

Marketing Strategy of Non-Franchise Convenience Stores in Silang, Cavite, Philippines

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The principal purpose of the present study is to investigate a marketing strategy for non-franchise convenience stores in Silang, Cavite, Philippines based on the four Ps of the marketing mix: product, place, price and promotion. Convenience store in the study sells items such as candy, ice-cream, soft drinks, video media (CDs/DVDs), cigarettes and other tobacco products, newspapers and magazines, along with a selection of processed food and some groceries. Women dominate the bulk of daily customers who frequently visit the stores for groceries. Male customers came mostly to rent videos. All these customers came from large households and had been patronizing the store for the past two (2) years. The product diversification was weak, and although the product quality was considered satisfactory, customers find it compensating to have their items bought from the convenience stores near to them. However, there were not enough space within the stores, and their style of promoting the products and services were only by chance and word of mouth. Competitive environment holds overall business strategy.

Keywords: Convenience store, marketing strategy, retail business, 4Ps

INTRODUCTION

The production of goods and services stems from a need or want for those goods and services. Rayport & Jaworski (2004) argue that before a need or want is satisfied there must be a requisite exchange process of developing and producing various kinds of valuables. Yet production is just the beginning of the process of fulfilling the needs or wants of customers. Goods and services have to go through the distribution phase before reaching the final end user (Burke, 2002). In order to deliver products and services to customers, an exchange process is needed. In order to facilitate the exchange process in any business operations, marketing is necessary (Chen & Cheng, 2007). Organizations which are involved in carrying out the various functions of the exchange process include the wholesale and retail traders. Whereas wholesaling deals with selling activities for resale or business use, retailing includes selling goods and service to final customers for their personal non-business use.

The convenience stores under study are small mini-marts that have grocery sections

comprising an array of everyday household products and food items; a cold storage for frozen foods; and some of them have a section for video rental, gifts, and cards. These goods take a load on the store for regular daily inventory. Like other stores these merchandise are being offered so customers can compare what to buy for consumption and can therefore offer much more products (Burke, 2002; Grewal & Levy, 2007). Meanwhile, any business venture whether it is micro or large in commercial scope challenges on establishing a profit-based retailing business presents some invaluable considerations toward its nature, including but not limited to responsibility in community development (Carrón et al., 2006). The mobility of workers, the creation of new types of stores, and the concern of customers about inflation and price increases are only a few factors that can undermine the success of a store almost overnight. The entry of more competitors in the marketplace carrier the risk of taking away customers of existing businesses, not only local but international chains of stores also (Bailey, 1998). For this reason, a retailer needs sound marketing

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strategies that can be transformed into a marketing program. The objective of the study was to develop a marketing program for convenience stores. The program should be centered to the four elements of marketing mix not only for retail but for the overall production of store business (Stan et al., 2003).

METHODOLOGY

The study utilized a descriptive research design, the purpose of which was to capture the relevant information that surround marketing strategy practice by the non-franchise convenience store and to obtain the respondents' perception of the marketing strategy with regard to four Ps of marketing mix. The source of information used in the study was a survey questionnaire administered to the employees of respondent non-franchise convenience stores in Silang, Cavite, Philippines. The questionnaire was structured based on the four (4) Ps. The distribution and collection of questionnaires took place in April and May 2010.

Empirical Results. The convenience store manages its retailing business that fits the description of a modern convenience store. At first, it was only a small grocery store with a limited range of products. As years passed, the business prospered and expanded into a convenience store with products similar to, and competing with, a small supermarket.

Store Operations. The major components of the store's operations are according to the framework of marketing mix: the product mix, pricing, promotion, and place (Topcu & Uzundumlu, 2009).

Product Mix. Product mix is a component of marketing geared toward attracting all levels of customers. It concerns the product assortment of the store, the purchasing activity, and the inventory method. Each of these elements is important to provide the best quality products to customers (Burke, 2002).

Product assortment is basically chosen for its considered conducive location which

is on the main section of the store: the grocery section and the video rental section. The grocery section contains the major proportion of products. The products do not fully cater as to the perceived known brands or uses of the family, hence one can find a limited variety of brands for many product lines; for example baby food, dairy products, snacks, and canned foods. Yet product limitation should not deter the store in developing other sections or product offering. This should instead give another way of discarding unnecessary stuff so other products can be offered (Grewal, Krishnan & Mullikin, 2008).

On the other hand, fresh vegetables, frozen food, and eggs are displayed in a cold storage area, where customers can walk by the frozen glassier of food-based products and pick what they want. Also a section for household cleaning and maintenance items was located near the store area. A few beauty products are also available which are stacked on the shelves, and customers can pick up and handle the products before buying. Each item has a price tag attached. Some of the shelves are labeled so that customers can read what products are being offered. However, other shelves are not labeled and this will confuse other customers on how to immediately figure out the price the merchandise offered (Tedeschi, 2006).

For the video section, there is a counter where one or two employees would serve the customers. The tapes are displayed on shelves placed against the wall, behind the employees. Customers can check the titles or so request any of the employees to hand them the tapes they want. Also a television was placed by the corner just high above the shelves so customers can see excerpts of the film they are going to rent. A few gift items and some school supplies are also offered. Study showed that this is a good value-added service to customers while inside the premises of the store, because they can also be entertained while shopping (Levy & Weitz, 2007; Burke, 2002).

As with other business enterprise, purchasing activities are important that such activities determine what is available for

sale. The convenience store has only one employee responsible for purchasing which is usually done once monthly. For supplies of vegetables, as soon as the last stock item is sold, new stock is brought in to replace it. For these items, there is no systematic time period to replenish regular inventories. Therefore inventories and purchasing should be systematically managed (Chen & Cheng, 2007).

There has been considered an established supplier chain for the convenience store. Store suppliers are located in different areas and have been trading with the stores for over six years now. The payments for purchases are on either a cash or credit basis. For some items, the vendors deliver the goods to the store, but for other products, the owner uses a van to pick up items. For the grocery section, because of the quantity bought, the store usually benefits from cash discounts and other advantages. For the video and gift section, the owner does the purchasing and keeps a low inventory, because of the low turnover. This flow of supplier relationship has been in effect and can be a factor to greater returns of profit (Grewal et al., 2006).

Inventory method depends on the categories of the goods the store carries, which is basically a good move toward retailing business (Grannis & Krugman, 2006). Generally, the store carries two major categories of goods. One category includes everyday items where a large inventory is kept because of the high turnover. For gift and luxury items, the store keeps a low inventory. The storage area is a room at the back of the store. Although small, the room is enough to store the inventory needed. Every year an inventory is made of merchandise. The two individuals responsible for inventory are the purchaser and the bookkeeper. The inventory on hand is counted and registered. The inventory book value is done on a first in, first out basis (FIFO).

Price mix. Two elements comprise the price mix, namely: pricing strategy and bookkeeping method.

Pricing Strategy. The store seems to pursue a low pricing strategy, thus offering a lower price than other shops close by. However, this is not the case for other products. For example, dairy products have a higher price than the other stores. Customers make their purchases strictly on a cash basis. The products are generally priced with a markup of 5 to 7 percent. A systematic use of pricing shall really help profit management of any business (Bolton, Grewal, & Levy, 2007).

Bookkeeping Method. The books are kept in accordance to the standard accounting system. Entries for sales and purchases are recorded from the cash register everyday. At the end of the month, the accountant prepares a record of the balance in each account and prepares the financial statements.

Promotion. The marketing mix for promotion and service has two parts, namely: promotion and personnel.

Promotion. The store management has done only one formal advertising campaign, at the beginning of the business, to inform the public of the store's existence. However, as years passed, management seems to rely on chance and word-of-mouth to inform people about the store and the products offered. These and any other way of promotion shall be studied and implemented if found beneficial to the company (Watson & Morris, 2002).

Personnel. About eight (8) to thirteen (13) employees (mainly young people) compose the store personnel. These workers are trained at various tasks within the shop. Some are salespersons while others are in charge of the bookkeeping, purchasing, inventory, and other tasks. Every employee has one day off during the week. In order to make sure that somebody else can fill in during an employee's absence, a number of employees are trained to do two (2) or three (3) different tasks in the store. There is no systematic period of time for rotating the employees to the different tasks. The shift in

task comes as the need surfaces. Further, about half of the employees have been on the job for less than two years. The work atmosphere is usually pleasant, and the employees seem to like their jobs. The owners come to the store once or twice, weekly. During days when the owners are absent, the accountant supervises the employees. These and other business structures employer-employee relations can greatly affect to customer retention that should be considered by store owners with utmost care (Wallace, Giese & Johnson, 2004).

Place. The store serves mainly the people living in the residential area where it is located. The selling hours are from 6.30 am to 7.00 pm. Average customers are 50 to 75 per day. Most of them are women. The video rental service attends to the needs of about 15-20 customers per day, majority of whom are male. Of the total number of customers, 50-60 percents are regular patrons; the rest visit the shop only once in a while. The store serves more customers on week-ends and Fridays. The store has a self-service system therefore customers are left on their own to pick what they want. Usually, there is little interaction between customers and employees. The two (2) to five (5) checkout counters stand close by the exit door. During peak hours, two (2) cashiers are needed to serve the customers, but during non-peak hours, one cashier is enough to handle the task. Scholars found that time and place should be equated systematically so employees would not find it difficult in adjusting work days, and customers would be benefited due to accessibility and the convenience of having customer-focused service the store offers (Bhote, 1991; Chen & Cheng, 2007).

Challenges and Future Plans. The store owners are conscious of the space problem, but have not presently been able to solve it satisfactorily due to the structure of the building. Despite this problem, the store manager believes the business can still run smoothly if better supervision of the employees would be maintained.

The store manager is also aware of the competition the convenience store faces. Indeed, there are other supermarkets and convenience stores in the area that offer similar products. Also, there are other video centers in the town.

Because of the challenges faced, the future plan of the store is two-fold. First, the store manager wants to keep offering quality products to customers and retains them as much as possible by offering good quality service. Second, the manager plans to add another wing to the store area in order to provide more space and ventilation and to offer more products catering to the needs of various customers. This shall help build a better shopping place for small- and medium-scale shoppers (Grewal & Levy, 2007).

CONCLUSIONS

The principal purpose of the present study is to investigate a marketing strategy for non-franchise convenience stores in Silang, Cavite, Philippines. The convenience stores in Silang manage their retailing businesses to fit customers' requirements of modern convenience stores. Product assortment is basically chosen for its considered conducive location which is on the main section of the store. As with other business enterprise, purchasing activities are important that such activities determine what is available for sale. . The payments for purchases are on either a cash or credit basis.

The stores seem to pursue a low pricing strategy, thus offering a lower price than other shops close by. One formal advertising campaign conducted by the store management at the beginning of the business to inform the public of the store's existence. The stores' workers are trained at various tasks within the shops. Some are salespersons while others are in charge of the bookkeeping, purchasing, inventory, and other tasks. Every employee has one day off during the week. The store serves mainly the people living in the residential area where it is located.

The stores' managers aware of the competition they face. They want to keep offering quality products to customers and retain them as much as possible by offering good quality services, more spaces, better ventilation, and to offer more products catering to the needs of various customers.

Recommendations. The marketing strategy of convenience store is divided into short-term and long-term plans. The short-term plan is based on the four (4) Ps to help support the long run overall strategy of the store (Levy & Weitz, 2007).

Long-term Plan. According to real estate agents, plans are in place to set up a shopping center with a cluster of supermarkets, and other types of specialty store (including video centers) in the town where convenience stores are located. Because of this possibility, it is recommended that the store manager opts for the position of a market niche. In that case, the store does not need to grow into a big shopping attraction, but just maintain a considerable mini-mart size where customers regularly return to the store because of customer loyalty (Berry, 1999; Topcu & Uzundumlu, 2009). Hence small can be just as profitable as big. There has been an established alliance between the store and its loyal customers, and both parties feel the benefit of it. It is cheaper, and thus more profitable for a retail firm to cater to the needs of its regular customers than to attempt to attract new customers. Loyal customers tend to be less critical of the inconveniences that surface once in a while in the business than the non-regular customers. The store's differentiation strategy could be in the form of personnel and service differentiation, with a personal touch for each particular market segment (Wallace, Giese & Johnson, 2004).

Short-term Plan. Short term plans are classified according to the four Ps:

Product. Product objectives should be reached within two years. The most pressing needs and improvements are stated first.

Some items should be added to the product lines as well as more brands,

Price. Price is one of the elements which generate revenue for the store (Bolton,

especially beauty care products. For the video section, video films, educational video programs, and video games can be introduced or added.

There should never be a stock out of basic items. Basic items are a commodity people will regularly look for (Grewal & Levy, 2007). The gift section needs to be revised and unsold items should be discarded. This section could become a special section for beauty care products for women. More school supplies should be added to cater for the demand in school materials.

The store should promote healthful lifestyle by striving to offer food items which are close to the natural state as much as possible. Food items with food coloring and other chemical substances which are harmful to the body should be discarded (Grannis & Krugman, 2006). Inventory of products should be done every six months instead of annually. This will allow management to check which products have a lower turnover than others.

Place. Within the physical constraints face by the store, the in-door setting can still be improved by a change in the atmosphere. This will help redevelop the store an image conducive to shopping (Grannis & Krugman, 2006).

The products should be neatly displayed on the shelves with only a few units of each item represented. Thus customers can easily see what is available. Some boxes of items from the floor should be removed, especially at corners, to allow more space at these sections. At some sections of the store, where the space is quite narrow, an employee could help the customers to get what they want. This would reduce the movement of customers in those areas.

More fans should be used and measures be taken to air condition the store, especially near the checkout counters. Another wing should be added to allow for more space within the store.

Grewal, & Levy, 2007). Thus, profitability should not be overlooked, but with care

pricing should be systematically studied with regard to seasonal pricing (Rayport & Jaworski, 2004).

The store needs to work on obtaining price discounts and other benefits from its suppliers to pass on to customers. The store needs to install a profitability control to ensure that profits aimed at are being reached.

Promotion and Services. Promotion will help potential customers to know about the store. Services will retain those customers who already patronized the store even in times of great competition (Rayport & Jaworski, 2004; Grewal & Levy, 2007). The store should arrange sales promotions at special holiday seasons, and out of season products (for example, school supplies during school vacation), and use the glass windows to inform potential customers of promotions as they pass by the store. Pamphlets can also be given to customers to promote new products. Demonstrations for beauty and body care could also be offered on special occasions (Bailey, 1998).

A different type of advertising should be used for the two main sections of the store for in-door promotion, for example: scents can be used to advertise new perfumes and species for the grocery section, and new film excerpts can be shown in the video section to promote new films. The store might provide information or learning counter to show and explain the benefits of new products (Berry, 1999). The store might also be open to the public longer hours to help those who cannot get home until late in the evening.

The store might extend credit to its regular customers for basic grocery products. Video films might be ordered in advance by the customers from the best video centers in Manila. Even for other products (which are different from the regular product lines of the store), special orders could be made for customers occasionally. Employees should be carefully hired, trained, and instructed on how to communicate with customers. The store should encourage employees to know every regular customer by his or her name, since customers visit the shop at least once or twice weekly, this should not be difficult

and thus produce benefits to the store (Bailey, 1998).

The store needs to have a system of rewarding its employees' performance for their quality of interaction with customers. Awards and prizes could be given to motivate the employees to improve their communication skills. Care should be taken to give public recognition to the best employees. Skilled employees should be encouraged, through incentives, to stay with the store for long periods of time. Employees are among the store's most important assets (Berry, 1999). An efficiency control needs to be set up whereby the performance of the employees is monitored (Foscht, et al., 2009).

The store also needs to make sure its promotion effort to increase sales (Topcu & Uzundumlu, 2009).

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