic Stores in Japan

In 2005, 7&i Holdings, a holding company of 7-Eleven and Itoyokado, was established. The current operating company of 7-Eleven 7-Eleven is a subsidiary of 7&i, a holding company. 7-Eleven opened the first store in Okinawa on July 11, 2019, entering all prefecture in Japan in nearly 45 years. As of the end of February 2020, 7-Eleven Japan is a CVS chain having 20,987 domestic stores (Figure 1)

In order to reinforce the function according to the increase in the number of CVS stores, 7-Eleven has reached to perform the function of a one-stop service agency for local residents, different from the current retail shop, for example, banking (ATM), utility bill payment, product delivery service, ticket issuance, and resident card issuance (Table 3).

Table 3: Main Businesses According to the Development Process of 7-Eleven

Year	Main business contents	Number of stores
1974	Opened the 1 st store of 7-Eleven Toyosu	
1976	Started joint delivery	reached the number of domestic stores, 100
1982	Started to use POS system and barcode/ Established single item management/ introduced copy machine	
1987	Started 'payment agency service' of utility bills	reached the number of domestic stores, 3,000
1996	Started ticketing service	
2000	Started food delivery business	
2001	Started banking business (ATM operation)	
2003		reached the number of domestic stores, 10,000
2005	Established 7&i Holdings / Avoided the use of preservatives and coloring agents	
2007	Launched PB products	
2013	Coffee sales revolution (accumulated sales of 5 billion in 2019) Started to issue resident card	reached the number of domestic stores, 15,000
2018		reached the number of domestic stores, 20,000
2020		reached the number of domestic and overseas stores, 70,000 throughout 17 countries

Source: Seven & I Management Report (2019)

Meanwhile, looking at the Japanese convenience store industry's current situation, the Japanese convenience store market is expected to grow steadily. However, explosive growth cannot be expected due to intensifying competition in the convenience store industry.

Therefore, the need to strengthen overseas branches for business expansion is being raised. In the case of 7-Eleven, to cope with this situation, it is expanding its overseas branches as well as domestic stores, as mentioned earlier. It focuses on overseas expansion to the extent that the proportion of overseas stores accounts for about 70% of all stores (Usui, 2015). (Table 4).

Table 4: Number of 7-Eleven Stores in the World

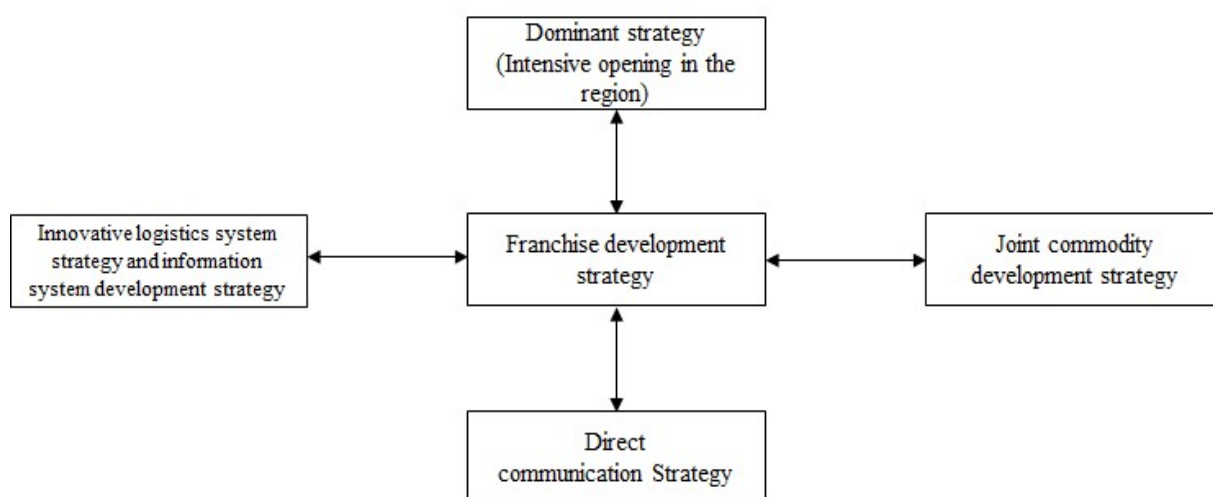
year country	2010	2012	2013	2014	2015	2016	2017	2018	2020
Japan	13,232	15,072	16,319	17,491	18,572	19,422	20,260	20,876	20,987
Thailand	5,790	6,822	7,429	8,127	8,832	9,542	10,268	10,988	11,983
United States	7,188	8,545	8,641	8,646	8,868	9,077	9,061	9,974	10,115
Korea	3,145	6,986	7,085	7,231	8,000	8,556	9,231	9,400	10,101
Taiwan	4,750	4,852	4,919	5,040	5,029	5,107	5,221	5,369	5,751
China	1,711	1,919	2,001	2,064	2,182	2,357	2,599	2,816	3,156
the others	4,477	5,563	6,039	6,682	7,228	7,744	7,960	8,233	8,657
Sum	40,293	49,759	52,433	55,281	58,711	61,805	64,600	67,656	70,750

Source: Seven & I Management Report (2019)

3. Competitive Advantage Strategy of 7-Eleven

Research on Resource-Based View recognizes the organization's ability to coordinate and integrate the physical resources owned by a company and members' individual functions as more important core competencies than each of them (Prahalad & Hamel, 1990). Also, it can be said that such core competence is a source of continuous competitive advantage of a company because the cause and effect of the competency establishment are ambiguous by each company (Reed & Defilippi, 1990). Therefore, according to the resource perspective theory, whether a company can continue to maintain its competitive advantage is related to whether the company can continue to establish its core competencies.

On the other hand, Porter presents a cost advantage strategy, a differentiation strategy, and a centralization strategy as three strategies to beat competitors out of the four positioning strategies that companies can take (Porter, 1980). When inferring 7-Eleven's competitive strategy using the resource visual theory and Porter's competitive strategy theory presented above, 7-Eleven's competitive advantage seems to be an organizational ability that franchisees and headquarters have built on trust relationships centered on founder Suzuki Tosihumi. Furthermore, it is thought that 7-Eleven's competitive advantage has been secured by good complementation of a quick response to change, a cost advantage strategy, a differentiated advantage strategy, and a centralization strategy.



Source: made by author

Figure 2: 7-Eleven's Competitive Advantage Strategy Development Map

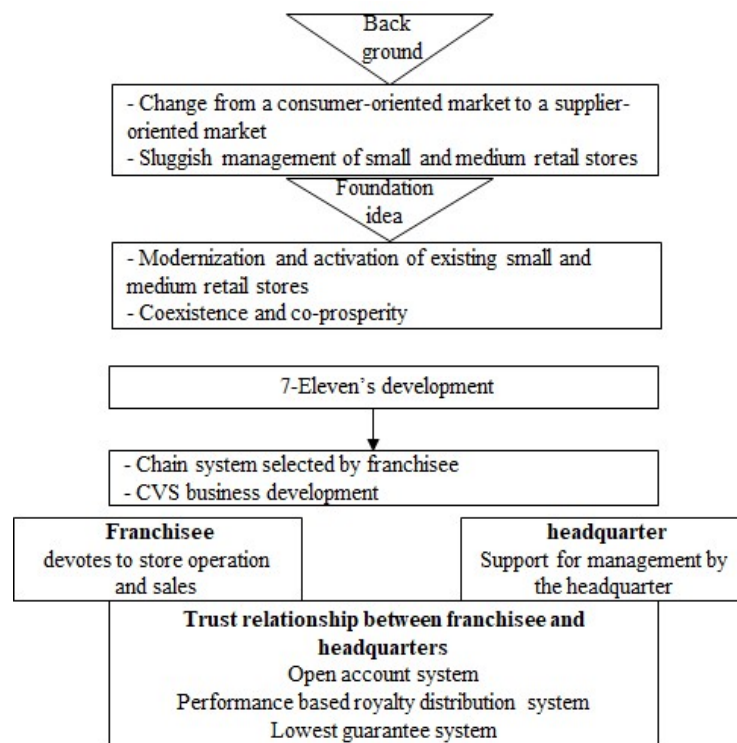
This section analyzes the core competency establishment process that 7-Eleven has built based on these preliminary considerations. As key competencies for specific business development, this course examines five strategies in detail: franchise development strategy, dominant strategy, innovative logistics system strategy and information system development strategy, joint product development strategy, and direct communication. (Figure 2).

3.1. Franchise Development Strategy

In the franchise system, the head office grants franchisees the right to sell products or services using their trade name, trademark, and business operation method within a specific region for a certain period of time under the contract. It is a channel organization that pays an initial subscription fee and a certain percentage of sales for royalty (Lee & Ju, 2004). Operating the franchise system is the key to how much motivation the franchisee (the store owner) draws. Therefore, 7-Eleven is constantly striving to increase the franchisee's motivation and employees of each franchise. Simultaneously, 7-Eleven has been guiding store owners and employees by introducing the latest business management techniques such as single item management, logistics innovation, information systems, and conducting research to make them settle. In other words, the franchisee and the headquarters have been conducting joint projects based on trust so that all franchisees can devote themselves to management with confidence. Besides, the headquarter does not save the support for the franchisees as well as the clear division of the franchisees' and headquarters' roles.

3.1.1. Joint Business Between Franchisee and Headquarters Based on Trust

7-Eleven introduced the franchise system based on the trust relationship between the franchisee and the headquarters on an equal footing as shown in Figure 3, three systems are deployed.



Source: Writing based on company internal data

Figure 3: 7-Eleven's Franchise System

Specifically, 7-Eleven introduced the “Open Account System”, a structure of settlement and loans, so that franchisees can start a business with a small amount of money and operate a stable business operation. The

franchisee is supported through the operation of the “performance-based loyalty distribution method” divided by a certain ratio and the “Lowest guarantee system” that guarantees the lowest annual profit to store owners (Seven & I, 2019).

3.1.2. The division of Roles Between the Franchisee and the Headquarters and Clear Missions

The role of the headquarter of 7-Eleven provides all support for the franchisee's management, clearly suggesting the role of the franchisee so that the franchisee can focus on store management or sales. As the store manager, the franchisee's manager focuses on human management, product management, and management numerical management. In contrast, the headquarter focuses on management consulting services, product development and product information services, and further logistics system development. By doing so, 7-Eleven is striving to create profits for both sides (Table 5). In other words, 7-Eleven’s headquarter is actively supporting franchisees to move away from store management based on family labor to corporate management.

Table 5: Division of Roles Between the Franchisee and the Headquarters and Support

	Franchisee	Headquarter
Contents of role division and service	Product management: (ordering, store management, etc.) Personnel management: (recruitment, education, personnel management, etc.) Business value management: (sales, business management, etc.)	Management consulting service product development/ product information service Logistics system development / accounting bookkeeping service Pay 80% of water supply /Rent heating costs for sales facilities Advertising activity/provide information system Logistics network construction/ 1Pay 15% of the cost of defective products

Source: Writing based on company internal data

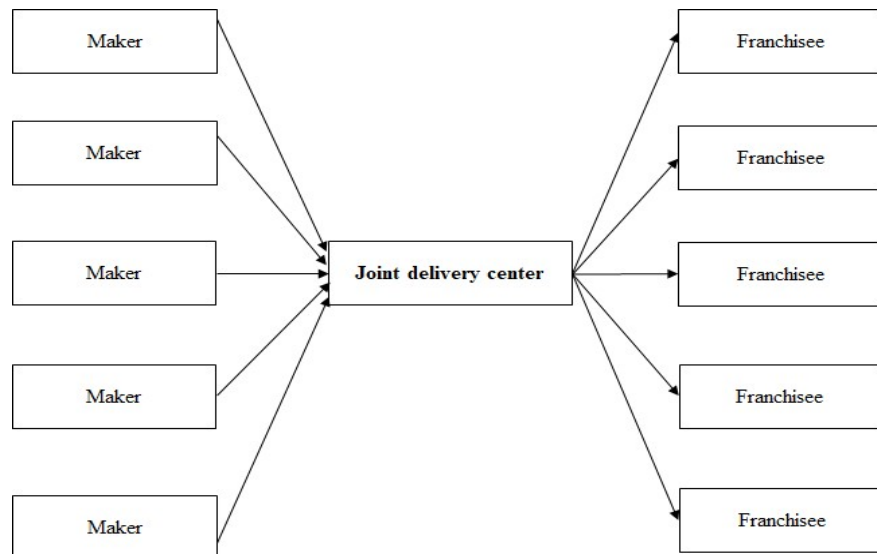
3.2. Innovative Logistics System Strategy and Information System Development Strategy

3.2.1. Innovative Logistics System Strategy

3.2.1.1. Pursuit of Efficient Logistics by Establishing a Joint Delivery System

The key to the product distribution system in rapid growth was how efficiently mass-produced products could be distributed nationwide and sold in large quantities. However, in today's era in which customers lead the consumption market, it becomes an important competitive advantage factor for companies to supply customers' products on time in the quantity required by stores. In the 1980s, 7-Eleven began co-delivery in some areas of the metropolitan area by establishing a joint delivery system that could increase delivery efficiency by mixing partners' products in one truck through persistent negotiations with partners.

Based on this system, 7-Eleven shares order/sales data and inventory information from franchisee with makers, and based on this, it is systematically producing products according to the peak of demand. Divided by temperature zone, they are delivered to the joint delivery center and delivered to each store in bulk (Figure 4). Accordingly, product makers have a competitive advantage of saving logistics costs, securing necessary products for stores, and providing fresh and delicious products to customers.



Source: Seven & I Management Report (2019)

Figure 4: 7-Eleven’s Joint Delivery System

3.2.1.2. Provision of Fresh and Delicious Products According to the Management of the Logistics System by Temperature Zone

The operation of the joint delivery system has brought great effects in terms of product freshness. In general, the CVS industry's flagship products can be lunch boxes, rice balls, and side dishes, but the important thing here is managing the products being delivered. 7-Eleven delivers these products three times a day, and each franchisee continues to grow with appropriate orders.

Table 6: 7-Eleven’s Joint Delivery System by Temperature Zone

Classification	Product	Destination	Number of delivery
Room temperature product with 20 C degree or higher	Rice type (Lunch box, rice ball, etc.)	Joint delivery center for white rice	3 times a day
Refrigerated products with 5C degrees or higher	Milk and side dishes (Sandwich, side dish, milk)	Joint delivery center for chilled products	3 times a day
Frozen products with -20C degrees	Frozen food (Ice cream, frozen food, ice)	Joint delivery center for frozen food	3-7 times a week
Room temperature	Miscellaneous goods and sweets (Canned food, instant noodles, seasoning)	Comprehensive delivery center for room temperature food	3-7 times a week
Others	Magazines, books, etc.	TOHAN delivery center	6 times a week

Source: Writing based on company internal data

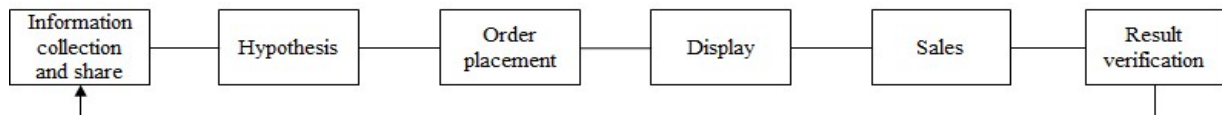
The company's logistics strategy's ultimate goal is to streamline delivery, achieve frequent delivery and on-time delivery, and organize and display products that meet consumer needs. Therefore, delivery of products must be made quickly and accurately, and taste, quality, and freshness must be maintained in the best condition. To realize this, not only store display but also temperature control during delivery is important. Temperature management during delivery requires appropriate management according to the characteristics and characteristics of each product.

7-Eleven introduces a distribution system for each temperature group, categorizing products by temperature group, and ships them by dividing them into four temperature ranges, as shown in Table 6.

3.2.2. Information System Development Strategy

3.2.2.1. Introduction of Single Supply Management System

In his book, Agile competitors and virtual organizations, Goldman et al. hold an agile company that survives the difficult modern competitive environment (Goldman, Nagel, & Preiss, 1995). Since the mid-1970s, as the Japanese distribution market has changed from a supplier-oriented market to a consumer-oriented market, each store's daily sales situation has been grasped, and agile management has been initiated to provide the products requested by customers on time. Specifically, 7-Eleven promoted the use of the information system. In 1978, starting with the development of terminals exclusively for ordering, in 1982, it introduced its own POS (Point of Sale Information Management) system and "single supply management" using POS data. As shown in the chart below, the single supply management section hypothesized the order quantity and display method of products in a single supply unit, verified with actual sales results, and reviewed the hypothesis. This refers to 7-Eleven's short-term sales management method (Figure 5).



Source: Seven & I Management Report (2019)

Figure 5: Hypothesis, Order and Verification Cycle of "Single Supply Management"

Table 7: 7-Eleven's "Comprehensive Store Information System" Operation Contents

Introduction time	Contents of main system	Introduction effects
The 1st comprehensive store information system (1978~1982)	Introduced the ordering "Terminal 7"	Bar code of order number and creation of product book and order form
The 2nd comprehensive store information system (1982~1985)	Introduced TC/POS register Introduced ordering terminal EOB	Significant progress in joint delivery through the use of POS information
The 3rd comprehensive store information system (1985~1990)	Introduced graph information analysis computer Introduced bidirectional POS register	Sales data can be displayed in a graph, so sales data can be used in earnest
The 4th comprehensive store information system (1991~1995)	Introduced GOT/ST/SC)and ISDN Introduced new POS register	High-level ordering and single supply management within the store Expedited information transmission between store-vendor-headquarter is possible
The 5th General Store Information System (1996~2002)	Introduced 'Groupware System' Introduced multimedia information transmission system Introduced store POS cash register system	Building the world's largest network integrating satellite communication and ISDN Full-fledged use of multimedia technologies such as video and audio
The 6th comprehensive store information system (2003~2014)	Introduced accounting system	Reduced costs by paperless documents and electronic preservation of data

Source: Writing based on company internal data

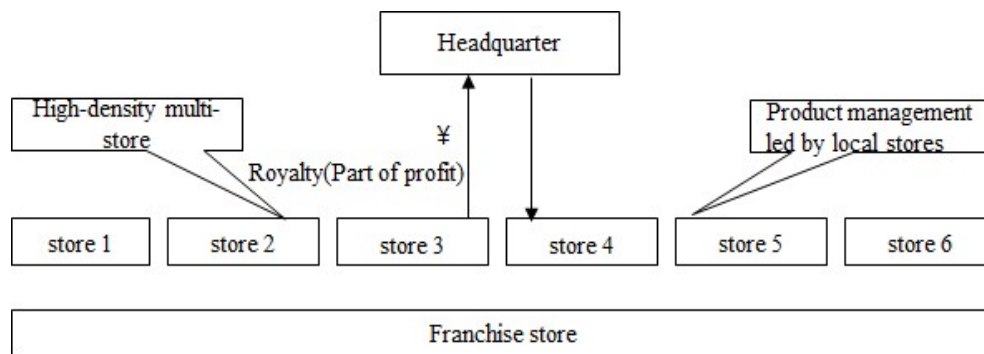
Besides, to practice such single supply management, 7-Eleven has built a “Comprehensive Store Information System” connecting stores, distribution centers, and suppliers around the headquarter. According to the establishment of this comprehensive store information system, an independent business model was created. Products were prepared and sold based on hypotheses based on objective data or information. The actual sales results were verified while controlling the degree of order. 7-Eleven's "Comprehensive Store Information System" started with the first general store information system. Terminal 7 was introduced through joint development with Nippon Electric Co., Ltd. in August 1978, as shown in Table 7. It has been carried out over six rounds together.

3.2.2.2. Introduction of the 7th Comprehensive Store Information System

7-Eleven is currently operating the 7th comprehensive store information system, which was introduced in 2015. The 7th comprehensive store information system provides functions such as responding to new payment services and increasing the tax exemption for foreign customers. This is being further strengthened. The 7th comprehensive store information system enhances and optimizes the ordering accuracy introduced in the 6th comprehensive store information system, workflow, sales information, product information, and individual store information (such as event information and weather forecasts in the vicinity). It has evolved into a structure that makes it easier for employees to formulate a sales plan hypothesis by integrating and displaying it on a store computer (SC). Specifically, the SC and the ordering terminal “GOT (Graphic Order Terminal),” which can be carried in the store, gathers various information, making it possible to place orders reflecting popular products in the store.

3.3. Dominant Strategy

The dominant strategy is a strategy in which a chain store focuses on opening a store in one area, meaning that it is dominant and dominant. Also, an area with multiple stores is called a “dominant area.” In 2015, 7-Eleven opened stores in Aomori and Totori, which were unopened areas, and in 2019, Okinawa is the last to open stores throughout Japan.



Source: Seven & I Management Report (2019)

Figure 6: 7-Eleven’s Dominant Strategy

As shown in Figure 6, 7-Eleven's business model focuses on opening stores in a specific region, pursuing the dominant strategy' that maintains an edge over the regional competition. The dominant strategy is a centralized strategy that is one of the positioning strategies suggested by Porter (Porter, 2008). 7-Eleven pursues the dominant strategy' because it finds out the products that are in demand in each region and orders products based on them. Therefore, it is believed that product orders are under the jurisdiction of each store that is well aware of local conditions. There is a great advantage in that the demand forecast from the head office does not deviate. This dominant strategy has the disadvantage of fierce competition among stores, but 7-Eleven adopts and operates the dominant strategy because the following advantages cannot be overlooked (Table 8).

Table 8: Advantages and Disadvantages of the Dominant Strategy

Advantages	Disadvantages
By opening multiple stores in a certain area, the awareness of the store in that area increases.	In the event of a natural disaster such as an earthquake, the entire area where the stores are concentrated may suffer collective damage.
Delivery efficiency increases by concentrating the store in a certain area.	Intensifying competition between stores and customers
Can respond to regional characteristics through regional customized advertisements.	Changes in local conditions have a big impact on sales.

Source: made by author

3.4. Direct Communication Strategy

7-Eleven’s Japanese domestic stores have a headquarter who has accumulated more than 20,000 stores nationwide, management know-how, and countermeasures to solve problems and take more faithful communication with franchisees to manage franchisee customers with confidence while responding to changes in the times. 7-Eleven has created a system that can currently and is trying to increase profits by strengthening communication with franchisees through various communication methods (Table 9).

Table 9: Efforts to Expand Sales and Profits through Communication with Franchisees

Efforts to strengthen communication with franchisee states		
Conduct the Survey for franchisee states	Headquarter officer visits the franchisee and comments with the store owner	Headquarter for store owners Visit the franchisee of the operator
Efforts to expand sales and profits through communication with franchisees		
Apply 7-Eleven loyalty reduction	New layout store expansion	Support for job assignment and shift creation support

Source: Writing based on company internal data

3.4.1. Efforts to Strengthen Communication with Franchisee States

3.4.1.1. Conduct the Survey for Franchisee States

In July 2019 and July 2020, a survey was conducted on all franchisee stores, and the survey was analyzed on the concerns of store owners or management difficulties. The analysis results were reflected to improve the satisfaction of franchisees in the future.

3.4.1.2. Headquarter Executives Visit the Franchisee and Exchange Opinions with the Store Owner

Receive various problems and suggestions from the store owner, suggest countermeasures, and directly receive opinions on headquarter strategies and policies, and conduct positive communication with each other.

3.4.1.3. Headquarter for Store Owners Visit the Franchisee of the Operator

The number of visits to the franchisee increases to reinforce communication with store owners through reorganization and increase of the “headquarter store owner consultation room,” where store owners receive various consultations.

3.4.2. Efforts to Expand Sales and Profits with Franchisee Stocks

3.4.2.1. Apply 7-Eleven Loyalty Reduction

According to the results of a survey conducted on business owners in 2019, we are partially reviewing the incentive system for 7-Eleven loyalty paid to the headquarter from franchisee from March 2020. This is expected to provide an average annual profit of about 500,000 yen per franchisee store through a royalty review to improve franchisee profits.

3.4.2.2. Expand New Layout Stores

Through empirical experiments so far, it has been proven that sales increase in stores that have introduced Type F2 layout depending on the store situation. The Type F2 layout is a development of the existing Type F1. It was introduced in 2018 as a new layout that responds to the increasing demand for frozen foods where you can enjoy the authentic taste with simple cooking as simple foods such as fresh food, rice balls, and sandwiches. It is expanding according to the store situation.

3.4.2.3. Support for Creating Work Assignment Table

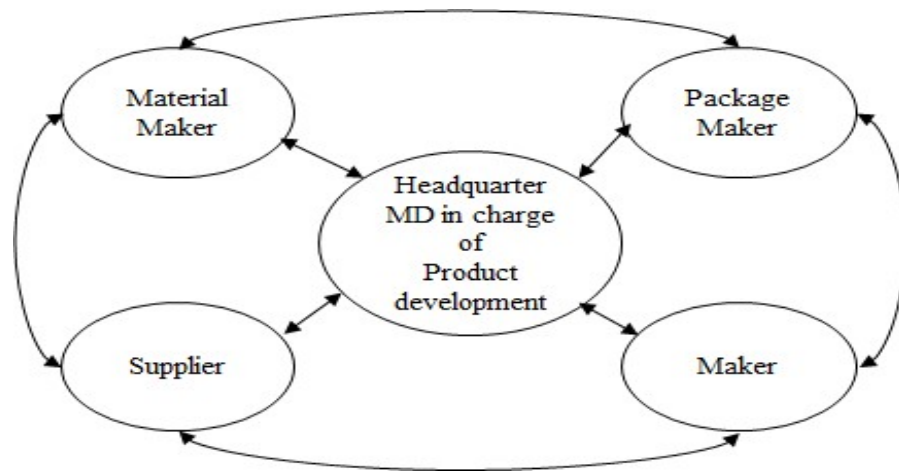
The franchisee is developing and introducing a structure that automatically creates a work assignment table. This is a system that automatically designs the optimal work allocation table for each store by measuring the time required for store work, inputting and analyzing information such as product delivery time, number of customers, etc., reducing the work burden of the store manager and working hours that the individual is responsible for this clarity leading to efficient staffing.

3.5. Joint Product Development Strategy

3.5.1. Independent Product Development under the MD (Merchandising) Team System

Merchandising (MD) refers to “a series of processes in which a manufacturer, supplier, or retailer manufactures and distributes products that consumers want for profit.” (Youn & Kim, 2016). Youn (1997) said, “Planning and managing efficient sales in stores through product planning, product development, and product purchase by predicting customer trends to achieve retail companies' sales targets.” In the case of a retailer, it can be said that “merchandising is all activities related to buying products that customers want and selling them most efficiently.” (Heo, 2006).

In 1978, 7-Eleven released its own rice ball. At that time, rice balls or lunch boxes were made at home and were not recognized as to be sold in the store. However, based on changes in the social environment, such as nuclear familiarization, it has become CVS's flagship product. It thoroughly insists on taste and freshness and continues to develop products. Accordingly, to respond to the various needs of customers and improve quality such as taste and freshness together with partner with experts having excellent technologies and capabilities in each field, such as production, processing, logistics, and propaganda. The importance of collecting external market information, and customer demand that can be obtained from store or POS information was emphasized. In the midst of this process, in the 1980s, the MD (Merchandising) was able to develop unique products with quality that do not match national brand (NB) products by teaming up with raw material makers, manufacturing makers, packaging makers, and suppliers centering on the headquarter's product development MD team system was established (Figure 7).

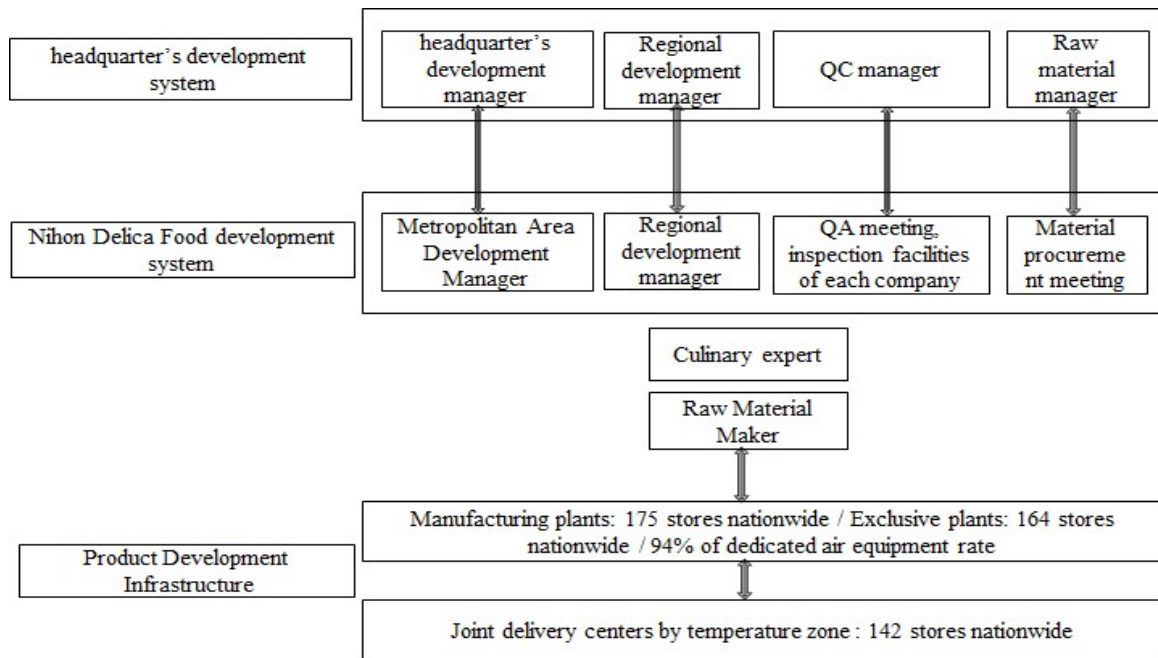


Source: Seven & I Management Report (2019)

Figure 7: 7 Merchandising Structure of 7-Eleven

3.5.2. Collective Product Development System

Most of the products developed under the MD (Merchandising) team system presented above are proprietary products (PB). The PB (Private Brand) trademark is a product sold by a manufacturer to a distributor, and a distributor attaches its own trademark to sell it (Kotler & Keller, 2008).



Source: Writing based on company internal data

Figure 8: 7-Eleven's Collective Product Development System

7-Eleven's product development proposes a product concept or manages the product development process to transform these PB products into Seven premium products. Simultaneously, the Nihon Delica Foods (NDF) and collective product development system has been established and operated (Figure 8).

As of June 2018, NDF's major operating companies (including subsidiaries) have 175 manufacturing plants nationwide, centered on AJINOMOTO, and 164 dedicated 7-Eleven factories operated by NDF in Japan (Seven & I, 2019).

7-Eleven has formed strategic alliances with these companies to increase product development capabilities. PB products are basically developed in a one-to-one relationship between retail companies and manufacturers. In contrast, collective product development systems such as NDF are developed in a one-to-many relationship. For example, in the case of cooked noodles, manufacturers of powdered noodles, seasonings, ingredients, and packaging materials participate in developing new products and improving existing products based on sales performance and customer data.

This collective product development system has the effect to draw out heterogeneous management resources or other organizational capabilities. By gathering with each specialty, product development power is enhanced. Besides, the environment of a collective of independent companies creates moderate tension. In other words, if there is inadequacy or inconvenience in a process or task somewhere, it leads to an overall disadvantage. Insufficiency of food is a health or life problem. To prevent this, 7-Eleven and its business partners intensify such a pluralistic trading relationship, such as paying attention to each other and enabling mutual monitoring when necessary. This can be seen as one of the sources of 7-Eleven's competitive advantage.

4. Conclusion

This paper attempted to analyze the competitive strategy factors for 7-Eleven's specific business development to explore the competitive advantage strategy of 7-Eleven, the No. 1 CVS industry in Japan. Specifically, five competitive strategies were reviewed: Franchise development strategy, dominant strategy, innovative logistics system strategy and information system development strategy, joint product development strategy, and direct communication strategy.

As a result of the analysis, it is shown that 7-Eleven's competitive advantage lies in the organizational ability that the franchisees and headquarters have built based on trust relationships centered on founder Suzuki Tosihumi. Furthermore, the fact that the five competitive strategies have been complementarily maintained for quick response to change, cost advantage, and the differentiation advantage was confirmed to be the source of competitive advantage.

As such, the reason 7-Eleven has been pursuing five competitive strategies is to maintain its competitive advantage in the CVS industry through continuous profit acquisition and development. However, to realize this, not only does it lead to the maximum effort between the related subjects, but costs are also incurred due to friction between the subjects. Therefore, 7-Eleven promoted the franchise strategy development and joint product development strategy to share the authority and performance of efforts between the headquarter and franchisee to minimize the cost incurred due to friction between the subjects. A dominant strategy, an innovative logistics system strategy, and information system development strategy, and a direct communication strategy were promoted for management integration and efficiency.

On the other hand, in terms of effort investment between the CVS, headquarter, the store manager or the CVS headquarter and the manufacturing maker, maintaining a partnership relationship and a competitive relationship in acquiring performance. In other words, the prerequisite results are achieved through the cooperative efforts of the two sides, but contention occurs between the two sides for the distribution of the achievements. Therefore, if the distribution of effort is small, less effort is expended, and as a result, the overall performance achieved is less, which causes difficulties in business operation. Unlike general retail stores, CVS requires unified behavior as a whole chain compared to department stores and supermarkets. It is overwhelmingly composed of many retail stores, making direct control by headquarter difficultly. For this reason, there is a need for an operational strategy that combines the power and performance of efforts.

In the case of 7-Eleven, franchisees manage with confidence in performance distribution by introducing an open account system, a performance-based loyalty distribution method, and a minimum guarantee system to induce efforts between store managers and customers based on the trust relationship between franchisee and headquarter. The ability to focus on is also considered one of the source of 7-Eleven's sustained competitive advantage.

As such, this study is significant in that it specifically suggested the process of establishing core competencies that are the source of 7-Eleven's sustained competitive advantage, which has not been relatively studied so far.

Besides, 7-Eleven's franchise management method, which has been pursuing coexistence and co-prosperity with individual franchisees based on a trust relationship between the headquarter and franchisee, gives a great implication to the establishment of competition strategy of Korean CVS industry that follows Japan's trend in the severe competition and saturated market.

Although this study serves as a reference not only for the Japanese convenience store industry but also for the management of the Korean CVS industry, there is a limit to generalize this study to all CVS industries since this study was conducted only on 7-Eleven. Specifically, establishing core competencies, which is the source of competitive advantage in the CVS industry, is not the same but varies depending on the environmental changes surrounding individual companies. Therefore, in future research, it is necessary to secure strategic clues for the CVS industry's vitalization through a detailed analysis of the process of establishing core competencies of companies through more case studies.

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