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RESEARCH ARTICLE

A STUDY ON REVIEW OF EVERY DAY LOW PRICE STRATEGIES OF MASS RETAILERS SEVEN ELEVEN (OFFLINE GLOBAL OPERATIONS) AND BIGBASKET (ONLINE INDIAN OPERATIONS) - THEIR VIABILITY IN INDIAN MARKET PLACE.

Mahuri Kesharwani¹ and Bharat Jain²

1. Student of Masters of Fashion Technology, Semester-4 , National Institute of Fashion Technology, Gandhinagar, Gujarat.
2. Assistant Professor and CIC, Department of Fashion Design, National Institute of Fashion Technology, Gandhinagar, Gujarat.

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Abstract

A study on comparison of the two retail strategies viz., 7-Eleven Inc., A Japanese-owned American international chain of convenience stores, headquartered in Dallas, Texas, Whereas Bigbasket –India’s largest online food and grocery store with over 18000 products and over 1000 brands listed on their website. Suggestions for Sevens Eleven business models to be successful are also included at the end of the paper. Through this paper, researchers seek to intend to get a comprehensive study between these two mass retailers.

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Introduction:-

7-Eleven, a subsidiary of the Tokyo-based Seven & I Holdings, 7-Eleven is headquartered in Dallas. It is a retailer that operates more than 60,000 convenience stores, mostly in North America and Asia. The typical outlet is small in size and carries a limited stock of food, drinks, and other high-turnover products but stays open long hours.

The 7- Eleven trace their origin to 1927 when several icehouse companies which primarily sold block ice for food preservation to households without electric refrigerators—merged to form the Southland Ice Company in Dallas. Either after the merger or shortly before it, one of the icehouses also began selling food items. Southland Ice soon took up general retailing, installing attention-getting Native American totem poles in front of some of its stores and adopting the name Tote’m Stores, which served as an amusing invitation to customers to “tote” their purchases away. Joe C. Thompson, Sr., became president of Southland Ice in 1931. During the Great Depression, the company went through bankruptcy. It emerged with a new emphasis on food and drink, especially after the repeal of Prohibition in 1933, when beer and liquor were first offered for sale.

In 1946 the stores were renamed 7-Eleven to call attention to their extended hours of operation—from 7:00 AM to 11:00 PM, seven days a week. About the late 1950s, Southland began to expand beyond Texas, opening 7-Eleven stores on the East Coast. Joseph Thompson’s son, John P. Thompson, became president in 1961 and further expanded operations in the United States and elsewhere. Starting in 1963 some outlets stayed open 24 hours a day, and the following year the company began to franchise its stores.

Corresponding Author:- Mahuri Kesharwani

Address:- Student of Masters of Fashion Technology, Semester-4 , National Institute of Fashion Technology, Gandhinagar, Gujarat.

Southland licensed a Japanese affiliate in 1973, and by 1974 there were 5,000 outlets worldwide. The company expanded beyond food, drink, and conveniences into other fields, purchasing such businesses as Chief Auto Parts (1978). Because many of its stores also served as automobile filling stations, Southland bought CITGO Petroleum in 1983 as a supplier. The company sold off 50 percent of its stake in CITGO in 1986.

The 7-Eleven company's signature products are the Slurpee, an iced drink introduced in 1966, and the Big Gulp, a 32-ounce (946-ml) cup for fountain drinks, introduced in 1976. After the Big Gulp proved highly popular, the company added even larger-sized "gulps." ("7-eleven | history & facts," n.d.)

Bigbasket (Online Indian Operations):

In 1999, Hari Menon along with five of his friends- VS Sudhakar, Vipul Parekh, AbhinayChoudhari and V S Ramesh launched their online retail website called 'Fabmart'. Even though did they manage to get some traction but since their idea was way ahead of its time, they could not shake the masses

They decided to start their online business again and focused all the energies on 'Fabmall', their physical retail chain of grocery stores. They also merged this chain with another grocery retail chain called – 'Trinethra'. Within a span of seven years they expanded their business to 200 stores across Andhra Pradesh, Tamil Nadu, Karnataka and Kerala. At that point of time they decided to sell their business to Aditya Birla Group but Krishnan Ganesh an entrepreneur concluded to go ahead with it. Finally in December 2011, they launched BigBasket.com!

They failed to get some attention as their idea was way ahead of its time, so they could not work for the masses. Implementing many strategies and with hard work, within 7 years, they succeeded to expand their business to 200 stores across Andhra Pradesh, Tamil Nadu, Karnataka and Kerala. Around the same time, they also decided to sell-off the business to Aditya Birla Group. Soon after their launch, they received their first funding of \$10million from ChrysCapital co-founder Raj Kondur and Ascent Capital. ("Dsim- digital marketing blog," n.d.)

Literature Review:-

7 eleven (Offline Global Operations):

Convenience Store Industry in Japan:

From 1991 to 2002 the number of convenience stores in Japan increased from 19,603 to almost 42,000 .In 2004, the top 10 convenience store chains accounted for approximately 90 % of Japan's convenience stores.

In 2002 Seven-Eleven was Japan's leading convenience store operator, accounting for 21.7% of all convenience stores and 31.5% of total storesales.

In 2004 Seven-Eleven accounted for 60% of the total net increase in the number of stores among the top 10 convenience store chains in Japan.

7 eleven Japan's Franchise System:

Market Dominance Strategy for:

Wine, game software, music CDs, and magazines.

Store Services:

1. In 1987 - in-store payment of Tokyo Electric Power bills, gas, insurance premiums, and telephone bills.
2. In 1994 - instalment payments on behalf of credit companies. In 1994 - ski lift pass vouchers.
3. In 1995 - accepting payment for mail order purchases
4. In 1999 - payment for Internet shopping.
5. In 2000, a meal delivery service company, Seven-Meal Service Co., Ltd to serve the aging Japanese population.
6. By 2004 - ATMs had been installed in about 75 percent of the total store network in Japan.

Other services included photocopying, ticket sales using multifunctional copiers, being a pick up location for parcel delivery companies. In 2000 - 7dream.com. In 2006 - Affiliation with ticket seller, Entertainment Plus Inc., and services started Introduction of Sixth-Generation Integrated Information System. In 2007 – "Otoriyose-bin" services using Internet launched, Introduction of proprietary "Nanaco" electronic money system.

Information management

Total Information System were installed in every outlet and linked to headquarters, suppliers, and the Seven- Eleven distribution centers. In 1982 – introduction of POS system comprising POS cash registers and terminal control equipment. In 1985 - company developed, jointly with NEC, personal computers using color graphics that were installed at each store and linked to the POS cash registers. In 2001 they linked more than 5,000 stores by ISDN. The hardware system at a 1994 Seven- Eleven store included the following:

1. Graphic order terminals for placing orders were linked to the store computer.
2. Scanner terminals scanned deliveries from the distribution center.
3. Store computers were linked to the ISDN network.
4. POS registers were linked to the store computer. (Chopra, 2017)

Distribution System

1. Combined delivery system
2. Three-times-a-day store delivery of all rice dishes
3. Bread and other fresh food were delivered twice a day
4. Flexible enough to alter delivery schedules depending on customer demand
5. Ice cream was delivered daily during the summer but only thrice a week at other times. The replenishment cycle time for fresh and fast food items is less than 12 hours. A store order for rice balls by 10 a.m. delivered before the dinner rush. (Chopra, 2017)

Bigbasket (Online Indian Operation)

Big Basket follows inventory model currently. They started from just in time model then they moved to an inventory model considering their expansion and large base of consumers. Additionally, they maintain warehouses to stock products which they purchase from different vendors. Their vendors include big firms like P&G, HUL etc. along with small “mandi” vendors and “kirana” shops. Moreover, procurement totally depends on type of products and from where they have to be sourced. To maintain margins, generally it is preferred to procure items from farmers directly. The whole chain starts at early morning and they have proper team who benchmarks different prices, so that procurement could be done efficiently considering cost and time.

Running a big chain in such a business is very difficult, so Big Basket has tied up with local grocery stores to serve consumers as soon as possible, which is called as hyper local strategy. They are working on express delivery so that they can deliver products in as much as less time possible like rice, lentils, cooking oil (basic items) etc. in 60 minutes. Acquisition of DELYVER (strong two wheeler network) was done for the same purpose. (“Dsim- digital marketing blog,” n.d.)

Major points of supply chain process of Bigbasket (Online Indian Operations):

After getting materials from their vendors, it is stored in warehouses (warehouses cater to cities within KMs range of 250–300) where packing of items is done. Refrigerated vans are placed in different regions from where order is delivered to customers or now they have storage facilities by name of dark storage where they store materials before dispatching to customers. Dark storage facilities get a direct feed from warehouses. Browse, select and pay. It deals in staples, vegetables, meat and fish to gourmet and ready-to-eat food, household goods and personal care items now. Use of data analytics is helping them to avoid wastage as items are perishable. Big Basket processes 35000+ orders every day and operates in 23+ cities Nation-wide. They are operating 25 warehouses and 63 storage facilities with a customer base of three million (“Dsim- digital marketing blog,” n.d.)

Research Methodology:-

During the course of study authors learned that it's essential to do the SWOT Analysis for the betterment of comparison of both the business models. SWOT analysis helps in understanding the various strengths, Weakness, opportunity and threats of the company which is helpful in understanding the business model also thereby improving and enhancing for the further accomplishments.

Comparative SWOT Analysis of Seven Eleven (Offline Global Operations) and Bigbasket (Online Indian Operations)

SWOT Analysis Parameters	Seven Eleven (Offline Global Operations)	Bigbasket (Online Indian Operations)
Strength	Real estate availability, Localized	Great Product Range, Exotic

	assortment, Convenience, High margins, Franchise model allows for faster expansion, Relatively standardized stores allow for more optimized operations, Operating Hours: 24/7, Operating in 18 countries, Easy availability of outlet. Geographical presence.	Range, Discounts, Convenience, Low Fixed Cost business model.
Weakness	High margins/prices, Limited assortment offering, Not perceived as a place to buy a complete meal, Not a first choice destination for shoppers, High turnover of staff.	Delivery Time, High Variable Cost, Minimum order quantity/price compulsion, Be at home, Order Cancellations, Operating hours : 7 am to 10 pm delivery timings, No Franchisee provided yet, Operating only in India
Opportunities	Fresh food offerings Increase share of meals (i.e., breakfast, lunch, dinner, snacks), Private label development	Market: Indian retail market is valued at more than approx. \$550 million and grocery alone covers 60% of this share. Hence it's a huge market with many players to accommodate and customer to cater. Grocery Growth: India is the 6 th largest grocery market in the world. E-commerce grocery market is growing with a year on year growth rate of 19%. Expansion: Many cities are still not covered by these start-ups and Big Basket can target them and gain the first movers advantage. They can expand to tier-2 cities and increase their market. Cross selling and Value Packaging – Cross selling is a major advantage for Big Basket as it can sell multiple products by product bundling.
Threats	C-store competition and other small-box retailers (i.e., Fresh & Easy, MarketSide), QSR or similar companies (quick service restaurants); Starbucks, McDonald's, etc., Higher shrinkage on fresh food could potentially impact margins	Huge competition from other startups like Grofers, PepperTap, Nature's Basket, Zop Now, Aaram Shop, Mera Grocer, etc. Bigger Players: Bigger players in terms of financial backing and presence are also entering this lucrative industry. Players like Amazon, Flipkart and Google have also entered this industry. This may prove fatal for smaller players like Big Basket to compete with them. Smaller Players: Many other localized shops have picked up on this trend and have started home delivery service to nearby customers thereby killing groups of target customers across Regions and cities.

Conclusion:-

1. Marketing strategies applied by 7- Eleven clearly gives the all the information that is necessary for the growth and development of a business.
2. The strategies that are implemented by 7-Eleven consist many basic essentials features like innovative ideas, market research, Consumer views, forecasting consumers demand, organizing and planning.
3. In this modern world, the demand for goods such as groceries are increasing at an alarming rate because it is a daily needs products that customers will always buy everyday.
4. Most of the companies carry different types of marketing strategies in order to serve their customers in a more efficient and better ways than their competitors as they want their business to be stable in the market and can survive for such a long term.
5. Big basket has improved a lot and playing as a successful India online grocery store.
6. Bigbasket can apply some business strategies applied by seven eleven in order to be more responsive to the customer's requirement and to evolve around the world.
7. Planning, demand forecasting and responsive can be improved.
8. Innovation in product and deals and partnerships and indulge with business.

Future Scope of study for 7 Eleven (Offline Global Operations) and Bigbasket (Online Indian Operations)

1. Big basket should launch the brick and mortar store to provide the best of both world experience to the customer, hence will increase the customer awareness about bigbasket.
2. Delivery time can be reduced more and can become more responsive.
3. Bigbasket can also come up with some innovative private labels to attract the local customer
4. To become a more desirable employer 7-Eleven should target to be a better provider and increase the number of stores or outlets all over the world.
5. Besides, with the professional training provided, customer services can be much better in order to build up strong connection between seller and the buyers.
6. There are lot of changing in people's lifestyle, therefore 7- Eleven should keep updated and be the first one to provide the customer's needs
7. Future Group is going launch 7 Eleven stores in coming years in India, The first store is expected to open in 2019.
8. These stores can be in office complexes, gas stations, housing colonies—wherever people are, right next to them. It's a good concept to have in big cities of India.
9. Tie-up with Kishore Biyani's Future Group will be beneficial to 7 Eleven as it has its foot set in India so well and will be able to reach the masses with the trust they offer with their brands.
10. 7 Eleven should provide food and snack as per the Indian taste, also focusing on the diversities and different tastes in India depending on the states.

Future Strategies of 7 eleven and Bigbasket: A Competitor or Partner

1. Both company may become partners as it will be beneficial for them as Bigbasket has the information and knowledge about the Indian taste, mentality, likes and dislikes. Also Bigbasket doesn't have any offline presence it can launch along with 7 Seven eleven to increase the offline presence and compensate the weakness with it thereby increasing better networking and reach to the masses. As 7 seven will have more store presence the delivery time will be reduced hence both companies can indulge together taking benefits of best of both world.
2. The location must ensure easy access and footfalls as well as justify the unit economics of the store. The 24x7 formats could work in mixed-used developments, condominiums and office spaces.
3. Changes in consumer behavior and lifestyle will drive growth of 24-hour convenience stores. "People's retail needs are more spread out today. There are call-center workers on night shifts, late night flights, people living in hostels, single living.
4. All these may boost the need for convenience stores. In several markets, the 24-hour convenience. Generally they are no-frills stores with little emphasis on the decor.
5. Traditionally, these stores target urban customers and customize the store offerings to local tastes and requirements to increase the footfall. In many markets, these stores provide other services wherein customers can pay their phone and utility bills, take a photocopy, and pick up online shopping Orders. To achieve this customer orientation, most of the stores are operated by franchisees who understand the local customer and environment. With the growth in modern trade, India has tremendous potential. The country's organized grocery stores registered a strong 22% growth in sales, according to a report titled Reformatting Retail in India

by insights firm Nielsen India. As a late entrant, for 7- Eleven the challenge will be to find the best available locations and manage the cost of operations. Besides, customization of services, such as offering facilities for utility bills payment or laundry pickups, could be key.

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