

7-Eleven Is Reinventing~

Rice balls.

Look at that.

Michelin-type of ramen.

Collaborations with famous restaurants like Santouka.

Milk tea.

This is 7-Eleven in Japan.

But in the US, the company is more known for

Slurpees and hot dogs (than -).

It's just not as appealing (as 7-Eleven in Japan).

My perception is people go in there when they need to.

↑(that) ↑?

The world's largest convenience store chain

has over 13,000 locations in North America alone

and made over \$72 billion in sales / last year.

But now, it's working to bring more Japanese inspiration to its American stores.

Convenience stores have historically made their money (by) selling tobacco and gas.

But now, as cigarette sales continue to decline and many expect gas sales to slow, many are racing to find other sources of revenue and doubling down on food.

But shifting a business this massive is a major undertaking. ↑(that is)

This is the economics of 7-Eleven.

7-Eleven started as an American company,

but it went bankrupt, twice.

Once in 1932 during the Great Depression, and again in 1990 as it struggled with debts.

7-Eleven is now owned by a Japanese company, Seven & I Holdings.

A majority stake was bought by Ito Yokado, a Japanese supermarket chain that had been operating 7-Eleven stores in Japan /for more than a decade.

From the beginning, the Japanese owners said (that) American 7-Eleven, both its central operations and its franchises, had a lot of catching up to do.

The Japanese model was a lot more **data driven**. They would pour over / what sold well at what time of day,

break it down by gender and age,
and use that to inform their next order decisions.

The American system just wasn't as **sophisticated** as that.

There were some major differences between US and Japanese 7-Elevens.

The US stores were typically larger and attached to gas stations.

The Japanese stores didn't sell gas,
but had a much wider array of **fresh food**.

Japanese stores only stocked items that would sell quickly.

They had a proprietary distribution system that made multiple shipments to stores every day.

Orders were customized by store based on sales data, demographic trends, and local weather forecasts.

American 7-Eleven stores were getting two deliveries per week,

and some items were never being purchased.

When American operators began counting items in their stores, some found that 40% of their products were selling less than one unit per month.

Now American 7-Eleven has its own distribution system where franchises place orders every day based on company recommendations of what's selling nationally and regionally and their own store data.

They're making decisions every single day on what they're going to order based on what (they understand) the customer wants to purchase, what new items are going to be made available. ?↑

(they will make what new items available
→ what new items will be made available by them)

One of the most interesting lessons that we learned from 7-Eleven Japan is their approach to operations and to retailing, which they call tanpin kanri.

(One is their approach / they call it tanpin kanri

One is their approach, which they call tanpin kanri)

And tanpin kanri is basically this idea that we localize our assortment to the needs of customers.

(The idea is that you sit here, put your legs under, and there's also an heater going here so that your feet get nice and warm.)

We actually help our stores (to) localize their assortment

so that they have the right balance of a consistent assortment of products that consumers and customers would expect to see nationally, as well as items in the assortment that are perfectly appropriate for a given store's location.

This is especially important when it comes to food. Seven Eleven Japan is known for its wide array of meal options.

You're not gonna believe the choice of food in a convenience store.

American 7-Eleven also has a big food and beverage business.

In total, it sold over \$17 billion of food last year, about 24% of its overall sales.

That included 315 million cups of coffee, 153 million Slurpees, and 99 million slices of pizza.

But next year, it hopes to make one third of its sales from store brand goods, including food up from less than one quarter in 2022.

That's particularly important, given shifts in the convenience store industry.

So if you think about what convenient stores sell, there's fuel, there's tobacco products, and there's food and snacks.

Gas is already a low margin business and it's at risk long-term if electric vehicle adoption increases over time. (adapt / adopt)

Tobacco (is) very profitable, but people are smoking less.

Food, though, is a category where demand just isn't going away.

So for convenience stores, it makes sense that they would wanna double down on that.

7-Eleven, it currently has 17 so-called Commissaries around the country that make food for all of its US locations.

Now it's working on upgrading them.

It's partnering with Warabeya, a supplier for Seven Eleven Japan, to spearhead the effort.

Warabeya's new factories in Hawaii, Texas, and Virginia can make a wider and more localized range of food than 7-Eleven has been able to stock in the past.

Things like being able to cook rice en masse, new protein capabilities, **all which helps** 7-Eleven (to) introduce new types of products *in the food area* to our customers.

We recently **launched** a product **that**'s a spicy miso ramen soup, **not something** (**that**) you **would** typically **think about** being sold at a 7-Eleven.

It's adding a lot of **items** to its menu.

The main question is how many customers will buy them.

And this is (**the place**) **where** **data comes** into the question.

When **customers come** into our stores, **they're** *in an immediate consumption mindset*.

Capitalizing on this is a key priority for the company, and it plans to use its massive data operation to do it.

American 7-Elevens **monitor** daily sales, and for loyalty members, they **collect** demographic information on **who's buying** what.

The company's loyalty program has 95 million members.

Building on that, the company's investing in targeted advertising /on screens and TVs /throughout stores.

That's to spur impulse buys.

It helps not only 7-Eleven, but also our advertisers, our vendors, to target our customers at the point of purchase.

So for example, *in the morning*, we **may target** our customers with a message around a hot cup of coffee and a donut.

Whereas *later in the day*, we may target our customers with an advertisement **that's** around a snack and a beverage from our cold vault.

And for potential customers **who aren't at the store**, there's **delivery**, (**which is**) the fastest growing part of the company's business.

It's highly profitable for the company **since delivery orders tend to be for about double the amount of in-store purchases**.

How **the brand's grown** for nearly a hundred years starts with **what's the customer want**, **where do** we think **they're going**, and **how do we meet them where they're going**.

A big question is **whether American customers will match the enthusiasm** (**that**) **7-Eleven sees in some of its other markets**.

*In Asia, I think there is so much excitement around convenience stores and the types of food and snacks (**that**) they offer.*

So if they can bring even a little bit of that excitement to the US,

We're gonna get some musubis,

That would be a great success.