**Convenience on Every Corner:**

**An Analysis of the Japanese Convenience Store Industry**

**A Hunt Grant Application**

**Requester of Hunt Grant:**

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**Research Question:** Why do convenience store chains have such a wide presence in Japan?

**Research period:** January Term 2012

**Abstract:**

*There are over forty thousand chain-organized convenience stores in Japan...Unlike convenience stores in the US and Canada, the Japanese konbini provide a wide array of services on a surface area smaller than a classroom. In Japan, the konbini are a way of life...Looking at the konbini business model and what it does to attract consumers is just as important as investigating the Japanese consumer taste. For this reason, A crucial part of this research must be conducted in Japan, analyzing the businesses themselves...Getting to know at least ten konbini owners, trying to find out what made them decide to join the chain rather than to stay on their own, as well as analyzing consumer behavior, will constitute a major part of the research.*

***Konbini*, a Way of Life**

During my freshman and sophomore years at Colby, I was surprised how often our Japanese textbook mentioned the word *konbini*, or convenience store. Other than displaying a few hand-drawn pictures, however, the textbook failed to describe this concept in a meaningful way. Having been to convenience stores in the US and Canada, I had a general idea as to what a convenience store entailed, but when I entered Japan in September, I quickly realized that Japanese *konbini* are much more than that. The *konbini* are a way of life.

To my great surprise, I realized that a business model similar to the *konbini* system is largely lacking in the US and Europe. *Konbini* are present in every corner of Japan, be it Tokyo, small villages, or road rests. They’re a symbol of popular culture. While I was in Japan, there was rarely a day when I would not enter a *konbini* at all.

**What is a Japanese *konbini*?**

A *konbini* is a small store of about 50-100 sq m (500-1000sq ft) where you can buy anything: bread, sushi, pre made meals, coffee, alcohol, cigarettes, cigars, bus tickets, magazines, newspapers, porn manga, toothbrushes, notepads, writing utensils, battery chargers, computer games, and much more. You can also use their courier postal services, pay for your bills, pay for the concert, movies, or plane ticket you booked online, pay your taxes and bills, photocopy or fax your documents, use an ATM 24/7 (which is otherwise nearly impossible in Japan), ask for directions, use their clean public toilets without actually having to buy anything, read a whole magazine without paying for it, microwave your food, put hot water in your noodles, and dispose of your garbage in their garbage bin (another nearly impossible thing anywhere else in Japan). Convenience stores can be considered a social good as well. During the 1995 Kobe earthquake, convenience stores in the area acted as providers of basic commodities to the affected people, using their existing supply chains[[1]](#footnote-1).

Most of the *konbini* in Japanare organized into four large franchise chains: 7 Eleven, Family Mart, Lawson, and Circle K (now a part of Family Mart). Each store is individually owned, and the owner pays a royalty to the headquarters. Even though there are 7 Eleven and Circle K stores in the US, they are often associated with gas stations, are far not as frequent, have a smaller variety of goods, and do not offer any of the extra services mentioned above.

**Research Question and Methodology**

 Given the wide presence of organized convenience store chains in Japan as compared to much of the rest of the world, I would like to research the following: ***Why do convenience store chains have such a wide presence in Japan?* *Why are they so popular, and how does it relate to their business practices and the daily consumption patterns of Japanese consumers?***

I believe that a multidisciplinary approach is necessary to fully answer this complex question. Looking at the *konbini* business model and what it does to propagate itself is just as important as investigating the Japanese consumer taste and needs. For this reason, I need to conduct a crucial part of my research in Japan, analyzing the businesses and their customers.

I will mainly conduct interviews and non-participant observation. I spent my junior year in Kyoto and became very proficient in Japanese, a skill I can use to conduct on-site interviews. Also, judging from previous experience, given that I am a foreigner and I speak Japanese, interviewees will be very interested in my agenda and will be even more likely to cooperate. Finally, I will also ask my Japanese connections to take not of their shopping patterns by writing a shopping diary, which will hopefully provide me with insightful data on Japanese consumers.

The best place to conduct my research is the city of Kyoto as I am already familiar with it, and have an established network of connections there. Also, living costs in Kyoto are cheaper than in Tokyo or Osaka, the two other viable alternatives. I attach the list of my connections in Kyoto, including E-mail addresses, at the end of this document.

The interview questions included in my Weekly Schedule below are tentative. Before going to Japan, I will talk to Japanese people I know and ask them the same questions. I can do this in person and via E-mail or Skype before going to Kyoto. The responses from these interviews will help me form my expectations and/or adjust any questions, and make the best of my time on the ground.

**Educational and Experiential Background**

I am adept to conduct the research outlined below for the following reasons. First, I am proficient at speaking and reading Japanese, a skill which will help me greatly when conducting interviews and analyzing primary and secondary sources. Second, because I have spent time in Japan, I am familiar with the country, culture, proper and polite communication (very important to communicate using proper Japanese), and geography, which will aid me greatly in finishing my research in such a short period of time. Third, I have an established network of connections who will help me achieve my goals and can serve as a safety net in case of unexpected trouble. Fourth, I have taken relevant courses at Colby and during my study abroad which will help me with my analysis. These include: Principles of Microeconomics, Principles of Macroeconomics, Cultural Anthropology, Anthropology of Modernity (a specific section of this course included Japanese convenience stores), Economics of East Asia (gained knowledge of the workings of large chains), Conflict in East Asia (included classes on Japanese political environment), Economics of Globalization.

**My Weekly Schedule:**

**Week 1 and 2: Jan 3-17**

 In my first two weeks of research, I will try to get to know at least ten *konbini* owners, in various locations in the city. This way I will be able to visit at least one store a day. My tentative list of questions is the following:

* 1. What factors made you decide to join your particular chain?
	2. Can you tell me about your contract?
	3. How do you decide what will be sold? What are your ten most popular goods?
	4. How many customers a day do you get? Are there rush hours?
	5. What types of customers do you get?
	6. Do you develop relationships with your customers?
	7. I heard that a typical *konbini* worker receives the minimum wage. Is that correct? Is it true that over half of *konbini* workers are employed part-time?
	8. Do you own any other stores? Are they also under the same chain’s umbrella?
	9. Why do you think that *konbini* chains are so widespread in Japan?

 I will talk to customers of each one of the thirty stores which I analyze. The questions I plan to ask are targeted so that I understand further why *konbini* chains are so widespread.

1. How often do you go to a convenience store?
2. Do you prefer if the *konbini* is part of a larger chain, or do you not care?
3. Do you have a preferred chain? If so, why?
4. Do you have a preferred convenience store? Is it because of its location, brand, or for some other reason?
5. Do you develop a relationship with the owner/employees of your favorite konbini?
6. What do you usually buy?
7. About how much do you spend?
8. How often do you visit stores other than *konbini*? What stores are they?
9. How do you plan your day when you go out? Does the existence of *konbini* change the way you plan it in any way?
10. Why do you think that *konbini* chains are so widespread in Japan?

 In addition, I will conduct non-participant observation: watch customers in store

1. What is their gender and approx. age?
2. What do they buy in the store? How much time do they spend there?

**Week 3: Jan 18-25**

 I will interview City government sources: I can use my contacts at the Kyoto City Hall to gain data from the city government to further my research. The data I will be looking for include:

1. Number of convenience stores in Kyoto by brand and their market share
2. Their combined sales and sales by brand
3. History of shops in Kyoto: when did *konbini* emerge?
4. Legal procedures that an owner must go through in order to set up a *konbini*.

 I will interview Japanese academics from Doshisha University about convenience stores and Japanese consumers. Questions I will ask are the following:

1. What is it about Japan that makes the *konbini* proliferation possible?
2. Why do you think that the *Konbini* have become so successful in Japan?
3. Given the flattening caused by globalization, most multinational chains tend to offer the same or very similar products across countries. Is there something special about convenience stores or their customers which causes them to have an entirely different business model in Japan?
4. Why have the *konbini* not expanded in the same form into the US or EU?
5. Do you know anyone in the academic or corporate world whom I could interview?
6. Do you know an officer higher up in the decision-making chain of a *konbini* chain? Can you set me up for a meeting with them?

I will conduct a study comparing *konbini* to other shopping options. My goal will be to find out how many supermarkets are present in the area of study, where they are located, and what kinds of goods they offer. Also, I will examine the difference between *konbini* prices and prices in other businesses offering the same goods by comparing the prices of ten of the most frequently bought goods in *konbini* to their equivalents or substitutes in supermarkets or other locations offering them, such as copy centers.

The Doshisha University Library includes many sources on konbini which I was unable to find through the Colby Library website. I will search for those and other sources there.

**Week 4: Jan 25 - approx. Jan 29**

 In the last few days in Japan, my goal will be to wrap up any unfinished research, read more Japanese sources unavailable in the USA, and conduct more interviews if time allows.

**Preliminary Literature Review:**

I am fairly adept at reading Japanese, with appropriate time management, I can use this skill to read and translate sources which are written in Japanese. This provides me with the great option of reading books which have not been translated into English. The sources I found so far approach the question of *konbini* from very different perspectives. There are four general types of written sources about Japanese convenience stores.

The first category evaluates either convenience stores as a whole or one brand in particular, looking at why they have been so successful. Examples of this are books by Ishikawa, Nejo, and Katsumi. They emphasize the great data-collection system for each individual store, the efficient and effective *konbini* supply network, and the ability to easily expand or contract the amount of stores, or change a store’s location. Kawabe’s book looks at the history of 7 Eleven, Japan’s and the world’s largest convenience chain store with over forty thousand branches all over the world. It explains how it changed from a small family business to small chain, and also how Ito Yokado, a large Japanese conglomerate, acquired the brand. With every step in the chain’s existence, Kawabe discusses the implications it had on its future development, providing a colorful picture of 7 Eleven.

 The second category includes Merry White’s *Perfectly Japanese*, which looks at *konbini* as a cultural model, replacing the mother in the kitchen. Rather than cook dinner every day, the Japanese woman, no longer a housewife, saves time by buying pre-made meals at the convenience store.

The third category represents opposing views against the *konbini*. Watanabe’s “Seven Eleven Trap” and Monthly Verdad’s “Inconvenient Truth of Convenience Stores” evaluate the *konbini* based on their negative impacts on society and small business owners. They emphasize long-binding contracts with store owners, long working hours, small profit margins, and the disappearance of the mom and pop system. They see the *konbini* as a social problem.

The fourth group of sources includes the chains’ web sites and the Japanese Ministry of Economy, Trade and Industry’s web page. They include relevant data, such as the amount of stores, their total sales and locations, and their history. In case of the chains’ web sites, it is important to realize their purpose, which is promotion of the chain, and thus concentrate on numeric data sections rather than self-promoting advertisements.

Because many of the Japanese titles are hardly available in the USA, I will also visit the AKP and Doshisha University Libraries in Kyoto to find the titles which I cannot obtain in the US.

Akira Ishikawa, T. N. (2008). *The success of 7-Eleven Japan: discovering the secrets of the world's best-run Convenience Chain Stores.* Singapore: World Scientific Publishing Co. Pte. Ltd.

Bestor, T. C. (2006). Kaiten-zushi and Konbini: Japanese Food Culture in the Age of Mechanical Reproduction. In R. R. Wilk, *Fast food/slow food: the cultural economy of the global food system* (pp. 115-130). Lanham, MD: Rowman Altamira.

Circle K. (n.d.). *Circle K Home*. Retrieved 2011 2011 02-10 from Circle K: <http://circlek.com/>

Family Mart. (n.d.). *Family Mart*. Retrieved 2011 2011 02-10 from English | Family Mart: <http://www.family.co.jp/english/>

Fukushima, G. S. (1995, March). *The Great Hanshin Earthquake.* Retrieved October 11, 2011, from Japan Policy Research Institute: <http://www.jpri.org/publications/occasionalpapers/op2.html>

Katsumi Min, (2008). *The Economics of 7 Eleven for People over Sixteen Years (セブン-イレブンの「16歳からの経営学」: 鈴木敏文が教える「ほんとう」の仕事).* Tokyo: Takarajima (宝島社).

Kawabe Nobuo, (2003). *The Business History of 7 Eleven, (セブン‐イレブンの経営史: 日本型情報企業への挑戦).* Tokyo: Yuuhikaku (有斐閣).

LAWSON Inc. (n.d.). *LAWSON*. Retrieved 2011 2011-02-10 from LAWSON: <http://www.lawson.co.jp/company/e/>

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Monthly "Verdad" (月刊「ベルダ」編集部). (2007). *The Inconvenient Truth about Convenience Stores (コンビニ 不都合な真実).* Tokyo: Best Book (ベストブック).

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Seven Eleven Japan. (2011). *セブン‐イレブン*. Retrieved 2011 йил 02-10 from Seven Eleven Japan: <http://www.sej.co.jp/>

Society, T. J. (2008). *The Konbini are Coming! A Press Release.* <http://www.japansociety.org/the_konbini_are_coming_japanese_convenience_store_culture_takes_>.

Sumida Hiroyuki, (2009). *The Reality of 7 Eleven (セブン-イレブンの真実―鈴木敏文帝国の闇).* Tokyo: Nisshin Houdou (日新報道).

Watanabe Jin, (2009). *The 7 Eleven Trap (セブンイレブンの罠).* Tokyo: Kinyoubi (金曜日).

White, M. I. (2002). *Perfectly Japanese: Making Families in an Era of Upheaval.* Berkeley, CA: University of California Press.

Whitelaw, G. H. (2006). Rice Ball Rivalries: Japanese Convenience Stores and the Apatite of Late Capitalism. In R. R. Wilk, *Fast food/slow food: the cultural economy of the global food system* (pp. 131-144). Lanham, MD: Rowman Altamira.

**Projected Costs**

Japan is an expensive country, and increasingly so given the very strong and strengthening Yen. Also, because Japan is very far away, it is quite expensive to fly there. The below estimates are the lowest prices which I was able to find. All costs are calculated on the basis of the current USD - JPY exchange rate: 1 USD = 77 JPY.

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| --- | --- | --- |
| **Expense Type** | **USD** | **Comments** |
| Bus round trip fare Colby - Logan Airport:(<http://www.concordcoachlines.com/>) | $74  | I will try to get a ride down to Boston with a friend from Colby, but given that I will be leaving in early January, this option is unlikely. |
| Return plane ticket Boston - Osaka, Jan 2 - Jan 29: [www.kayak.com](http://www.kayak.com), [www.momondo.com](http://www.momondo.com), [www.expedia.com](http://www.expedia.com), [www.hipmunk.com](http://www.hipmunk.com), [www.orbiz.com](http://www.orbiz.com), [www.travelocity.com](http://www.travelocity.com) | $1540  | I used the below plane ticket search engines, looking for combinations of different dates (Jan 2 - 4 leave and Jan 25 - 29 return) as well as different airports (Portland, ME; Boston, MA; Osaka Kansai, Osaka Itami, Kobe, Nagoya). There are slightly cheaper flights through Peking (Approx. $1400) but they take 41 hours each way, as opposed to the 17 hour flight I found. |
| Roundtrip from Osaka Kansai International Airport (KIX) to Kyoto:<http://www.jr-odekake.net/en/jwrp/kansai_agree.html> | $52 | The cheapest and most convenient ways is to buy two one-day JR train passes for foreigners. This will cost me $52 for the roundtrip, cheaper than paying $80 for train or $60 for a bus roundtrip.  |
| 30 day accommodation in a cheap apartment with Internet connection:<http://man3.jp/search/room_detail/8894#TabTop> | $1136 | For a month-long stay, renting a small apartment is cheaper than staying in hotels or hostels. Prices of small apartments (bedroom, shower, small kitchen), range between 700 USD and 1500 USD, depending on location in Kyoto. The cheapest apartments include expensive commuting (a bus ticket and a metro ticket each way, total 12.3 USD). For a stay of 26 days, this would add $320 to the cost, plus time spent commuting. The most viable option I found is here:  |
| Food budget:  | $390  | Food in Japan is expensive. I can save money if I cook for myself and buy non-perishable foods such as rice and cereals: $15/day \* 26 days = $390 |
| Transport costs around Kyoto area: | $161 | I will do my best not to use money on public transport as it is expensive. Where possible, I will walk. However, as Kyoto is a large city and as I will be evaluating stores all over the city, and as Kyoto gets very cold in the winter, I may have to take the bus or metro once every day on average. Price of one-way metro ticket: $ 3.30 Price of one-way bus ride: $ 2.90. Assuming a daily return trip by metro or bus, 26 days: ((3.30) + (2.90)) \* 26 = $161.20 |
| Miscellaneous: | $150 | Gifts for interviewees, phone calls etc.: $5/person \* 30 persons: $150 |
| **Total:** | **$3503** |  |
| Optional cell phone rental: <http://www.rentafonejapan.com> | $105 | $105 for 26 days, plus 46 cents/minute calls. Rental is the cheapest way to use cell phone in Japan for the short one-month period. |

**List of My Connections in Kyoto:**

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1. The members of the Associated Kyoto Program (AKP) staff are ready to help me because I am an AKP alumnus. They have connections to academics at Doshisha University as well as to the school’s highest circles. They also have connections to professors from a consortium of sixteen liberal arts colleges across the US. I will also be able to use the AKP and Doshisha University libraries during my stay.
2. I know three employees at the Kyoto City Hall, who will be more than happy to arrange a meeting with city officials and provide city’s official statistics regarding convenience and other stores, their sales, etc.
3. The Iwai were my host family during the eight months I spent in Kyoto. Though they live in the nearby city of Nara, they will take care of me in case I need help.
1. (Fukushima, 1995) [↑](#footnote-ref-1)