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A Study on Performance of Retail Store: Focused on Convenience Store*

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Abstract

Purpose - The purpose of the study was to find out factors having influence upon management of franchise convenience stores being distribution business by interview with franchisees in accordance with Delphi method and to investigate marketing strategy of increase income.

Research design, data, and methodology - This study investigated not only franchisees but also head office's franchise consultants of convenience stores carefully by Delta technique to suggest actual solutions of practice and to be different from precedent studies. Delphi method's interview and questionnaire were used to investigate performance of franchisees. 120 franchisees were interviewed to consist of men and women.

Results - FC visited franchise stores to investigate: Franchisees thought of keeping of exact information on commodity information and sales promotion events, and admitted of franchiser's effort of growth and development of stores and improper visit frequency of stores and low effort of solving of difficulty of franchisees.

Conclusions - More than 80% of the franchisees cognized more than 70% of performance upon request of ordering from headquarters: Not only franchisees but also headquarters need to lessen gap of difference of cognition. Franchise headquarters was thought to give services below than common level, and service manual and operation manual were thought to be high. Headquarters need to give practical support service.

Keywords: Distribution, Retail Store, Convenience Store, Franchise Headquarters, Franchise Consultant.

JEL Classifications: D23, D3, L11, L81.

1. Introduction

In the 2000s, retail business has made multi-channels. Online shopping and convenience stores have grown up the most by using Internet. Most of shopping businesses suffered from dull growth, while convenience stores started to grow up again in the 2010s. In 2012, convenience stores grew up by 15.7% in number and by 15.8% in sales than previous year (Trend of convenience store management in 2013, the Association of Convenience Store of Korea).

Even if department store, hyper markets and others suffered from dull growth, convenience store continued to grow up. This was because of growth of PB product being convenience store's brand, and increase of single household, and various kinds of services. Firstly, sales of PB product

rapidly increased than previous year, 7.6% up in 2013, 9.1% up in 2014, and 22.8% up in February to March in 2015, and 30.4% in April to June in 2015.

Convenience store's growth of PB product helped consumers visit convenience store again to raise sales (Kim et al., 2016). Convenience store grew up owing to continuous increase of single household. Single household occupied no more than 6.9% in 1985 to be 23.9% in 2010 and 34.3% in 2035 (Statistics Korea, 2015). In other words, one third of households in Korea shall be single household (Kim et al., 2016). Convenience store's MD strategy and product for single household produced optimum buying condition in accordance with change of household patterns to increase convenience store's sales. Third, convenience store gave various kinds of convenient services for customers to increase number of the store, for instance, paying of taxes and duties, charging of mobile phones, door to door delivery service, buying product delivery and other 30 to 40 kinds of services. So, convenience stores could have stability and competitiveness to grow up. Rapid growth

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of convenience store helped middle aged men start new life after retirement. Number of convenience store increased from about 10,000 stores in 2007 to 29,914 stores in 2015. Studies on convenience store's management were not enough despite approximate 10% of yearly growth. The purpose of the study was to find out factors having influence upon franchise store's management by Delphi method and to investigate marketing strategy of high income.

2. Precedent Studies

Studies on retail stores at home and abroad investigated selection of place having influence upon increase of franchise stores, store facility, product assortment and MD. Precedent studies had neglected performance of franchisees to be of no help for win-win growth. Headquarters had more strength, while franchisees lost strength at keen competition: Unbalanced strength between head office and franchisees is likely to produce serious conflict of distribution path.

Precedent studies mostly investigated relations between headquarters and franchise stores. A study investigated services being given in the beginning of foundation and after foundation to put an emphasis upon disclosure of information and explanation of franchise contract in favor of franchisees (Jeong & Kim, 2014). Headquarters' employees' reliability and post service may have influence upon franchise store's management outcome. Analysis upon commercial conditions around convenience store to open may have great influence upon store's reliability and income (Jeong & Kim, 2014).

After foundation, headquarters shall communicate with franchisees continuously to solve problems. And, headquarters' FC shall teach business continuously to upgrade information system. Lastly, not only scientific and systematic control system but also communication environment may have positive influence upon franchisee's satisfaction and reliability and re-contracting with headquarters, and relations between multi-shop opening and recommendation intention (Jeong & Kim, 2014). Franchisee who had high satisfaction and recommendation intention liked to make contract again and to recommend and to manage multi franchise stores (Jeong & Kim, 2014). Customized support service being of help to promote multi store management needed business support design, for instance, training of professionals and experts, and development of stores to maximize effects of management. An integrated information service and analysis upon commercial areas to manage many stores conveniently can help promote management of many stores (Jeong & Kim, 2014). A study on franchise store's adaptation and effects said importance of reliability to satisfy franchise store's demand in fair and effective way and to let headquarters rely upon will and capability, and reliability between

headquarters and franchisee had influence upon areas not mentioned in the contract (Jeong et al., 2012). Second, reliability can lessen conflict at unbalance of unfair power and inconsistency of understanding. Third, head office's policy as mentioned below can be expected.

Head office without reliability can give franchisees negative results: First, franchisees may cognize unfair distribution and/or unfair procedures. Second, franchisees may rely upon opportunism. Third, franchisees may neglect head office's directions and advice (Jeong et al., 2012). This study investigated understanding on franchise stores and effective control of conflicts to let head office get franchisee's reliability.

This study investigated not only franchisees but also head office's franchise consultants of convenience stores carefully by Delta technique to suggest actual solutions of practice and to be different from precedent studies.

3. Methodologies

Delphi method's interview and questionnaire were used to investigate performance of franchisees. 120 franchisees were interviewed to consist of men (56.7%) and women (43.3%) (see Table). The 40s occupied 33.3% at high ratio, while both the 20s and the 60s did 3.3% at low ratio. Real franchisee occupied 58.3%, while consigned franchisee did 41.7%. 2 to 5 years of franchise operating time occupied 44.2% to be the highest, while less than 1 year did 15.8% to be the lowest. Franchisee managed convenience store by himself or herself (68.3%) to be the highest, followed by couple (16.7%), family (13.3%) and relative and others (0.8%). Franchisee managed one store only (75.5%) to be the highest, followed by 2 stores (12.5%) and 3 stores (12.5%).

4. Franchisee's Performance

4.1. FC's Visit to Franchisee to Train

Franchisees had human reliability upon FC with mean of 4.30 to be highest, followed by FC's exact information on commodity and sales promotion event with mean of 4.27. FC's visit of guidance was of help to manage franchise store with mean of 4.25, and FC had special knowledge on franchise business with mean of 4.22. FC gave franchisee good solution of problems with mean of 4.20, and FC's visit frequency to franchisee was proper with mean of 3.88. Franchisees were satisfied with FC's guidance of ordering with mean of 4.07 to be lower than the median of 4.22, and reply to FC's visit frequency to franchisee was mean of 3.88 to be the lowest. Reply to FC's visit of guidance to franchisee was (<Table 1>):

<Table 1> FC's visit of guidance to franchisees

Number of sample	Mean	Description	Standard deviation
120	4.25	Of help to manage franchise store	0.664
120	4.20	Give good solution at occurrence of problem	0.676
120	4.22	Have special knowledge	0.716
120	4.27	Exact information on commodity information and sales promotion event	0.705
120	3.88	Proper frequency of visit	0.974
120	4.07	Satisfy with guidance of ordering	0.783
120	4.30	Human reliability	0.754

Note: Likert 5-point scale was used.

4.2. Relation between Headquarters (head office) and Franchisees

Headquarters (head office) made effort to develop franchisees with mean of 3.55 to be the highest, followed by giving solution to problems and making effort to improve franchisee's management outcome with mean of 3.46, and keeping promise with franchisee with mean of 3.37, and doing win-win with franchisees with mean of 3.36. However, communication between headquarters and franchisee, understanding on franchisee's difficulties, solving of franchisee's difficulties, relying upon franchisee, and close business relation with franchisee were below than mean of 3.35, and understanding on franchisee's difficulties had mean of 2.98 to be the lowest.

<Table 2> Relation between headquarters (head office) and franchisee

Section	Number of sample	Mean	Standard deviation
Give solution	120	3.46	0.849
Win-win	120	3.36	0.776
Communication	120	3.25	0.812
Understanding on difficulties	120	2.98	0.970
Solve difficulties	120	3.23	0.905
Give reliability	120	3.28	0.900
Make effort to develop	120	3.55	0.776
Keep promise	120	3.37	0.859
Improve management outcome	120	3.46	0.859
Keep close relation of business partner	120	3.34	0.845

Note: Likert 5 point scale was used.

4.3. Headquarters (head office)'s Business Support

Franchisee's sales promotion event was found to help franchisee increase sales with mean of 3.91 to be the

highest, followed by headquarters' sales promotion with mean of 3.82 and headquarters' new product information with mean of 3.79. On the other hand, headquarters' business support would help franchisee's operation, and headquarters' guidance of ordering would help franchisees. Headquarters' accounting system would help franchisees manage and operate with mean lower than median of 3.72, and headquarters' accounting system would be of help to franchisee's operation with mean of 3.44 to be the lowest.

<Table 3> Headquarters (head office)'s business support

Section	Number of sample	Mean	Standard deviation
Business support being help to manage franchisee	120	3.55	0.765
Give new product information	120	3.79	0.721
Guidance of ordering being of help to manage franchisee	120	3.57	0.730
Sales promotion event being of help to raise sales	120	3.91	0.756
Sales support system being of help to manage and operate	120	3.72	0.686
Sales promotion event to raise effects of brand cognition	120	3.82	0.778
Accounting system to manage franchisee	120	3.44	0.877

Note: Likert 5 point scale was used.

4.4. Headquarters (head office)'s Information System

Headquarters' store control system was effective to manage franchise stores (mean of 3.61) to be highest, followed by POS display and menu giving convenience of operation (mean of 3.57). And, headquarters' information was expressed easily to cognize and headquarters shall keep communication environment and equipment well (mean was lower than median of 3.49), and headquarters shall keep franchisee's communication environment and equipment (mean of 3.25 to be the lowest).

<Table 4> Headquarters (head office)'s information system

Description	Number of sample	Mean	Standard deviation
Convenient POS display and menu	120	3.57	0.837
Effective store control system	120	3.61	0.725
Information that is expressed easily	120	3.40	0.715
Keep communication environment and equipment	120	3.25	0.891

Note: Likert 5-point scale was used.

4.5. Satisfaction with Franchise Headquarters (head office)'s Service

Headquarters' service education would help franchisee

manage (mean of 3.49 to be the highest), followed by headquarters' users manual (mean of 3.41). Satisfaction with headquarters' services and franchise management was lower than median of 3.39, and satisfaction with headquarters' support was the lowest (mean of 3.32).

<Table 5> Satisfaction with Headquarters' Services

Description	Number of sample	Mean	Standard deviation
Support services	120	3.32	0.840
Franchisee management	120	3.37	0.789
Service education	120	3.49	0.810
Users manual and teaching materials	120	3.41	0.855

Note: Likert 5-point scale was used.

5. Findings and Implications

5.1. Findings

The subject was head office's franchise consultants and franchisees in Korea. The study investigated mutual reaction between consultants and franchisees by interview and questionnaire. The study included five areas: FC's visit to franchisees, relation between franchisor (head office) and franchisee, franchisor's business support, franchisor's information system and satisfaction with franchisor's service. Franchisees were satisfied with FC's visit and teaching the most. The head office's human reliability upon franchise consultant had the highest answer rate on average among five questions, and head office's understanding on franchisee's difficulty had the lowest answer rate on average.

The findings were:

First, most of franchisees thought of franchise consultant (FC)'s visit in affirmative way to have very much high human reliability. Franchisees mostly had good knowledge on franchise business to give exact information on head office's products and sales promotion events and to think that FC's teaching was of great help for franchise management. But, franchisees gave answer to FC's solution at problems in negative way. And, most of franchisees thought that FC's visit times was not enough.

Second, franchisees thought that head office was much interested in franchisee's growth and development. In other words, franchisees thought that head office gave solutions and made effort to improve franchisee's management outcome. Franchisees thought of head office's communication, understanding on franchisee's difficulty, reliability on head office and relationship between head office and franchisees in much negative way.

Third, franchisee's sales promotion event helped increase sales, and franchisor's advertising and sales promotion could

increase brand cognition, and franchisees were given information on new products. Franchisor's teaching of ordering did not help franchisees enough, and franchisor's accounting system did not help franchisee's management enough.

Fourth, franchisor's shop control system was effective to manage franchisee, and franchisor's POS display and menu gave convenience for franchisee to manage. Franchisees said that not only easy expression of franchisor's information but also good maintenance of communication environment and equipment was not high and low to be on average. Good maintenance of franchisee's communication environment and equipment was the lowest.

Fifth, franchisor's service education helped manage franchise shop and franchisor's manual and teaching material helped manage franchise shop. Franchisees were not satisfied with franchisor's help service and franchise shop management, and were not satisfied with franchisor's help service the most.

5.2. Implications

First, franchisees thought of effective store control system, and franchisees did not think of headquarters' good maintenance of franchisee's communication environment and equipment. In addition, more than 80% of franchisees cognized more than 70% of performance upon headquarters' request of ordering: So, both franchisees and headquarters shall make effort to lessen gap of cognition on performance.

Second, franchisees thought that sales promotion events would be of help to the sales, and that headquarters' accounting system was not good to manage franchise stores. In addition, franchisees (85.9%) thought of more than 70% of performance of headquarters' sales promotion event guidance: So, programs shall be developed to increase headquarters' performance.

Third, franchisees thought of headquarters' effort to develop franchisees, and thought that headquarters did not make effort to solve franchisee's difficulties. In addition, franchisees thought of difficulty at request of sales promotion of the products not handled: Headquarters needed to communicate with franchisees in advance.

Fourth, franchisees thought of keeping of commodity information and information on sales promotion events, and improper visit frequency to franchisees. In addition, Franchisees thought of negative relation with headquarters: programs shall be developed to improve relation between headquarters and franchisees.

Fifth, franchisees thought of headquarters' service education being of help to manage franchise stores and not being satisfied with headquarters' support service. In addition, franchisees thought of headquarters' business support from point of view of affirmative way by half: Franchisees thought of satisfaction with headquarters' service below than common level, and thought of service education

and operation manual and teaching materials in affirmative way. Headquarters needed to give service manuals and support services.

5.3. Limitations

The study had limitation on number of samples of

questions and scope. The study made use of not statistical technique of SPSS and Amos but interview with franchisees and Delta technique. The study investigated franchisees' performance of convenience stores for the first time: And, the study was short of validity and objectiveness. Further study shall increase scope and scale of the sample very much and make use of statistical technique commonly used.

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