Market Entry Strategies of Foreign Convenience Store Chains into the Chinese Market: Assessing How 7-Eleven Entered China

Craig Bare[1], Yonghui Xiang[2]

[1]Email: barecraig25[at]outlook.com
[2]Zhejiang University of Science and Technology

Abstract: ***The retail market continues to grow throughout the world especially in China, and it's expected to keep growing due to the rapid change in Chinese economy and culture. The Chinese economy continues to be a very attractive destination for investment as the economy continues to challenge the United States for top spot. However, entering the market has not been easy for many foreign companies especially western ones. To answer the question why, researchers found that foreign companies made wrong assumptions about the Chinese market, failed to Localize their products and failed to create strong partnerships with local companies. On the other hand, Japanese companies have been thriving in this very market. In the quest to find out what Japanese convenience store chains did differently that brought them so much success in such a competitive, a case study of 7-Eleven, one of the most successful convenience store brands in the world and the most successful in China, was embarked on. The main source of the data were the many websites that were researched and finally, an interview with one of the local 7-Eleven stores. The researchers found that, joint ventures, licensing, franchising and ownership were the main market entry strategies that could be used to enter China. 7-Eleven mainly used licensing and franchising, and have managed to become one of the most renowned franchisors in the world.***

Keywords: Market entry Strategies, Franchising, Convenience stores in China

1. Introduction

A frequently quoted statistic is that within 2 years of starting operations, 48 percent of foreign companies fail and withdraw from China. Foreign direct investment from all countries that flow into China hit US$ 39 trillion in 2008. Given these investments, however, only few western companies in the Middle Kingdom have been able to make major inroads. Many of the widely cited reasons for the foreign companies' failure in China include a very weak plan to enter the market.

According to Stewart & Morisson (2019), companies that want to be competitive in China need to find a way to fit into one of their major business ecosystems. These are made up of manufacturer networks, banks, distributors, retailers and one or more super firms based around the trading companies. Failing such integration within local supply chains, foreign companies in China cannot survive.

Many of the most popular successful companies that have made it everywhere shocked the business world as they completely collapsed in China, with some of them packing their bags and leaving the enormous market, while others decided to continue to soldier with, if any, negligible progress. Others like Amazon, eBay, Home Depot, and Google, to name just a handful. Everywhere else, Nike and Walmart still compete, albeit very well under their international success. Why is the big question?

So many hypotheses were proposed as explanations for the failures, and ignorance was not one of them. Though there are many explanations, all boil down to one: weak local relationships. According to Cisse, D. (2013), the two sides are not doing the same thing in most cases when a foreign company approaches a local company to create a joint-venture. The relationship is weak and quick to undo. The international companies are trying to learn how to run the company in China and gain a license through the joint venture, while the local partners want to get the transferable skills and learn the technology from their international partner.

As mentioned above, entering the Chinese market is practically impossible without a joint challenge with a local associate, which implies that, a vulnerable relationship among the overseas corporation and the neighborhood will usually be disastrous for the overseas organizations.

Relatively, Japanese agencies have flourished in China more than organizations from any other country. They dominate the Market, with Convenience stores chains which include Lawson, familymart and seven-11 having the most important percentage of the marketplace. Their secret: they mastered the need for sturdy ties with local companions, as well using franchising as their foremost market entry strategy into China.

There are various market entry strategies that this paper could discuss, but the paper will narrow down the research to Franchising as the best market entry strategy for foreign companies, and also stressing the importance of establishing strong ties with a local partner in order to establish roots in China. The paper explored this strategy as employed by 7-Eleven to shade more light on the strengths and weaknesses of this market entry strategy and why it worked for them.

1.1 Situation of foreign convenience store in both global market and Chinese market

”Convenience stores (c- stores) constitute a successful layout in advanced markets consisting of the U.S., Canada, Europe, and Japan.” (Bianchi 2009.) ”7- 11 have become the most important global convenience store chain in March 2007, running 34000 stores in 17 nations, even larger than the worldwide quantity of McDonald’s stores Planet Retail.” (2007 referred to in Bianchi, 2009.)” massive multinational stores are also commencing convenience keep formats in one-of-a-kind markets.” (Bianchi 2009.)” as an instance, Tesco, the United Kingdom’s largest retailer, is making plans to open its first explicit convenience keep this year in Shanghai Rigby.” (2008 stated in Bianchi, 2009.) there are numerous overseas convenient stores coming into Chinese marketplace those years and they may be turning into competition of Chinese neighborhood convenient shops. The Xinhua, English, information (2012) mentioned that the aim of leading Japanese convenience shop chain Lawson Inc. is to expand more convenience shops in China.”

In 2014, Takeshi Niinami, president and leader government officer of the chain store giant, instructed a press conference in Tokyo that the employer planned to open 10,000 convenience stores in China by 2020. At that point, the business enterprise had more than 360 stores in Shanghai, Chongqing and Dalian, 3 important towns in China as of April 2014. Niinami said at the foreign Correspondents membership of Japan that Lawson is arranging to open stores in Beijing in the contemporary financial year ending next March.” (Xinhua, English, news 2014)

In keeping with the modern-day scenario of convenience stores, the competitiveness is fierce of convenience shops in the Chinese market. Foreign convenience stores maintain to go into Chinese market place, especially Japanese convenience stores, and consequently there's want for an aggressive market entry strategy for the brand new comers with a view to with stand the competition in this market place.

2. Problem Discussion

Choosing the maximum suitable mode for entering or increasing in a foreign marketplace is acritical and strategic decision for an international firm (Osland et al. 2001). Improper entry mode selection might also result in monetary loss and disastrous entry as experienced by Merrill Lynch in Japan (Hill, 2002). Merrill Lynch turned into unsuccessful in its initial access mode to Japan because it adopted a technique that changed into inconsistent with the restrictive and conservative rules in Japan at that point (ibid.). The enjoy here implies that even if a business enterprise has been successful within the past, achievement can't be guaranteed in terms of advancing the world over and doing business with one-of-a-kind countries or way of life (ibid.). Gallego et al. (2005) states that as a result of increase in worldwide opposition that can be usually cited in all sectors, internationalization is now a growth option for nearly all companies all through the arena, no matter their length and with a view to apprehend internationalization procedure, three questions ought to be taken into consideration: where to internationalize? whilst? And a way to internationalize? (ibid.). Many organizations input overseas marketplace due to the choice to growth sales, profitability, gain extra capacity clients, create logo awareness or to introduce their products or offerings to new customers (ibid.). meanwhile, Isa et al. (2012) stated that some of the elements that may have an impact on the foreign marketplace entry strategies includes the gap between the home and the host united states, the mindset and intervention of the host authorities, lifestyles of different overseas competition, exchange limitations, political stability, surroundings, infrastructure and monetary increase. alternatively, threat management notion additionally plays a totally essential role in the firm’s decision earlier than entering into an overseas marketplace based on their inner know-how and experience acquired (ibid.).

Kamau (2011) argues that numerous alternative entries strategies can be used to go into in to overseas marketplace, these techniques may be through joint ventures, Greenfield undertaking, mergers, acquisition, exporting, strategic alliance, overseas direct investment, complete subsidiary ownership and franchising.

In contrast to other numerous alternatives entries techniques, franchising offers groups possibility to increase their market base specially the ones companies which have offerings that are greater bulky to export (Altinay & Wang, 2006). Franchise is a settlement granted by way of regional or country wide frame giving a proper to perform one among their channels inside distinctive regions, primarily based on fee of an initial percentage of income by means of using the figure organization merchandising and advertising, system’s and substances (Constance & Lieberman, 2002). moreover, in line with Salar and Salar (2014) franchising eliminates the hassle of moving into a new marketplace by means of supplying the franchisee the franchisor's entire commercial enterprise layout and easy get admission to financial aid because of the low failure chance fee in franchising, banks and different monetary establishments offers credit to the franchisee. From the above dialogue, greater know-how is wanted on this phenomenon to explain the most appropriate entry mode techniques that a company should use while moving into significance of the have a look at.

The look at might be substantial to numerous sections of the market however broadly speaking to other convenience stores which can be seeking to discover the Chinese language market and set up branches there. so much can be learnt from Seven-eleven which is one of the maximum successful overseas comfort shops in China in the meanwhile.

They have a look at may also serve as an assessment of the effectiveness of the Seven-eleven marketing techniques. Involved parties, together with Seven-11 as nicely, will analyze the findings of this observe and practice the elements that work and ignore the strategies that don't. as a result, it could be taken into consideration to both a feasibility document to all aspiring convenient shops that intend to spend money on China, and an assessment file on the effectiveness of the strategies applied by way of Seven-11 up to now to break in to the Chinese language market barriers of take a look at.

The predicament of this observes is contemplated by the statistics that this study is based on most effective three interviews. Furthermore, the look at is restricted to Seven-eleven, a Japanese company that is an eminent difficulty, and hence we can't generalize our findings to a bigger populace. Language barrier is every other hassle with a purpose to have an effect on the authors.

2.1 Seven-Eleven's Market entry strategy into China

Seven-Eleven has emerged as one of the world leading Convenience store chain in the world. The CVS system originated in the USA, but has been significantly refined in Japan. Perhaps the most obvious indication of the shift in CVS leadership from USA t Japan is the fact that in 1991, some 75% of the stocks and Management of Southland Corporation, which was the founder of the CVS system, were transferred to Seven-Eleven Japan, which had begun as a licensee of the Southland Corporation. The Southland was renamed Seven-Eleven, Inc. in 1991 and became wholly owned by Seven-Eleven in 2005.Seven-Eleven set up its subsidiary in Beijing in January 2004 and in Shanghai in May of the same year.

Seven-Eleven Japan built up its subsidiary in Chia almost by itself. Although Seven-Eleven (Beijing)is a joint venture by Seven-Eleven Japan and local capital, the Chinese investors are silent partners. This became known as the manage alone strategy.

Seven-Eleven chose the strategy because they had strong confidence in their business model which had been constructed and produced remarkable performance in the Japanese market.

Though Seven-Eleven and Familymart followed different strategies to enter the Chinese market, the both agreed to one aspect which was: Franchising was the best market entry strategy into China.

Seven-Eleven Japan has not only maintained an impressive performance, but has also constructed a very sophisticated mode of CVS chain Management. (Yahagi 1994), Most of the Seven-Eleven stores in Japan are run by Franchisees and provide a wide range of services as well as various kinds of goods. Many of the goods were originally developed by the company itself. Seven-Eleven as franchiser has continued to refine the system that supports the stores activities.

2.2 Significance of the study

The research is will be significant to the following:

a) *Prospective foreign Convenience Store chains:* The study is meant to be used by aspiring as well as already established convenient store chains who have plans to establish businesses in China. The research seeks to look deeply into how 7-Eleven successfully established business in China by coming up with a market entry strategy that secured them a huge portion of the Chinese retail market.

The findings of the research will work as a model for future use to other convenient stores that wish to follow the same path or customize it to suit their own style.

a) *Local convenience store chains:* The finding of this research will also expose important aspects of the Chinese market which can be useful to other businesses other than those in the retail industry. Such aspects may include the drivers behind Chinese consumer behavior.
b) *7-Eeven*: the research will work as a review of the strategies employed by Familymart in their successful establishment of convenient stores in China. The chain can use the research to analyze their performance and adjust accordingly to further strengthen their market position.

2.3 Limitations of the study

The limitation of this study is reflected by the facts that this research is based on only three interviews. Furthermore, the study is limited to Seven-Eleven, a Japanese company. This is an eminent limitation, and accordingly we cannot generalize our findings to a larger population. Language barrier is another limitation that will affect the authors.

2.4 Methods

Research Approach

The research adopted a deductive approach. This was best for the study because the purpose of the study is to describe different strategies that can be considered when entering a foreign market and since the empirical research conducted for this study is guided by qualitative method and the author will use the theoretical framework to collect relevant data in order to construct a reliable analysis and conclusion.

This study adopted a qualitative method, since it is more suitable for the purpose of this research. This is because qualitative research method is a deductive view of the relationship between theory and research which tends to be concerned with words rather than numbers (Hultman et al. 2015; Bryman & Bell, 2015), making it the perfect approach that is suitable for this research.

2.5 Research design

In making a choice about which type of research to be adopted for this study, several aspects were taken into consideration due to the purpose of study and the objective that has to be reached by using the right approach. After a careful consideration of the previous concepts, a descriptive research design was adopted to support the research process of this study since it will be built on investigating different Marketing strategies that can be considered when entering the Chinese market. Therefore, exploratory approach will be eradicated since the study's aim is not based on specific problem clarification, and casual design was unsuitable also because the study won't base upon examining variables against each other.

2.5.1 Data sources

Data can be collected during the empirical research in two different sources, secondary and primary sources and sometimes data can be collected from both. For this study, both secondary and primary sources were used; the authors utilized secondary data in the form of documentation and previous research, especially by collecting previous studies about Seven-Eleven entering different foreign markets, company website and past researcher's documentation. While primary data was in the form of extensive interviews with Seven-Eleven's managers in Xiaoheshan District, Hangzhou in order to have a clear insight about Seven-Eleven's ways of franchising. The authors conducted a semi- structured interview with the Branch Manager of Seven-Eleven Xiaoheshan in order to collect a variety of perspective concerning the study.

2.5.2 Research Strategy

Since the purpose of the study was to look closely at Seven-Eleven Market entry strategy and determine the elements of the strategy that made them successful in entering the Chinese market, the author eradicated the use of experimental approaches, archival analysis, survey and history due to improper measurements and the data collections approach that did not support the needed data to achieve the study aim and objectives. Instead, the case study research strategy was applied through studying Seven-Eleven because the present study focuses on contemporary events rather than a historical one. The case study form will be a single case study rather than a multiple case study because of time constraint.

2.5.3 Data Collection Method

This research study made use of two sources which are documentary and interviews to accumulate all the needed data in order to accomplish the aims and objectives of the study. The documentary that was collected took the form of Seven-Eleven websites, company presentation and documents of Chinese market studies. Several instruments could be used to carry out qualitative research for this study, the authors chose this research finding through interviews, especially by (e-mail and face-to-face interviews) and documentary research. Both sources of evidences were appropriate to gather the data for our findings. Documentary research helped us with indirect information while the interview provided us with direct information from the company; hence both served as guidance for data collection and analysis (Newman, 2000)

Documentary: The reason for using documentary was to gather a reliable data that was later used to support the analysis as well as compare it with the interview answers in order to reduce the level of bias and increase validity.

Interviews: The second source that was used throughout this study was an interview which was one of the most important and effective sources in developing case study information. It was formed as a conversation instead of a structured query. The type of interview that was used in this study was an in-depth interview with Mr. Wang, the Branch Manager of Seven-Eleven Xiaoheshan, and according to Yin (2009), this type of interview can handle the facts of matters including manager's personal opinion about specific events.

3. Data Analysis Method

The key principle of qualitative research is that analysis should be conducted at the same time with data collection which will enhance a progressive focus on interview and conclusion (Coffey & Atkinson, 1996). Moreover, there are four different analytical methods to use in qualitative research design: Grounded theory, data reduction, pattern matching and analytical induction (Bryman & Bell, 2011).

In this research paper, the methods used for analyzing the collected data are data reduction and pattern matching approaches as they are the most appropriate methods for the following qualitative research study based on the single case methodology. The authors concentrated on transcribing the recorded data which was from the interview with Seven-Eleven's Managers. The reason for this process was to organize and coordinate it in order to make it easy while arranging for the most relevant data. After the interview had been recorded and well arranged, the authors read it to examine the answers as well as reflect on its meanings if it covered the needed information to answer the purpose of the research study. When the overall results of the interviews are examined properly, the authors coded the results by creating matching groups and conditions to clarify the common points between the participant's answers and the findings from the data so as to compare them in order to confirm its validity level.

3.1 Quality Criteria

Data sources

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Quality Criteria

In order to make sure the study measures what was actually supposed to be measured, the researchers employed four evaluation concepts that are frequently used to express the quality of any empirical research. These are namely: Construct validity, internal validity, external validity and reliability. By following each step carefully, the author made sure the quality of the research was as intended.

Nowadays, no matter the scale and also the field of activity of an organization, its involvement within the international business development process becomes a condition not just for the rise of the profit but also for the existence of the respective company. At the identical time, the involvement of an organization within the business of international transactions involves assuming some inherent expenses and risks, which must be carefully analyzed by the management of the corporate, which is launching in such an activity, by regard to the expected benefits. the prices relate mainly to the assembly costs necessary to adapt the products to the necessities of the international market, to the organizational expenses imposed by the creation within the corporate of some departments specialized within the foreign trade activity Many companies tend to prefer a selected way of entering the foreign market. The strategic options are categorized and analyzed in keeping with the categories of penetration strategies on the international market supported the principle of the straightforward to complex approach and on the essential criteria that outline each strategic alternative. These criteria are:

Figure 1: Strategic options to enter new Markets

Foreign direct investment represents financial and resource flows that cross the legal and economic borders of states, they represent financial flows, scientific, technological, informational, equipment and machinery, managerial and organizational experience, which are placed by investors in several countries, referred to as investment receivers. Thus, direct foreign investment could be a lasting investment relationship between a resident entity and a non-resident entity. As a rule, involves the exercise by the investor of serious managerial influence within the undertaking within which he invested

Source: http://unctad.org/en/pages/newsdetails.aspx

Figure 2: Regional contribution to global FDI flows, 2015–2016

The disadvantages of FDI are: rather high costs, it can have negative impact on the country's investment due to the foundations of exchange rates, political changes may affect the investment.

Licensing

Licensing is defined as "the method of foreign operation whereby a firm in one country agrees to allow an organization in another country to use the manufacturing, processing, trademark, know-how or another skill provided by the licensor". it's quite the same as the "franchise" operation. Coca Cola is a wonderful example of licensing. In Zimbabwe, United Bottlers have the license to create Coke. Licensing involves little expense and involvement. the sole cost is signing the agreement and policing its implementation.

Licensing gives the subsequent advantages: great way to start out in foreign operations and open the door to low risk manufacturing relationships

- Linkage of parent and receiving partner interests means both get most out of selling effort
- Capital not betrothed in foreign operation and
- Options to shop for into partner exist or provision to require royalties available.
- The disadvantages are:
- Limited kind of participation - to length of agreement, specific product, process or trademark
- Potential returns from marketing and manufacturing is also lost
- Partner develops know-how and then license is brief
- Licensees become competitors - overcome by having cross technology transfer deals and requires considerable fact finding, planning, investigation and interpretation.

Those who arrange to license must keep the choices open for extending market participation. This will be done through joint ventures with the licensee.

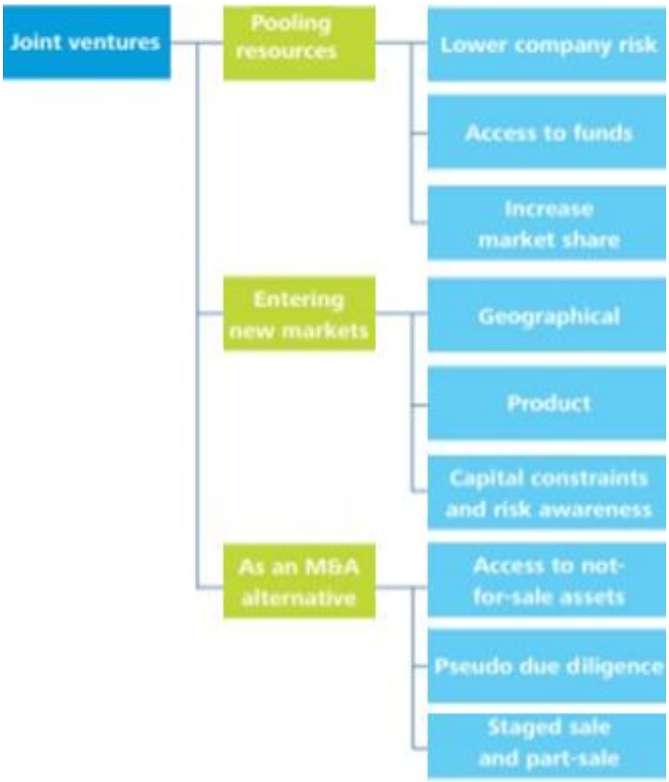
Joint ventures

Joint ventures with foreign participation are a consequence of internationalization of companies. Their spreading has been stimulated by a minimum of two trends: the primary, of an economic nature, aims at enhancing the competitive capacity by capitalizing the geographic areas with rich and cheap resources and also the second, newer, results from the synergy of factors with the globalization trend of the planet economy. Certain varieties of companies agree the concept of a venture quite others. Such companies are new entrants to foreign markets or those where decision-making is decentralized. As these companies are familiar with expanding their control over the organizations they create, it'll be easy for them to try to so internationally. It also can be said that a venture could be a partnership arrangement where two firms contribute with capital to a newly created body that they operate either together or through a definite management structure which is accountable to the parent establishments, or where a global company and a neighborhood firm enter into a standard partnership arrangement and run the venture as a partnership. one amongst the utmost benefits of partnering with an indigenous company is that it can balance the other’s firm abilities in order that each company has its attention on what knows and does best. Resident partners also are capable to supply a local expertise, network and insight contact which is able to help the business to succeed on the new marketplace. There are several diverse varieties of partnership arrangements which the enterprise might want to think about. If an organization isn't able to participate in an exceedingly venture it's going to consider another method, like licensing or franchising. Partnering with a brand new company is difficult. It takes effort and time to make the proper business association.

Disadvantages that are probable to arise can be: increased risk, responsibility, and exposure for both partners, the partners might not have the identical objectives, problems with bribery and corruption, power supply problems and security, the partners can have different management styles and cultures, the political, economic and social environment, the provision and high cost of construction materials.

Ownership: the foremost extensive sort of participation is 100% ownership and this involves the best commitment in capital and managerial effort. The power to speak and control 100% may outweigh any of the disadvantages of joint ventures and licensing. However, as mentioned earlier, repatriation of earnings and capital must be carefully monitored. The more unstable the environment the less likely is that the ownership pathway an option.

These styles of participation: exporting, licensing, joint ventures or ownership, are on a continuum instead of discrete and might take many formats. Anderson and Coughlan8 (1987) summarize the entry mode as a choice between company owned or controlled methods - "integrated" channels - or "independent" channels. Integrated channels offer the benefits of designing and control of resources, flow of knowledge, and faster penetration, and are a visual sign of commitment. The disadvantages are that they incur many costs (especially marketing), the risks are high, some could also be more practical than others (due to culture) and in some cases their credibility amongst locals could also be below that of controlled independents. Independent channels offer lower performance costs, risks, less capital, high local knowledge and credibility. Disadvantages include less market information flow, greater coordinating and control difficulties and motivational difficulties. Additionally, they will not be willing to spend money on market development and selection of fine intermediaries could also be difficult nearly as good ones are usually haunted anyway.



Source: https://www2.deloitte.com/content/dam/Deloitte/fr/Publications/Etude_Joint_Venture_juillet%202010.pdf

Figure 3: Reasons why a company pursues a joint venture strategy

Once in an exceedingly market, companies should choose a method for expansion. One could also be to consider some segments in an exceedingly few countries - typical are cashew nuts from Tanzania and horticultural exports from Zimbabwe and Kenya - or consider one country and diversify into segments. Other activities include country and market segment concentration - typical of Coca Cola or Gerber baby foods, and eventually country and segment diversification. in a different way of viewing it's by identifying three basic business strategies: stage one - international, stage two - multinational (strategies correspond to ethnocentric and polycentric orientations respectively) and stage three - global strategy (corresponds with geocentric orientation). The essential philosophy behind stage one is extension of programs and products, behind stage two is decentralization as far as possible to local operators and behind stage three is an integration which seeks to synthesize inputs from world and regional headquarters and therefore the country organization. Whilst most developing countries are hardly in stage one, they need within them organizations which are in stage three. This has often led to a "rebellion" against the operations of multinationals, often unfounded.

Franchising

Franchises are a specialized licensing form, and therefore the franchiser not only sells to an independent franchise the correct to use an intangible property (usually a registered trademark), which is important to the corporate that takes over, but also offers ongoing business support to the business, through sales or training promotions. Purchasing a franchise is a rapid method to line up a business without ranging from scratch.

Franchising is essentially a relationship between two parties: a franchiser and a franchisee. During this business model, the franchiser offers the franchisee a sophisticated way of doing business, constant supervision, systems and support reciprocally for periodic payments and costs created from the business. An operation that takes the shape of a contract by which someone named a franchiser grants it to a different person, called beneficiary or franchisee, is named a franchise and therefore the right to use a group of commercial or belongings rights for the aim of the assembly or marketing of certain forms of products and / or services. Obtaining a franchise involves the payment of an entry fee, in addition as annual fees, usually as a percentage of the turnover. A franchise arrangement can have also disadvantages for both the franchiser and therefore the franchisee. Potential risks for the partners to bear in mind of are: drawbacks to franchisors contain a deficiency of control over franchisees, reputational risks, and slow progress through franchising associated to M&A, disadvantages to franchisees contain high costs and fee payments, strict product guidelines, low support from impassive franchisors.

Seven-Eleven Market entry strategies

Joint venture

Beijing 7-Eleven A venture of Japan-based Ito Yokado (65%), Beijing Shoulian Group (25%) and China National Sugar & chemical group Corporation (10%). Beijing 7-Eleven started in 2004 with its headquarters in Japan, and has aspirations of expanding to China. Its biggest shareholder, Ito Yokado, is that the largest retailer in Japan. It's operated 7-Eleven stores successfully in Japan since 1973. Now, Ito Yokado and 7-Eleven are two subsidiaries of seven & I company. Ito Yokado entered China in 1996. It runs supermarkets, hypermarkets, and convenience stores in Beijing and Chengdu, and it's an office in Shanghai. Attempting to Shoulian to require advantage of its local knowledge and knowledge in running chain stores, 7-Eleven selected Shoulian as a partner. Shoulian is comprised of 10 popular chain retailers located in Beijing, which has the notable Beijing Yikelong Commercial Co Ltd, Beijing Lufthansa & Wangjing sales outlet and Xiaobaiyang Supermarket etc.

Almost all shop chains in Beijing are suffering losses. as an example, Hualian Quick, the domestic market leader with around 100 stores in Beijing, has been continually running deficits since opening its first store in 2002. After four years of development, 7-Eleven already has around 90 stores in Beijing, and has managed to show losses into profits in 2008.

Franchising

Master franchising could be a sort of the franchisor-franchisee relationship during which the master franchisee essentially becomes a mini-franchisor for a specified territory. Within that territory, the master franchisee recruits, trains, and provides ongoing support to every franchisee they sign. Today, 7-Eleven operates, franchises, and licenses roughly 7,000 stores in both the u. s. and Canada, in addition as approximately 29,700 stores internationally including Japan, Taiwan, Thailand, Republic of Korea, China, Hong Kong, Malaysia, Mexico, Singapore, Australia, Philippines, Indonesia, Norway, Sweden, and Denmark. The primary 7-Eleven shop in China was opened in 1992 in Shenzhen (See Appendix 1 for the International Expansion of 7-Eleven). There are now quite 500 stores in Guangdong and Beijing, and it's the sole national shop chain in China with cross regional presence 7-Eleven's stores in Guangdong are operated by Hong Kong dairy International Holdings Limited, its regional master franchisee within the Guangdong providence. While 7-Eleven's stores in Beijing are operated by Beijing 7-Eleven Co. L.td, their regional master franchisees are within the Beijing and Tianjin area (See Appendix 2 for the map of China). Moreover, in early 2006, Beijing 7-Eleven became the primary foreign company to be granted permission to work franchises in China by the Department of Commerce, which has been lending a grip for its future expansion in China. Beijing 7-Eleven planned to enter Tianjin, another economic center of north China in 2009. With its close relationship with 7-Eleven headquarters and therefore the knowledge obtained from the tough market of Beijing, Beijing 7-Eleven is expecting a brand new journey in Shanghai. Being the parent company of Guangzhou 7-Eleven Co., Ltd, Hong Kong dairy International Limited could be a leading pan-Asian retailer, with operations in south China since 1992. the primary 7-Eleven store in China was opened in Shenzhen in 1992, then it unfolded more stores in Guangzhou in 1995. Now 7-Eleven has become the biggest shop chain in Guangzhou with around 300 stores. Thanks to high consumer income, warm weather, and modern lifestyle, Guangzhou has attracted many foreign and domestic retailers. as an example, two market leaders from Shanghai, Lianhua Quick and Kedi, had attempted to enter Guangzhou. However, both of them failed and exited the market. Their early aggressive expansions and ambitions were vainly. 7-Eleven took over 8 stores from Kedi and 110 stores from Lianhua Quick after they exited the market. OK shop was worth mentioning as a competitor within the market. Li & Fung, a distinguished retailer in Hong Kong, which could be a member of Conoco Philips, the 2nd largest shop operator after 7-Eleven and was founded in 1951, operated OK shop. Dairy Farm Group was granted permission to franchise by 7-Eleven in south China and since then has expanded aggressively. it's outperformed all other competitors, and has become the quantity 1 shop in Guangzhou. With its glorious record in Guanzhou and sufficient funding, Hong Kong dairy International Limited believes that it's ready for the market in Shanghai.

Licensing

President supermarket Corporation could be a member of Uni-President Group, the biggest food production company in Taiwan and Asia. President supermarket Corporation was authorized to permanently operate 7-Eleven in Taiwan in 1991. After seven years of operation with deficits, its 7-Eleven stores finally turned losses into profits. 7-Eleven now has quite 4,000 stores and is that the largest shop chain in Taiwan. In fact, Uni-president Group was a share-holder of Beijing 7-Eleven. However, it sold all 14% of its shares just before the opening of its first 7-Eleven store in Beijing. This was because of its failed try to gain more shares from Ito Yokado. It also couldn't get enough control over both the shop operations and human resources of Beijing 7-Eleven.

Licensing agreements naturally are contractual agreements by which an organization transfers to a different company its product and/or process technology with the correct to use it commercially. Laserre mentions some reasons to go for licensing, and within the case of 7-Eleven licensing is employed mainly to check the market. during this case, the employment of the name 7-Eleven is obligatory but there's no obligation to shop for products from certain distributors or manufacturers up to the purpose that the distribution network has been defined therein country. the advantages of licensing are the low commitment of personnel and capital involved. in keeping with Laserre, the disadvantages of licensing are vital to require under consideration. Applicable to the present case, internal control poses one risk that's likely to happen. And as main strategic disadvantage, Laserre mentions the actual fact that licensors are very distant from the market and thus haven't any control over the company's destiny within the licensee country. In a way, this disadvantage has already occurred within the case of 7-Eleven: the expansion in Japan was so enormous that 7-Eleven Japan became larger than the parent company, and although this didn't necessarily pose a threat, the consequences were huge.

Interview with 7-Eleven Manager

The interview was structured in-order to bring the elements that made a franchised 7-Eleven store competitive in a retail Market. The researchers managed to get audience with the branch manager for 7-Eleven Xiaoheshan. The interview was short but some light was shed on how the store had managed to enter the market and instantly have a break through.

Marketing strategies

Table 6

Strategy	Examples	Impact
Localization		
the store managed to balance standardization and localization	• Provided packed food to cater for the demand of the university students in the Xiaoheshan area. • Also provided eating area inside and Wi-Fi..	The packed food and the eating area inside has made the students treat the store as a convenient restaurant where the food is already cooked, all you need to do is heat it. More than 75% of their sales come from this packed food.
Hot fresh meals food		
The store provided fresh meals that were carefully packed.	This strategy ensures that food is always fresh and hot as it is made in the shop rather than being made elsewhere and delivered	This catered for the students that wanted fresh cooked food and not the cold packed meals. This further captured more customers in the area.
Delivery		
The store is also make sure of online services	Ordering can be done online and delivered at the student's convenience.	The impact was huge on the sales as students simply ordered instead of going to the store in person.

Advantages of franchising

Brand Image

The store hit the ground running as every student in the area recognized 7-Eleven and associated it with quality products and services. The Manager emphasized that, it was because of the power of the brand that managed to instantly grab a large share of the market from two other competitors, Familymart and Lianhua. The store also came as a relief for students who could not easily access Familymart which is located inside the school campus near Tingsong hostel. Most students from the Donghe area never used Familymart unless it's during the day in-between classes.

Adaptability

The manager also praised the brand for its adaptability. The store quickly adapted to the needs of the students which made it an instant 'go-to' place. Lianhua provided 24 hour services, but operated more as a supermarket than a convenience store. Familymart had a smaller eating area, and provided fewer choices of meals. 7-Eleven came in and instantly filled that gap and therefore instantly getting customers in an area which infested with already established Chinese shops.

Foreign appeal

The Xiaoheshan area is host to two huge universities, Zhejiang University of Science and technology (ZUST), and

Zhejiang University of Technology (ZUT). These Universities host a large number of diverse international students. The foreign appeal provided by 7-Eleven captures the International students who like the familiarity of the products, service and products. The foreign appeal also captures the attention of Chinese students who also associate western goods and services with higher status.

4. Conclusions and Recommendations

The above results were exactly what the researcher anticipated. It is a well-known fact that 7-Eleven is one of the top operator, licensor and franchisor of convenience stores in the world. From the above described market entry strategy, the main it is beyond doubt that the most effective are franchising and licensing. 7-Eleven used master franchising which even made their entry into China much easier as the master franchisees where joint ventures of Chinese companies that already knew the Market very well.

Companies that have failed in China before, failed because they failed to localize their products and services most companies assumed that China was one big Market in which one could apply a one size fits all strategy and found out the hard way that China was so diverse, others have described it as different countries in one place. Western companies assumed that, since the Chinese admire western products and associate them with higher status, so this was all they needed to break into the market. The other main cause of failure has been failure to cope to with the various legal issues surrounding business operation. Each province has its own regulations that present a different challenge for foreign companies that wished to operate in China. the best way around these hindrances was a good partnership with a local company that is already familiar with the various procedures. This can be argued to be one of the strengths of the strategy chosen by 7-Eleven to make use of master franchisors, who in turn franchised the business on behalf of 7-Eleven. Had 7-Eleven decided to do everything themselves as has been tried by other western companies that were so eager to protect their technologies and services from being copied, chances are that they would have failed or at least less successful as they are. For convenience store chains that wish to enter the Chinese Market, or chains that wish to revitalize their failing businesses, these are the market entry strategies that can be used, franchising and licensing are the two ways that can increase the chances of success in China.

4.1 Recommendations

Considering the above discussed findings, the researchers recommend that companies that wish to join that retail war in the cutthroat Chinese economy should do more that take notes from this research project. Though the researchers tried to reveal the most important aspects of the best market entry strategy to enter China, the information provided in this paper is not conclusive, but is best used as reference for the best direction to take, but the interested company should research further on the finer details of the entry strategies as they might differ on a number of variables.

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