

7-Eleven Malaysia Holdings Bhd: Analysing Customer Market & Business Market

Komathy A/P Krishnan¹, Nurfatin Afiqahbinti Ismail², Shanthiny Kanesan³

¹(Accounting Lecturer in School of Accounting at Sunway College Ipoh, Malaysia)

^{2,3}(Master student of Business Administration, University Sultan Azlan Shah, Malaysia)

Corresponding Author: Komathy A/P Krishnan

ABSTRACT :7-Eleven Malaysia Holdings Bhd as one of the dominant market leader in convenience store industry in Malaysia. Although, there are many booming convenience stores, 7-Eleven is still popular among the Malaysians. The aim of this study is to analyze the customer market and business market involved. In addition, this study also focuses on certain challenges being faced and the possible recommendations to overcome it.

KEYWORDS –business customer, business market, convenience store, customer market, products.

Date of Submission: 04-04-2018

Date of acceptance: 19-04-2018

I. INTRODUCTION

This paper will focus on 7-Eleven Malaysia Holding Bhd rather than 7-Eleven in USA. First it will provide a brief background about 7-Eleven Malaysia Holdings Bhd. Next, it will analyse the customer market and business market. Then the paper will address some of the challenges 7-Eleven currently faces. Finally, the possible recommendations will be discussed to address the above challenges.

II. BRIEF BACKGROUND

In 1927, Joe C. Thompson Jr. founded the stores called ‘Tote’m Stores’ due to customers toted away their purchases and in 1946, the name was changed to “7-Eleven” to reflect the new company extended hours 7am till 11pm (About Us: Overview, 2015). In Malaysia, 7-Eleven was owned by 7-Eleven Malaysia Holdings Bhd. Through its subsidiary 7-Eleven Malaysia SdnBhd, it has more than 2,200 stores nationwide and has a total sales revenue of RM2.1 billion based on 2016 Annual Report. The first store was opened in 1984 at Bukit Bintang and it is still in operation till now (7-Eleven Malaysia Holdings Bhd, 2016). This is in contrast to the first McDonalds store in Ipoh that has to be closed down in 2017. The reason for the first 7-Eleven store to be still in operation was due to strong brand loyalty, large customer base and distinctive product quality. Despite the change of name to 7-Eleven due to 7am – 11pm retail hours, 7-Eleven stores in Malaysia and other countries operated on 24-hours a day.

7-Eleven Malaysia Holdings Bhd won several awards for strong brand loyalty and excellent marketing strategy for the past several years. It is not surprising that Tan Sri Vincent Tan, owner of Berjaya SdnBhd and His Majesty Sultan Ibrahim, Sultan of Johor have 42.46% and 15.52% shares respectively in 7-Eleven Malaysia equities. Latest report also states the possibility of 7-Eleven Malaysia Holdings Bhd being privatised by Berjaya Assets Bhd. This news brought the attention to us that 7-Eleven has the potential to continue to be the dominant market leader in convenience store industry for many years which may be the reason for 7-Eleven Malaysia Holdings Bhd being the privatisation target for Berjaya Assets Bhd(Teng, 2018).

III. CUSTOMER MARKET

7-Eleven Malaysia Holdings Bhd is well-known for its popular products known as Slurpee and Big Gulp. Ever since 1980s, customers including myself continue to flock to the stores mostly to buy Slurpee or Big Gulp. The reason is the unique taste of different flavours Slurpee offers during seasonal or festive periods.

7-Eleven company has firmly established itself as Malaysia’s No 1 convenient store leader. In the last three months of year 2017, there is an increase of RM83.7 million in revenue compared to the previous year due to growth in new stores, higher average spends per customer, improved merchandise mix and consumer promotional

activity (7-Eleven Malaysia Holdings Bhd, 2016). One of the underlying success for high average customer spending was due to TV advertisements on promoting Slurpee drinks for the past few years. Two of the TV ads called “Slurpee Stories – Grandpa’s Treat” and “Free Slurpee Day” aimed to give a nostalgic feeling for old people who had a memorable childhood experience at 7-Eleven in the 1980s and 1990s and also show

how popular Slurpee is among three generations: the elderly, the adults and the children (7ElevenMalaysia, 2014). Slurpee is one of the only products that so far none of the competing companies can make a better product than Slurpee. 7-Eleven use a method called *selective retention* which means the company use repetition in promoting Slurpee products over the years due to its success (Kotler & Keller). Some customers feel there is a personal connection towards 7-Eleven stores. As 7-Eleven often use local artistes for its TV commercials, some of them feels 7-Eleven is a Malaysian brand store even though 7-Eleven originated from USA.

Merchandise mix has improved by introducing mineral water, bakery snacks and fresh food as well as accessories such as nail clippers and hairbands. Malaysian local food such as ‘nasilemak’ and fried ‘meehoon’ were introduced as well to cater to the needs of local customers. This improved merchandise mix has allowed the customers to treat 7-Eleven as a one-stop shopping place as they will buy whatever it is necessary at 7-Eleven stores instead of going to supermarkets. This is in line with 7-Eleven’s mission in consistently serving the changing needs of customers for their convenience (Vision & Mission, n.d.).

In terms of store location, most of the stores are opened in residential areas, shopping malls and petrol stations where there is a large customer base. Recently, 7-Eleven has produced its own products such as potato chips, mineral waters, lighters and other accessories and place them at the front shelf or near the door entrance. These products were priced relatively cheaper than other brand products. This is 7-Eleven’s tactics to encourage the customers to purchase 7-Eleven own products first before purchasing other brand products. As people are embracing modern lifestyle, the management decided to revamp most of the stores into modern-style by painting the wall black and place tables & chairs outside stores for the customers to sit down, enjoy their snacks and chit-chat with each other (Manjur, 2016). Perhaps 7-Eleven attempted to emulate Starbucks’ store by having tables and chairs within the store compound for leisure use.

7-Eleven Malaysia Holdings Bhd usually targets middle-aged and young adult groups as the main customer base as most of the products sold in its stores are suitable for them. However, the company now targets elderly people as well by placing community notice board on the wall and use Slurpee TV ads which features grandfather bringing his grandchildren to 7-Eleven stores to purchase Slurpee. The community notice board serves a purpose where the elderly people can come to raise and discuss any issues pertaining to the community. While they look at the notice board and discuss the issues, they will eventually purchase drinks such as coffee or tea at the store. As for Slurpee, the old people will encourage their children and grandchildren to try Slurpee through word-of-mouth tactics. According to an interview with one of the managers (who refused to disclose his name) in 7-Eleven store in Ipoh area, he said that there are three different groups of regular customers. First group of customers is the kids who often purchased ice-creams, Slurpee and Big Gulp. Second group is the adults who often come to purchase ready-to-eat foods, cigarettes, condoms & top-up cards and the third group are late-night customers who often purchased alcoholic drinks. Non-regular customers purchase snacks and accessories.

With regards to food products, all the foods have to go through the process of hygiene testing and halal certification before they can be placed in the stores to be sold. The reason all food products have to be halal-certified is due to the majority of the consumer population is Muslims. Furthermore, nowadays people are becoming more health-conscious. Therefore, to target them, the company offer fresh foods such as breads, milks and fruit drinks.

IV. BUSINESS MARKET

As the demand for mobile top-ups and touch-n-go top-ups are increasing due to limited places offering these products, telecommunication companies and PLUS companies made a partnership deal with 7-Eleven to provide top-up services to consumers. This will convenience the customers who can travel to 7-Eleven stores to top-up their Touch N Go cards instead of going to PLUS offices. In 2017, Tenaga NasionalBerhad also deal with 7-Eleven Malaysia Holdings Bhd to offer customers to make electricity bills at 7-Eleven stores (Pay Electricity Bills at 7-Eleven, 2017).

Furthermore, 7-Eleven Malaysia Holdings Bhd is one of the first convenience store companies to offer franchising business to local entrepreneurs who intend to set up their first businesses. In other words, the company

is offering business opportunity to business customers. The advantage of franchise business offered by 7-Eleven Malaysia Holdings Bhd is the cost of franchise is RM250,000 which is much lower compared to opening of McDonalds or Subway franchise where the cost may be up to RM5 million. The franchising business is based on profit-sharing therefore when the franchise business is successful, both the franchisor and franchisee will reap the rewards of profits as a win-win situation. Tan Sri Vincent Tan, the shareholder, also encourages the local entrepreneurs to have multiple franchises which if properly managed, can raise more profits which they can use it to support their family needs (Your chance to ‘own’ a 7-Eleven, 2018).

7-Eleven Holdings Bhd also offers the opportunity to vendors who are interested to sell their products at 7-Eleven stores. This business strategy works well for 7-Eleven Malaysia Holdings Bhd as there is an

increase of more than RM20 million due to marketing income by RM11.5 million and compensation income from vendors by RM9.3 million (7-Eleven Malaysia Holdings Bhd, 2016). Approximately about 70% of the products sold in 7-Eleven stores come from external vendors/suppliers. Unfortunately, there is a lack of information on the suppliers therefore this paper could not elaborate on the supplier's information.

V. CHALLENGES

Even though 7-Eleven Malaysia Holdings Bhd is currently the dominant leader in convenience store industry as it occupies 80% of the market, there is a growing competition as two other main companies are competing against 7-Eleven Malaysia Holdings Bhd. They are MyNews.com owned by Bison Consolidated and FamilyMart which is Japanese-owned convenience store. Bison Consolidated acquired a bakery shop Otaru Fine Food to increase its product line and serve ready-to-eat products to customers which are popular among the youths. Most of MyNews.Com products are sent from a single distribution centre and few Bison-owned stores operated on 24 hours a day therefore reducing cost and labour overheads which will help to increase profits. Furthermore, Bison Consolidated also opened MyNews.com café at OneUtama, KL for people to read newspaper or magazines while having meals which is effective. FamilyMart also plan to open its stores up to 1,000 by the year 2025 and offer similar convenience store-related products plus Japanese products such as the popular soft-serve ice-cream, steamed fishcakes and onigiri rice (Tan, 2017).

Beside these two prominent competitors, 7-Eleven Malaysia Holdings Bhd also faced another challenge from other convenience store companies. It can be noticed that whenever 7-Eleven open its stores, there will be another local or international rival convenience store either beside or situated at the same shoplot as 7-Eleven store. So not all customers will go to 7-Eleven store as they have more than 1 convenience stores to choose for shopping.

With the implementation of GST, it increases the product prices therefore indirectly turns few customers away from coming to 7-Eleven stores since they find the products expensive. GST also contributes to the rise in expenses such as rent and utility. Furthermore, the announcement of minimum wage requirement also lead to increases in selling and distribution expenses. In the year-end 2016, the selling and distribution expenses has increased by 17.1% as compared to the previous year. The overall profit after tax has decreased by RM2.1 million from RM54.3 million in 2015 to RM52.2 million in 2016 (7-Eleven Malaysia Holdings Bhd, 2016). Although the decrease of RM2.1 million is not as significant as compared to overall profit after tax, the company should be cautious and take necessary steps to minimise costs and increase sales revenue.

VI. CONCLUSION

Despite several challenges, 7-Eleven's mission is successful in serving the changing needs of customers for their convenience. The yearly commercial advertisements, the efficient customer service quality, the expansion of product lines, the introduction of mobile and touch n go top-up services and the upgrading of stores with modern looks have retained existing customers and attract new customers therefore boosting the revenues over the years. To cut down costs, 7-Eleven Malaysia Holdings can focus on opening its stores in residential areas at the rural area where the rental or land fees are low and set up its own distribution centre like Bison Consolidated. Store expansion can be done at residential areas with high population density where there is no other convenience store. Six months after McDonalds opened its store in Medan Gopeng, Ipoh, the cost was fully covered and profits continue to roll in till now. So imagine if 7-Eleven was opened as the first ever convenience store in new areas. It will be profitable provided a lot of marketing activities are conducted in promoting 7-Eleven products.

If 7-Eleven Malaysia Holdings Bhd continues to expand product line, maintain the quality of its products such as Slurpee and open its stores at convenience-store-deprived areas, it will sustain its position as No. 1 in convenience store industry for a long time.

By pushing the core strategy of Operations Excellence, Cost Management and Commercial Innovation, it is expected and hopeful the Board of Directors will see continuous improvement in the next quarter (Q1 2018) and in the long run (7-Eleven Malaysia Holdings Bhd, 2016).

REFERENCES

- [1]. About Us: Overview. (2015). Retrieved from 7-Eleven: <http://www.7eleven.com.my/all-about-7eleven>
- [2]. 7-Eleven Malaysia Holdings Bhd. (2016). 2016 Annual Report. Kuala Lumpur.
- [3]. Teng, L. J. (2018, January 30). Privatisation on the cards for 7-Eleven Malaysia? Retrieved from The Edge Markets: <http://www.theedgemarkets.com/article/privatisation-cards-7eleven-malaysia>
- [4]. ElevenMalaysia. (2014). 7Eleven Malaysia - Slurpee Stories - Grandpa's Treat. Retrieved from YouTube:<https://www.youtube.com/watch?v=KGrVQ3Wd5-0>
- [5]. Kotler, P., & Keller, K. L. (n.d.). Marketing Management (15th ed.). Pearson.
- [6]. Vision & Mission. (n.d.). Retrieved from 7-Eleven: <http://www.7eleven.com.my/vision-mission>
- [7]. Manjur, R. (2016, July 25). 7-Eleven Malaysia takes on "lifestyle store" concept. Retrieved from Advertising Marketing: <http://www.marketing-interactive.com/7-eleven-malaysia-takes-lifestyle-store-concept/>

- [8]. Pay Electricity Bills at 7-Eleven. (2018, August 18). Retrieved from Press Reader: <https://www.pressreader.com/malaysia/new-straits-times/20170818/281805694041407>
- [9]. Your chance to ‘own’ a 7-Eleven. (2018, March 5). Retrieved from The Sun Daily: <http://www.thesundaily.my/news/2018/03/05/your-chance-%E2%80%98own%E2%80%99-7-eleven>
- [10]. Tan, C. (2017, February 6). Competitors to 7-Eleven Malaysia are catching up. Retrieved from Nikkei Asian Review: <https://asia.nikkei.com/Business/Companies/Competitors-to-7-Eleven-Malaysia-are-catching-up>

Komathy A/P Krishnan.“ 7-Eleven Malaysia Holdings Bhd: Analysing Customer Market & Business Market.” International Journal of Business and Management Invention (IJBMI) , vol. 07, no. 04, 2018, pp. 68–71.