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越南便利商店的機會與挑戰—從台灣學習

THE OPPORTUNITIES AND CHALLENGES OF VIETNAM'S CONVENIENCE
STORES. LEARNING FROM TAIWAN

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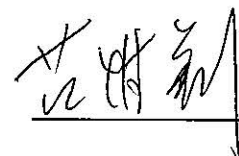
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(1)碩士論文：The Opportunities and Challenges of Vietnam's
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ABSTRACT

Recent years, a revolution has witnessed in retail marketing in Asia, especially, Taiwan has the highest per capita density of convenience stores (Euromonitor, 2012). Convenience is the main factor which makes consumers feel interested in a convenience store. However, at the same time, Vietnam has a different situation. There are many distribution channels going and surviving together. This paper aims to appreciate the whole of Vietnam's retail market and analyze the opportunities and challenges of convenience stores in Vietnam. Some lessons will be noted from analyzing the case study of Taiwan's successful convenience store chains 7-Eleven. Methodologies and theory have been adopted in the research as the theory of Convenience; Omni-Channel Retailing; The Marketing 7Ps Mix. Moreover, in this thesis, the author's knowledge and observations are also utilized to analyze the market.

Keywords: Taiwan; Vietnam; Convenience stores; Opportunities and Challenges; Case study 7-Eleven analysis; Retail

TABLE OF CONTENTS

CHAPTER ONE INTRODUCTION	1
1.1 Research Background and Taiwan’s Market Overview	1
1.2 Research Background and Vietnam’s Market Overview	4
1.3 Research Objectives	8
1.4 Research Methodology	8
1.5 Scope and Limitations	9
1.6 Research Structure.....	9
CHAPTER TWO LITERATURE REVIEW	12
2.1 Retail Industry and Retail Distribution Channels	12
2.2 Convenience Store in The Comparison Between Supermarket and Grocery Store.	13
2.3 The Significance of Service Quality and Marketing Service Management to Customer Satisfaction	16
2.4 Theoretical Framework –Marketing Mix 7Ps	17
2.5 Theoretical Framework – The Theory of Convenience	19
2.6 E-commerce Shopping Stimulation and Omni-Channel Retailing (OCR).....	19
CHAPTER THREE METHODOLOGY	22
3.1 Case Study Methodology	22
3.2 Case Study 7-Eleven Introduction	23
CHAPTER FOUR CASE STUDY 7-ELEVEN DISCUSSION	25
4.1 Success in Organization and Franchise Strategy – 7-Eleven Taiwan (Process Factor).....	25
4.2 Marketing Strategy	29
4.2.1 Brand Strategy	29
4.2.2 Short-Term Operating Strategy and Long-Term Business Development Plan ..	29
4.3 Human Resources Management (People factor).....	30
4.4 Product Variety and Price Competitiveness (Product and Price factor)	32
4.5 The Domination of Location and Physical Evidence (Place and Physical Factor)	33

4.6 Success in Promotion and Convenience Services (Promotion factor)	35
4.7 Ecommerce shopping stimulation	36
CHAPTER FIVE THE OPPORTUNITIES AND CHALLENGES OF VIETNAM’S CONVENIENCE STORE CHAINS	38
5.1 SWOT Analysis – Strengths	38
5.1.1 <i>Economic Development</i>	38
5.1.2 <i>Society - Sizeable Labor Force and Favorable Demographics</i>	41
5.1.3 <i>International Investment and Socio – Political Stability</i>	43
5.1.4 <i>International Agreement and Government support</i>	44
5.2 SWOT analysis – Opportunities (SO)	44
5.2.1 <i>Young Population and Greater Consumption Demand</i>	44
5.2.2 <i>Urbanization and Consumer Confidence</i>	45
5.2.3 <i>Consumer Income Increases</i>	46
5.2.4 <i>Legal Policies and Quality competition</i>	47
5.3 SWOT Analysis – Weaknesses	48
5.4 SWOT Analysis – Threats / Challenges (WT)	50
5.4.1 <i>Consumer Behavior</i>	50
5.4.2 <i>Price in Convenience Store is Higher Than Grocery</i>	50
5.4.3 <i>Competition Problem and Retail Infrastructure</i>	51
5.4.4 <i>Legal Formalities and Trade Barriers</i>	51
5.4.5 <i>Integrated Services and E-commerce Shopping Stimulation.</i>	52
CHAPTER SIX DISCUSSION AND CONCLUSION	53
6.1 Discussion	53
6.1.1 <i>Vietnamese Shopping Behaviors Have Changed, The Utility Criteria and Product Quality will be Appreciated.</i>	53
6.1.2 <i>E-commerce and Services Convenient Integration</i>	54
6.1.3 <i>The Trend of Confident Investment and Intense Domestic Competitors</i>	55
6.2 Conclusion	56
6.3 Limitation of Research and Recommendation for Future	57
REFERENCES	58

LIST OF TABLES

Table 1-1 <i>Taiwan GDP in Comparison to UK & China</i> <i>World Bank, 2016</i>	2
Table 4-1 Number of Stores Record in 2015 7-Eleven Annual Report 2015 ...	25
Table 4-2 Segment Revenues and Proportion of Overall Business over The Past Two Years	26
Table 4-3 Staff Education 7-Eleven Annual Report, 2015	31
Table 4-4 PCSC' Training Statistic in 2015 7-Eleven Annual Report, 2015	32
Table 5-1 The world growth economic outlook 2016 IME; World Bank; United Nation	41



LIST OF FIGURES

Figure 1-1 Taiwan GDP divided by sector forecast The Economist Intelligent Unit, 2016.....	2
Figure 1-2 GDP – ASEAN Focus Economics, May 2016.....	5
Figure 1-3 Vietnam GDP and Retail sales General Statistic Office, May 2016.	5
Figure 1-4 Vietnam’s retail sales, 2008-2017F Economist Intelligence Unit	7
Figure 1-5 Research Structure.....	11
Figure 2-1 Value sales contribution Nielsen Retail Census 2012.....	15
Figure 2-2 Nielsen Shopper Trend – Vietnam 2012 and 2014	16
Figure 2-3 Marketing Theories - The marketing mix from 4P's to 7P's Professional Academy.....	18
Figure 2-4 E-commerce Shopping Stimulation and Omni-Channel Retailing (OCR).....	21
Figure 4-1 The Organization Chart of President Chain Store Corporation 	27
Figure 5-1 Vietnam Competitive index World Economic Forum, 2016	39
Figure 5-2 National Competitiveness of Vietnam compared to ASEAN-6 Global Competitiveness Report	39
Figure 5-3 Vietnam GDP divided by sector General Statistics Office of Vietnam	40
Figure 5-4 Vietnam population by age group Live World Population	42
Figure 5-5 Vietnam’ Demographic Breakdown Economist Intelligence Unit .	42
Figure 5-6 Expected plan of enterprises in 2016 Vietnam Report, 2016.....	43
Figure 5-7 Vietnam Consumer confidence Nielsen – Quarter 02/2016.....	46
Figure 5-8 Vietnam’s total personal disposable income and total household consumption, 2008 – 2017F Economist Intelligence Unit.....	47

Figure 5-9 External barriers to the growth of enterprises 2012 – 2015 | Vietnam
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Figure 5-10 Internal barriers to the growth of enterprises 2012 – 2015 | Vietnam
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CHAPTER ONE

INTRODUCTION

Retail is considered as the largest industry in almost countries in the world (Burt and Sparks, 1994). The traditional distribution makes impressing with the large of value and volume in terms of goods. It named as the groceries which is located in every street's corner. Many years later, changes in the grocery sector are evidenced by the popularity of hypermarkets, supermarkets, shopping malls, convenience store chains...The development of modern distribution channels shows that the new retail formats pose a serious threat to the traditional groceries. According to Seiders and Tigert (2000), supermarkets in Europe have replaced thousands of small grocery stores, because of their ability to offer a large assortment and competitive pricing (Seiders & Tigert, 2000). Asia is not an exception, recent years, a revolution has witnessed in retail marketing in Asia, Taiwan is known as the country with the highest per capita density of convenience store chains. The integrated service is a reason why Taiwanese feel interested in their convenience store (Euromonitor, 2012).

1.1 Research Background and Taiwan's Market Overview

After fifty years, Taiwan economy has been transformed from an agricultural country into an industrial country and services orientation (Euromonitor, 2012). There are almost 24 million inhabitants in Taiwan. Already 10 years ago, there were those who claimed the market had reached saturation point. However, the pace of development has not slow, the convenience stores have become an indispensable feature of everyday life for locals and a vital refreshment point for foreign tourists (Taiwan today, 2014). Taiwan economy has the recovered sign with GDP growth of 0.69% year-on-year (YoY) in the second quarter (Q2) 2016 up from a 0.68% contraction in Q1, with a mixed picture of returning to trade surplus and continued consumption growth (Shih, 2016). According to the data collected in Euromonitor report, the growth of total GDP in Taiwan was 2.4% higher than Japan's at 1.3% and lower than China's at 9.4% since 2011-2012. Taiwan GDP growth rates will reach to 5.8% in 2016-2017 with strongly rising year-on-year. This research also forecasts that the average income will increase to US\$22,184 in 2017 and 51% of households in Taiwan will have an annual disposable income of over US\$35,000. The percentage of resident enjoy an annual disposable income of over US\$55,000 will be 23.8% (Euromonitor, 2012).

Other economic indicators present an optimistic macro-environment, suggesting that Taiwan will be able to resume its track of growth in the long-term. In June 2016, the consumer price index (CPI) increased by 0.90% (YoY) which is perceived as inject further capital for investments (Shih, 2016). Demographics play an important role in determining shopping preferences in Taiwan. The modern channels offer many choices of order besides consumption goods as more and more fruit and vegetables, fresh meat and fish. By the way, convenience store chains or supermarkets are trying to attract customer and change their behavior, particularly in urban areas.

Table 1-1 *Taiwan GDP in Comparison to UK & China* | World Bank, 2016.

	Taiwan	United Kingdom	China
GDP (nominal, US\$)	523.6 billion	2,848.8 billion	10,866.4 billion
GDP per capita (US\$)	21,979	43,734	7,924
Q2 GDP growth (%)	0.9%	N/A	6.7%
Q2 Goods Exports (US\$)	68.7 billion	4.9%	534.2 billion
Unemployment rate (%)	3.92%	0.5%	4.05%
Inflation rate	0.9%		1.9%

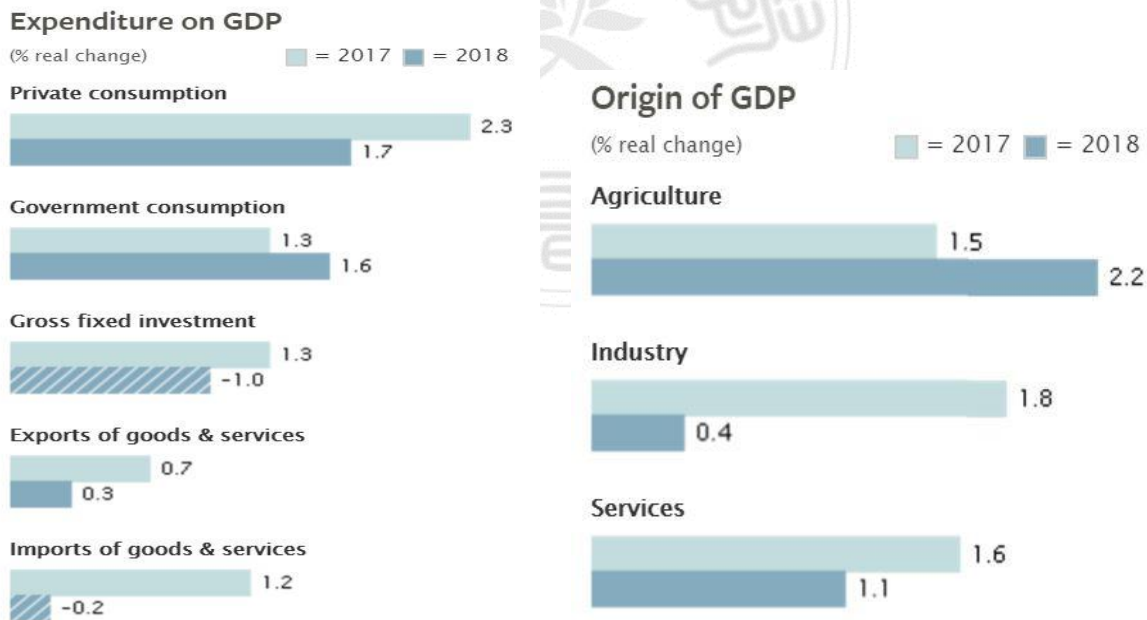


Figure 1-1 Taiwan GDP divided by sector forecast | The Economist Intelligent Unit, 2016

Besides the optimistic macro-environment indicators, the revenue from retail sector also makes an impression with the domination of convenience store. The retail foods sector in Taiwan is nowadays dominated by the modern channel such as Carrefour, RT-Mart is key players in the hypermarket area. Wellcome, PX Mart, Taiwan Fresh Supermarket are active in the supermarket sectors (Chang, 2014). Leading the market share of convenience stores named as 7-Eleven, Family Mart, Hi-Life and OK in Taiwan. The retail sector in Taiwan is considered be saturated and more services being offered (online services, more stores, etc.) mergers and acquisitions among key players is expected to take place in Taiwan's retail food sector in the near future (Chang, 2014).

7-Eleven or the President Chain Store Corporation (PCSC) is an affiliate of the Uni-President Enterprises Corporation. 7-Eleven was established in 1978, having the first store in 1980. Until now, 7-Eleven reach to 5,028 stores and is recognized as the leading convenience store in Taiwan (Chang & Hsueh, 2010). Family Mart Taiwan is currently the second largest convenience store chain in Taiwan, with 2,972 stores as of 2015. Family Mart was established in 1988, spending six years of deficits before making profits in 1994. Since 2007, it has generated over one billion USD annually in sales. In 2004, Family Mart became the first Taiwan-based convenience store chain to expand into China (Chang, 2014). Hi-Life, or Life International Co. Ltd was established in 1989 by Kuang Chuan Dairy Co. Ltd. As of 2015, Hi-Life has 1,286 stores. Another brand name is OK Convenience store which is established in 1988, holding the smallest in the market share. Originally, it was a franchise of Circle K of the United States, until 2015, OK have 862 stores in Taiwan. In 2016, according to the Ministry of Economic Affairs (MOEA), the revenue from the local convenience store sector are expected reach to NT\$300 billion (MOEA, 2016). The format of convenience stores first originated in 1927 in the United States and arrived in Japan 1964 and then turned in Taiwan in 1977 (Chiao, Lu & Liu, 2012). 10 years of transforming, the mushrooming of convenience stores also has created a highly saturated market filled with stores displaying almost identical products (Ling, 2000).

The data released by the MOEA said that as of the end of 2015, Taiwan's major convenience store chains owned a total of 10,148 outlets, which translated into a density of one convenience store for every 2,304 local residents. The four major convenience store

chains in Taiwan are 7-Eleven, Family Mart, OK Mart, and Hi-Life. 7-Eleven is still leading market with 5,028 stores. In comparison, Japan had a total of 54,839 convenience stores with a density of one convenience store for every 2,317 Japanese residents as of the end of March, the MOEA data showed (MOEA, 2016). According to AC Nielsen report, 80% Taiwanese go to a convenience store at least four times per month (Allen Hsu, 2006). The amazing number of Taiwan's convenience store chains motivate the author to research about the core values which make convenience store model successful in Taiwan. Convenience stores are available every corner makes a distinctive characteristic of Taiwan. 24 hours per day with brightly lit stores, almost stores offer a variety of products and services (Chiao, Lu & Liu, 2012). The integrated service leads the trend of consumer purchasing in Taiwan.

However, not every Asia country also like Taiwan, at the same time, there is a different perspective in Vietnam. Vietnam has the fierce competition of the various retail channels (MSG, 2015). In fact, the convenience store model has not dominated the Vietnam's retail market as in Taiwan according to the data collected from General Statistic of Vietnam.

1.2 Research Background and Vietnam's Market Overview

Vietnam is located in the center of South East Asia and is bordered by China to the north, Lao and Cambodia to the west. The total area of Vietnam is over 331,600 square kilometers, Hanoi is the capital of Vietnam and locates in the North, Ho Chi Minh city in the south is the most commercial city and Danang in the central Vietnam (PWC, 2015). According to data from Worldometers, Vietnam is considered as a populous country with the stable growth birth rate and young population. It is a positive environment for international investment. The current population of Vietnam is 94,802,880 as of November 11, 2016, based on the latest United Nations estimates (Worldometers, 2016).

Vietnam's economy is on the way of recovery with the gradual increase in economic growth rate since 2012 and is more sustainable. The economic growth rate rose 6.68% in 2014 and in 2015 respectively. Whereas, inflation rate (Consumer Price Index) decreased from 6.8% in 2012 to 6% in 2013, 4% and 0.6% in 2014 and 2015 respectively (General Statistic of Vietnam, 2016). The two opposite trends in GDP growth and CPI over the last 4 years show that the economy is more and more stable with higher growth rate. The chance of growing for Vietnam's economy in terms of quantity is enormous. According to a government report on

the implementation of the socio-economic development plan in 2016 and another plan for 2017, the growth rate in 2016 is potentially higher than that in 2015 and the likelihood to achieve the 2016 target of 6.7% set by the Government is considerable (Phuc, 2016). Target in credit growth set in 2016 is higher than in 2015 and lending interest rate also declined but at a slow pace. Vietnam’s GDP growth over the past decade averaged 13% per year, in 2015 at 6.7%. Vietnam General Statistics Office forecast for 6.6% in 2016 and 6.7% in 2017 (General Statistic of Vietnam, 2016).

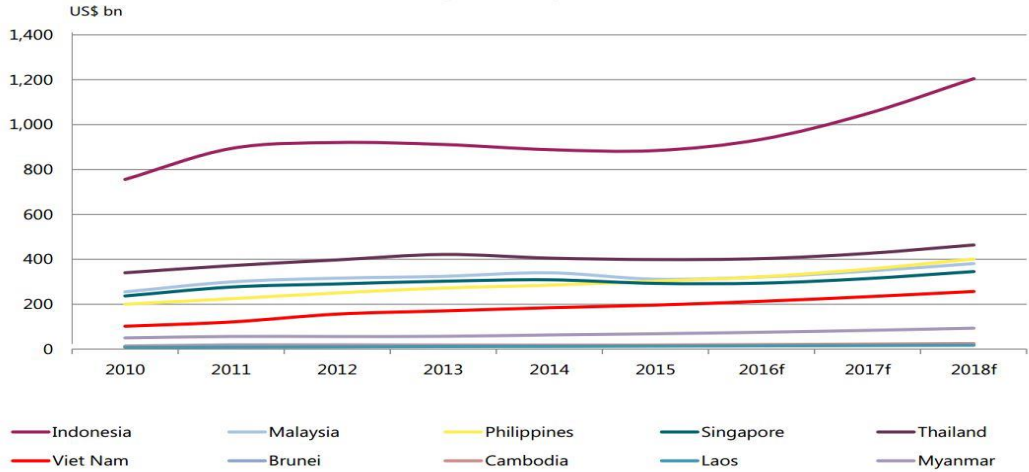


Figure 1-2 GDP – ASEAN | Focus Economics, May 2016

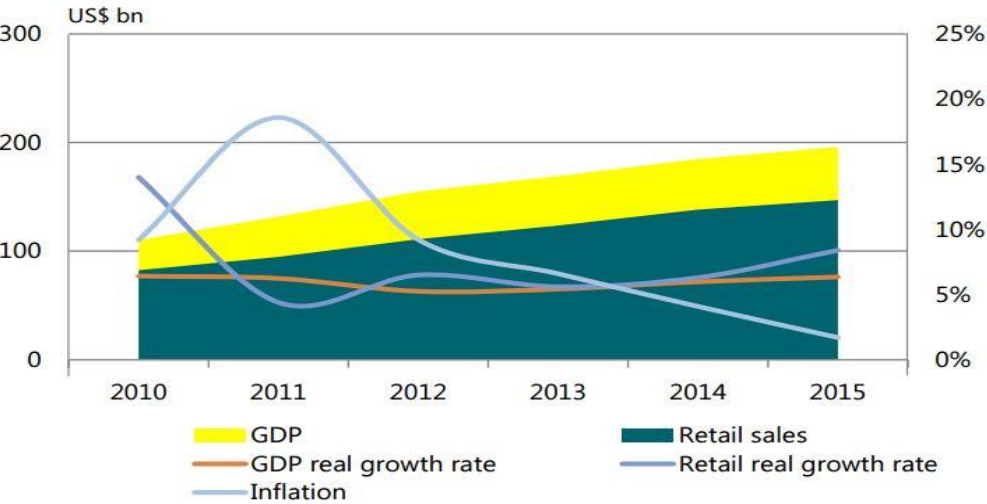


Figure 1-3 Vietnam GDP and Retail sales | General Statistic Office, May 2016

With the stable political, GDP and an increasing income, retailing in 2015 is impressed from both international and domestic players with a dynamic competition. Nine

years after joining the World Trade Organization (WTO), Vietnam has emerged as one of the most attractive retail markets in the world. The more international retailers have entered Vietnam market, the greater choices for consumers and also lead to the intense competitive challenges for internal enterprises (Deloitte, 2014). Vietnam has a variety of retail channels both the traditional market and the modern channel such as grocery, wet markets; The modern market including hypermarkets, supermarket, shopping malls, department stores, convenience stores, E-commerce. For most of the economies, a retail sector would go through several phases of development. However, Vietnam's variety retail channels are growing together in the intense competition (Minh, 2016).

Vietnam's retail market is considered as an impressive and chaotic environment and a number of qualified brand names are shown below which will clarify this appreciation: The expansion of convenience stores continuously speed up. According to Ryan, manager director of Nielsen Vietnam, convenience store numbers doubled in 2014 while the minimarts tend to increase from 863 in 2012 to 1.452 in 2014 (Ryan, 2015). The Nielsen Vietnam Figure show that Circle K and Shop & Go had the first store in 2005, had expanded to 129 outlets around Vietnam as at June 2015. Family Mart had 27 stores and has the plan to achieve 300 in 2015 and 1.000 stores in 2020. Ministop has 12 stores and in the 500 goals in the next five years. Vingroup has 30 store chains named as VinMart+ and also plans to develop 1,000 convenience stores in its strategy to become the leading Vietnamese retailer in the next three to five years (Hennig, Gwinner & Gremler, 2002). The number of Saigon Trade Corporation's convenience stores has raised to 60 stores, Saigon Co-op has 91 stores in 2015 and has planned to expand nearly 200 stores in the future (Thu, 2015).

The retail industry in Vietnam has a stable growth despite the difficult economic, retail sales increased 60% in the period from 2009 to 2013 and forecast to reach 109 billion dollars in 2017 (CBRE, 2014). According to Takehiko, CEO Family Mart, in 2015 there are only 700 supermarkets, 120 shopping malls, over 1000 convenience stores in Vietnam with more than 90 million people while Thailand has only 60 million people with 10,000 stores. It

approves how potential of Vietnam's retail market, especially the trend development of convenience store chains in Vietnam.

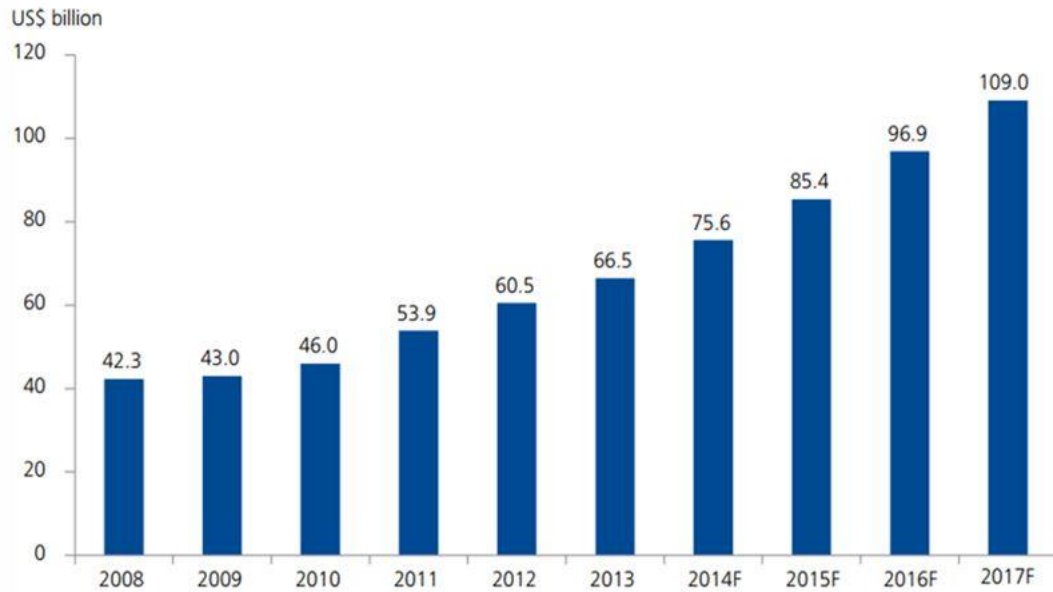


Figure 1-4 Vietnam's retail sales, 2008-2017F | Economist Intelligence Unit

According to Nielsen Thought Leadership report, top of convenience stores which lead the retail market such as VinMart+, Shop & Go, Circle K, B's Mart, Family Mart... Moreover, some famous supermarket and shopping mall named as Big C, Metro, Lotte mart, Co.op Mart... (Nielsen, 2016). However, the modern retail channel only accounted for 20% of the domestic retail market, the traditional markets business still account for over 80% of the market share distribution. Vietnam is considered as the great growth potential, expected to 2020 will account for 40% of the retail market share in the country (General Statistic Office, 2016). According to the Trade Research Institute of the Ministry of Industry and Trade, the period 2016 - 2020, the growth rate of retail trade of Vietnam will reach 11.9% / year, about 179 mayors scale billion in 2020 from \$ 102 billion in 2015, of which modern retail will account for more than 45% compared to 25% by 2015. by 2020, as planned, the country will have about 1200-1500 supermarket, 180 center commercial, 157 shopping centers (MIT, 2016).

1.3 Research Objectives

Vietnam's stable economic growth rate and population size of approximately 95 million people provide an attractive atmosphere for the retail industry development. A relatively young population, coupled with rising income levels, increased urbanization, and an attractive business environment, have improved Vietnam's position as a high attractive market (Deloitte, 2014). However, the convenience store model has not dominated the Vietnam's retail market and people still feel familiar with traditional channels rather than the modern distribution. This research tries to identify this issue problem of Vietnam's retail market and analyzes a successful business model – 7 Eleven, the most convenience store chains in Taiwan to apply in Vietnam market.

This research objects to understand the whole picture of Vietnam's retail market, the scope of retails sector in the economy scene overview. With the impaction of economy, society, polity, the convenience stores now are in the intense competition among different distribution channels such as supermarkets, shopping malls, department stores, grocery stores, E-retailers... This research analyzes some element which impact to Vietnam's retail market such as Population; Urbanization; Income and purchasing power; Customer behaviors; Legal policies...The opportunities and challenges to the convenience store chains will be researched. Case study 7-Eleven - top one successful convenience store chains from Taiwan will be mentioned. Some successful lesson will be learned from Taiwan and try to apply in Vietnam market. Finally, some disputation about the development trend of convenience stores in Vietnam next few years and some valuable lesson will be discussed in this study.

1.4 Research Methodology

Case study analysis is considered as a major methodology to research, 7-Eleven a great convenience store brand name will be dissected to specific illustrations for this research. Moreover, the theory of Convenience; 7Ps Marketing mix and Omni-Channel Retailing are frame references in case to prove for a successful business model of this case study. After that, the author proposes some solution to the development of convenience store in Vietnam. Moreover, in this thesis, the author's knowledge and observations are also utilized to analyze

the market, predict the trends and come to specific solutions for assisting sustainable development in the future.

1.5 Scope and Limitations

The scope of thesis only discusses three main sectors: Case study 7-Eleven analysis; The opportunities and challenges of the convenience store in Vietnam; Trend discussion and conclusion. The convenience store sector will be concentrated on talking rather than others. Case study will be chosen for analyzing is 7-Eleven in Taiwan. 7-Eleven business model also shows the impressing combination between the convenience store model and E-commerce which will become the trend of the retail industry. Moreover, the unavailable data is also the thesis limitation. Most of the number is from annual report and marketing research company.

1.6 Research Structure

The research process begins at looking overview Vietnam's retail market and appreciating not only the potential market but also the components affect to convenience stores development. After that, the opportunities and challenges of Vietnam's retail market and how to learn from Taiwan's successful convenience store chains story are in turn appeared. Finally, the trend of Vietnam's retail market will be mentioned and some solutions will be proposed to apply the marketing theory in convenience store model development.

This research consists of eight chapters with this structure as follows:

Chapter I: The introduction chapter starts on the background information. Taiwan market overview and Vietnam's market with the general knowledge are presented at the beginning of chapter I. Problem identification; Research objects; Scope and Limitations will be mentioned.

Chapter II: Literature Review - This chapter defines some issues such as: Retail channels; Convenience store chains; Service management. Some frame references will be discussed as the theory of convenience, marketing 7Ps mix.

Chapter III: Methodology - The methodology used in this research is Case study methodology; the theory of convenience; Marketing mix 7Ps theory will be considered as frame references in a case to prove for a successful business model. 7-Eleven is considered as a case study to prove the success of Taiwan convenience store chains. Moreover, in this thesis, the author's knowledge, and observations are also utilized to analyze the market.

Chapter IV: Case study 7-Eleven is analyzed to be deeply understood about Taiwan successful business model. Some successful lesson will be withdrawn to apply in Vietnam market.

Chapter V will present the opportunities and challenges of Vietnam convenience store by using SWOT for analyzing.

Chapter VI: Conclusion chapter will discuss the development trend of convenience store chains in Vietnam and research conclusion.



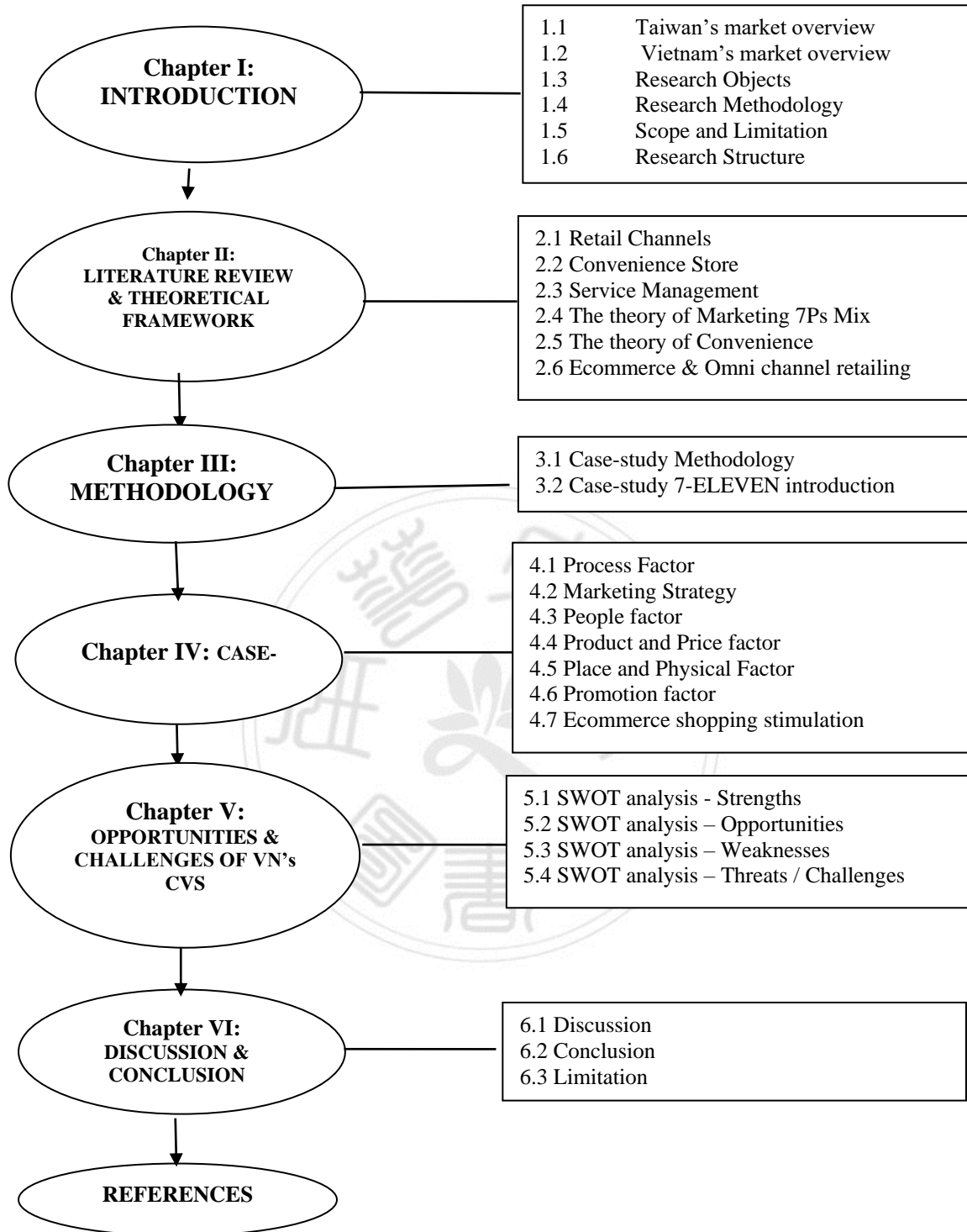


Figure 1-5 Research Structure

CHAPTER TWO

LITERATURE REVIEW

Vietnam's retail market is characterized as being one of the most dynamic markets in the region with high annual growth rates. For understanding Vietnam market specifically, this chapter will provide more definitions about Retail industry; Type of retail channels; Convenience store chains; The theory of Convenience; The theory of Marketing Mix 7Ps will be considered as frame references to adopt in this research.

2.1 Retail Industry and Retail Distribution Channels

Retailing refers to business activities that are involved in selling goods and services to consumers for their personal, family and household consumption (Miller & Layton, 2000). Handa and Grover (2012) referred that retailing can be defined as the buying and selling of goods and services (Handa & Grover, 2012). The supply chain model is facsimiled as the process involves several parties such as suppliers, distributors and ending customers. Supply Chain Management can be defined as the several actions and different processes that occurred in the company in producing the products and services for ultimate customers (Lotfi et al., 2013). According to a MSC report, manufacturers are the ones who are involved in a production of goods with the help of machines, labor, and raw materials.

Retailer - In recent decades, the retail industry has experimented with various formats that make it harder to classify them. However, in general, there are 9 types of retail distribution channels such as:

A superstore or hypermarket is a large establishment, these establishments are generally larger in size and cover more floor space in a retail outlet (Castrillo, Mira, & Gurdjian, 1998).

Commercial Centers provide a variety of high-end value products, such as designer brand clothes and shoes, cosmetics, electronic devices, etc. Department stores are a representative of commercial centers in Vietnam. There are several department stores operating in Vietnam, including Diamond Plaza and Parkson in HCMC, as well as Vincom, Trang Tien Plaza, Grand Plaza, Manor, and Parkson in Hanoi (Geun, 2014)

Department stores carries a wide variety of shopping and specialty goods, including apparel, cosmetics, housewares, and electronics products. Some departmental stores even attached a supermarket (Miller & Layton, 2000).

Shopping Malls: Many retail stores operating in one building. A mall would consist of several retail outlets each selling their own merchandise but there are located on a common platform

E-Retailers: Nowadays the customers have the option of shopping while sitting at their homes. They can place their order through the internet, pay with the help of debit or credit cards and the products are delivered to their homes only.

Specialty stores are stores that carry narrow product lines with a deep assortment. They specialize in a given type of merchandise. Examples include children's clothing, candy, baked goods, gourmet coffee, and organic foods (Miller & Layton, 2000).

Grocery store: It is a small store which belongs to their own and sells all types of food and beverage products, and sometimes also home products and consumer electronics as well.

Convenience stores are small stores that are located near residential areas, open long hours seven days a week, focus on convenience and carry a limited line of high-turnover convenience products at slightly higher prices (Miller & Layton, 2000). The size of Convenience stores (CVS) is determined by the variety of products that they store. They can be as small as a kiosk or a half of department store. Their prime attraction is the accessible location and convenience that they provide to the customers. The items stocked by convenience stores are the daily use products. Most of the sales of convenience stores come from refrigerated goods (Kirby, 1986). Along with the convenience of location, these stores also offer extended working hours to the public. They provide the maximum ease and convenience of buying a product for the consumers (Bianchi, 2009), rather than competing on prices or product varieties.

2.2 Convenience Store in The Comparison Between Supermarket and Grocery Store.

Many people assume that convenience stores and supermarkets are the same. However, supermarket and convenience stores are two different kinds of shopping avenues. Ed Watkins (2010) explored that the competitive strategy of convenience stores first might well concentrate on location strategy. On the other hand, Supermarket competitive strategy may concentrate on price programs, on quality programs, or a broad appeal striving for superior performance in most areas. Supermarket is larger rather than convenience store, that is the reason why supermarket is far from the city center. A convenience store is located on the

street and is highly appreciated with the convenience (Geun, 2014). Convenience store usually has more flexible hours when compared to their supermarket counterpart. In fact, some convenience stores are even open for a full 24 hours per day such as 7-Eleven, Family Mart (Allen Hsu, 2006). These are just a few of the most notable differences between convenience stores and supermarkets.

Moreover, convenience store and grocery store are also different. Such services may include electronic payment, buy movie tickets, use the ATM, have your blood pressure measured, print documents and so much more – all within one convenience store. Almost convenience store offers these “extra” services (EdWatkins, 2010). On the other hand, grocery store belongs to personal, convenience stores are independently owned and are often part of a franchise of CVS business hours and are open every day even holiday. In the fact that groceries have shorter opening hour and closed on holidays. Some data has been collected from Nielsen Retail Census about the value sales contribution in 2012 also present the market share between the traditional channels and the modern channels. If the modern retail channels have among 1,000 convenience stores and small supermarkets across the country, the traditional retail channels have around 300,000 grocery stores and wet markets have more than 2,000 spread throughout the provinces. Some numbers express the competitive situation between convenience stores and other retail channels (Nielsen, 2012).

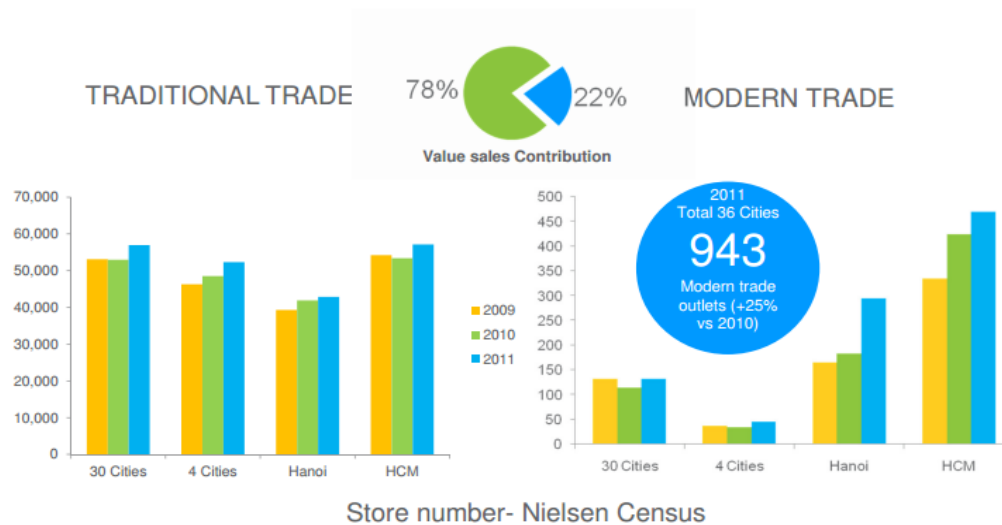


Figure 2-1 Value sales contribution | Nielsen Retail Census 2012

On the other hand, other report from Nielsen with the data comparison between 2012 and 2014 shows that people nowadays prefer shopping on the modern channel rather than the traditional channel. The percentage increasing of customer shopping in convenience store from 5% in 2012 to 11% in 2014 and also improve in the future. The frequency of average shopping per month changes from 2.1 to 3.6. On the other hand, the percentage of shopping on traditional grocery decrease from 81% to 64%. Enjoying this fierce competition, In July 2015, 7-Eleven - the brand with the largest number convenience stores in the world has announced officially entered the 13th most populous market in the world - Vietnam. As planned, the first store will open in Ho Chi Minh City in 2017, three years later, the number of stores will be elevated to 100 and within 10 years, the number of stores was 1,000. Vietnam's dynamic retail market will attract more and more numerous global and regional multinational retail giants.

	WHERE DO CONSUMERS SHOP? (%)		HOW OFTEN DO THEY SHOP? (AVERAGE PER MONTH)	
	2012	2014	2012	2014
WET MARKETS	90	85	23.2	22.4
TRADITIONAL GROCERY	81	64	10.8	8.6
SUPERMARKETS	62	60	3.0	2.8
CONVENIENCE STORES	5	11	2.1	3.6
PERSONAL CARE	11	9	0.8	0.9
MINIMARTS	-	4	-	2.7
COSMETIC SHOPS	6	4	0.7	1.1
CASH AND CARRY	4	3	0.8	0.9
DEPARTMENT STORES	3	1	0.6	0.6

2014 vs. 2012

MORE THAN JUST A CONVENIENCE STORE

TRADITIONAL GROCERY

Where consumers shop (%)

81% → 64%

Frequency (Average Per Month)

10.8 → 8.6



CONVENIENCE STORE

Where consumers shop (%)

5% → 11%

Frequency (Average Per Month)

2.1 → 3.6



Source: Observations/websites
Nielsen Thought Leadership Report – Need for Speed CVS

Figure 2-2 Nielsen Shopper Trend – Vietnam 2012 and 2014

2.3 The Significance of Service Quality and Marketing Service Management to Customer Satisfaction

Over the past two decades, service quality has been regarded as one of the main factors affecting customer satisfaction and customer loyalty. Empirical findings support the view that service quality is one of the primary determinants of customer satisfaction (Anderson & Sullivan, 1993; Anderson et al., 1994; Cronin et al., 2000). Researchers have emphasized the significance of the relationship between service quality and customer satisfaction (Cronin & Taylor, 1992). The retail service is based on activities, such as interaction, negotiation, and merchandising that create an association between services and products during the service encounter process (Gagliano & Hathcote, 1994). A good store

layout and service material create a better impression and positive attitude toward a retail store. On the other hand, marketing service management plays the important role in maintaining a bright revenue scene.

2.4 Theoretical Framework –Marketing Mix 7Ps

The convenience store segment has become highly competitive, with a battle to gain the market share and share of wallet of each and every consumer. As the market approaches saturation, each player needs to differentiate himself in order to win over the heart and pocket of individual consumers (Hennig, Gwinner & Gremler, 2002). This is a reason why the theory of marketing mix 7Ps will be applied in this research to analysis the secret of the convenience stores successful model and propose the solution for developing Vietnam convenience store chains. In 1940, Prof. Neil H Borden first pioneered the theory of Marketing Mix. However, Gerome McCarthy is the person who explored 4P's of Marketing mix in 1960.

Lazer and Kelley (1961) referred that Marketing Mix includes all the program efforts that adapt to the market environment (Lazer & Kelley, 1961). In the late 70's it was widely acknowledged by Marketers that the Marketing Mix should be updated. This led to the creation of the Extended Marketing Mix in 1981 by Booms & Bitner which added 3 new elements to the 4 P's Principle. People, Physical evidence and Process are some main elements which contribute to complete marketing mix model and are very useful for service in general and convenience store in particularly (Booms & Bitner, 1981).



Figure 2-3 Marketing Theories - The marketing mix from 4P's to 7P's | Professional Academy

Booms and Bitner (1981) defined 7Ps of the marketing mix as follows:

Product - Categories of value by both tangible and intangible which are provided to a customer. It involves introducing new products or improving the existing products. Price - Pricing must be competitive and must entail profit, the pricing strategy can comprise discounts as well (Hsuan, 2011).

Place is the managerial decisions on where services and product should be provided to consumers and it may include electronic/physical distribution channels (Yasanallah & Vahid, 2012).

Promotion is sending a persuasive message about a particular product to customers (Mohammad et al., 2012). Promotion includes the variety of ways to communicate and attract customers to company offer (Hsuan, 2011).

People - This refers to all staffs who involve in this process. Thorsten (2004) opines that customer orientation of service employees is a key driver of customer satisfaction. The interaction of employees and customers create good customer satisfaction (Mohammad, 2015).

Processes - It refers to the methods and process of providing a service. Yasanallah and Vahid (2012) explored that procedure management ensures availability and sustainable/proper

quality of services. The task and role of this component of the marketing mix are to balance service demand and supply.

Physical (evidence) - It refers to the experience of using a product or service (Hsuan, 2011). In this research, the theory of Marketing mix 7Ps is applied as the theoretical framework reference to analyze case study 7-Eleven to identify this successful business model in Taiwan and try to withdraw some lessons to apply in Vietnam' retail market.

2.5 Theoretical Framework – The Theory of Convenience

The idea of convenience was first introduced into marketing by Copeland in 1923. Convenience was understood as time savings in purchasing goods. The underlying hypothesis of most of these studies present the more constraints on consumer's time, the more likely they will be to use convenience products or services (Yale & Venkatesh, 1986). Connaway, Lynn, Timothy J. Dickey, and Marie L. Radford (2011) explored that Convenience is a situational criterion in people's choices and actions during all stages of the information-seeking process. The source of information they chose, their satisfaction and time spending are considered as the concept of convenience. The research from Lynn Silipigni Connaway et al. (2011) also proved that convenience is a factor for making choices in a variety of situations, including both academic information seeking and everyday-life information seeking, although it plays different roles in different situations (Connaway et al., 2011).

Convenience is the reason attractive most to Taiwanese in a dynamic life. Taiwan has the highest per capita density of convenience stores, according to Euromonitor Report (2012). Convenience store chains can be found in everywhere – city or countryside – and the integrated service is why Taiwanese nowadays consider convenience store as familiar to their life rather than another channel. 7-Eleven is used as a case study to analyze because of its impressive convenience, it is considered as the most successful business model in the retail industry (Euromonitor Report, 2012)

2.6 E-commerce Shopping Stimulation and Omni-Channel Retailing (OCR)

A good case study is 7-Eleven partnering with Amazon to offer locker services in select stores in North America. Customers in US and Canada who either do not want or cannot have packages left on their steps or are traveling can arrange to have their online purchases delivered to these lockers for later retrieval. It is too soon to tell if this is worth investment as

it does take up space in stores although some outlets can place lockers outside the store, but convenience stores and forecourt retailers will need to experiment to integrate themselves with e-commerce (Malison, 2016).

That is the reason why E-commerce shopping stimulation now plays an important role to convenience store chains, like 7-Eleven is a business model which is strongly in communicating with customers by e-commerce shopping. It will be made clearly in the 7-Eleven case study analysis below, however in this research E-commerce will be researched as an impressive element in the retails online sale development. Michael Ellis agreed that E-commerce has made shopping more convenient, bricks and mortar developers are focusing on enhancing the convenience of shopping centers as well (Ellis, 2016). The combination between E-commerce and retails industry is the best solution to lead customers to amazing experiences. Features like buy something through one click, new choices update day by day with detail information, as well as available fresh food and goods in 24/24 hours. These allow consumers fit the pleasure of real-world shopping into their increasingly busy life.

E-commerce tools like selling on the mobile platform, apps, websites, emails, customer loyal card, are showing up in-store and helping sales associates and managers do their job more efficiently. Jim Okamura, managing director of Okamura Consulting, discusses how to explore the Omni-Channel Retailing (OCR) opportunities for convenience stores. He mentioned, “smart retailers are also thinking about how to drive the front-end sale and serve the customer after the sale happens” (Jim Okamura, 2015). By using All-in-one marketing model which is called Omni-Channel Retailing, the combination between E-commerce and convenience store, it will create the new foundation for service quality in retails sector (Connie, 2000). With the Wikipedia definition, Omni-Channel Retailing is the evolution of multi-channel retailing but is concentrated more on a seamless approach to the consumer experience through all available shopping channels, i.e. mobile internet devices, computers, bricks-and-mortar, television, radio, direct mail, catalog and so on.

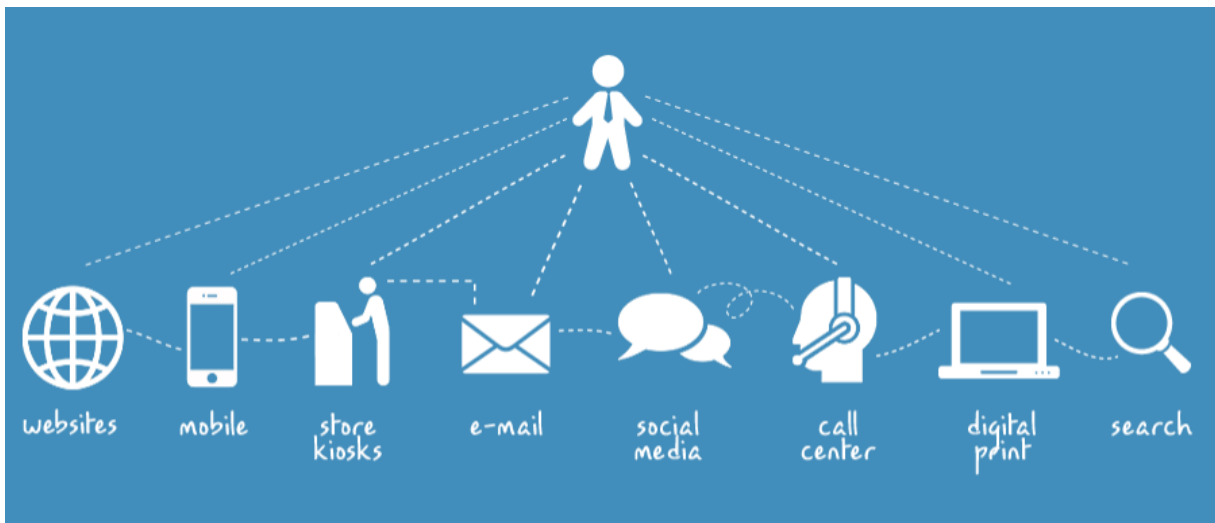


Figure 2-4 E-commerce Shopping Stimulation and Omni-Channel Retailing (OCR)

The advent of new digital and specifically mobile channels has resulted in another disruptive change in the retail environment (Xu et al., 2014). Similar to what we have seen with the online channel development, researchers have investigated the effect of the use of mobile channels and specifically mobile apps on performance (Xu et al., 2014). Compared to the multichannel phase, Omni-channel thus involves more channels. An important additional change is that the different channels become blurred as the natural borders between channels begin to disappear. According to these authors, new channels will break down old barriers such as geography and consumer ignorance. It will become critical for retailers and their supply-chain partners in other industries to rethink their competitive strategies (Peter, 2015).

CHAPTER THREE

METHODOLOGY

3.1 Case Study Methodology

The convenience store business model is the main content of this research, for making it highlight impressing, a case study analysis is considered as the major methodology to prove this. In the past few years, a number of books have been published that give useful guidance in conducting qualitative studies (Gummesson, 1988; Cassell & Symon 1994; Miles & Huberman 1994; Creswell, 1998; Denzin & Lincoln 2000). One approach often mentioned is the case study (Yin, 1989). Case studies are widely used in organizational studies in the social science disciplines of sociology, industrial relations, and anthropology (Hartley, 1994). Grassel and Schirmer (2006) explored that case study method is applied in many sectors and disciplines. Sociology, Law and Medicine are public sectors using a case study to research. According to Zaidah (2007), case study method has used extensively and particularly in education, management and government.

Many authors in some last research try to clarify the concept of a case study have often lead to a definitional jumble (Gerring, 2004). Mesec (2008) referred that analysis of a case with the purpose to identify the structures in the situation in order to assess successful model in business. Simons (2009) considered that a case study based on a critical review. He referred that case study is an in-depth exploration from multiple perspectives of the complexity and policy, institution, program, uniqueness of a particular project or system in a 'real life' (Simons, 2009).

Christine (2001) referred that a study consists of detailed investigation of one or more organizations, or groups within organizations, with a view to providing an analysis of the context and processes involved in the phenomenon under study. Gummesson (1988) argued that an important advantage of case study research is the opportunity for a holistic view of the process: "The detailed observations entailed in the case study method enable us to study many different aspects, examine them in relation to each other" (Gummesson, 1988).

Zainal (2007) discussed that one of the reasons for the recognition of case study as a research method because of the limitations of quantitative methods in providing holistic and in-depth explanations of the social or strategies or activities in a business model. Through case

study methods, a researcher is able to go beyond the quantitative statistical results and understand deeply the model (Zainal, 2007). Case study analysis plays an important role in explaining both the process and outcome of a phenomenon through complete observation, analysis of the case under investigation.

Since case study method receives criticism in terms of its lack of robustness as a research tool, crafting the design of case studies is of paramount importance (Zaidah, 2007). The object of this research is figure out the opportunities and challenges of expanding the convenience store chains in Vietnam market by analyzing case study 7-Eleven – the most successful convenience store model in Taiwan. By adopting Case study methodology and theoretical framework as the theory of convenience; Marketing 7Ps mix; Omni-Channel retailing in research process, this method provides the opportunity for holistic view of process. The detailed observations during case study analysis enable us to research many different aspects, examine them in relation to each other. Moreover, Case study 7-Eleven analysis also allows us understand in-depth explanations of the phenomenon's situation as strategies or activities in a business model. Base on the theoretical framework application in this case study, this research adopts theoretical purpose such as the theory of Marketing 7Ps mix, the theory of Convenience and Omni-channel retailing in order to assess the performance of phenomenon or successful model in business of 7-Eleven.

3.2 Case Study 7-Eleven Introduction

Over the past 50 years, Taiwan economy had an intense transformation from agriculture-based into an industrial national. Certainly, getting great successful as now, Taiwan has gone through and overcome the challenges which Vietnam is experiencing at the present time. Prior to the liberalization, mom-and-pop shops (grocery stores) were the dominant retailers. However, in the intense competition between grocery stores and convenience stores, several years later, the convenience store chains have marked the success of the modern market by spreading every corner. There are over 10,148 convenience stores in Taiwan with the high density 2,300 people per store (Almanac, 2015). Beside the judicious decision of Taiwan government, the convenience store chains have also had their own marketing strategies to dominate the market. 7- ELEVEN is highly appreciated as a case study to learn from. In Taiwan, 7-Eleven is owned by President Chain Store Corporation under Uni-

President Enterprises Corporation (UPEC). The first 7-Eleven in Taiwan opened in 1980. 7-Eleven is the most popular convenience store in Taiwan, with 4,992 stores as at the end of 2013 and more than 5,000 stores in 2015. UPEC is considered as the great international company which provides food and beverages in Taiwan. It is also responsible for running Starbucks, Mister Donut and Carrefour in Taiwan. In addition, Uni-President has operations in Canada, China, Thailand, Vietnam, and the United States (Chang, 2014). Research about Taiwan's symbol of success 7-Eleven is considered as a special experience, because of analyzing this case study, the whole picture of Taiwan's retail market will be shown more deeply.

This research has an opportunity to explore the secret of success in expanding more than 5,000 convenience store chains around Taiwan. Some issues will be analyzed in this case such as exploring the success of 7-Eleven in different franchise strategy: Owner Strategy; their human resource management; their marketing strategy and brand strategy; Long-term business development plan and shopping stimulation and Service convenience. In the discussion main part of this research, the author is going to apply the theory of Marketing 7Ps mix in case study 7-Eleven analysis to understand the Taiwan top one successful convenience store, after that Marketing 7Ps mix is also used for giving some solution for developing convenience store model in Vietnam market. Moreover, in this thesis, the author's knowledge, and observations are also utilized to analyze the market, predict the trends and come to specific solutions for assisting sustainable development in the future. The Omni-Channel Retailing (OCR) theory and application are also mentioned the combination between E-commerce, multi-channel retailing and convenience store chains. The Omni-Channel Retailing and 7Ps Marketing mix, the theory of convenience become the frame references to figure out some solution for revenue guarantee and brand awareness, customer satisfaction in retails sector.

CHAPTER FOUR

CASE STUDY 7-ELEVEN DISCUSSION

Taiwan economy had an intense transformation from agriculture-based into an industrial national. According to a report about Taiwan's grocery retail trends, one of the great innovations is the “Service Industry Foreign Investment Capital Liberalization Measure” which was passed by the government in May 1986. No longer any limits on the type of retailer or outlets, scale or capital investment. This move by the government brought many foreign operators into Taiwan quickly, which led to this sector being one of the most developed and modernized in Asia (Agriculture & Agri-food Canada, 2013). Prior to the liberalization, mom-and-pop shops (grocery stores) were the dominant retailers. However, in the intense competition between grocery stores and convenience stores, several years later, the convenience store chains have marked the success of the modern market by spreading every corner.

The transnational and international service industry came to Taiwan since 1970. It made a new enormous consumption styles for Taiwanese, 7-Eleven, Family Mart, Hi-Life and OK are known as some impressed convenience store chains in Taiwan (Hsieh, 2005). As the numbers are provided in 7-Eleven annual report 2015, 7-Eleven is leading the market share with the domination of 5,028 stores, followed by Family Mart with 2,972 stores.

Table 4-1 *Number of Stores Record in 2015 / 7-Eleven Annual Report 2015*

	7-Eleven	Family Mart	Hi-Life	OK	Total
Numbers of Stores	5,028	2,972	1,286	862	10,148

For maintaining this great success sales record in the intense competition, 7-Eleven certainly have its own strategies in marketing and business model to dominate the market. By adopting the theoretical framework during this research, 7-Eleven will be considered as a case study to analysis and explore the “know-how” successful factors of this convenience store brand.

4.1 Success in Organization and Franchise Strategy – 7-Eleven Taiwan (Process Factor)

According to the 7-Eleven Annual report was published in April 2016 by Taiwan Stock Exchange Market Observation Post System, 7-Eleven was established by President

Chain Store Corporation (PCSC) in 1978. In 1997, listed on the Taiwan Stock PCSC Exchange, at the same time, the joint venture of Starbucks Coffee President Corp. (Starbucks Taiwan) was established. PCSC has been considered as one of the Top 250 Global retailers in 2015. 7-Eleven has not only ranking first in the convenience store category of Commercial Times' 2015 Taiwan Service Industry Awards but also receiving the highest ranking in the Retailer and Logistic and Categories (7-Eleven Annual Report, 2015)

Over the past two years 2014-2015, the segment revenues and proportion of overall business, convenience store chains reach approximately NT\$133 billion, rank the highest revenues compare to other segments. In 2015, 7-Eleven's revenue increasingly compares to 2014 (Nielsen, 2016). This data shows the domination of 7-Eleven not only in comparison to another brand names but also within segments in its owned company.

Table 4-2 *Segment Revenues and Proportion of Overall Business over The Past Two Years*

Unit: NT\$ 1,000

Segment	Revenue and proportion of overall business			
	2014		2015	
	Revenue	%	Revenue	%
Convenience stores	130,407,662	65.06%	132,826,599	64.64%
Retail Business	57,525,919	28.70%	59,938,346	29.17%
Logistics Business	2,323,032	1.116%	2,233,152	1.09%
Other Operating Segments	10,181,766	5.08%	10,483,260	5.10%
Total Consolidated Revenues	200,438,379	100%	205,481,317	100%

For supporting 7-Eleven with all kind of resources and effort, PCSC designed their organization logically and closely. The organization chart was divided into some departments:

- **Office of the President:** Responsible for Administration of strategic planning and corporate management.
- **Retail Business Group:** Responsible for Development and management of retail business
- **Operation Group:** Responsible for Operation and planning of 7-Eleven stores.
- **Marketing Group:** Responsible for 7-Eleven Taiwan product development and marketing strategy planning.

- **Administration Group:** Responsible for Management and planning of back office resource integration and public affairs.
- **Finance Office:** Responsible for Management and planning of financial and accounting affairs, tax affairs and investor relations.
- **Internal Audit Office:** Responsible for Management and implementation of internal auditing and the internal control system.
- **Occupational Safety Office:** Responsible for Management of staff health.
- **Ethical Operations Team:** Responsible for Promotion of ethical policies
- **China Business Group:** Development and management of investment in China.

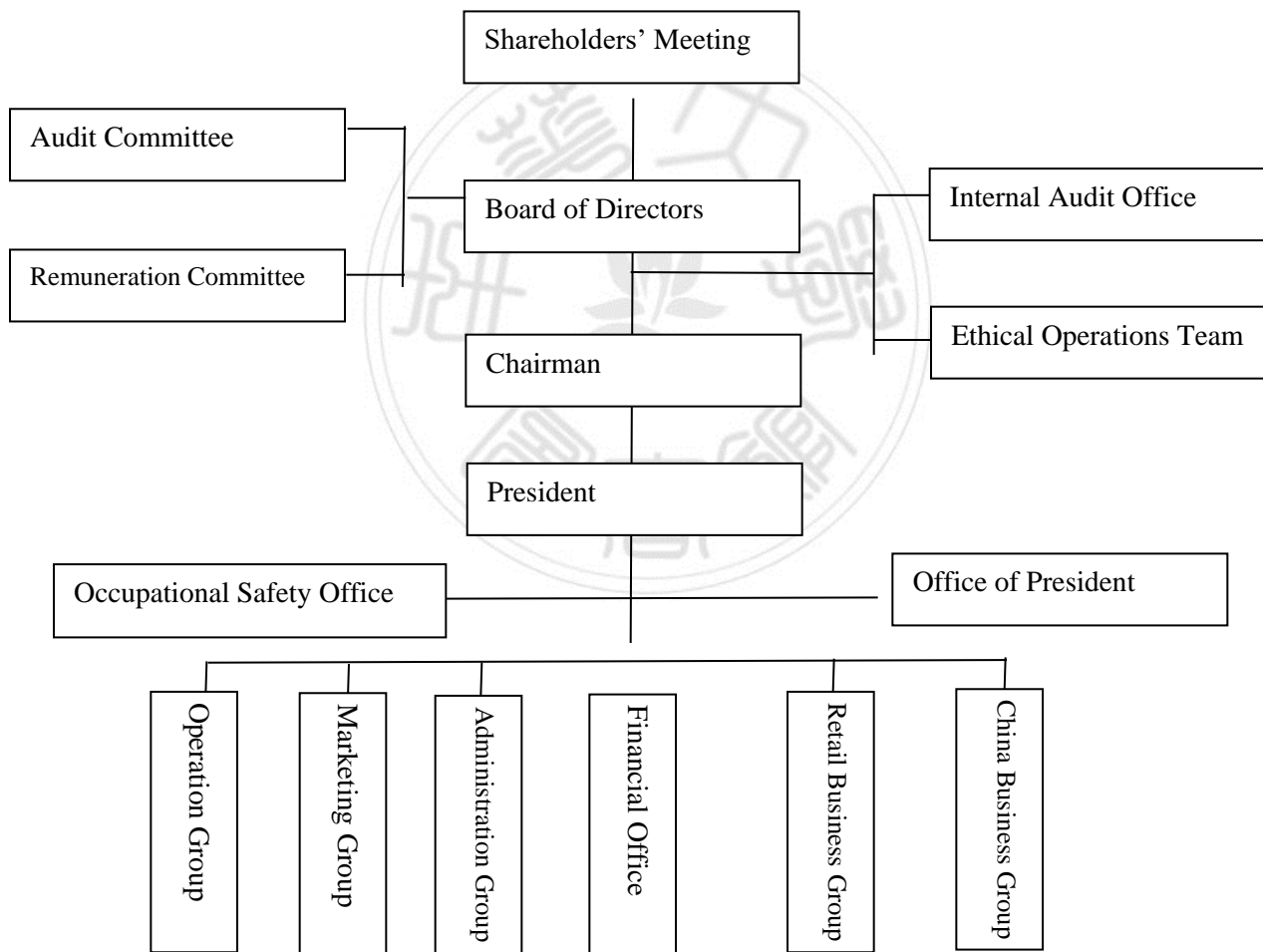


Figure 4-1 The Organization Chart of President Chain Store Corporation

Moreover, PCSC has established a large of affiliated enterprise to support to 7-Eleven' domination strategy. Unit-President Enterprise Corporation responsible provides the variety of drinks, fresh food, snacks, coffees, daily commodities (Wang, 2008). To ensure food safety, PCSC associated with many organic farms and supported directly to 7-Eleven. Moreover, almost products are controlled by many examinations of quality control laboratory to offer customers comprehensive protection. A large of organic vegetables have provided in 7-Eleven convenience store chains because of cooperating with Formosa organic farms.

President Starbucks Coffee Corp was established to help 7-Eleven develop the City Cafe brand by improving coffee quality and flavor. In 2015, with their efforts, NT\$10 billion in revenues in selling coffee. On the other hand, MUJI, Duskin also go through strategic partnerships with 7-Eleven and meet varying customer demand over the country. The reason why 7-Eleven always has cosmetics products available and sensitively update hot trends because President Drugstore Business Corp. (COSMED) also is a brand of PCSC. COSMED launched many stores with their renovations and efforts to offer customers professional advice for shopping cosmetics experience (7-Eleven Annual Report, 2015).

Both Seven-Eleven and Family Mart share the same goal. They recognize that convenience store chains should serve consumers and should abide by such values as convenience, speed, simplicity, cleanliness, safety and security. Moreover, they consider franchising to be the best way of familiarizing customers with convenience store chains. However, they follow different strategies for realizing their ambitions (Sato, 2007). Family Mart's strategy for internationalization is to establish a joint venture with local capital holding the minority of the stock. Family Mart instructs its partner in the concepts, systems and know-how of convenience store chains management and together, the two partners accommodate these aspects to local conditions (Wang, 2008). Once the business base is consolidated, Family Mart entrusts management of the joint venture to its partner. Family Mart has adopted a team management strategy while Seven-Eleven has chosen a managing-alone strategy. Seven-Eleven has a strong confidence in its business model which has been constructed and produced remarkable performance in Japanese Market. Therefore, it preferred managing the subsidiary alone based on the model to modifying the model in cooperation with other firms (Sato, 2007).

According to Franchise.7-eleven.com, with owner strategy in franchise, 7-Eleven respects owner model for each franchise based on the maximum supporting. As a new 7-Eleven Franchisee, becoming a part of a great brand that's known and loved around the world with more than 56,000 stores located in 17 different countries around the world (PCSC, 2016). The 7-Eleven franchise will be taken care of real estate, zoning, store build-out and equipment installation. Throughout the entire process, a 7-Eleven franchisee will be answered all questions, offered advice and supported maximum in the franchise journey. A 7-Eleven Field Consultant will provide advice for regarding the day-to-day details and challenges you face in running your business (Franchise.7-Eleven.com, 2016). The lesson can learn from 7-Eleven's supreme strategy is absolutely franchise model with owner strategy and professional process, parallel to the maximum supporting from the mother company throughout franchise process (Hing, 1995). Moreover, the power of supported resources from PCSC by a large of affiliated enterprise which provides a variety of categories to 7-Eleven also improve the competitive advantages of 7-Eleven. Professional in process management system also proves the art of doing a business of 7-Eleven.

4.2 Marketing Strategy

4.2.1 Brand Strategy

In its international expansion, the 7-Eleven is an enormous commercial success in Taiwan. When the company first enter into Taiwan, it franchises deal with the biggest local food conglomerate PCSC. This is a good trial because that local company has sufficient money and experience in Taiwan (Zhang, 2010). Although 7-Eleven franchise with the owner strategy, the corporate really pays attention to brand name. The company takes the standardization of business format, including the logo, location, store's layout and merchandising. Standardization can improve brand identity (Hing, 1995). Furthermore, as a retail brand, the company uses the franchising route can lessen capital outflow and shorten managerial time spent in monitoring operation (Zhang, 2010). It's an intelligent strategy to expand 7-Eleven brand all over the world.

4.2.2 Short-Term Operating Strategy and Long-Term Business Development Plan

According to the Annual Report of 7-Eleven 2015-2016, 7-Eleven sets up the short-term operating strategy including (1) Continue to integrate stores into existing shopping

districts and establish a competitive niche with large format stores. (2) Strengthen individual store autonomy to create advantages through differentiation. (3) Further, integrate virtual and brick and mortar operations to create more virtual service opportunities. (4) Use the stable foundation of our core services to provide the strength for mid to long-term development. On the other hand, the long-term business development plan includes: (1) Maintain a stable franchise model, to create a win-win situation for both PCSC-7-Eleven and franchisees (Hing, 1995). (2) Implement value marketing and create differentiated services. (3) Implement "lean operations" to use resources to their fullest. (4) Integrate the Group's resources and seek stable profits. (5) Actively nurture talent, to ensure sustainable operations. Through short-term and long-term strategy in annual report 2015-2016, 7-Eleven continuously focus on "Convenience" by improving the franchise strategy individually, creating advantages through differentiation, add on more virtual service to give consumer integrated experience (7-Eleven Annual Report, 2015).

4.3 Human Resources Management (People factor)

Four main perspectives on human resource strategy are reminded in the literature. The design perspective is basic and the most important one. The processes and change perspective makes human resource as professional agents. The increasing important view of a market and evolution let human resource strategy play a role in cost reduction. The embedded system perspective pays attention to how human resource strategy is applied in business systems. (Martin & Hetrick, 2006). Therefore, adopting the theory of marketing 7Ps mix in this research to analyze case study 7-Eleven, the author explores that PCSC seriously pay attention to build up and improve the human resources (People factor) and 7-Eleven is considered as a powerful evidence for this successful management (Julian & Cheng, 2009).

The data about staff education show the qualification of employees in 7-Eleven in particular and in PCSC in general. In 2016, 65.26% employees work in this company have graduated from the university. In accordance with the Group's core values, 7-Eleven has developed training programs for various positions within the organization to build employee skills and standards (Hing, 1997).

Table 4-3 *Staff Education / 7-Eleven Annual Report, 2015*

Year		2014	2015	April 30, 2016
Numbers of Employees	Store Employees	10,662	12,365	12,582
	Management	3,894	4,263	4,450
	Part-time	14,984	15,878	14,976
	Total	29,540	32,506	32,008
Average Age		32 years old	32 years old	32,3 years old
Average Years of Service		5,6 years	4,9 years	5.0 years
Education Level (as a % of the total)	PhD	0.0%	0.04%	0.03%
	Master	82.1%	9.17%	8.49%
	Bachelor	66.41%	66.88%	65.6%
	High school	22.51%	22.11%	23.86%
	Junior high school and below	2.86%	1.81%	2.36%

Note: The information above includes PCSC and its subsidiaries.

For the basic level of staff, 7-Eleven let employees draw up a "Personal Development Plan" together with their immediate superiors based on each employee's education, experience, work requirements, performance evaluation results and career development needs to map out the most suitable training sequence. Moreover, 7-Eleven give their employees a goal and a plan which will encourage disciplined learning and growth to ultimately enrich their professional knowledge and skills. For the staff with high level, 7-Eleven set up some programs to help them strengthen their performance and abilities, ensuring they can organize and manage human systems, cooperating with their low grade (7-Eleven Annual Report, 2015).

According to the Annual Report of 7- Eleven President Chain Store Corporation was published through Taiwan Stock Exchange Market Observation Post System: 7- Eleven provides programs to develop a full range of skills. In addition to internal training, the company also participates in external training programs to further upgrade employee skills and competitiveness (Luisa, Claire & Leida, 2013). The diverse programs include lectures, events, group studies, and discussions designed specifically with the type of course and student in mind, so learning can be more alive, vivid, and effective. In addition, utilizing the latest technology, PCSC has built a digital learning platform that empowers employees to literally take education into their own hands (Christopher & Wirtz, 2011). These high-quality

online courses, available through mobile devices, can be accessed anywhere, anytime for a more convenient way to build a competitive edge.

7-Eleven has tried effort to the internal management, focused on staff training and evaluation. Three training centers are located in Taiwan such as Taipei, Taichung, and Kaohsiung. “The new staffs take training classes for the first four and a half days and one left to do retail sales practice” (Chen, 2006). As to managers' training and evaluation of promotions, “the 80% to 90% of 7-Eleven’s senior management employees were raised from the basic unit staff to be promoted” (Chen, 2006).

Table 4-4 PCSC’ Training Statistic in 2015 | 7-Eleven Annual Report, 2015

Internal Training by Operation Department				Internal Training by Headquarters				External Training			Online Training	
Training Sessions	Number of Trainees	Hours of Training	Training Expense	Training Sessions	Number of Trainees	Hours of Training	Training Expense	Number of Trainees	Hours of Training	Training Expense	Number of Trainees	Hours of Training
2,693	40,797	243,958	NT\$ 16,012,000	421	29,186	152,439	NT\$ 33,735,000	397	3,932.5	NT\$ 1,597,000	185,242	356,430

With a high investment in training programs to ask for their employees, the number of trainee attention were 40.767 people in 2014, with NT\$ 16,012,000 expense for internal training by Operation Department, NT\$ 33,735,000 expense for training by Headquarters, NT\$ 1,597,000 expense for external training, PCSC spent a lot of money to improve their employees staff qualification (7-Eleven Annual Report, 2015). According to Chen (2006), If a college graduate works for 7-Eleven as a basic level, he can improve to the vice manager position in the next three years (Chen, 2016). Employees are in the promoting way, which can maintain the sustainable management, decrease employees’ fluidity (Matsumuro, 2015). For the factor – “People” in Marketing 7Ps mix theory, 7-Eleven focus on training programs and improving the qualification for their staff, with the wise investment in human resources management 7-Eleven maintains their employees sustainable and solves the employee’ fluidity problem.

4.4 Product Variety and Price Competitiveness (Product and Price factor)

Nakul (2015) referred that these are 7-Eleven' competitive advantages in product strategy. 7-Eleven offers a very wide range of products and generate maximum revenue from food category. PCSC Group creates some affiliated company which has responsible for

providing a variety of categories for selling in 7-Eleven convenience store chains (Nakul, 2015). Moreover, they associate with other manufacturers and farmers to maintain the larger of products for 7-Eleven. In PCSC annual report, one important information is published as The structure of Taiwanese society and local lifestyles are changing. The population is aging, while people are choosing to have fewer children, marry later, or remain single, which all boost the take away food market. As awareness of food safety issues has risen, consumers are increasingly choosing organic, healthy, traceable, and branded products, so gaining public trust is of the utmost importance for any brand (PCSC, 2016).

Catching up the trend of organic consumption, 7-Eleven directly make a contract with Taiwanese farms and cooperate with Formosa Vegetable organic farms to provide a larger of organic vegetables and fresh fruits for ensuring food safety in 7-Eleven. Moreover, in product process management, many examinations of the produce from farm to table are made striving to offer their customer comprehensive protection (Minh, 2016). PCSC invested totally NT\$25,772,000 in testing fresh food products to ensure that customers can shopping with the best health protection. Almost performed tests show that goods which are provided in 7-Eleven are free from preservatives and microorganisms and packaging meets relevant standards before available on shelves (7-Eleven Annual Report, 2015). According to a research from Gianie Abdu (2013) about consumer behavior affecting consumer willingness to buy in 7-Eleven convenience store, the author explored that 7-Eleven sold those products in a higher price basis than the local stores. However, 7-Eleven still leads the market share with nearly 50%. Gianie figured that customer willing purchases in 7-Eleven even though the price is expensive is because of being fulfill their social needs. (Abdu, 2013).

4.5 The Domination of Location and Physical Evidence (Place and Physical Factor)

At the end of 2015, 7-Eleven is continuously leading convenience store chains in Taiwan with the domination of 5028 stores, hold 49.6% in the market share. In recent years, 7-Eleven has continued to strengthen the operational capacity of individual stores, while increasing their autonomy to best drive growth through efficiency (PCSC, 2015). As boundaries blur in the retail industry, operations will inevitably face more difficult challenges, however, 7-Eleven is still confident in expanding their store chains by having their own franchise strategy.

Success in 17 different countries around the world, the number also shows the respectable capacity of 7- Eleven in researching market. Market research is an important key to help 7- Eleven to dominate Taiwan's convenience store market by expanding more and more stores in other competitive location. Market research is used to appreciate placement whenever 7-Eleven has a plan to open a new store. 7-Eleven also researches what kind of solution to reduce expense and increase benefit both customers and corporation. Moreover, the central construction is also one of 7-Eleven's geographical strategies (7-Eleven Annual Report, 2015). It will consider four major effects from central construction that is decreasing the budget of advertising, increasing the image of the business, being controlled better and the quality would be better, and increasing the efficiency of delivery and decrease the amount of money and time spend on it (Chen, 2006). The residential area is more stable for stores' profit. 7- Eleven always set in the consumers' daily routes such as on the way of going to the work or school, parks and always investigate the market deeply, to control usefully the business operation. Yuwei Shi (2015) referred that the location strategy of 7-Eleven is operating stores only in high-density urban areas. It helps the company save expense not only in transportation but also brand and product promotions (Shi, 2015).

For providing the best physical experience to customer, PCSC spend a lot of investment fund related to environmental protection total NT\$920 million which comprises (1) environmentally-friendly packaging and testing costs of NT\$290 million (2) energy and carbon emissions reduction activities and installation of inverter air conditioning units in stores costing NT\$160 million (3) environmental cleaning, greening, and waste handling expenses of NT\$260 million (4) installation of environmentally-friendly equipment in stores and green procurement costs of NT\$130 million (5) environmental advocacy and CSR activities totaling NT\$70 million (7-Eleven Annual Report, 2015). Other ongoing initiatives include more advanced food safety management, plasticizer and pesticide testing, reduced paper use, recycling at stores. It shows the strong effort of 7-Eleven in protecting consumers in a green environment and improve the physical shopping experience by using the modern channels.

4.6 Success in Promotion and Convenience Services (Promotion factor)

As a research from Gianie Abdu which is mentioned above, with the same product categories, 7-Eleven provides with the higher price, compares to another convenience stores. However, customers still willing purchases in 7-Eleven because of fulfilling their social needs (Abdu, 2013). 7-Eleven applies a promotion concept which provides the convenience and integrated service to customers. In addition to focusing on a high - quality store network and increasing sale point with distinct retail formats in Taiwan, 7- Eleven also scores with integrating services convenience to allow customers shopping more flexible. Stores open 24 hours every day, free wifi and having an ATM machine to withdraw money. It's very useful for both citizen and foreigners. 7-Eleven stores also provide photocopy service as well as faxes and photo development. Especially, there are so many kinds of food, beverage, newspaper, magazines and other sundries. Saving time and convenient shopping are becoming trends in the developing country (Hennig, Gwinner & Gremler, 2002). Non-stop in developing, 7-Eleven has just teamed up with MYDAY online overseas shopping service and Gogoro, a brand of battery powered motorcycles. Nowadays, customers can pick up their MYDAY purchases or recharge their Gogoro battery at the local 7-Eleven. A wider variety of thoughtful services 7-Eleven tries to give consumer (7-Eleven Annual Report, 2015).

However, due to tightly wages, the Taiwanese public's shopping habits tend more and more towards make a plan for shopping rather than spontaneous purchases. They are influenced on shopping decision because of friend recommendation and information searching on the social network or internet. According to an annual report of 7-Eleven 2015, this company spent a lot of time to research consumption behavior and is looking to capitalize on these new trends. After that, 7-Eleven frequently created some promotion campaigns and innovative business opportunities to stimulate customer shopping as such as creating a loyalty community on social network, discount for using 7-Eleven card, quality and price of private labels, online shopping, products targeted at the elderly, healthy foods and beverages, and take away foods and other products to meet the needs of Taiwan's singles, which all have great potential (7-Eleven Annual Report, 2015). 7-Eleven also introduced a point donation service that enables members to give away their points to other members. This new method of gift-

giving can also help to increase the liquidity and use of loyalty points (7-Eleven Annual Report, 2015).

4.7 Ecommerce shopping stimulation

According to keep up with the ever-changing consumer marketplace and new purchasing trends, 7-Eleven continuously invests in R&D to develop the monitor new technologies and integrate the Group's resources to utilize their vast network of stores, excellent logistics, and cash flow systems, and years of operational know-how to best take advantage of these new developments (Minh, 2016). 7-Eleven convenience stores offer value added services by taking advantage of the latest digital technology and offering their services and customer promotions via mobile phones, laptops and home computers (PCSC, 2015). Paying any kind of bills and buying tickets. Utility bills (electricity, gas, water, cell phones, the internet) can be paid at any convenience store (Christopher & Wirtz, 2011).

Moreover, the online shopping will be stimulated rapidly by ordering and receiving in the nearest 7-Eleven store. Since 2012, 7- Eleven develops some exceptional services as QR Code mobile shopping; E- greeting card (create a personalized e-card for a special someone); Enjoying with 7-WiFi with unlimited data, 7- Eleven is considered to lead the competition and have attracted many new customers. In 2015, a total of NT\$149,711,000 as spent on R&D and system upgrades (PCSC, 2016). 7-Eleven also made the IBON software upgrades to ensure a clear, intuitive user interface and have extended the IBON mobile app barcode scanning feature, so users can first use their mobile device to confirm then visit their local store to complete the action.

After the research of 7-Eleven which is considered as the most successful convenience store in Taiwan, the core values can be learned from 7- Eleven such as: The difference in franchise strategy - owner strategy with devoted supporting from 7- Eleven Corporation; The detailed internal business management and human resource management make the employees understand their responsibilities which increase the efficiency of each store (Hing, 1995). Moreover, 7- Eleven judiciously invest developing E-commerce and IT platform to stimulate shopping. The convenience services are also focused on helping customers saving time and having perfect shopping experiences (Connie Ling, 2000). 7-Eleven is considered as a symbol of success because of its marketing strategy. The perfect step

of research market has also helped 7-Eleven not only reducing cost but also having strategic competitive positions with beautiful frontage (Hennig, Gwinner & Gremler, 2002). Brand strategy, promotion policies, short-term operating strategy and long-term business development plan are clearly prepared step by step. It is a tight process which is clearly written in the internal documentation of 7-Eleven (Hsuan et al., 2011). Moreover, the large number and variety of foods and products from Uni-President Enterprise Corporation (UPEC) are also support to the success of 7-Eleven. From 7-Eleven story, the Vietnam retailers will have more sharp observations to prepare for the intense competition of convenience stores in the next several years. The convenience store industry in Taiwan is highly competitive. However, by capitalizing on advantages and rapidly evolving to meet needs, 7-Eleven always can reach Top one convenience store chains in Taiwan. According to the latest 7-Eleven Annual Report, top major competitive advantages of 7-Eleven can be listed such as:

(1) Positive corporate image and good brand reputation. (2) The capacity to rapidly develop new products (services) to meet customers' changing needs and use integrated marketing techniques to promote them. (3) Comprehensive channels favorable to successful product research, development, and sales. (4) A comprehensive logistics support system and an ever more seamless supply chain. (5) Strong IT platform and infrastructure with high potential for further development to meet the needs of consumers and effectively create new business opportunities. (6) First-rate franchise model. (7) The Group has significant resources that can be integrated and shared among members (PCSC, 2016).

Research about Taiwan's symbol of success 7-Eleven is considered as a special experience, because of analyzing this case study. This research explores the secret of success in expanding more than 5,000 convenience store chains around Taiwan. In the final part of this research, the opportunities and challenges of Vietnam's convenience store and the development trend will be discussed. Vietnam retail market is promised to become a destination business for expanding convenience store chains.

CHAPTER FIVE

THE OPPORTUNITIES AND CHALLENGES OF VIETNAM'S CONVENIENCE STORE CHAINS

Kahveci and Meads (2008) referred that SWOT analysis which has been used extensively in many sectors to discuss both internal and external factors (Kahveci & Meads, 2008). Wayne Gretzky (2010) provided a definition that using SWOT to analysis an organization's internal strengths and weaknesses, its opportunities and the threats external environment presents to its survival (Gretzky, 2010). The aim of SWOT is a consideration between internal and external factors, maximizes the potential of the strengths and opportunities while minimizes the impact of the weaknesses and threats. (Thao & Tam, 2015). In this research, the author prefers applying SWOT analysis to figure out the Strength; Weakness; Opportunities; Threats for convenience store investment in Vietnam market.

5.1 SWOT Analysis – Strengths

Wayne (2015) referred that traditional SWOT analysis views strengths as current factors that have prompted outstanding organizational performance. Strengths are an organization's own competencies that place it in a better position than its competitors or likely to put it to success (Hing, 1997). Identifying strengths is important for the organization as it allows them to exploit or take advantage of and further implement these strengths (Nga & Au, 2015). By analysis Vietnam market's strengths, the author will base on these and Figure out the opportunities for convenience store development in Vietnam market.

5.1.1 Economic Development

According to the edition 2016-2017 of the Global Competitiveness Report which published by the World Economic Forum, Vietnam is the 60 most competitive nation in the world out of 138 countries. Vietnam scored 4.31 points out of total 6 points in 2016 and the averaged competitiveness rank is 4.17 from 2007 to 2017 (World Economic Forum, 2016). The country's macro economy was stabilized and major balances were basically ensured in the first nine months of this year, Prime Minister Nguyen Xuan Phuc said at the opening of the second session of the 14th National Assembly on October 20, the competitive economic and socio-economic development also the most reason which attracts the foreign investment to

Vietnam market (Phuc, 2016). This and figure 5-1 also show the competitiveness of economic performance, because of a stable political regime with leadership committed to achieving socio-economic development. 4.8/6 points Institution; 5/6 points Macro environment are some indicators prove to this conclusion.

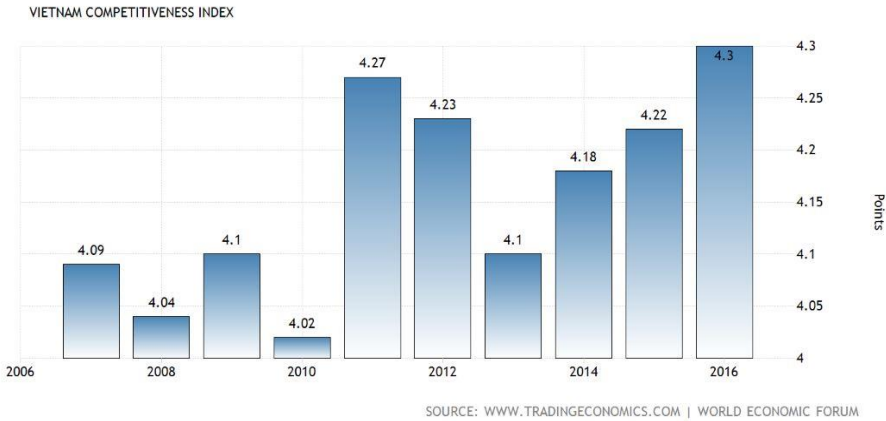


Figure 5-1 Vietnam Competitive index | World Economic Forum, 2016

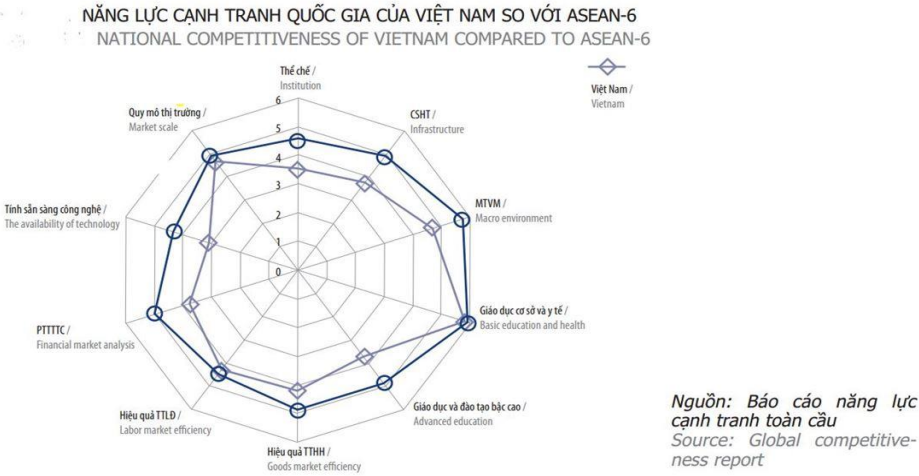


Figure 5-2 National Competitiveness of Vietnam compared to ASEAN-6 | Global Competitiveness Report

Moreover, both Basic education and health and Advanced education also reach the high competitive rank with 6/6 points and 4/6 point according to National Competitiveness of Vietnam compared to ASEAN-6. This number shows a substantial national education effort, good advanced education performance, and health issues. Vietnam is a potential market for any business because of import and export strengths in a range of sectors and attractiveness for

investment by multinational enterprises (The World Bank, 2016). Some indicators in the Figure below will clarify this judgment. According to the data collection from Vietnam General Statistics Office, the GDP Annual Growth Rate averaged 6.47 % from 2000 until 2016 (GSO, 2016). The Gross Domestic Product (GDP) in Vietnam was worth 193.60 billion US dollars in 2015. The GDP value of Vietnam represents 0.31 percent of the world economy. GDP in Vietnam averaged 59.88 USD Billion from 1985 until 2015, reaching a high of 193.60 USD Billion in 2015 and a record low of 6.30 USD Billion in 1989 (World Bank, 2016).

Vietnam GDP	Last	Previous	Highest	Lowest	Unit	
GDP Growth Rate	6.40	5.78	8.46	3.14	percent	[+]
GDP Annual Growth Rate	6.40	5.78	8.48	3.12	percent	[+]
GDP	193.60	186.20	193.60	6.30	USD Billion	[+]
GDP Constant Prices	2070880.00	1292968.00	2875856.00	480455.00	VND Billion	[+]
Gross National Product	3433515.00	3102553.00	3433515.00	39284.00	VND Billion	[+]
Gross Fixed Capital Formation	1033780.00	938400.00	1033780.00	5495.00	VND Billion	[+]
GDP per capita	1684.87	1596.35	1684.87	389.42	USD	[+]
GDP per capita PPP	5668.00	5370.21	5668.00	1501.14	USD	[+]
GDP From Agriculture	471971.00	295890.00	713381.00	15362.00	VND Billion	[+]
GDP From Construction	156435.00	93624.00	228102.00	3432.00	VND Billion	[+]
GDP From Manufacturing	453524.00	287569.00	687401.00	20005.00	VND Billion	[+]
GDP From Mining	235921.00	148434.00	445373.00	8712.00	VND Billion	[+]
GDP From Public Administration	106138.00	94402.00	261439.00	10.00	VND Billion	[+]
GDP From Services	1269694.00	770847.00	1665962.00	39302.00	VND Billion	[+]
GDP From Transport	85280.00	50148.00	115447.00	3819.00	VND Billion	[+]
GDP From Utilities	173533.00	142616.00	173533.00	2.00	VND Billion	[+]

Figure 5-3 Vietnam GDP divided by sector | General Statistics Office of Vietnam

Figure 5-3 shows the GDP divided by sector and GDP from Services reach to 1.269.694 billion VND, a positive environment for the retail market and multinational investment. Vietnam present 6.3 points in 2016 rather than the United States and Japan, the highest rank among some Emerging market and Developing economies in the world growth economic outlook (IME, World Bank, United Nation, 2016).

According to the economic indicators which are mentioned above, and followed by a government report on the implementation of the socio-economic development plan in 2016 and another plan for 2017: Over the past three-quarters, inflation is curbed, the macro

economy and political are stable and are boosted growth. GDP annual growth rate is increasing with the high ranking of competitiveness. Vietnam is forecasted to become a dynamic market for attracting investment.

Table 5-1 *The world growth economic outlook 2016 / IME; World Bank; United Nation*

	WEO* (4/2016)		GEP** (1/2016)		WESP*** (2016)	
	2016p	2017p	2016p	2017p	2016p	2017p
World	3.2 (-0.2)	3.5 (-0.1)	2.9 (-0.4)	3.1 (-0.1)	2.9 (-0.4)	3.2 (-0.2)
Advanced Economies	1.9 (-0.2)	2.0 (-0.1)	2.1 (-0.2)	2.1 (-0.1)	2.2 (-0.3)	2.3 (0.0)
United States	2.4 (-0.2)	2.5 (-0.1)	2.7 (-0.1)	2.4 (0.0)	2.6 (-0.4)	2.8 (-0.1)
Japan	0.5 (0.0)	-0.1 (-0.4)	1.3 (-0.4)	0.9 (-0.3)	1.3 (-0.7)	0.6 (+0.3)
United Kingdom	1.9 (-0.3)	2.2 (0.0)	2.4 (-0.2)	2.2 (0.0)		
Euro Area	1.5 (-0.2)	1.7 (0.0)	1.7 (-0.1)	1.7 (+0.1)	1.9 (0.0)	2.0 (0.0)
Emerging Market and Developing Economies	4.1 (-0.2)	4.6 (-0.1)	4.8 (-0.6)	5.3 (-0.2)	4.3 (-0.6)	4.8 (-0.5)
Brazil	-3.8 (-0.3)	0.0 (0.0)	-2.5 (-3.6)	-1.4 (-0.6)		
Russia	-1.8 (-0.8)	0.8 (-0.2)	-0.7 (-1.4)	1.3 (-1.2)	0.0 (-0.8)	1.2 (-0.1)
India	7.5 (0.0)	7.5 (0.0)	7.8 (-0.1)	7.9 (-0.1)	7.3 (-0.4)	7.5 (-0.4)
China	6.5 (+0.2)	6.2 (+0.2)	6.7 (-0.3)	6.5 (-0.4)	6.4 (-0.2)	6.5 (-0.4)
ASEAN-5	4.8 (0.0)	5.1 (0.0)				
Indonesia	4.9 (+0.2)	5.3 (+0.2)	5.3 (-0.2)	5.5 (0.0)	5.4	5.6
Malaysia	4.4 (-0.3)	4.8 (+0.3)	4.5 (-0.5)	4.5 (-0.6)		
Philippines	6.0 (0.0)	6.2 (-0.1)	6.4 (-0.1)	6.2 (-0.1)	6.4	5.5
Thailand	3.0 (+0.5)	3.2 (0.0)	2.0 (-2.0)	2.4 (-1.6)	3.7	3.9
Viet Nam	6.3 (-0.2)	6.2 (-0.2)	6.6 (+0.4)	6.3 (-0.2)		

5.1.2 Society - Sizeable Labor Force and Favorable Demographics

Vietnam is referred as the geographical location in one of the world's most dynamic regions with a sizeable labor force and favorable demographics. According to data from Worldometers 2016, Vietnam is considered as a populous country with the stable growth birth rate and young population. Some data below also prove Vietnam to be a positive environment for international investment. The current population of Vietnam is 94,802,880 as of Friday, November 11, 2016, based on the latest United Nations estimates (United Nations, 2016). Vietnam population ranks number 14 in the list of countries. The total land area is 310,060 Km² (119,715 sq. miles) 33.6 % of the population is urban (32,247,358 people in 2016). With

the median age in Vietnam is 30.8 years, Vietnam has the large of an independent population who can make the decision by themselves (United Nations, 2016).

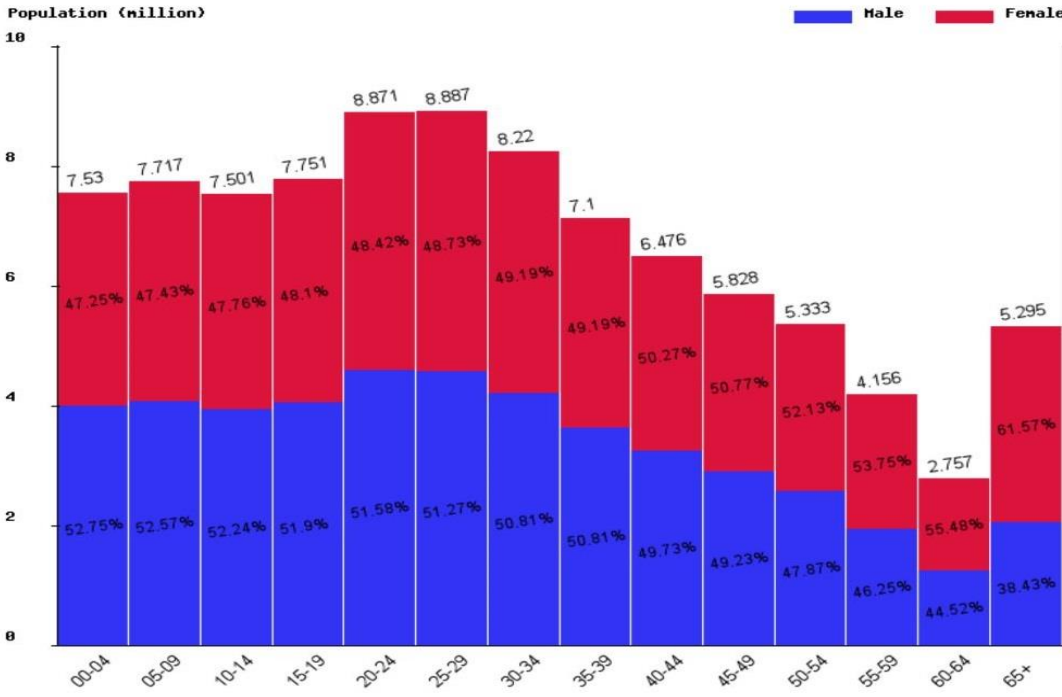


Figure 5-4 Vietnam population by age group | Live World Population



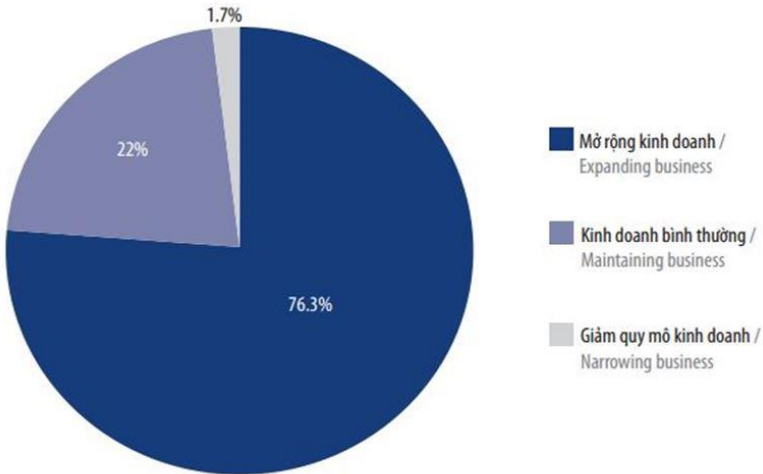
Figure 5-5 Vietnam' Demographic Breakdown | Economist Intelligence Unit

According to Economist Intelligence Unit, 70% of the population is currently aged between 15 and 64 years, and this is projected to continue to increase by 2017. This number shows the independence population and working age is approximately 70%, it will spur the demand for greater consumption (Economist Intelligence, 2013).

5.1.3 International Investment and Socio – Political Stability

Capital mobilization for development investment which is stepped during this year is also the strength of Vietnam market. In the nine-month period, the disbursement of foreign direct investment (FDI) went up 12.4 percent while around 2.7 billion USD of official development assistance (ODA) and preferential loans is also disbursed. The capitalization of the stock market reaches 63 percent of the Gross Domestic Product (GDP), the highest level so far. The foreign indirect investment sharply increases (Thao, 2015). Vietnam Report’s findings from Vietnam enterprise community also demonstrate the chance and potential of improvement in enterprise’s production and operations in particular and Vietnam’s economy in general. More than 76% responded enterprises say that they plan to expand their business in 2016, 22% enterprises keep their operations as usual, and only 1.7% enterprises will shrink their business size compared to that in 2015 (Vietnam Report, 2016).

EXPECTED PLAN OF ENTERPRISES IN 2016



Nguồn: Khảo sát Doanh nghiệp do Vietnam Report thực hiện, T1/2016
 Source: Survey of enterprises conducted by Vietnam Report, Jan 2016

Figure 5-6 Expected plan of enterprises in 2016 | Vietnam Report, 2016

5.1.4 International Agreement and Government support

Vietnamese government has supported various policies to encourage enterprise and foreign investment in recent years. However, certain industries such as financial services, telecommunications, mining and utilities continue to be subject to restrictions on foreign ownership. There is a hierarchy of regulations in Vietnam, with laws being passed by the National Assembly, and their implementing decrees and circulars issued by the government and its ministries, respectively. A plethora of other legal instruments and guidelines are also issued by various other authorities (PWC, 2015). In 2016, many key free trade agreements are going to come into effects such as Trans-Pacific Partnership Agreement (TPP) (pending), RCEP (Regional Comprehensive Economic Partnership), FTA with the EU and the foundation of ASEAN Economic Community (AEC). This new generation free trade agreements are expected to bring a higher growth rate for Vietnam's economy with bigger investment flow, expanding trade and efficient allocation of human resources (Central Intelligence Agency, 2016).

5.2 SWOT analysis – Opportunities

5.2.1 Young Population and Greater Consumption Demand

With the positive society as sizeable force and favorable demographics, the structure of the young population is a great advantage for the retail market. The more increasingly young population, the greater consumption demand. Young people modernly like shopping at the modern places and utility, especially they spend aggressively (Nielsen, 2016). This will spur the demand for greater choice in various products, different brands, and product categories. The trend of Vietnam's population will be predicted continuously increasing in 2017 (Economist Intelligence Unit, 2014). The customer's opinion has been changing day by day. They pay more attention to quality, brand and appreciate the convenience, 36% of respondents consider the convenience is the most important factor in purchasing decision, then the quality and brand, especially for fresh foods and essential goods (Vietnam Report, 2016). As the data mentioned above, 70% of the population is currently aged between 15 and 64 years, they are the major worker and they can make the decision by themselves (Geun, 2014). This is a great opportunity for the convenience stores.

5.2.2 Urbanization and Consumer Confidence

The percentage of total population living in urban areas in Vietnam from 2005 to 2015 was increasing. In 2014, 32.95% of total Vietnam population was living in urban areas (Statista, 2016). According to a draft national urban development program proposed by the Ministry of Construction, Vietnam is expected to achieve an urbanization rate of 38% with 870 urban areas by 2016. This is expected to increase to 45% with nearly 940 urban areas by 2020 (Ministry of Construction, 2016). Most modern trade players focus initially on setting up in urban areas, such as in and around Hanoi and Ho Chi Minh City, making access to such modern retail formats easier for the urban population than for their rural counterparts. With increasing urbanization, the modern retailer and modern channel as convenience store chains will soon have greater opportunities to extend its reach into previously untapped markets (Athanasopoulos, 2000). Moreover, the latest Consumer Confidence Index in Quarter II dropped by 2 points from the previous quarter to 107 points, released recently by Nielsen Vietnam, a leading market research company (Nielsen, 2016). Despite the fall, Vietnamese consumer confidence is still at a high level, with the country the 7th most optimistic across the world, Nielsen stated. Especially, people nowadays pay attention to the quality and origin of goods, it makes the more chances for multinational retailers because of high competition. High consumer confidence index also shows strongly decision in purchasing of Vietnam consumer in comparison to another country (Nielsen, 2016).

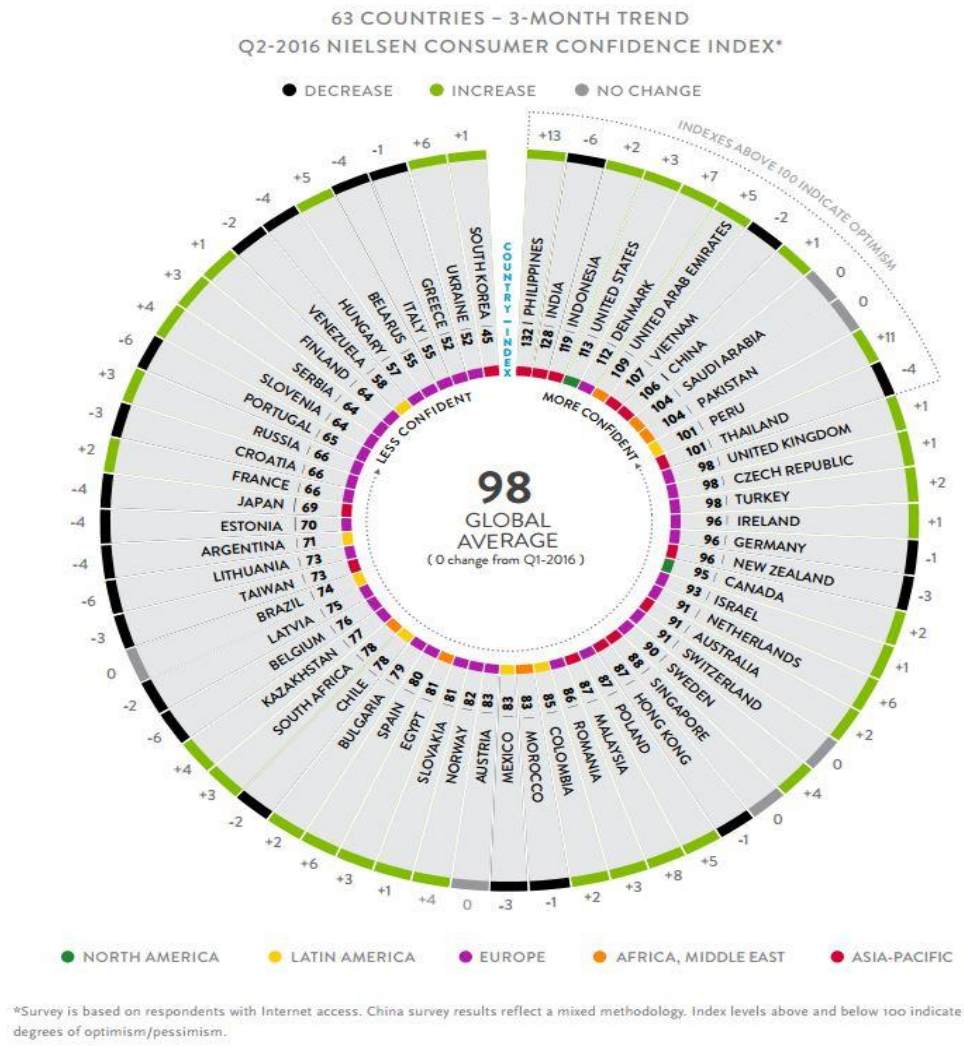
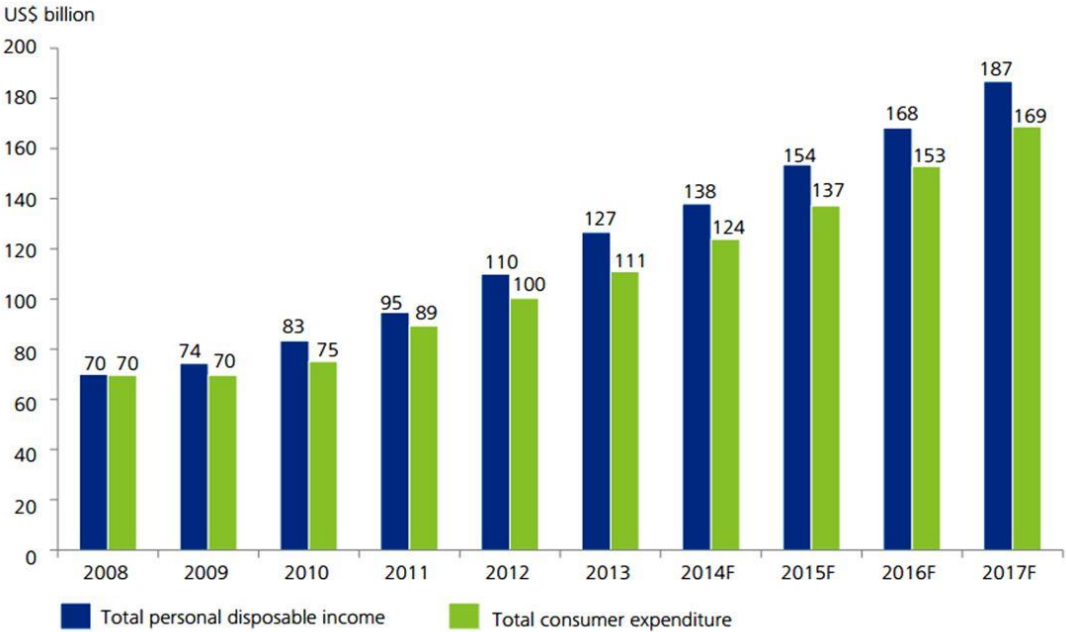


Figure 5-7 Vietnam Consumer confidence | Nielsen – Quarter 02/2016

5.2.3 Consumer Income Increases

Because of stable economic development, Vietnam total consumer income tends increasingly. Income decides the consumer's purchasing power, thus the more increasing income the more opportunities for business and convenience stores. Rising incomes mean the purchasing power will be increased (Nielsen, 2016). In the last decade, the disposable income in Vietnam has increased significantly, and is expected grow continuously. According to Economist Intelligence Unit report about Vietnam's total personal disposable income and total household consumption, 2008 - 2017F, Vietnam has a total personal disposable income of US \$154 billion and total consumer expenditures of US \$ 137 billion in 2015 (Economist

Intelligence Unit, 2015). Total personal disposable income is expected to the US \$187 billion in 2017, the increase in income will lead to a subsequent rise in purchasing power and growth in consumer retail spending.



Source: Economist Intelligence Unit

Figure 5-8 Vietnam’s total personal disposable income and total household consumption, 2008 – 2017F | Economist Intelligence Unit

5.2.4 Legal Policies and Quality competition

Any given change in the policies of Vietnam's government will bring both opportunities and challenges to retailers. Under the WTO agreement, Vietnam allows businesses with 100% foreign capital will be set up from January 2015 (Nielsen, 2016). It leads to the entrance of more and more foreign retail outlets such as 7- Eleven has already signed contract to open convenience store chain in Vietnam from July 2015. Other internationalization trade agreements such as TPP (Trans-Pacific Partnership), FTAs (Free Trade Agreements), ENT (Economic Needs Test), they support many opportunities for global and regional multinational retail giants entering Vietnam market (Geun, 2014). Moreover, the consultant of retail market identify some opportunities can be observed such as the space of market, the customer's attention on explicit of food resource and food safety, the convenient

criteria will be preferred by the consumer. The traditional distribution channels do not commit qualification and develop spontaneously, the modern distribution channels such as supermarkets, hypermarkets need larger investments and ground (Geun, 2014). Therefore, this is an opportunity for convenience stores to fill the gaps in the current retail market. Besides, in the present, people also want to save time and prefer services integrated, convenience stores are appreciated with their utility and nearby space (Nielsen, 2016).

5.3 SWOT Analysis – Weaknesses

Weaknesses are the organization's own incapacity that makes it less competitive towards its competitors or less likely to bring it successfully (Thu, 2015). Although the government tried all the efforts to stabilize macroeconomic over the last years, there have several outstanding weaknesses that make challenges for convenience store development in Vietnam. Public debt has accounted nearly 64% GDP in 2015 (Geun, 2014). Bad debt and public debt together with macroeconomic imbalances such as budget deficit and trade deficit are potential risks not only for the economy but also for foreign investment in Vietnam (Vietnam Report, 2015). As the survey of Vietnam economic prospect and growth report 2016, there are some weaknesses as external barriers and internal barriers to the growth of enterprises in the past three years 2012 – 2015:

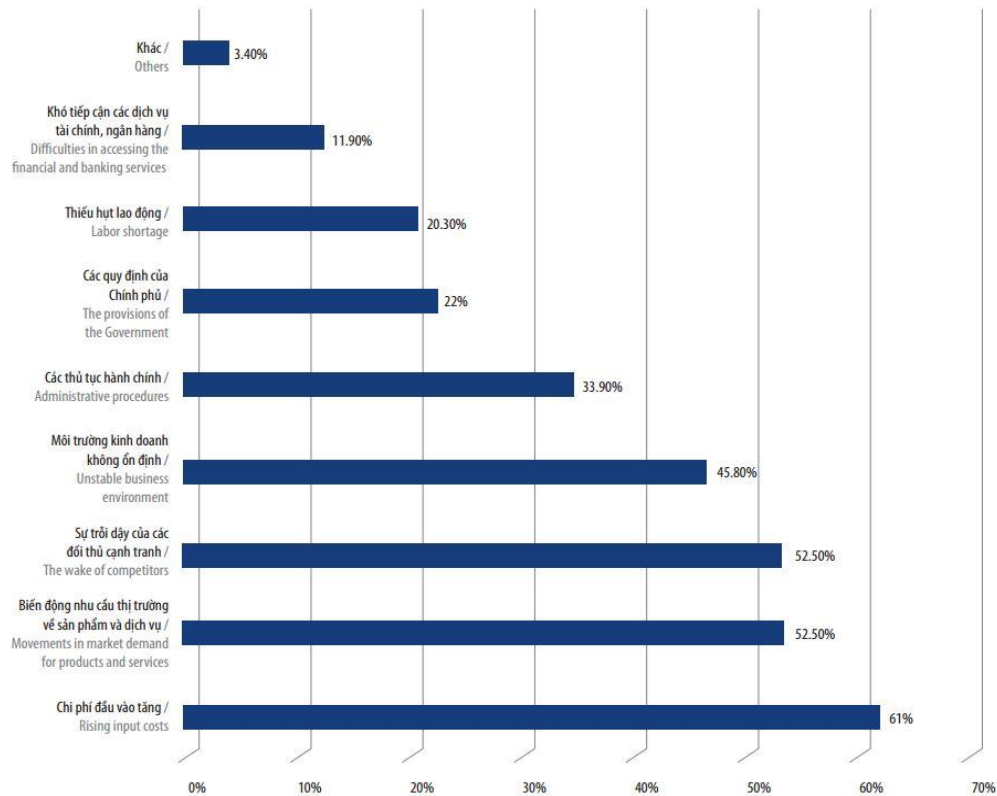


Figure 5-9 External barriers to the growth of enterprises 2012 – 2015 | Vietnam Report 2016

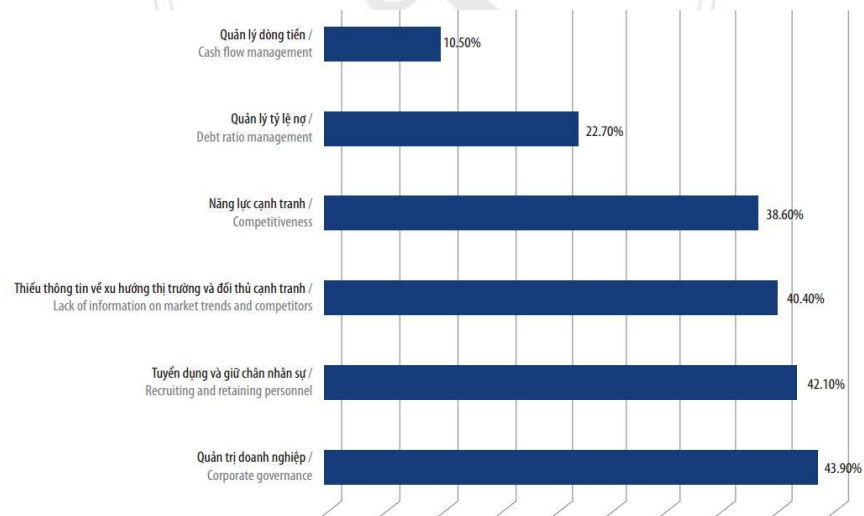


Figure 5-10 Internal barriers to the growth of enterprises 2012 – 2015 | Vietnam Report 2016

According to this survey, Rising input costs (61%); Movements in market demand for products and services (52.50%) and the wake of competitors (52.50%) are some external factors impact to the growth of enterprises in Vietnam market. As mentioned above, despite

the economy development, the market is still influenced by the unstable business environment as bad debt or public debt. Administrative procedures (33.90%) are also a long-term weakness which impact to the foreign investment and retail development. Moreover, Corporate governance (43%); Recruiting and retaining personnel (42.10%); Lack of information on market trends and competitors (40.40%) are several internal factors influenced on the enterprise's growth (Vietnam Report, 2016). Several weakness issues make enterprises in the retail market at low development level in terms of technology, management capacity and labor expertise (Hong Nga & Hai Au, 2015). The more weaknesses, the greater challenges not only enterprises but also convenience store must confront.

5.4 SWOT Analysis – Threats / Challenges (WT)

5.4.1 Consumer Behavior

Although Vietnam has high consumer confidence index with 107 points as a recent Nielsen report, consumers in the region are the world's most avid savers, with 68 percent of those interviewed putting their spare cash into savings. In Vietnam, 76% consumers save some of their income, followed by Indonesia (70%), Philippines (65%), Malaysia and Singapore (63%) and Thailand (62%) (Nielsen, 2016). The Vietnamese consumer is prudent, prefer to save money rather than spend. Vietnamese customers still prefer to shop in the wet markets and grocery stores which called traditional trade outlets (Geun, 2014). As a behavior, every early morning, they would like to go to a wet market and choosing some fresh foods for each meal and homemade cooking (Central Intelligence Agency, 2016). Convenience stores can be opened 24 hours which is considered a strategy marketing of convenience store chains in Taiwan. However, in Vietnam, it wastes the fixed cost and labor (Nga & Au, 2015). Vietnamese consumers are interested in being served instead of self - serviced, they also prefer heated food rather than fast food so that they like eating on the sidewalk kiosks or the restaurant rather than in convenience stores. Some inherent behaviors make troubles to the retailers to change customer behavior when they have planning to open convenience stores in some placements (Deloitte, 2014).

5.4.2 Price in Convenience Store is Higher Than Grocery

Vietnam's GDP per capita in 2014 reached \$2.052, 21 times compared to 1990. However, it is considered an equivalent of the average Malaysia's GDP in 1988, Thailand's

GDP in 1993, Indonesia's GDP in 2008 and Philippines GDP in 2010. In 2014, Vietnam's GDP per capita is compared to Indonesia only 3/5; 2/5 with Thailand and 1/27 compared to Singapore (Vietnam General Statistic Office, 2015). Despite its rapid development, Vietnam's GDP per capita (purchasing power parity) remains lower than many of its counterparts in Southeast Asia. It makes the consumers tighten their belts and decrease expenditures (Nielsen, 2016). They become more price - sensitive and prefer to purchase reasonably priced products instead of premium items. Pricing has also been ranked as the most important factor for purchasing decision (Minh, 2016). Available products in convenience stores are considered with higher price rather than in wet market or groceries. That is a headache issue which the convenience store owners must compute between cost and benefit to compare with the groceries (Geun, 2014).

5.4.3 Competition Problem and Retail Infrastructure

Vietnam's retail market has many types of different retail business as mentioned above and the convenience stores must militant with the other competitors such as supermarkets, hypermarkets, commercial centers, grocery stores, wet market (Thao, 2016). The development of other retail distribution channels also impacts the operation of convenience stores. However, the big challenge for setting up the convenience store chains in Vietnam, there are many groceries spread every corner. Consumers do not need to go too far to buy essential products while the price is cheaper if they buy it in one grocery nearby (Thu, 2015). Moreover, they also create intense competitive between foreign retailers and internal retailers.

5.4.4 Legal Formalities and Trade Barriers

Some legal policies are agreed to allow the foreign retailers enter the Vietnam market and set up their first retail outlets with relative ease. However, the opening of subsequent convenience store chains requires the permission of the local departments of industry and trade (Minh, 2016). The second store can be opened or not which must base on a set of considerations to get the license. The global retail brands 7-Eleven currently has over 56 400 worldwide. 7-Eleven starts to set up in Vietnam from 2009, but until July 2015 it is a reality (Deloitte, 2014). This also marks the appeal of the Vietnamese retail market for major brands around the world. On the other hand, Vietnam government has maintained this mechanism as a necessary measure to protect the interests of domestic retailers against foreign competition.

5.4.5 Integrated Services and E-commerce Shopping Stimulation.

Actually, the retail industry such as convenience store chains is a technology-intensive industry (Nga & Au, 2015). Retail technology not only includes the traditional sense of the IT- technology but also includes commodity management, marketing, technology, location technology, personnel management arrangements, operation systems, inventory management (Thu, 2015). That is the reason why the scientific and technical platform is important to developing convenience store chains and integrating E-commercial into providing services (Geun, 2014). Convenience stores is a modern type of business, suitable for being located in where has civilized lifestyles, modern and dynamic (Christopher & Wirtz, 2011). In Vietnam, there are many troubles to expand the convenience store chains such as lack of scientific and technical platform, unsustainable economy, low - living standard, high inflation rates (Thao, 2015).



CHAPTER SIX

DISCUSSION AND CONCLUSION

Nielsen report was published to predict convenience stores will play a larger role in retail landscape in the next years (Nielsen, 2016). Other documents also mentioned that convenience stores have a flourished developing period in Vietnam. Some remarkable things such as: Vietnam customer behaviors have been changing day by day; High qualified product and food safety are attracted by consumers; The utility criteria and saving time will be preferred; The strongly investment from giant foreign retailers; The intense competition of local enterprises in developing convenience stores will make Vietnam's retail market more dynamic. The government's policies and the international agreements will create the positive changes for expanding convenience store brands in Vietnam.

6.1 Discussion

6.1.1 Vietnamese Shopping Behaviors Have Changed, The Utility Criteria and Product Quality will be Appreciated.

This is a positive signal for developing convenience store chains. They trend to get everything in one store, “convenience is not a storefront, but rather a way of life” (Ryan, 2015). Wet markets and traditional trade stores, meanwhile, remain the preferred retail channels for Vietnamese shoppers, according to the report. These traditional areas of shopping, however, are under threat as consumers shift away from them, with both declining in 2014 compared to 2012, at 5% and 17%, respectively (Nielsen, 2016). Visit frequency also fell. The market share of traditional trade will be predict to continuously decrease reach to 43% in 2020 according to the Nielsen Retail Index. Customers prefer shopping in the modern market rather than the traditional market not only in Vietnam but also in every Asia's developing countries (Nielsen Retail Index, 2016).

According to Nielsen Retail Index, 57% market share of retail market is predicted belong to modern channels, compare to the traditional distribution channels are 43% in 2020 (Nielsen Retail Index, 2012). Several interviews also prove to the huge ambition of some convenience store leading brands in Vietnam. Mr. Le Khac Hiep, Vice President of VinGroup said that VinGroup with a plan to develop 100 supermarkets, 1000 convenience stores (VinMart) till 2017, the ambition creates jobs for 20.000 Vietnamese labor. Not only VinMart,

Citimart has its strategy “not only stop at supermarket but also open small-format stores, minimart to explore all market segments” (Tam, 2016).

Similar to Japan and South Korea, Vietnam also places a high premium on quality and food safety, but health scares have made the issue even more prominent across the region. At the end of 2012, Vietnam has about 125,000 new cases of cancer in Vietnam every year and over 73 percent of them die, one of the highest rates in the world (Cancerindex, 2012). It gives the serious warning for people in Vietnam. Customers orient their attention to the resource of products. Rice noodles contain formaldehyde, banned pesticides in vegetables and fruit, and toxic soy sauce, consumers have become increasingly concerned about health and food safety, and especially so for child health. This has resulted in a preference for foreign goods, as Vietnamese consumers tend to perceive domestic products to be of lesser quality (Deloitte, 2014). Although products are provided from convenience stores not totally perfect for health, the consumers can believe in the professional process management in importing and supplying goods. The government can control and prosecute of criminal responsibility to the stores which do not guarantee food safety index.

6.1.2 E-commerce and Services Convenient Integration

E-commerce and services convenient integration become the new trend of Vietnam market. According to Troy (2002), he referred the core benefit of the Internet is "Convenience" both of time and space (Troy, 2002). As in Taiwan, in order to connect directly to consumer 7-Eleven Taiwan had set up a website and started to plan combination between E-commerce and their operating system, change their marketing division by using the internet to stimulate customer purchasing. Taiwan is successful in applying E-commerce and IT platform into shopping stimulation, some exceptional services are used such as QR Code mobile shopping; E- greeting card; In-store graphic ordering terminal (GOT); customer friendship card (Hsu, 2006).

Vietnam is also on the way to update this trend and apply E-commerce into improving customer's purchases. According to a research of Simon Kemp (2016), with the population over 94 million inhabitants, there are 47.30 million active internet users and 35.00 million people have their own social media account (Simon, 2016). Until 2016, Vietnam has 29.00 million people frequently access the internet by using the mobile phone (Simon, 2016).

A research from Q&Me Asia Inc presented that 83% respondents always searching information online and they tend to compare choices before making a decision. The data show that the more device they have, the more time and frequently they spend to access the internet (Q&Me, 2016). Moreover, the internet development speeds up influent to customer behavior day by day. The combination between E-commerce and Convenience store will be the best choice to stimulate shopping and build up a loyal community in the future (Nielsen, 2016).

6.1.3 The Trend of Confident Investment and Intense Domestic Competitors

The giant foreign retailers become more confident investment and the intense competition of local enterprises in developing convenience stores will make Vietnam become a dynamic destination (Nga & Au, 2015). Vietnam's retail and consumer sectors remain small compared to some of its regional neighbors, amounting to retail sales of just US\$123 billion in 2018 (Hoang, 2015). Nonetheless, the market is growing quickly (averaging volume growth of 7.5% over the next five years) and it has been attracting significant investment interest for foreign firms (Deloitte, 2014).

January 2015 marked the first time non-domestic retailers could take full ownership of commercial property in Vietnam, following commitments made to the World Trade Organization. The foreign retailers trend strongly investment in Vietnam retail market. AEON committed to \$700 million total investment, including its first openings in Hanoi and expansion in southern Vietnam (Vietnam Report, 2016). EMART invested \$60 million in a mall due to open in 2015, with a further \$1 billion planned for 52 malls across Vietnam by 2020. \$875 million is the value of a deal between retail investment company BJC and leading wholesaler Metro (Hoang, 2015). This is also a potential signal for expanding supermarket, convenience stores, and another modern distribution channels. Enjoying this fierce competition, in July 2015, 7-Eleven - the most successful convenience store as a symbol of Taiwan has entered Vietnam market. As planned, the first store will open in Ho Chi Minh City in 2017, three years later, the number of stores will be elevated to 100 and within 10 years, the number of stores will be 1,000 stores (Nielsen, 2016). On the other hand, the internal enterprises have also intense competitions with the experience players. As a result, the number convenience stores has been dramatically boosted to record more than 850 outlets in 2015 (Euromonitor International, 2016).

The government supporting and international agreements also impact to the development trend of convenience store chains in Vietnam. According to the planning of the Ministry of Industry and Trade, until 2020 Vietnam will have about 1200-1500 supermarkets, 180 commercial centers and 157 shopping centers (Vietnam Trade Promotion Agency, 2015). The numbers are shown that Vietnam's retail arena is likely to witness intensified competition and become potentially. Moreover, some new trade agreements with Japan, Korea and the other countries that make up the Association of South-East Asian Nations (ASEAN) look set to support further growth for international retailers in Vietnam (Euromonitor International, 2016). In the future, the more facility opportunities, the more increasing convenience stores can get (Geun, 2014).

6.2 Conclusion

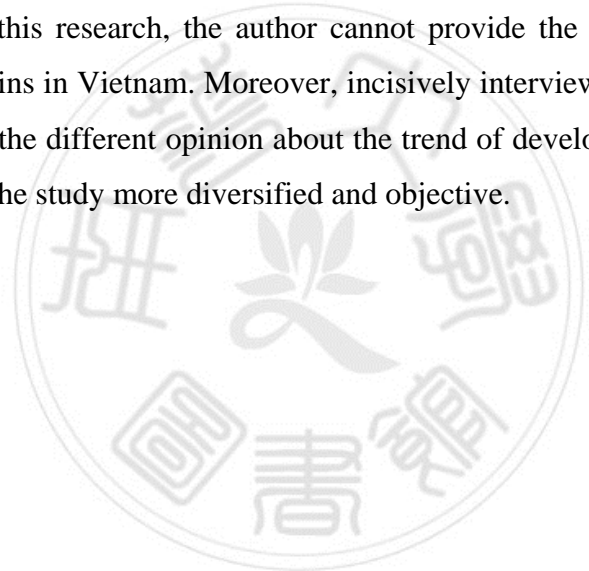
Originating from the first exciting experience to arrive in Taiwan: 7-Eleven is everywhere, this strongly motivate the author to research about Taiwan retail market and the secret of 7-Eleven's success. Furthermore, a giant issue always haunts me during the time research while Taiwan fast caught up with the consumption shifting trend from the traditional market to the modern market. Vietnam's retail market is chaotic with the fierce competition of the various retail channels. Immediately, convenience stores are chosen as a highlight to analyze and 7-Eleven is a specific case study. All the research process shows that the comprehensive overview of Taiwan and Vietnam retail market are drawn by some collected data. From this, the stormy development of Taiwan convenience stores is considered as an important remark. During analyzing 7-Eleven case study to get the deepest observation about what strategies make 7-Eleven successful, the core values have been learned to apply in Vietnam. The opportunities and challenges of developing convenience store chains in Vietnam are also discussed. Although there are many supporting components to the retailers, the convenience store cannot expand widely in this year. Economic growth rates, inflation, consumer price index, culture, behaviors, legal policies, fledgling infrastructure...are absolutely factors effect to convenience stores development.

However, looking ahead some data collection in several years about the trend of Vietnam retail market, this research not only appreciates the potential signal but also believe in consumer perspective changing from the groceries to convenience stores. Vietnam has more

than 93 million people with fast speed population growth will become an attractive retail destination. This research is realistic outlook for the foreign retailers or internal enterprises who can consult and get the first view before investing convenience store chains in Vietnam.

6.3 Limitation of Research and Recommendation for Future

The scarce literature on Vietnam convenience stores and their competitiveness in the Vietnam context are the limitation of this research from finding the relevant theoretical information. However, literature reviews and case study analysis also support to complete the research arguments. Furthermore, the suggestion to develop convenience store should be discussed in the next study. Giving solutions must deeply understand how to operate a convenience store and be sensitive to every change of Vietnam retail market. That is a reason why in the scope of this research, the author cannot provide the solution to expanding the convenience store chains in Vietnam. Moreover, incisively interviews should be applied in the future research to get the different opinion about the trend of developing convenience store in Vietnam. It will help the study more diversified and objective.



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